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bulletin



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European Association for
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Dear Colleagues,

Our world finds itself confronted with the consequences of recent catastrophic events in Japan and the subsequent butterfly effects. People's revolutions have taken place in Tunisia and Egypt, significantly supported, above all things, by the social network platform facebook. This revolutionary spark spread over most Arabic countries and lead to the abolishment of tyrannies in some places, but to leaders fighting their own people in others. The Euro finds itself struggling with the discrepancy between the European financial and political unification process, but remains one of the world's most stable currencies. In this very instant, where recent financial disasters lead to worldwide doubts about a financial system undermined by a concept of mathematics and predictabilities, the rationality that underlies modern social sciences has obviously failed as ideology.

I cannot help but reflect on a remark by Nassim Nicholas Taleb in his book "Black Swans": "Our inability to predict outliers that imply the inability to predict the course of history, given the share of these events in the dynamics of history". Will 2011 change our perception and approach towards history? Should we go on believing in concepts of historical evidence? Is it actually possible to take advantage of former experiences if we cannot use probability as a tool to understand the present and predict the future? The only thing that is certain is – we do not know!

In situations of uncertainty, the element of risk arises. And if we really can't predict anything, our ability to evaluate, classify and ultimately reduce risk becomes more important. The next question must be then, are we even able to define risk as it is so significantly dependent upon social, cultural, political and historical context? Or "does one have no better predictive value for assessing the total risks than astrology"? In this edition of the Bulletin we will go deeper into the topic of risk, presenting a paper that researches the impact of disaster and the prevention action in the case of the Risk Management of Swiss Re in the Sundsvall Fire 1888.

Leaving apart considerations of how much we can learn from the past in order to predict the future, EABH is delighted to count the **National Bank of Serbia** and **The Kronenberg Foundation – Bank Handlowy w Warszawie SA** amongst its members now. In this edition they will present their institution and we are pleased to give them a very warm welcome and look forward to a fruitful cooperation!

We hope that you all will enjoy reading this edition, get some inspiration and wish you a successful 2011 here on in.

Yours faithfully,
Manfred Pohl

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The Bank of England: Historical Gift to the Bank of Russia

In June 2010, the Central Bank of the Russian Federation (Bank of Russia) celebrated its 150th anniversary. Among the foreign guests participating in the international conference “Central Banks and Development of the World Economy: New Challenges and a Look Ahead” organized by the Bank of Russia there were well-known bankers from the European Central Bank, 45 foreign central (national) banks as well as representatives of the International Monetary Fund, Bank for International Settlements (Basel, Switzerland), European Bank for Reconstruction and Development. Vladimir V. Putin, Chairman of the Government of the Russian Federation, delivered a speech at the conference.

Among the invitees to the celebration was Mervin King, governor of the Bank of England, one of the world's oldest central banks. Mr. King is widely known in the international banking community. Great Britain's chief banker not only held

a highly professional report, eagerly accepted by the participants of the conference, but also acquainted those present with a most interesting historical document that we consider deserving of special attention.

Mr. King brought a small book in a silver cover bearing an engraving “His Imperial Majesty the Emperor Nicolas of Russia” and dated 1895. The document turned out to be an original book of account belonging to the Emperor Nicolas II. The account was held with the Bank of England from 1895 to 1900. On Mr. King's kind permission this unique historical document, kept in the Bank of England's archive, was copied, and its contents will be disclosed to the public.

First of all, the account of Nicolas II shed additional light on the issue of the tsar's foreign assets. After the February Revolution of 1917, Special Provisional Government Committee studied all the accounts of the Ministry of the



Book of account held by Nicholas II with the Bank of England in 1895-1900.

Imperial Court, responsible for the money belonging to the tsar and his family. It was found that the ex-tsars' current accounts contained valuables of 93,5 mln roubles. These funds, as well as lands, palaces and crown jewels were nationalized in 1917.

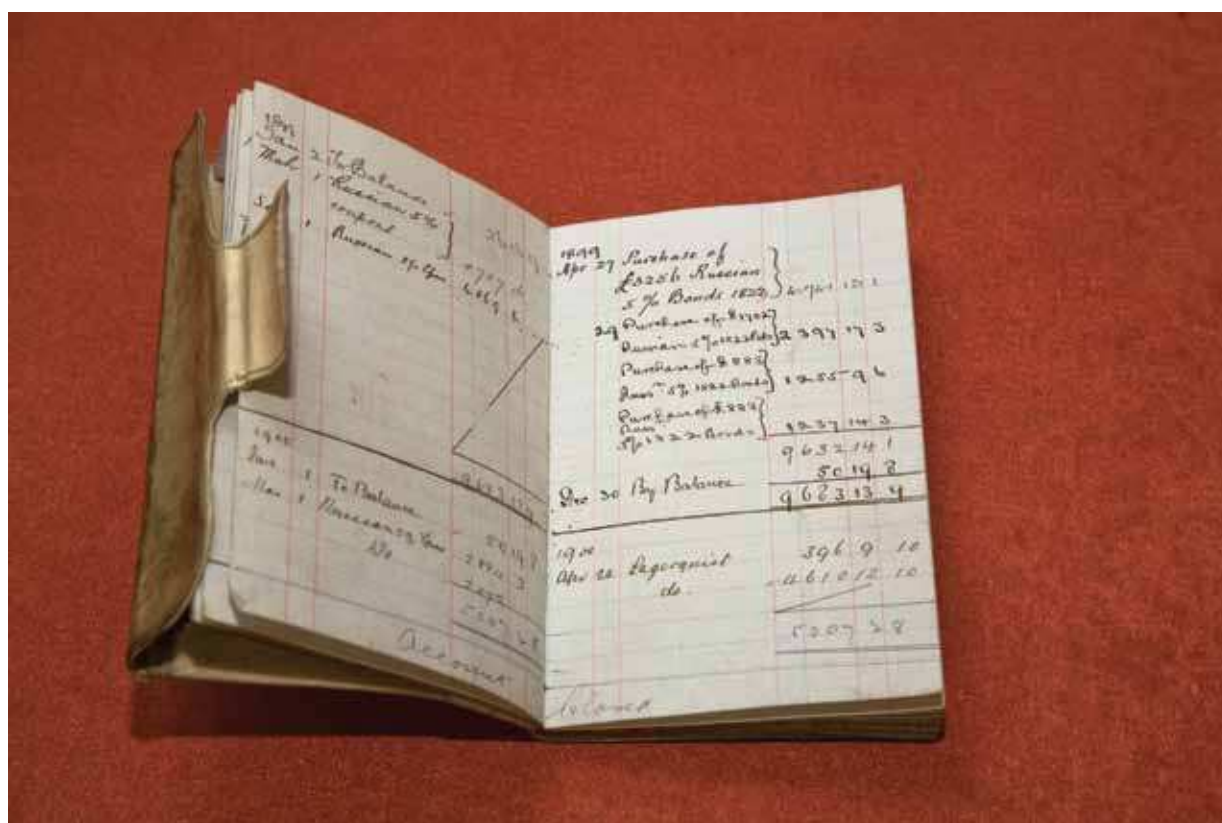
As far as the foreign assets are concerned, the deposits in the English banks had stopped by 1917: those previously made had been spent on weapons purchases and sanitation facilities during World War I (1914-1918). The only foreign account was held with the "Mendelssohn & Co." banking house in Berlin. The owners of the account were the tsar's children; money was invested into the Prussian 3,5% permanent loan bonds. The four daughters and son Alexey owned in total 5795.2 thousand marks on this account (about 2665 thousand gold roubles, 1 mark equalled 46 kopecks). When the world war broke out, all the accounts in Germany owned by the Russian citizens, including the one belonging to Nicholas Romanov, were arrested (sequestered) and, in fact, lost.

There is no reliable information in literature

about the size of the dynasty's prewar deposits in the credit institutions of Great Britain. According to the mentioned Emperor's account with the Bank of England, their amount was at least comparable to those in Germany. The coupon income provided by the securities belonging to the Emperor was entered to the revenue side of the account. The coupon interest was usually paid on 1 March and 1 September; the amount of 8,000-9,000 pounds sterling was entered to the tsar's account. (The peak inflow was 9,683 pounds sterling).

The records in the book reflecting the interest rate (5% per annum) make it possible to estimate quite precisely the total nominal value of all the securities owned by the last Russian Emperor. By 1900 it equalled 193,7 thousand pounds sterling, or about 2 mln roubles (according to the exchange rate of that time 1 pound sterling equalled 10 roubles).

Of interest is information about the types of securities transactions which were recorded in the account. Records of 1895 – 1900 constantly state on the revenue side "Russian 5% bonds"



Book of account held by Nicholas II with the Bank of England in 1895-1900.

sometimes specifying “1822” which brings us to conclude that the Emperor’s securities portfolio consisted mainly of Imperial Russian Government Bonds of early issue.

The financial means provided by the coupons seem to have been spent twice a year, usually in April and October – obviously on the order of the account owner – on new securities. As it follows from the records made by the Bank of England’s clerks, those were exceptionally Russian 5% Government Bonds. So, the revenue obtained from the Russian securities was invested by the Emperor into the bonds of the Russian Government. A natural question arises: why did the 1822 bonds attract the attention of the most august customer of the Bank of England?

This loan was issued as part of the programme introduced by the Finance Minister Dmitry A.

Gurjev and aimed at reducing the amount of banknotes in circulation and consolidation of national debts. The Russian government failed to find the necessary resources at the domestic market and finally had to resort to foreign loans. In total in 1820-1822 there 83 mln roubles of foreign loans were issued, the largest of which was the 5% loan of 1822 provided by the “Nathan Rothschild & Co” banking house in London. At that time, one bond brought its owner “a continuous income of 5 to 100”.

According to the decree signed by Alexander I on 23 June 1822 the 5% state loan was raised for 43 mln roubles (1 silver rouble equalled 37 pence). In accordance with the decree signed on 6 April 1823, the obtained revenue was to be used for repurchasing the excess amount of paper money which would restore its par value. In fact, a significant part of revenue – 11.5 mln roubles – was used for the budget deficit reduction: in 1822 the budget gap made up 57.6 mln roubles. The rest of the revenue was used for establishing a “reserve fund” needed in case of unforeseen expenditures, including repayment of earlier borrowed loans.

The 1822 loan payment period was supposed to be quite long (100 years). The loan interest was paid twice a year, on 1 March and 1 September, in London and St. Petersburg, and the coupons were replaced every 12 years.

There were 4 nominals of the bonds issued: 720 roubles in silver (111 British pounds sterling), 960 roubles in silver (148 British pounds sterling), 3,360 roubles in silver (518 British pounds sterling) and 6,720 roubles in silver (1,036 British pounds sterling).

Although initially the loan was placed by Rothschild from London in Great Britain, with time, its bonds became widely spread in other West European countries. The Bank of Russia Museum collection contains some of the bonds like these bearing French, Dutch and German registration stamps.

If the paper wore away completely the bond owner received a duplicate copy. It is known,



5% coupon bond with a nominal of 3360 roubles in silver (518 British pounds sterling). 1822. Bank of Russia Museum collection. Tax payment stamps: 1. Round, black “TITRES ETRANGERS AU DESSOUS DE 1000 F. 1 F. 50 C. POUR MILLE” (France). 2. Round, red “50 c COMPLEMENT DE DROIT Paris 1898” (France).

for example, that in 1887 such a duplicate of a 720 roubles nominal of a bond was issued on the permission of the Finance Minister Ivan A. Vyshnegradsky. It had “the same number and the same face value” and was issued in substitution for the original unfit bond put to destruction. Judging by the records of account of Nicholas II, he bought the 1822 bonds at a market price (significantly higher than the par value) which indirectly implies the popularity of the Russian funds amongst the European monetary public.

Most probably, apart from the high interest rate (the 1822 loan interest rate was 5% whereas interest rates of the loans issued later were 4 – 4.5% per annum), the motive for opening an account in the Bank of England was a possibility to receive interest payments straight in the Bank of England and buy the new bonds of this profitable loan right there.

The first record in the book of account balance belonging to Emperor Alexander (evidently, Alexander III (1883-1894) for 8,404 pounds sterling 10 shilling, 10 pence implies that Nicholas II inherited the account from his father. Apparently, it was the Romanovs’ family account opened, most probably, by Nicholas I, the last Emperor’s great-grandfather, during his state visit to Great Britain in 1844 on invitation of Queen Victoria - Queen of the United Kingdom of Great Britain and Ireland. It’s a well-known fact that in the course of the visit, the only official visit of the Romanovs dynasty representatives to the United Kingdom, Nicholas I spent his money generously. Thus, there is an illustrative episode described by the Canadian researcher Alexis Troubetzkoy in his book on the history of Crimean War.

Let us take the liberty of quoting the description: “While driving through streets of London, the tsar’s carriage crossed the Trafalgar Square, where His Majesty observed and commented upon the unfinished statue of Nelson’s Column. On being told that the funds allocated for its construction had been depleted, the Emperor ordered that 500 pounds be immediately sub-

scribed from the Russian treasury. An equal sum was given for the monument being prepared for the Duke of Wellington”. Apart from this, before quitting England, Nicholas I didn’t forget to leave 3000 pounds to the domestic stuff of the Buckingham Palace attending to him during the visit, and 400 pounds he awarded to the crew of the royal yacht “Black Eagle”. And this is apart from the golden snuff boxes, diamond rings and other jewellery generously granted by Nicholas at the dinners and receptions in his honour.

One may assume that Nicholas I opened an account in the Bank of England and bought his Empire’s liabilities on his personal money to make the Russian bonds popular with the British monetary public.

It is not quite clear why transactions on this account stopped in 1900. There is a laconic record “account closed” at the end of the book. In 1900 the coupon income was about 5000 pounds, that is the Emperor’s bond portfolio was reduced by almost half. It is entirely possible that Nicholas II sold the bonds he owned and closed the account in the Bank of England. The account might have been transferred to another bank. In particular, the last record of April 1900 contains a hint to this providing a reference to the London banking house “Lagerquist”.

The material we presented to the readers is just one of the examples of cooperation between the Bank of Russia and foreign central banks in studying our common history.

Yury A. Petrov
Sergey V. Tatarinov
 Bank of Russia

Money Circulation in Russia in 1839 – 1899 from Silver Monometallism to the Gold

As a result of the frustration of money circulation in Russia in the first quarter of the nineteenth century there was a necessity to carry out a currency reform. The Minister of Finance E. F. Kankrin, who made the decision on restoration of metal money circulation on the basis of silver monometallism in Russia became the initiator of this reform.

On 1 July, 1839 the Manifesto "About the structure of monetary system" was passed, according to which the silver coin of Russian coinage was declared "the main state payment coin and the silver rouble, of the current denomination the main legal unit of account circulating in the country". In 1843 there appeared new paper money – bank notes.

The results of the reform of 1839 – 1843 were the following:

1. The silver coin became the main legal tender and the silver rouble became the monetary unit with the value of 4 zolotniks 21 dolyas of pure silver;
2. The gold coin remained an auxiliary means of payment;
3. New paper money – bank notes, which were secured by the assets of state credit institutions and were easily exchanged at a fixed rate for silver and gold from the exchange fund.

Formally silver monometallism in Russia remained till 1895 – 1897, however since 1853, the stable monetary system based upon it



stopped functioning and the free exchange of bank notes for gold and silver stopped.

From 1853 to 1856 Russia was at war with Turkey and with the European states – England, France and Sardinia (from 1854). In 1877 – 1878 there was a new war with Turkey, which Russia joined to help liberate the Balkan states from Turkish domination. These wars were a heavy burden on the Russian economy and needed much investment. As a result there was a dramatic fall of the rouble exchange rate and rising inflation. Deflationary policy of the Russian government did not give positive results. Therefore beginning in the 1880s the main objective of the Russian Ministry of Finance became stabilization of the rouble and the money supply. It had to decide what system to choose – monometallism or bimetalism, and if it was to be monometallism, on the basis of which metal – gold or silver?

A system based on simultaneous use of gold and silver was seen unreliable as the price difference between gold and silver was constantly fluctuating. Hence, it was necessary to undertake the reform on the basis of monometallism (either gold or silver).



5 rubles 1894



Silver monometallism existed in India in 1852 – 1893, the Netherlands in 1847 – 1875 and in some other countries. The use of silver money as the main unit of payment also had historical traditions. In the Bible, silver was mentioned as the symbol of money. In the Middle Ages the great bulk of coins was minted from silver and the most well known coins, which were ancestors of the present world currencies, were silver, for example Joachimstaller.

However in the 1870s – 1880s of the nineteenth century gold, being more expensive, began replacing silver. Gold had been the symbol of might and wealth since ancient times – as money it was used 1500 years ago in China, India, Egypt, and the states of Mesopotamia. This happened as a result of the discovery of new large goldfields – in California (the USA, 1848), Australia (1851) and Southern Africa (1885). From 1846 to 1908, 15,063 tons of gold was produced in the world – 3.5 times more than for the previous three and a half centuries. The increase in the quantity of gold made it possible to start mass minting of gold coins, as well as the use of ingots for international settlements. At the same time silver extraction increased. In 1857 4,430 tons of silver were produced (gold – 996, 9) and in 1886 – 1890 17,362 tons of silver (gold – 796,8 tons). The depreciation of silver in relation to gold, with sharp and unexpected fluctuations, began. The gold and silver ratio in 1866 was 1:15.43, in 1878 – 1:17.1, and at the end of the nineteenth century – 1:35.

England (1816) was the first country which established the system of gold monometallism. Later the example was followed by Germany (1871 – 1873), France (1873 – 1874), Austro-Hungary and most of other European countries with which Russia made settlements for the exchange of goods and payment of foreign debt. In 1867 at the Paris conference gold was recognised as the basic form of money.

Hence, for the creation of a stable currency of Russia it was necessary to use the monetary unit similar to monetary units of the majority of

the European countries. The gold rouble could become such a monetary unit.

In 1881 N.H.Bunge became the Minister of Finance of Russia. He chose the policy that was expensive but the most correct for Russia from the point of view of international financial relations – gold monometallism. The gold reserves by that time made up 298.4 million roubles (see the table 1 below), and the amount of bank notes (paper money) had grown from 300 million roubles to 1,188.1 million roubles. The following measures were taken for the restoration of money circulation:

1. The issuing of bank notes was stopped.
2. Accumulation of gold necessary for carrying out the reform began.

Table 1. Gold reserves of the Russian empire (1881 – 1897)

Year	Gold reserves, mln. roubles
1881	298,4
1882	271,4
1883	264,4
1884	298,4
1885	303,4
1886	366,5
1887	382,0
1888	389,0
1889	429,9
1890	475,2
1891	575,8
1892	642,2
1893	851,8
1894	894,8
1895	911,6
1896	963,8
1897	1095,5

On 17 December, 1885 the new money charter was granted according to which the gold coin was accepted for the first time as an independent means of payment, that could be used for collecting customs duties, for making settlements on government debt and tax collecting

for the treasury. In fact it meant that from 1886 to 1895 the system of gold and silver bimetalism was established in Russia. However formally having retained the former system of silver monometallism the charter did not contain the regulation about the possibility of an exchange of bank notes only for gold.

In 1887, instead of Bunge, I. A. Vyshnegradsky was appointed Minister of Finance. Once again there began, in the Russian society, a discussion about the expediency of transition to metal money circulation as the accumulation of the necessary quantity of gold demanded big expenses of internal resources of Russia, intensive attraction of foreign capital (hence the external debt of Russia grew), export increased greatly, including grain which led to the fall of prices on grain and the ruin of peasant farms.

Nevertheless, Vyshnegradsky turned out to be the supporter of the introduction of gold standard in Russia and gold accumulation became the main objective of the financial policy of Russia at that time. Unlike Bunge, Vyshnegradsky acted more resolutely and rigidly. As a result of that policy gold reserves doubled, but it was achieved at a high price. Export of grain resulted in the fall of prices on grain, which caused mass ruin of the nation's economy.

The poor harvest of 1891 – 1892 led to further deterioration of the economic situation in Russia. In 1892 Vyshnegradsky resigned and S. Ju. Vitte became the Minister of Finance who completed the preparatory stage and started the implementation of the reform.

The monetary reform, as a result of which gold standard was established in Russia, was carried out over several years from 1895 to 1899. In

February, 1895 S. Ju. Vitte presented the report to the emperor Nikolay II on the introduction of gold circulation. Having received his consent, S. Ju. Vitte presented the project of the coming reform to the General Meeting of the State Council. On May, 8th, 1895 the Law permitting gold transactions was passed.

In March and April, 1896 S. Ju. Vitte presented the final project to the financial committee in the State Council. The reform consisted of the following:

1. Introduction of gold monometallism;
2. Circulation of both metal and paper money with the guaranteed exchange of the latter for gold;
3. Transformation of the State Bank of Russia into the issuing center of the country;
4. Restriction of issuing paper money exceeding the requirements of money supply;
5. Granting the right to the Treasury to accept metal money for tax payments and revenues at the current rate.

On 3 January, 1897 "the law about minting and issuing gold coins in circulation was passed", which set the gold parity of the rouble.

The credit rouble was equaled to 66 2/3 copecks of gold which reduced its gold content by 1/3. The value of the gold rouble also decreased. The 10-rouble gold coins existing before the reform became 15-rouble imperials, and 5-rouble coin became a 7,5-rouble semiimperials. Then there began the minting of 10 and 5-rouble gold coins, but with a lower amount of gold.

Additionally, for the convenience of calculations auxiliary silver coins were issued into circulation – 1 rouble, 50, 25, 15, 10, 5 copecks and copper money. By 1901 there were gold and silver coins



10 rubles coin 1899 (gold)



1 ruble coin 1896 (silver)



worth 856,5 million rubles in circulation (gold – 694,9 million rubles, silver – 161,6 million rubles). Since the reform was carried out unnoticed it did not lead to any dramatic rise in consumer prices as a result of the gold rouble adjustment to the rate of the paper rouble.

There happened changes in paper notes, the issue of which was subjected to the rules of the law of 29 August 1897 about the issue of banknotes and was limited to the amount of gold reserves. According to the law the only issuing centre of the country was the State Bank, which was authorised to issue banknotes for the sum of 600 mln roubles with 300 million roubles covered by gold. But this right was never used by the bank. In order to cover the paper money in circulation the law provided for a large supply of gold in the country. Strictly limited issue of banknotes sought to ensure stability in the post-reform monetary system.

The role of silver in monetary circulation in Russia was auxiliary. The state had the exclusive right to mint silver coins. It was defined by the decree of 27 August 1898 about the circulation of silver coins. For imported silver there were imposed tariffs 3 roubles per a pound which made it easier to prevent forgery of silver coins and provided additional revenues for the treasury.

The final stage in carrying out the monetary reform was the publication of the Coin Charter of 7 June 1899. The charter combined all the legislation decrees of the coin part of the reform. It declared that the state monetary unit in Russia was the rouble containing 17.424 dolyas pure gold. The gold coin could be minted from the gold owned by the treasury or private owners. Silver and copper coins could be minted from the metal belonging to the treasury and were auxiliary in circulation. With the help of this charter the government sought to dispel the doubts of creditors, especially foreign creditors, concerning the stability of the new monetary unit of Russia.

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Money and Credit Journal Editor,

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one half copeks 1895 (copper)

From Wood to Stone

The Risk Management of Swiss Re in the Sundsvall Fire 1888

Through the lens of the Swiss Reinsurance Company's (today Swiss Re) nineteenth century correspondence, the Swedish and international (re-)insurance industry's risk management after the devastating fire of Sundsvall, Sweden, on 25 June, 1888, unfolds. The article focuses on the Swiss Reinsurance Company's post disaster 'risk-shaping' and the formation of reinsurance lobby-groups in the aftermath of the disaster. It argues that even the insurance industry's concept of 'objective risk' is not static but fluid and open to negotiation within the insurance system. Since the insurance industry works on the interface between the natural and the built environment it can influence directly how societies interact with nature. The article argues furthermore, that perceiving fire merely as a man-made hazard without considering its 'natural' context falls short of an accurate analysis, in particular concerning 'catastrophic loss' (i.e. large-scale loss) affecting (re-)insurers geographical risk distribution.

Introduction

On 25 June 1888 at half past eleven o'clock a fire broke out in a storage building located in the district of Brolmfondet on Långgerån in Sundsvall. It burned down almost the entire city centre within 12 hours. Only a detached, massively built school-house covered by a hard roof, two wood-warehouses on Långgerån, a brewery and the train station, which was protected by many trees, were saved.

Thus begins a lengthy report about the fire that destroyed most of the Swedish city of Sundsvall on 25 June 1888. It was written by a German insurance claims adjuster named Corty who had been assigned to this post by a group of international reinsurance companies involved by contract in the losses of the event. Among them was the Swiss Reinsurance Company

(SRC), whose risk management is the focus of the present study. More specifically, the paper researches the impact of disaster occurrence on the preventive action of reinsurance businesses in the wake of a disaster, taking SRC as an example. Reinsurance and insurance companies deal with the interface of the natural and the built environment and can therefore influence the latter considerably with their contracting policies. The most common instrument of risk management for reinsurers is the raising of premiums after the occurrence of loss. However, in case of catastrophic loss – potentially threatening not only one but several companies' existence – smaller scale negotiations between reinsurers and insurers become insufficient to deal with the threat of insolvency. Historically, those were the moments when reinsurers gathered to form lobby-groups in order to push through their interests. Thus, this study about the conflagration of Sundsvall is particular in so far as it presents such a case and provides a (historical) look behind the scenes of the reinsurance industry. The relevance of this subject is underlined by the current debate (prominent in the widely acknowledged Stern Review on the Economics of Climate Change) about the role of insurance in climate change politics. Important parallels become evident when Stern states that "insurance provides another important mechanism through which market signals can drive adaptation. Insurance has a long history of driving risk management through pricing risk, providing incentives to reduce risk, and imposing risk-related terms on policies." The points listed by Stern are among the factors this paper researches historically. Turning from present climate change debates back to reinsurance in the nineteenth century, an additional, important question is how risk was redefined by reinsurers as a consequence of the disaster. In insurance theory risk is used

as an objective term that can be understood in two ways. On the one hand, it signifies a physical item exposed to destruction or damage, on the other hand, it stands for the calculable probability of loss. In researching the redefinition of risk the underlying assumption, in accordance with Mary Douglas and Niklas Luhmann, is that risk per se does not exist but that the term shrouds a social construction which varies in its definition not only over time but even within different spheres of society.

The article starts out with an introduction to the Swedish insurance market of the nineteenth century whose particular structure influenced the reinsurance network in which SRC was involved. Next is a brief dip into the climatic, i.e. “natural”, components of fire, the hazard in question, followed by the account of the fire and by the analysis of SRC’s risk management as it emerges from the company’s correspondence with other reinsurers and its cedents.

An Oligopoly of Security

Even if some of the local Swedish fire and marine insurance companies were founded in the eighteenth century, a proper national Swedish insurance market only emerged in the second half of the nineteenth century with the foundation of Skandia in 1855. Skandia was the country’s first national joint-stock company starting out in the life insurance sector, however, soon picking up fire in order to increase market share, distribute risk more evenly and increase corporate profitability. Other joint-stock companies followed with the establishment of Svea in 1867, Nordstjernan in 1872, Thule in 1873, Victoria in 1883 and Skåne one year later.

In the early years, when solvency regulations and company licensing did not yet exist, the Swedish national insurance market was open to foreign companies. Conditions changed in 1875 with the foundation of the Swedish Insurance Association (Svenska Försäkringsföreningen) provoked by the UK insurance industry’s insolvency crisis in the late 1860s. Two British insur-

ance companies with interests in Scandinavia had been involved. Consequently, the Swedish Insurance Association, consisting mostly of members from the national insurance companies, began lobbying for a stricter handling of foreign businesses in order to restore public confidence.

As a result, the six companies mentioned earlier strengthened their oligopolistic network which had, however, already existed before. On the one hand, this structure gave the Swedish joint-stock companies considerable power and advantages in their domestic market. On the other hand, the oligopolistic form of organisation made the insurers inherently vulnerable to catastrophic loss as the density of insured risks had risen. Thus, to achieve better balance, insurers had to seek risk-sharing on the international reinsurance market. Although insurance legislation had been introduced in the form of licensing foreign companies, the Swedish government did not actively participate in the insurance market in providing services through a state-owned company. Rather, it supervised the domestic insurance market to protect consumers against possible insolvency on the part of the insurers.

The ambiguity of fire

In the recent debate in historical disaster studies it has been argued that disasters were primarily social, or indeed, that “there is no such thing as a natural disaster.” Particularly fire disasters have traditionally been perceived as “human-made” ones originating in human settlements. As a highly domesticated element, used in many ways in the social as well as economic environment of humans, fire has lost its clear definition of being a purely natural element. Therefore, fire disasters often combine aspects of human-made as well as “natural” hazards, and, thus, create ambiguity for definition. Unlike all other elements containing hazards for humans, fire remains a potentiality until kindled. Consequently, there has been a persisting tendency to focus on its trigger (in most cases: humans) and not to count

it among natural hazards like floods, storms, landslides and earthquakes.

The difficulty of pinning down fire as a “natural” disaster becomes even clearer in comparing diverse locations where fire disasters are likely to occur. Forest fires result in different impacts, outcomes and measures from city fires, or fires in country side villages. Thus, it seems that the classification of fire as a “natural” hazard is case-sensitive, which indeed applies to the Sundsvall fire.

According to the records, hot and dry weather had prevailed in the Sundsvall area during the days before the fire. Adding to this, strong winds were reported – in short, in the natural environment this was an “ideal” climatic situation for fires to break out. In Sweden, the natural as well as the built environment provided ample fuel in the form of large forests and towns entirely built in timber. However, would those warm and dry conditions have had the same effect on a wood-built city as one would grant it would have on the wild-land?

Stephen Pyne, a life scientist studying the “human history of fire on Earth”, suggests that in order for cities to catch fire, they first had to be in a condition to burn, and thus, were susceptible to the same rules as fires in open country. According to Pyne nineteenth century wood-built cities were like “a reconstituted forest”, that is “[they] burned with the frequency and intensity of the forests from which [the wood] came.” Thus, Pyne’s observations underline the ambiguity of fire as a hazard, showing that even in urban environments, presumably under human control, climatic factors played a decisive role for the fire-proneness of a city. No fire, howsoever “human-made”, would break out or spread in a wooden city covered in snow or soaked by heavy rainfall. The “weather reports” in the SRC records and other sources are supported by climate reconstructions for the date of the conflagration. The daily sea level pressure map for 25 June 1888 shows high pressure over Scandinavia and lower pressure over the eastern North Atlantic.

This synoptic situation promotes subsidence, stabilization of the atmosphere connected with dry and warm conditions.

Temperatures could only be elicited for Stockholm (400 km south of Sundsvall), as the closest meteorological station was located in the capital town of Sweden. The 21 degrees Celsius measured there were, however, a high value for late June compared to the reference period of the last 120 years. There was the deviation (i.e. the anomaly) of mean sea level pressure (in mbar) of 25 June, 1888 from the mean measured for that day over the past 120 years. It indicates that positive pressure had risen to five to ten mbar above average across Scandinavia, thus pointing to prevailing stable warm and dry conditions. Furthermore, both charts show that the anomaly was not merely a local event but could be observed over a larger area. Therefore, it can be assumed that the same situation concerning the desiccation of the (natural as well as urban) environment in Sundsvall also applied to a wider area. This is supported by Lars Nilsson’s statements about the occurrence of numerous forest fires burning in Sweden on 25 June, 1888.

What a spark can do

The fire that broke out on 25 June 1888 laid Sundsvall almost entirely to ashes. From a population of 10,000 people, approximately 9,000 were left homeless. Surprisingly, in view of the scope of the fire, only four casualties were reported. According to the lengthy account written by W. Corty of Preussische National Versicherungsgesellschaft in Stettin (he will be further introduced below) the fire in Sundsvall had started at 11:30 a.m. and had been caused by sparks emitted from the chimney of a passing steam ship. Due to the aforementioned “unusually great heat and dryness which existed the days before and also during the fire” a wooden warehouse quickly caught fire which was spread by a “strong western storm”, and burnt down the whole – entirely wood-built – city within 12 hours. Two other towns, Umeå, north of Sundsvall and

Lilla Edet south of Gothenburg, experienced the same fate and burnt down on the same day.

Clearly, the Swedish tradition of building houses completely in wood (even rooves were sometimes covered with wooden shingles), made cities with a high percentage of timber buildings exceedingly vulnerable to fire. As a consequence, one might expect a well organised fire brigade to operate in a wealthy trading town like Sundsvall. This was not the case, however. According to Corty, the local fire brigade started panicking and “made a bolt for it” when they saw the town burning in several places. Apparently, adding to the unfortunate circumstances, their equipment had been insufficient and the authorities had forgotten to close the main water pipe so that it could have been used to extinguish the fire. The overall damage covered by insurance amounted to 20m Swedish Crowns, rising to 30m Crowns including uninsured risks.

Five Swedish insurance companies were affected by the conflagration, the Mutual Building Assurance (which had no reinsurance cover), Svea, Skandia, Sverige and Skåne. The latter three belonged to the oligopoly mentioned above. According to the records, a network of 57 European reinsurance companies (or insurance enterprises acting as reinsurers) had contracts involving them in the Sundsvall loss. The visualisation shows the reinsurers and their connections with the four Swedish insurers. The most central reinsurers are those with links to three or four insurers, whereas those appearing at the periphery were under contract only with one or two Swedish companies. This representation of the network makes visible the central group of reinsurers (i.e. with three or four contracts) SCR belonged to. Moreover, the group clustering around the centre contains all of SRC's correspondence partners in the Sundsvall case. Looking at the distribution of the damage, the reinsurers taken together shared a loss of 10.3m Crowns amongst each other, whereas the five Swedish insurers faced nearly half of the overall insured loss, a sum of 9.1m Crowns. SRC was

one of the fewer reinsurers connected with three of the Swedish companies, but nevertheless got away with a comparably low percentage of loss. Still, 10.7% of the gross premium of the company's fire department may be considered substantial enough.

Reinsurers as a lobby-group

Even if the event did not have a devastating effect on SRC's annual gross premium income, it called for immediate action. Sundsvall was the first disaster of such a magnitude in the company's dealings with Sweden. In order to protect themselves from repetition of such damage contracting policy had to be changed quickly. However, SRC was not the only reinsurer involved and in order to act in their own interest, the connection to other reinsurance companies was vital in forming a powerful lobby capable of enforcing far-reaching modifications. Therefore, SRC's director Wilhelm Wasels made use of established internal networks existing between the leaders of the reinsurers involved in the Sundsvall conflagration.

The central point of discussion in all his correspondence was the maximum for wooden cities in Sweden. Wasels' main contact was director Thyssen of Gladbach Fire and Gladbach Re. In their lively exchange of letters Wasels expressed his concern about the reinsurance of wood-built cities in Sweden. Wasels, Thyssen and six other directors of reinsurance companies (National Bukarest, Cologne Re, Gladbach Fire and Gladbach Re, SRC and Queen & United (Berlin branch), thus developed a plan of action. They decided to appoint a claims adjuster who would travel to Sundsvall to supervise the loss regulations and represent their interests in situ. Thus, W. Corty of Prussian National Insurance, a “neutral” company in the sense that it was not involved in the Sundsvall conflagration was nominated. Concretely, Corty's task as claims adjuster meant that he spoke to representatives of the Swedish insurers and decided on location about the new maximums that were to be as-

signed to factories and to towns built in wood. Also, Corty sent a map to Wasels visualising the scope of the fire in Sundsvall, thus literally “mapping vulnerability.” He used beige colour to high-light the burnt down parts of the city built in wood and red for those built in stone. Red buildings with a blue frame represent buildings that had survived the fire.

Concerning the Swedish contracts, Thyssen declared in several letters to Wasels that he seriously considered cancelling them as a whole. He explained that “this [was] the best way of showing the Scandinavian companies the seriousness of the situation” as he was convinced “that the gentlemen, if they [did] not receive vigorous animation from outside, [would] let things run as they had before.”

As mentioned earlier, SRC did not act on their own in making demands and pressing the insurers to change their policy. Neither did they solely communicate with other reinsurers by letter. As can be gathered from the exchange between Wasels and Thyssen a group of reinsurers came together in Mainz on 28 July 1888, a month after the fire in Sundsvall, to discuss the changes that were to be introduced into the existing contracts with the Scandinavian insurers. At this conference the present reinsurers worked out new guidelines for further contracting in Sweden.

Concerning towns built in timber the new regulations stipulated that reinsurers would only cover a quarter of a given maximum loss in wooden cities. A following definition decreed that “wooden cities are those in which 50% and more of the houses are built in wood.” This paragraph stands out in importance as its application directly affected the Swedish companies’ ability to insure cities with high percentages of wooden houses and in turn pressed them to change their policy towards owners of wooden houses.

Only two days before the meeting in Mainz, on 26 July, the Swedish tariff committee had held a special gathering at Gothenburg where decisions on new insurance premiums had been made. The result of this session was that the

existing tariffs were raised by 100% for market towns and narrowly built cities and 50% for “remaining risks in the countryside.” Whether the tariff committee’s meeting was motivated by previous pressure from reinsurers or whether they had simply judged the situation correctly in deciding to augment the premiums cannot be deduced from the sources. The extensive raising of premium rates was, however, a necessary step in view of the reinsurers who would otherwise have been likely to terminate their contracts with Scandinavian insurers altogether.

From Wood to Stone

By no means did the negotiations of maximums for wooden towns end at the close of 1888. Three years later, as can be gathered from an exchange of letters between Wasels and Penkwitt, the director of Baden Re, the latter had discussed the subject of maximums with the director of Skandia. The first of Penkwitt’s letters dating from 17 February 1891, was a reply to Skandia’s proposition to augment the 1888 maximums for Swedish towns and of freeing Sundsvall entirely from maximisation.

According to the Scandinavian director, far-reaching improvements in construction methods had been made which justified such far-reaching modifications of contract. Penkwitt, however, expressed strong doubts that substantial ameliorations could have been made in such a short space of time and declined the offer, especially regarding Sundsvall. From Lagerbring’s (Skandia’s director) reply, referring to a map he had sent to Penkwitt earlier, we learn “that the whole actual city [was] [re]built in stone [...]”

The change in building material from wood to stone amounted to a near-complete reduction of fire risk and, from the Swedish insurer’s point of view, justified the disbandment of maximisation. And indeed, the Swedish tariff committee’s regulations from 26 June 1888 stated that premiums were to be lowered as soon as improvements had been made in wooden cities regarding building material or the fire brigade and their

equipment. In using the argument that other reinsurers had conceded Skandia's proposal as a further means of pressure, Lagerbring eventually managed to gain Penkwitt's consent. Thus, Sundsvall was freed from maximisation only three years after its almost complete destruction by fire. However, this was only possible because of what appears like a sub-clause in the insurer's correspondence: The town had been rebuilt in stone after the conflagration of 1888.

The economic pressure of high fire premiums should not be underestimated as one of the decisive factors for local authorities to improve fire protection and, hence, to reconstruct the town in stone. The incentive of being placed in a lower category of risk as a consequence of architectural improvements accelerated change so that only three years after the great fire, Sundsvall could be freed of its maximums.

Shifting Vulnerability

On the one hand, the rebuilding in stone rendered the town considerably less vulnerable to fire and therefore also mirrors a process of learning. On the other hand, the reconstruction did not leave Sundsvall's demographic composition entirely unaffected. Before the fire, middle-class or poorer people had lived in the wood-built town centre. However, they could not afford the newly erected expensive stone houses and apartments, and consequently had to move to the periphery of the town. Although, this situation had to a certain extent already existed before the fire, it became more pronounced through the reconstruction. Also, as even most of the wealthier people used to build in wood and consequently were equally affected by fire, only minor segregation existed between poor and rich parts of the population through the ability to afford costlier and "safer" building material. This changed, however, after the reconstruction of the city, which resulted in a partition of people who could afford the "safer" stone houses and those who lived in potentially "riskier" wooden buildings. This situation was deteriorated by the fact that

some of the Swedish insurers were withdrawing insurance cover from the wooden peripheries of the city. In other words, the social vulnerability of Sundsvall was shifted as a consequence of the fire and the newly agreed-upon premiums. Assuming that the reinsurers' pressure did play a vital part in the reconstruction of the town in stone, it is important to see the emerging chain of reaction and – apart from the positive reduction of fire risk – the fact of possible negative impacts on society. It is activated through the negotiation and re-shaping of risk between reinsurers and insurers and thus, mediated by contracts and policies, ultimately affecting the policy holder.

Conclusion

This paper has focussed on, firstly, the changes of risk management initiated by reinsurers (namely SRC) and insurers following a disaster, secondly, on how and whether those changes were enforced, or, to put it another way, in how far reinsurers acted as a pressure group, and thirdly, how risk was redefined by the reinsurers as a consequence of the disaster.

From Wasels' correspondence with Thyssen of Gladbach Re, the view is derived that those two reinsurers, along with at least five others, formed a distinct pressure group with the aim of pushing through contract modifications in their own interest. However, no black-and-white power pattern emerged in the sense of reinsurers subordinating insurers. Rather, the Swedish companies had their own means of realising their interests, thus applying pressure likewise. The apogee of the negotiations and modifications following the conflagration is the reconstruction of Sundsvall's entire city centre in stone. Clearly, the reinsurers (along with the insurers) had had a strong influence on the city's reconstruction by way of the augmentation of maximums and premiums. Thus, this paper has shown how reinsurers can change the interface where the human and the natural spheres touch by acting primarily in order to protect their own enterprises from future loss.

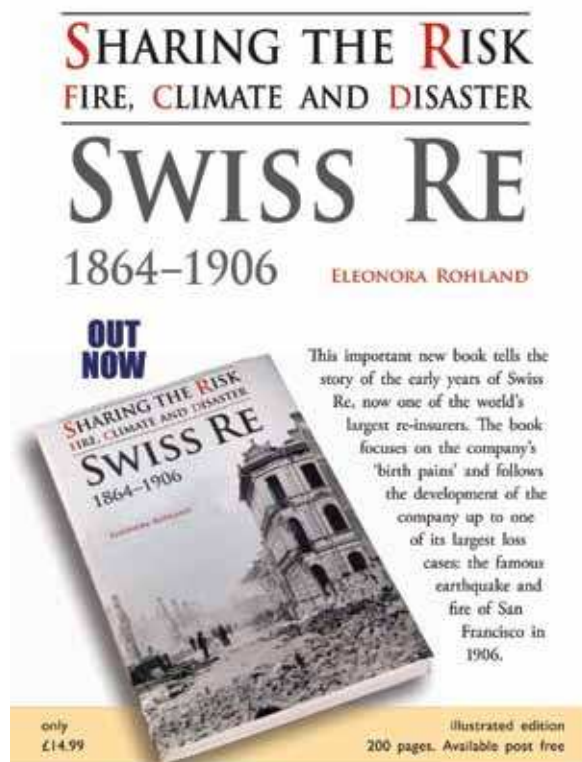
Initially, the transition from a wood- to a stone-built city after a conflagration may seem banal. Rather the “obvious thing to do” than a process of learning or adaptation. However, if it was such a simple matter we would have to ask why the transformation had not taken place earlier, or, indeed why the Swedes built their houses in wood at all. The answer is twofold: on the one hand there is the gravity of tradition which prevents change, on the other hand there is economic pressure. In a country covered with forests, timber is a cheap building material that does not have to be transported to the building site from a distant place, as may be the case with stones, but it can be found nearby. Both factors, although appearing in the historical context of a Swedish city conflagration, have lost none of their virulence for present societies and the current debate about the adaptation to climate change.

In the case of Sundsvall, those two persever-

ing forces were overruled by the new pricing of risk initiated by a reinsurance lobby-group determined to shape risk so it would not threaten their enterprises anymore. Even though there are voices criticising Stern’s optimism concerning the political influence of insurance lobbies interested in disaster prevention – precisely because they are primarily economic enterprises interested in their own survival – his words together with the successful history of adaptation in Sundsvall might sketch out one possible tool to adaptation in the future.

Eleonora Rohland

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Business of a Swiss Private Bank in the Nineteenth Century The History of Dreyfus Söhne & Cie AG, Banquiers Basel

Today the firm Dreyfus Sons & Co Ltd may be portrayed as the typical Swiss private bank, specialised on "managing private clients' wealth" and administering personal discrete relations. The head office is located in the centre of Basel in an unassuming though elegant 6-storey building from the Fifties. Neither logo nor letters disturb the sober appearance. You either know your way or you will need some advice. This is not only the head office of a company with a balance sheet total of 2bn, but the only place of business. It is for more than 125 years that the Dreyfus family has run its business from this very address on Aeschenvorstadt. Although the firm is incorporated since 1942 and therefore, strictly speaking, not a "Privatbank" along the articles of a private partnership, members of the founder's family are still active in the management and in the board of directors. The current chairman and vice-chairmen of the board belong to the sixth generation of the family. Their forefather Isaac Dreyfus, a French Jewish immigrant, started business in the town in about 1812.

Yet the origin and establishment of this financial firm is less linear than it seems today and it certainly did not start with conservative asset management. As the bicentennial anniversary of Dreyfus Sons & Co Ltd approaches, the bank takes great effort to shed light on its history. The establishment of a long-term archive is on the way and a small brochure about the first hundred years of the house has been published under the title "Merchant House, Manufacturer and Bank. The Business of Dreyfus Sons & Co in the 19th Century" (Bennewitz, 2010). This article is based on my findings published in the booklet. The research has been fully financed by Dreyfus Sons & Co Ltd.

So far the company did not manage a historical archive, making it difficult to reconstruct the development of its business from the Napoleonic era until World War I. Balance sheets and ledgers as well as records and correspondence from the nineteenth century are basically not available. The documentation through family collections is slightly better, so that at least core documents about ownership and inheritance are at hand. The main source to reconstruct business activities in the first half of the nineteenth century were the records of the city archive. I systematically studied the files of the local jurisdiction to reveal a pattern of business partners

and interaction of the Dreyfus firm. The research institution Schweizerisches Wirtschaftsarchiv Basel offers important archival holdings and documentation to explore the textile business in the region and the capitalisation of the Swiss industry in the late nineteenth century. The records of financial companies, which reflect the activities of Dreyfus Sons & Co from the second industrial revolution until 1914 became, to a great extent, part of the long-term archives of the UBS and are thus not directly accessible. Given the scattered documentation I had to cast a net in order to capture the pieces for a more complete picture of the company's engagements.

So far, presentations of the history have focused on the leadership of the family members and their personal achievements, especially for the Jewish community of Switzerland. The interplay between the family business and the Jewish community in town – and later on a regional and European level – is in fact most interesting and deserves further research. The Dreyfusbank is one of very few Jewish-owned banks that ever made it into the realm of Swiss banking and it survived the deadlock of World War II. Furthermore the firm is the oldest Jewish business in the town and fulfilled at times a decisive social and economic function for the Jewish community. Set aside those interesting social and political

aspects, the development of the core business in itself is a story worth telling.

This compilation focuses on the company in terms of its commitment to various areas of commerce and industry in the first century of its existence; it focuses on the transformation from merchant to financial services. The mechanisms of change can only be insinuated, but it becomes very clear that the history of the Jewish banking house, so far told as a separate story, involves the major themes of the Swiss economy and technology in the nineteenth century: cotton trade, silk ribbon industry, Alpine tourism, railway companies, and electrical engineering.

Textile trade

The merchant Isaac Dreyfus (1785-1845) grew up in a fabric trading family in Alsace, 15 km from Basel on the French side of the Rhine valley. After the French Revolution the Jews of Alsace were granted civil rights and free settlement. The French citizenship opened the way for Dreyfus and other Jewish entrepreneurs to move their business to Switzerland, despite their religion. The Helvetic Confederation still rejected the idea of civil rights for Jews and the canton of Basel in particular withheld residential permits for Swiss Jews. But, until the end of the Napoleon Empire, the French paper was sufficient.

The textile industry dominated Switzerland's foreign trade balance in the eighteenth and nineteenth century. France was the country's most important trading partner, especially for the import and export of raw cotton and cotton fabrics. The city of Basel figured as the central trading hub on the Swiss side of the border. For this reason the young Isaac Dreyfus opened his agency for wholesale fabric trade in Basel, building a network with family partners in Alsace and Mulhouse. He traded "grey cloth and yard ware", that is, ordinary fabric sold by the meter, but also raw wool and luxury items. The trading was by no means long-distance, yet international. He ordered prints and embroideries in St. Gallen for his customers in Paris and Frankfurt.

He ordered batiste from France, delivered it to home workers in the Black Forest who refined the tissues or scarfs, and finally sent it back to the French market. His business activities in the textile market remained varied, since he acted as agent, forwarding agent, and middleman. As a wholesaler he commissioned pedlars in the countryside and supplied retailers next door, most of them also Jewish Alsatians. Credit on goods, with or without a bill of exchange, was the financial basis for this part of the wholesale business.

Shipping agent

Upon request, the middleman Isaac Dreyfus also handled delivery of the goods. Temporarily the freight forwarding business became quite prominent. For example, in 1832 he kept six coaches ready for such use. Around this time freight forwarding in Basel was synonymous with contraband. For the textile merchants in the area where three national borders converge, shipping goods afforded large profit margins, always assuming that one ignored embargo on imports and bypassed customs posts. The contraband trade of the Basel textile barons reached a striking climax during the continental blockade. Cotton products, even exports from Switzerland, came under the trade embargo imposed against England, which meant that the entire textile trade was operating in a grey area. The business of duty-free delivery remained profitable after the war, both for the individual merchant and for the economy of Basel. For a guaranteed delivery to Paris in 1835, Isaac Dreyfus could still ask for a commission of 30% of the value of goods. He guaranteed the goods with a blank bill of exchange sent in parallel to the consignment. Items confiscated by the French authorities were put up for auction at the French customs office. On these occasions Isaac Dreyfus competed with other merchants from Basel to bail out the goods. Only in 1835 did the government of Basel decide to put an end to the flourishing commerce and began to prosecute claims against

contraband.

Real-estate credit

In parallel with his wholesale trade and commercial credit, Isaac Dreyfus was also engaged in the real-estate credit business, especially in France. Dreyfus took out loans from Basel patricians for small credits on land and houses to smallholders and crofters from rural Alsace. Thanks to his local knowledge and close co-operation with brokers and French notaries, he could save on fees and registration entries. In 1845 80% of the capital of the firm Dreyfus consisted of French title deeds. In theory and by law, the French entrepreneur could have also taken up real-estate trading in Switzerland. But political reasoning ran contrary, at least for the Jewish Frenchman. The controversy over a "Jewish agenda" in real-estate reached a climax in 1837 in Germany, as well as in Switzerland. The neighbouring canton of the city of Basel, a split-off from the liberal upheaval in 1833, even generated a bilateral crisis between Switzerland and France by discriminating against French estate agents of Jewish religion.

Thus, the Frenchman Dreyfus first requested permission to buy land in the canton of Basel in 1839, still provoking a general debate on the deteriorating influence of Jewish agents on the real-estate market. As always, Isaac Dreyfus did not evade the public argument but fought for a legalistic procedure. In the following years he acted as broker for or traded agricultural estates. His sons carried on the real-estate business and participated in syndicates to liquidate some of the larger properties owned by nobility in France and Baden. In 1868, the two sons who had taken over the firm determined "le but de la société sera de traiter des affaires de banque de spéculation en biens immeubles". In 1872 the company oversaw a huge development project in the city of Basel that was initiated by a real-estate investment company in Mainz. The main investors in the new urban district in Basel were brought in by the Frankfurter Bankverein. The

city of Basel grew by almost half of the former area through this addition. In connection with the private urban development, typical for the period of promoterism, Dreyfus participated in a smaller mortgage bank, the Banque Foncière du Jura. The Bank's name originated from its Swiss head office in Delémont, but business soon concentrated on foreign markets. It is telling that the real-estate business, the central activity of the Dreyfus firm in the nineteenth century, totally vanished in retrospective presentations on the firm.

Silk ribbon factory

Due to the strict anti-Jewish policy of the canton, the sons of the company's founder did not obtain personal permits to live and work in the town until 1849, one year after the federal constitution. For the first time since 1815 the Jewish family could plan on the prospect of a permanent residency in town. The successors of Isaac Dreyfus, who had died in 1845, reorganised the business by giving up the trade in goods and building up an enterprise of their own. They established a silk ribbon factory on the outskirts of the city, thus competing in the most proliferate and most prestigious economy of Basel. The silk ribbon manufacturers in town, alongside with Lyon and Saint-Etienne (Saint Stephen), dominated the European and American market until the more industrialised production in England took the lead. In the early 1850s the silk ribbon industry developed promisingly, in Basel a dozen new factories went into operation. Most of them had to close down only ten years later because the American Civil War had driven up commodity prices and, what is more, fashion had changed. Isaac Dreyfus Sons liquidated its operation as well in 1866. Though it was a short interlude, it seems to have been a serious attempt to switch business to manufacturing. Isaac Dreyfus Sons produced not only the typical Basel assortment of plain and timeless ribbons for clothing, hats and shoes. The firm specialised in velvet ribbons and in woven images in the small ribbon format,

imitating prints and photographs of celebrities. One of the remaining specimens shows Abraham Lincoln on the occasion of his investiture as president in 1861. The American market was obviously a target for Dreyfus, competing with the Lyonnaise Jacquard industry.

Industrial credit and electro banks

It was not until 1868 that the foundations were laid for today's private bank: the two elder brothers returned to the core business; the youngest brother Jacques opened a bank in Frankfurt am Main, to which the Swiss firm always remained related via syndicates and limited partnership. The Basel financiers were increasingly involved in the Swiss securities and issuing market and also maintained close links with the Alsatian industry and its new commercial bank, Banque de Mulhouse. As from 1891 the reorientation towards industrial credit was clear. The third generation of bankers did not further expand the real-estate business, but became involved in industrial financing, more precisely in the "Unternehmergeschäft" of founding special holding companies for the electricity industry in Europe. The venture capital for the new industry, starting with telephone and electric lighting, was raised through a special type of investment trust, the so called "electro banks". The financing company for Siemens & Halske in Berlin was Indelec, Schweizerische Gesellschaft für elektrische Industrie in Basel. Jules Dreyfus-Brodsky, third generation in the Dreyfusbank and married to a Ukrainian dynasty of industrials, invested in Indelec and represented the interests of Indelec in industrial companies. For a short period he was on the Supervisory Board of Siemens & Halske itself, representing the interests of the Basel financiers with the leading Basler Handelsbank. One of the first construction projects of Siemens in Switzerland was the river power station at Wynau/Bern, built in 1895. Before the power station went into operation Indelec assumed responsibility for the power company and started the marketing for electric lighting in the region. In Piedmont,

Siemens tried to claim supremacy as the power supplier for the Turin region and erected several power stations. Jules Dreyfus-Brodsky became chairman of Alta Italia since Indelec was the financing partner in this enterprise. Indelec was also heavily committed to the Russian market through the metropolitan lighting company in St. Petersburg, but Dreyfus-Brodsky pulled out of Indelec and its industrial investments in Russia before 1917, because Dreyfus Sons & Co parted company with the Basler Handelsbank group in 1904 and joined the Swiss Bankverein. The liaison with the Basler Handelsbank had been put up in 1895 exactly because of its venture into the international electricity business, while the competing Basler Bankverein rejected the offer of Siemens to participate in its financing trust. In the meantime the banking sector in Switzerland had changed fundamentally. The former Basler Bankverein, now also registered in London as the Swiss Bankverein (later known as Swiss Bank Corporation), had taken the lead in the national consolidation process of the banking sector. Dreyfus and others urged the Handelsbank to merge with the Swiss Bankverein, in vain. So private bankers like Alfred Sarasin and Jules Dreyfus dissociated from the Handelsbank and became partners of the larger corporated bank. The privately owned banks A. Sarasin & Cie and Dreyfus Sons & Co were, on the other hand, interesting partners for the Swiss Bankverein because they made an excellent junction to the French investment and electricity market.

Sarasin and Dreyfus had already brought up their own holding company, the Société d'Applications Industrielles, registered 1896 in Paris. The SAI started as a holding company for the Basel based industry Elektrizitäts-Gesellschaft Alioth, which merged with Brown Boveri & Co in 1910. The financial holding, in comparison with the famous Swiss electrobanks only a small player, became an effective vehicle to venture into the French market. It took stakes in financing the construction of power stations by Est-Lumière in the outer city ring of Paris and the construc-

tion of hydroelectric power plants in the Jura, Savoy and southern France by Union Electrique. But the national concentration of its investment strategy brought along an even greater risk for the private banks Sarasin and Dreyfus in this very young and struggling large scale industry of the Second Industrial Revolution.

It is without discussion that unincorporated firms and private financiers did not individually dispose sufficient capital to have a say in transport and heavy industry business ventures. The strategic moves of a privately owned bank in the nineteenth century cannot be explained in isolation but only in terms of the interaction between private financiers, corporate banks and regional industry. Nonetheless, it is astonishing and probably underestimated how agile the small players were. The Dreyfusbank formed and modified alliances, for example giving up the cooperation with Siemens for the cooperation with its competitor Alioth, switching party between Handelsbank and Bankverein several times, or in 1904 escorting the financing company Schweizerische Eisenbahnbank in Basel through the conflict in 1904 between the rivals Basler Handelsbank and Swiss Bankverein.

Alpine tourism

The engagement of the Dreyfusbank in the Swiss tourism sector appears more directly and personally. Jules Dreyfus-Brodsky (1859-1942) was himself on the board of several first class hotels as well as being a regular guest in the top houses. The Dreyfusbank managed the syndicate for the capitalisation of prestigious old institutions like the Spa Hotel Gurnigel in the Midland and for the still operating Grand Hotel National on the shores of Lake Lucerne. The boost of the Swiss tourism industry around the turn of the century is marked by the entirely new concept of grand hotels in the High Alps. These houses offered the comfort of a luxurious metropolitan lifestyle with private bathrooms and electric lighting in the remote and rough countryside. The initial idea was to create a new

attraction for the international first-class tourism during the winter season, under the most difficult weather conditions. The Basel banks were predominantly engaged in the tourism industry in the Engadine. The Dreyfusbank held shares in another Spa hotel in St. Moritz and hotels of the Ritz group.

In comparison with the large scale venturing business the capitalisation of individual hotel-companies seems to be manageable and fitting for private financiers. But actually the hotel business was intrinsically intertwined with interests in the transport and electricity industry. The canton Grisons and the Engadine valley provide an excellent example of how railways, power plants and funiculars all served the ambitious aim to implement a tourism industry with considerable turnover. For the Dreyfusbank the stakes were high in all sectors of this evolving industry.

This is a short overview of the most important activities of Dreyfus Sons & Co during the first hundred years in business. The company was run as a private partnership of family members, one to three partners at a time, with less than 15 employees. The founder Isaac Dreyfus had profited from his position as a middleman. He was a border crosser between Alsace and Switzerland, an outspoken stranger in the protestant merchant community of Basel, but with excellent ties to the rural economy in Alsace. His activities in the textile trade were almost exclusively confined to a Jewish network, while his real-estate and mortgage business went along new lines and involved financiers from the few patrician families in Basel. I see quite separate strands of business relations at work, by no means a logical or natural transformation from merchant banking to financial services. It is also striking that the majority of his grandchildren went into the textile trade and textile industry. Especially for the Basel branch of the family the manufacturing activities and industrial participations in the Alsace cotton industry did not turn out satisfactorily. With the Second Industrial Revolu-

tion the Dreyfus bank took a role in international industrial financing and built strong alliances with local engineering and electricity industries.

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The Relationship of the „Third Reich“ and Turkey Between 1933 and 1939 a Highly Politicised Economic Relationship

Introduction

Since the time of the Ottoman Empire relations between Germany and Turkey have been positive, if we disregard the differences over the Turkish accession to the European Union and the Turkish handling of the Armenian genocide. Beginning with several military advisory missions and economic interests in Turkish commodities, the sale of arms and investments of German banks in the Turkish infrastructure and financial system in the end of the nineteenth century led to close relations between the German Reich and the Ottoman Empire. This relationship was damaged on both sides in the disastrous mutual fight against the Triple Entente in the First World War.

The following work discusses the re-establishment of relations between these countries, especially in the foreign trade sector. It focuses on the early years of the “Third Reich” between 1933 and 1939. The period was chosen because of a) the accession to power of Adolf Hitler as chancellor of the Reich, the related establishment of dictatorship, and redistribution of new economical measures as well as b) the avoidance of international isolation of the German Reich and the Turkish Republic. I will discuss the economical interests of the “Third Reich” in Turkey and vice-versa and what kind of relationship developed.

The initial situation of Germany and Turkey at the beginning of the 1930s

After the First World War both countries were in a similar situation. Both countries were experiencing great internal turmoil: the German monarchy broke down and a democratic system was established, and in Southeast-Europe the Ottoman Empire collapsed. As a successor state the Turkish Republic was established under Mustafa Kemal, after a struggle for liberation against the

allied occupation. Both countries had to suffer large losses of territory and high payments of reparations as a consequence of the treaties of Versailles and Sèvres.

To overcome their international isolation both countries searched for support, which they found in the Soviet Union: Turkey agreed on a treaty of Friendship on 16th March 1921 whereas Germany agreed on the so called “Rapallo”-Treaty on 16th April 1922.

Shortly afterwards, both countries tried to re-establish their relations partially against the resistance of the victorious powers, because the treaty of Versailles did not allow relations between the former allies. Germany and Turkey agreed on 3rd May 1924 on a treaty of friendship, which were the basis of all future political and economic relations. The first trade treaty of both countries was agreed on 15th March 1927 with a validity of two years. It was followed by several economical contracts and the establishment of several chief agencies of German corporations in Istanbul.

This parallelism of the foreign policy development changed within a few years: Turkey under the strong governance of Atatürk was endeavored to fulfill a compensatory and neutral policy to all countries with bilateral and multi-lateral agreements to ensure their territory and achievements after the political recognition with the treaty of Lausanne 1923, whereas the main goal of nearly all German politicians during the Weimar-Republic was the revision of the treaty of Versailles. This focus increased during the national socialist era with ambitions not only regarding the revision of the borders but with the attempt to realize the racist habitat theory (“Lebensraumtheorie”). In this perspective we have to question the economic concept (“New Plan” and autarky) as well as the interests of the German Reich in Southeastern Europe and Turkey.

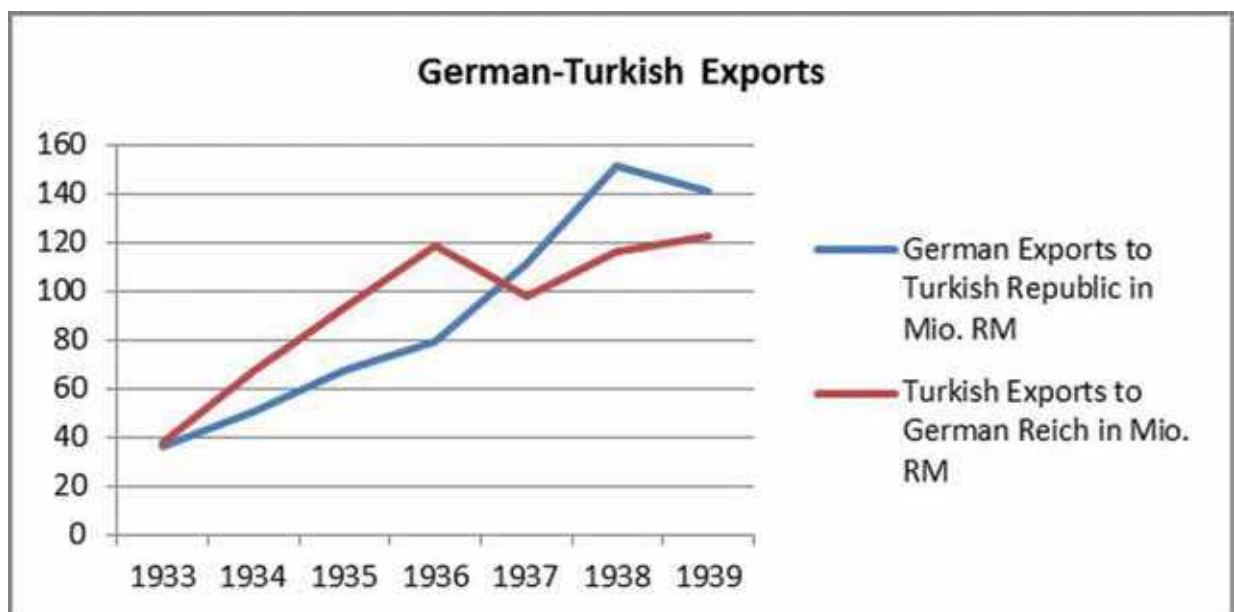
The “New Plan” of Hjalmar Schacht and the background of the German – Turkish Relations

At the time of accession to office of Hjalmar Schacht as president of the Reichsbank 1933 Germany was facing a strong foreign trade deficit: “The German foreign trade was, since 1930, under external and internal deflationist pressure, which was structurally conditioned, cyclically enhanced and administratively decreed.” Especially the worldwide collapse of currencies in 1932 increased the deterioration of the foreign currency further. Despite these problems in foreign trade the national socialist regime forced their agenda with full-employment due to ambitious projects of the public sector (“First Four-Year-Plan”) and, as a consequence of the revisionist and expansionist ideology, the military armament. Especially the latter made it almost impossible to obtain a positive trade balance because of the high demand of raw materials. Further, several boycott-movements in response to the German anti-Semitic-policy led to a decline of trade with the traditional trade partners in Europe.

As a result the foreign exchange asset of the German Reich dropped from 3 Mrd. RM in 1930 to nearly 100 Mio. RM at the end of 1933. In short: the “Third Reich” was nearly incapable of acting and bankrupt.

To resolve this problem, Hjalmar Schacht, at this time also minister of economy, proclaimed the “New Plan” in 1934 as the German Reichsbank grew into a foreign currency administration and distribution vehicle with a dictatorial position in the foreign trade sector.

In a first step a highly bureaucratized internal control for the distribution of the few foreign currencies for the export process was established on the basis of the economic necessity (vital goods). Involved were primarily 20 inspecting authorities of the industrial groups with several pre-inspecting authorities. Additionally 20 foreign trade agencies, which were subordinate to the Reich Authority for Foreign trade, were given the task to act as a regional information service for export companies while 20 foreign exchange authorities, which were based in the several state tax agencies were responsible for the capital transactions. Regarding the import of raw materials, the foreign trade agencies had to follow the appointments of the 26 supervisory agencies. The supervisory agencies were mostly part of the Reich Ministry of Economics (RWiM) while five of them were controlled by the Reich Ministry for Public Food Administration. The RWiM and the Reichsbank periodically issued the amount of foreign exchange currency, credit items, and credit on goods etc., which were at disposal for import. Afterwards the foreign cur-



rency was distributed among the importers on the basis of urgency, for example the requirement of raw materials of the preferred arms- or export industry. It was also determined where the importer had to buy his goods.

Whereas the import was relatively easy decided on this basis, the export was much more difficult. The central coordination and control of the measures of export promotion was based in the “Abteilung E” of the RWiM with circa two dozens inspecting authorities, with the main task of determining the subventions for exports on the fundament of the different products and export countries.

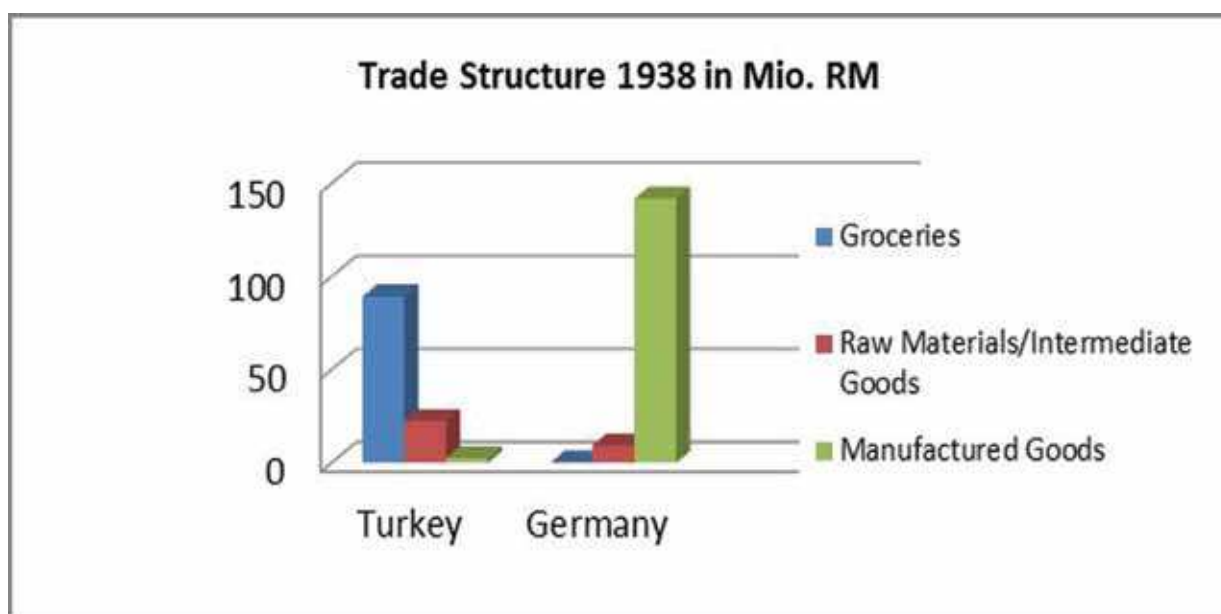
According to the internal control of import and export the foreign trade system was reorganized on the basis of bilateral clearing and compensations arrangements. These agreements regulated the whole payment and capital transactions via a central institution (alternatively the bank of issue) in the partner-country without foreign currencies and went back to a kind of barter trade. Already in 1935 almost 80 per cent of the German trade was accomplished on the basis of clearing-arrangements. The main goal of the “New Plan” was to achieve all vital goods for armament, industrial production and nutrition without paying with foreign currency. In parallel a promotion of domestic raw material production was started together with an increase in produc-

ing substitute materials.

The corresponding Four-Year-Plan in 1936 manifested the subordination of the foreign trade to ensure the military armament: In a session of the chancellery of the Reich, Göring administered the aims of the German economic policy: “1. Autarky in all fields, which would lead to savings of foreign currency (...). 2. Use of foreign currency where it is necessary for the armament. (...) All measures have to be taken as it would be under wartime.”

To fulfil this aim in the absence of foreign exchange assets, Germany had to pay with manufactured goods. Profit in foreign trade was not the main goal. This was a strong disadvantage of the “New Plan” together with the fact that importers could not buy their raw materials at the best world market price, because of concessions of the German Reich within the bilateral agreements. The import was so much more expensive than before and led to high negative balances. To get advantages in trade negotiations and to solve the foreign currency problem, it was also decided to export weapons. Further an internal export subvention was established, which did not succeed.

The thoughts of autarky became a part of the German expansionistic attempts in the economic context, because autarky could only be reached with an enlargement of the country. First steps



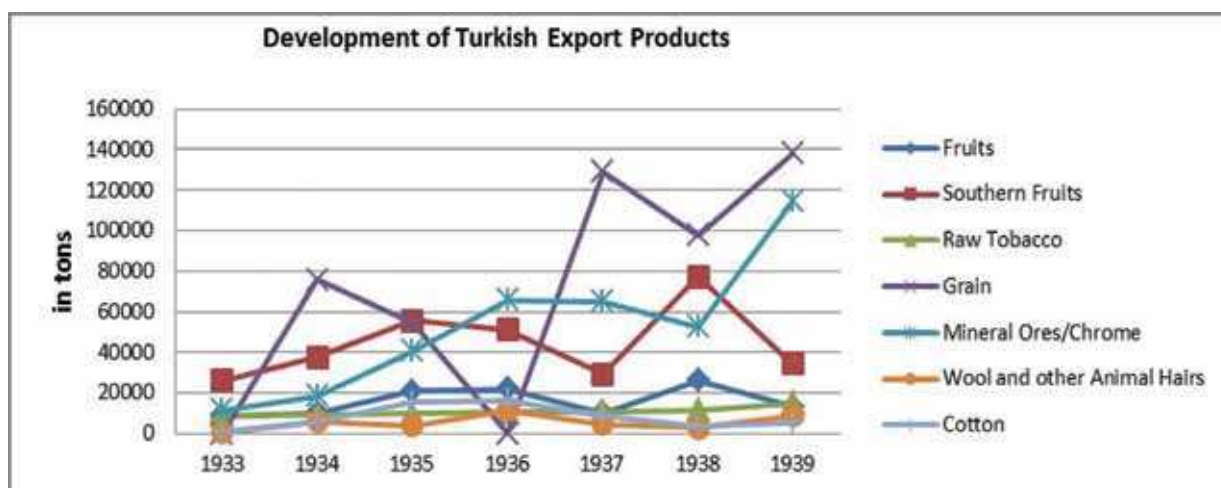
to achieve this goal were the establishment of a “cordon ecónmique” with friendly or neutral trade partners and the attempt to get them into a strong dependence on the German Reich. The territorial destination was already mentioned in the so called “Hugenberg-Memorandum” in 1933 and in the statements of Franz von Papen as ambassador in Vienna 1934, where he stated, that “(...) whole south-eastern Europe is the natural hinterland of Germany” and he has the mission “to bring the whole area under the economic and political influence of Germany.” The south-eastern countries should be secure suppliers of raw materials as well as secure sales markets, which should be incorporated in an informal empire. The trade with the south-eastern states was especially intensified after the annexation of Austria and the Sudetenland in 1938, because of the changed political landscape.

If we look in parallel at the economic situation of Turkey within the same timeframe and the aims of the political regime until 1939, we can recognize that both countries would profit from an increase of the trade relations in the 1930s: The economic goal of the regime under Mustafa Kemal was the industrialization of the Turkish Republic, because it was at this time an economically and socially underdeveloped country. Particularly disadvantageous for economic growth was the absence of a necessary transport infrastructure and the inherited debts of the Ottoman Empire.

The beginning of the Turkish Industrialization

can be dated to 1927 with an Industrial expansion Law, which stipulated acquisition of land for enterprises, promotion of infrastructure, custom concessions and tax exemptions as well as subventions. The strong role of the state within the economy was a consequence of the pragmatic ideology of “etatism”: Atatürk did not want that Turkey will fall back into dependence on foreign powers. In that vein foreign impact was excluded and the economical influence of the state was increased, despite private entrepreneurship being desirable. With etatism a far reaching regulation and control of the economic sector was established. Every economic activity was subordinate to the interest of the state. Within this process, most foreign companies were nationalized. The state became actively involved in the economic process because of the absence of a strong entrepreneurship and capital market. For financing the economic build-up, the Turkish One-party system founded several financial institutions. With the help of the UdSSR the Turkish Republic adopted a Five-Year-Plan in 1934, with the aim to strengthen the production of consumer goods on the basis of domestic raw materials. Additional new jobs should be generated with preference to the textile industry. Further the infrastructure should be improved with the focus on central and east Anatolia.

After signing the treaty of Lausanne (1923) the Turkish Republic was internationally recognized. Very important for the economical and financial system of Turkey was Art. 28. With this article



the capitularies, which were active since 1881 and granted foreigners privileges in fiscal and economic areas, were fully suspended after an interim period in 1929. With the treaty the Turkish Republic could regain its customs regime, which was essential for an independent foreign trade sector. Insofar we could not refer to a Turkish foreign trade policy until 1929. The passivity of the foreign trade, which reached its turmoil in the same year, led to a reduction of the foreign currency and constituted a danger to the Turkish currency as a whole. In that way the Turkish Republic was in a similar position as the German Reich.

Even a quantitative increase of export goods would not have automatically led to an increase in foreign currency due to unsteady world market prices for agrarian products and raw materials. Despite that, because of the industrialization efforts the import needed to be increased, especially the demand of machines.

The first step to change the foreign trade regime began already in 1928: the Turkish Republic started to cancel all foreign trade contracts. The aim was a correction of the foreign trade balance. On 1st October 1929 the Turkish Republic established a customs tariff with protectionist character. Earlier than the German Reich, at the beginning of 1930 the Turkish Republic also established a system of foreign exchange control. The control was transferred to a bank consortium, within which the Turkish government was involved with a capital contribution. Together with the Istanbul stock exchange a foreign currency equalizing fund was established, on which the Bank consortium was responsible for the compensation between available foreign currency and foreign currency demand. At the beginning of 1932 the responsibilities of the bank consortium were taken over by the newly established Turkish Central Bank. It implemented full foreign exchange control until January 1933, where all incomes from export businesses as well as exchange currencies of other banks had to be transferred to the Turkish Central Bank.

Like Germany, the Turkish Republic instigated an import restriction on necessary goods and contingent systems. Turkey was interested in goods and equipment for the ongoing industrialization like machines, railways etc., which could be imported without restrictions. The measures led to a positive trade balance by the beginning of the 1930s. After modifying the contingent-lists, they would not any more emphasize the structure of goods but their country of origin. A consequence was the establishment of barter trade-agreements, which led to a full abandonment of the contingent-system in 1937 and the signing of several bilateral clearing-agreements.

German-Turkish Relations 1933-1939

The Near East and Turkey were seen in the eyes of the German Reich as a promising and interesting area, especially if the transportation connections would be enlarged. The unique mineral raw materials of Turkey made it a much courted trade partner. As we have seen in the above discussed economic and political background, both countries changed their foreign trade to a bilateral system. While the Turkish Republic had interests in importing goods for industrialization, Germany wanted to import raw materials for the military armament and preferred a system of autarky. In this way the economic interests of both countries complemented each other between 1933 and 1939, especially as the "New Plan" of Hjalmar Schacht coincided with the first Turkish Five-Year Plan.

The basis of all economic relations in the 1930s constituted the Trade Treaty of 27th May 1930. The contract was followed by several additional arrangements until 1939:

1. Supplement of 10th August 1933
2. Supplement of 19th April 1934
3. Supplement of 15h April 1935
4. Supplement of 19th May 1936
5. Supplement 30th August 1937
6. Clearing-Agreement 25th July 1938
7. Credit-Agreement 15. January 1939

The Supplement of 19th April 1934 was the first bilateral agreement on barter trade and a first step in the implementation of the “New Plan” and a change to bilateral trade with very large custom reductions for the Turkish import to Germany. The final decision on first clearing-accounts was taken with the supplement of 15th April 1935, which inherited an arrangement between the German Reichsbank and the Turkish Central Bank. The bilateral agreements finally led to an official Clearing-Treaty in July 1938. The trade supplements with a term of mostly one year led to almost enduring trade negotiations on the foreign policy level.

Due to several benefits to Turkey admitted by Germany in the agreements until 1933 the German-Turkish trade increased rapidly and quadrupled from 1933 to 1939 as table 1 shows. The Turkish export started with an amount of 37,9 Mio. RM and reached 122,6 Mio RM by 1939. There was a small decrease between 1937 and 1938 when Germany took back the right of free import in the 1937 agreement and reduced the Turkish import contingents by 60 per cent of the level of 1936. This was necessary because of the high deficit in the balance, which had accumulated to 92,5 Mio. RM by the end of 1936. As Turkey was part of the Near East in the statistics of the German Reich until 1936, it was the biggest trade partner in the Orient. Between 1933 and 1936 the proportion of German import from the Orient accounted for by Turkey grew from 35,3 per cent to 65 per cent. In terms of German export to the Near East, Turkey accounted for 45 per cent in 1936. As Turkey has been seen in a racial way as part of Europe and classified as a European state within the trade statistics since 1937, we have to look at Turkey's role in the German foreign trade in this regard as well. In the period of highest trade relations of 1938 and 1939 the Turkish Republic provided Germany with almost 4 per cent of their entire European import and around the same in European export. Overall Turkey rose in trade importance from place 29 in 1933 of all German

import countries to place 15 in 1938 and from place 29 to place 10 of German export countries in the same time period.

If we look at the structure of the exported goods of both countries, we can recognize that through all implementations of the “New Plan”, the paying of imported goods with cost intensive manufactured goods took place. Table 2 refers to the export structure of 1938, which can be representative for the whole 1930s and all above mentioned supplement agreements to the trade treaty of 1930 show explicitly the different and complementing trade structure. (Table 2) As Germany was especially interested in raw materials like grain for securing the food supply and mineral ores for the military armament, the development of the exported Turkish products perfectly matched the German interests. As Table 3 clarifies, Germany imported mainly fruits, agrarian products, textile raw materials, like wool and cotton, as well as chrome from Turkey. Especially Turkish chrome was essential for the German military armament. The German dependency on Turkish chrome was essential, acknowledged by the economic policy division in August 1939. Over 50 per cent of the total German chrome demands were met by the Turkish Republic.

In turn, Germany exported machines, railways, finished textiles, electronic products and iron products, which were essential for the Turkish industrialization. (Table 3)

The presence of Germany within the Turkish trade was unequally high and led to a high dependence of Turkey on Germany: The German Reich imported 51 per cent of all Turkish exports in 1936 and supplied 45 per cent of all Turkish imports. This amount did not change very much until 1939. Further the political and economical influence increased with several agreements with the German private economy sector as nearly 2000 Germans were employed as technical advisors. Since the late 1920s several German corporations were engaged in Turkey: Junkers and Lufthansa for the establish-

ment of the Turkish air traffic, Krupp with sale of arms and railway-material, investments of the machine-factory Augsburg-Nuremberg for building an electricity plant for the biggest Turkish copper mine and other firms, which helped to build up the Turkish infrastructure.

The strong German influence in the Turkish economy coincides with the aims of autarky policy of the “Third Reich” towards South-Eastern Europe. In the ongoing 1930s, especially in the last two years before the start of the Second World War, the Reich tried to use this influence to achieve political concessions from Turkey regarding a possible alliance (or to maintain Turkish neutrality). This can be verified by documents of the foreign office: The German Reich threatened the Turkish government with a termination of all trade contracts, if they would change the faction. Similarly delays of new negotiations regarding the expiring trade contract of 1937 and clearing-arrangement of 1938 were used to apply pressure to get political concessions. Additionally the new credit-agreement of January 1939 was used to ensure chrome deliveries and to maintain the strong German position. This agreement reached an amount of 150 Mio. RM, arranged with the German “Golddiskontobank”. The amount should be settled within the clearing-agreement by an increase in Turkish export. The credit was combined with large scale-orders to German companies by the Turkish Republic, for example for the development of chemical industries, expansion of harbours, mining facilities, power plants and other industrial and agrarian construction-projects. To increase pressure on Turkey, the German Reich did not ratify the contract immediately and throttled especially its military exports into Turkey, while the latter was still paying and delivering exports. This led to a debt amount of 200 Mio. RM of the German Reich to the Turkish Republic within the clearing accounts in August 1939, which should be settled after the war.

Turkey recognized already in 1936 that their capacity to act was restricted by the need to con-

sider its best client. But at this time the regime desired an even stronger economic interlocking of both states and promised to support Germany’s military armament, because of the profit for the Turkish industrialization process and for military equipment. After the unmasking of the German foreign policy and its expansionistic approach with the annexation of Austria and Czechoslovakia in 1938, Turkey tried to detach itself from the German stranglehold, which threatened the Turkish neutral foreign policy. While countries in a similar position, like Hungary and Romania, formed an alliance with the “Third Reich”, Turkey approached Great Britain and France under President Ismet İnönü, which finally led to an English-French-Turkish mutual aid pact in October 1939 and several trade contracts. Further, as a response to the German delays in military deliveries (artilleries, aircrafts and submarines) Turkey suspended its’ chrome exports. In the ongoing negotiations Germany tried to exclude the arms exports, because of their own war preparations and wanted to get Turkey back to a position of dependence with huge trade concessions. Despite trade relations increasing during the Second World War, after a strong decline in 1940, the German Reich could not re-establish its strong influence as Turkey signed a secret chrome-agreement with Great Britain, France and the United States on 8th January 1940. This pending between Germany on the one side and Great Britain, France and USA on the other side was a great success for the Turkish Foreign Policy as Turkey could stay out of the Second World War until early 1945 and only declared war on Germany to secure its entrance-legitimacy to the United Nations.

Conclusion

As shown above, foreign trade between the German Reich and Turkey developed very well between 1933 and 1939 as both countries had vital interests in each other’s products. Turkish raw materials were perfectly suited to the newly established “New Plan” and autarky approaches

of the “Third Reich” whereas German machines and industrial products, as well as military equipment, were seen as necessary for the Turkish industrialization.

The rapprochement of both states was further supported by the change to bilateral trade agreements as both countries had strong deficits in the foreign exchange assets. The national socialist dictatorship caused no disruption in the relations between both countries. It was only as Germany tried to get political concessions from Turkey, due to the strong Turkish economic dependency on the Third Reich, the relationship changed and Turkey started to negotiate with Great Britain,

France and the United states to reduce German influence. Thus German-Turkish relations could be referred to as a politicized economic relation until 1945.

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Business Organisation in Late Developing Economies: A Dynamic and Comparative Analysis of the Urquijo Group (Bolde)

Introduction

This project examines the relationship between business organisation and economic development from an economic, financial and business history perspective. It does so by systematically and comparatively analysing the emergence and development of economic groups in Spain and Latin America, the starting hypothesis being that in late industrialising countries business groups constitute an efficient alternative to the large managerial firm. Business groups (in Latin America, economic groups) are defined here as sets of firms engaged in a wide variety of industries and services and held together by common ownership or ties of control, linked very often to a family and/or a bank. We suggest that the specific, mainly project execution, capabilities of financial groups allow them to seize the opportunities created in relatively backward, protected and intervened economies. Our research focuses on the group created around the Urquijo Bank (Banco Urquijo). As the largest and most influential private and banking business group in twentieth century Spain, as well as an active partner in several Latin American groups, the Urquijo Group provides an excellent case study for testing available business and financial group theories. The six tasks to be carried out in the future will consist of: 1.) identifying and establishing a typology of the most historically relevant financial groups in Spain and Latin America; 2.) analysing the Urquijo Bank in terms of industrial and entrepreneurial banking; 3.) analysing the constellation of firms created by or around the Urquijo Bank and estimating their weight and impact in the Spanish economy; 4.) examining the recruitment and development of Urquijo's top and middle management; 5.) analysing the Group's cultural activities.; and 6.) comparing the Urquijo Group with other Spanish and Latin American financial groups, particularly with re-

gard to their growth strategies and responses to major economic shocks.

The ultimate goal of the proposed research is to make: 1.) an empirical contribution to the history of financial groups in Spanish-speaking countries by producing a dynamic typology; and 2.) a theoretical contribution to ongoing international debates on the relationship between financial organisation and economic development. The results are oriented toward the national and international scientific communities, as well as the business community and the top managers of business education and cultural institutions.

Background and state of the art

The organisation of business in general and the structure of firms in particular are central issues in business history, as shown by the most recent and ambitious publication in this field, an international business history handbook edited by G. Jones and J. Zeitlin (Jones and Zeitlin, 2008). This has been the case ever since Harvard historian A.D. Chandler published a groundbreaking work revealing the interdependence of growth strategy and organisational structure in the modern industrial firm (Chandler, 1962). His subsequent books on the dynamics of the large modern enterprise in the United States and other advanced countries also had an enormous international impact on the work of management and business history scholars (Chandler, 1977 and 1990, and Chandler, Amatori and Hikino, 1997). The confluence of Chandler's work with that of the most prominent representative of the transaction costs theory, O. Williamson, contributed to strengthening the conceptual basis for the organisational model of the hierarchical firm which, by its internalisation of various economic functions, constitutes an efficient alternative to the decentralised model of the market (William-

son, 1975 and 1985). To a large extent, subsequent conceptual and theoretical debates on business organisation have been either inspired or determined by the dichotomy between the market and the firm.

The debate intensified throughout the 1990s, thanks to new scholarly contributions from evolutionary economics (Nelson and Winter, 1982), the resources and capabilities theory (Prahalad and Hammel, 1990; Kogut and Zander, 1992; Peteraf, 1993), and neo-institutionalism (Powell and DiMaggio, 1991; Langlois and Robertson, 1995). Building on the seminal work of Penrose (1959), many of these authors pointed out the role of the firm as a source of intangible assets, hard to codify or imitate, yet one of the cornerstones at the microeconomic level of economic progress. Economic sociologists such as Granovetter would also enrich the debate by explicitly acknowledging the importance of efficient, alternative forms of entrepreneurial organisation (Granovetter, 1992 and 1995). Probably because the existence of such hybrid organisational structures, lying somewhere between the market and the hierarchical firm, contradicted the neoclassical paradigm and challenged the conceptual framework developed by Chandler and Williamson, they had far less academic repercussion than the large multidivisional firm. This was the case of the industrial districts (Becattini, 1992), of entrepreneurial networks (Nohria and Eccles, 1992; Casson, 1998; Fruin, 2008), and of business groups, the organisation structure we are concerned with here.

The interest in business or financial groups as a distinct organisational structure, and as a concept in management, sociology, and economic and business history, arose in the early 1990s. By then a number of empirical studies on the topic had been published, most of them focused on Asian and Latin American countries: the Japanese *zaibatsu* and *keiretsu*, the Korean *chaebol*, the Taiwanese and Thai groups, as well as several Indian business houses and Turkish family holdings, as well as the *grupos económi-*

cos of Argentina, Mexico, Brazil, and Colombia. Among Spanish-speaking countries, Argentinian groups were the most studied (Marichal, 1998; Barbero, 1997, 2000 and 2006). In contrast, the empirical evidence for European or highly developed countries other than Japan was scarce, but not inexistent (Shiba and Shimotani, 1997). What is interesting is that the available studies demonstrate that business groups were a widespread phenomenon, known in many countries by different names.

The earliest theoretical contributions on business groups, however, were made by development economics and sociology scholars in the 1970s. N. Leff (1978 and 1979) maintained that economic groups emerge to respond to well-known conditions of market failure in the less developed countries, such as inefficient capital markets or intricate and unstable legal and political frameworks. Economic groups, thus, become an efficient business organisation in which the low level of entrepreneurialism is an obstacle to economic development. H. Strachan (1976) characterised business groups by pointing out their long term stability, the high levels of loyalty and trust among members, and a high degree of diversification. In contrast, the few available studies of business groups in advanced economies (Japan, Sweden, France, Germany) consider these organisational structures to be either close to the American multidivisional firm or a functional response to transaction costs or agency problems (Goto, 1982; Caves, 1989).

The most influential interpretation of business groups from the perspective of economic sociology was given by M. Granovetter (1992 and 1995). He introduced to the study of business groups concepts such as the strength of weak ties and the embeddedness of individual patterns of behaviour and action in specific social and cultural contexts, which he had previously applied to other fields of study (Granovetter, 1973 and 1985). According to this author, business groups, unlike the large and vertically and horizontally integrated Chandlerian firm, present

a great variety of forms, with their efficiency dependent on the following factors: 1.) the axes of solidarity upon which the links among members rely; 2.) ownership structures; 3.) the ways in which authority is exerted within the group; 4.) the scope and strength of shared moral values; 5.) the role of banks; and 6.) the relationship between the members of the group and the State, particularly when it favours economic and business development, as this might then be determinant in the structuring of the groups. Amsden and Hikino (1994), for their part, made an equally useful contribution to the further development of a theoretical framework applicable to business groups. Halfway between sociology and business history, and starting from the theory of firm resources and capabilities, these authors built their interpretation of the efficient functioning of highly diversified business groups in late developing economies upon the concept of project execution capabilities. Relationships, and eventually partnerships, with foreign firms are crucial for the transfer of technology and its subsequent application to new business projects in less developed countries. The most efficient groups, however, are those able to transform this advantage into their own organisational know-how (project execution capabilities); that is, into a key resource for growth through a strategy of unrelated diversification.

Later, Guillén (2000 and 2001) and Kock and Guillén (2001) considerably enriched this framework by explaining why the growth strategy of unrelated diversification is sustainable over time and how it faces domestic and foreign competition. According to these authors, entrepreneurs in late developing economies build groups and exploit their contacts inside and outside their countries to successfully combine foreign technology with their knowledge of local markets. Since the ability to mobilise contacts is very general, they pursue a growth strategy of unrelated diversification. Protectionist trade and investment regimes are those that create the most incentives for such arrangements

to work. Yet, as the economic environment of these countries changes, usually becoming more liberal as a result of their own economic development, the groups ought to exploit new capabilities and pursue new growth strategies. It is at this point that contact capabilities, the ability to seize new business opportunities, and unrelated diversification come to be replaced by a generic ability to execute projects and, later on, by the more specific organisational and technological capabilities inherent to the innovation process. We are convinced that this theoretical framework, together with Granovetter's ideas, can be extremely useful in explaining the dynamics of business groups in Spain and developing a dynamic, comparative typology. So far, the closest attempt at this has been Guillén's institutional-comparative study of Spain, Argentina and Korea since the 1970s (Guillén, 2001). On the whole, Spanish economic and business historians have tended to ignore the role of business groups in the national economy. There are a few exceptions, however. The role of mixed or universal banks in Spain's industrialisation has, on the one hand, called the attention of many economists with a strong interest in history, and been exhaustively studied by economic historians on the other. Pons (2001 and 2002), Pueyo (2006a and 2006b), and the first issue of the *Revista de la Historia de la Economía y de la Empresa*, edited by J.L. García Ruiz, provide valuable information about related authors and topics.

In much of the available literature, therefore, the entrepreneurial groups revolving around or linked through a bank or group of banks are usually referred to as financial groups. Directorship interlocks is the proxy used by most economists, sociologists, and historians to delineate and analyse such groups (Muñoz, Roldán and García Delgado, 1973; Muñoz, Roldán and Serrano, 1978; Aguilera, 1998; Pueyo, 2006b). For many authors, the existence of these interlocks suggests that the Spanish economy has been to a large extent dominated by a rather oligopolistic

financial system. Indeed, the pioneering book on this topic was published under the title *El poder de la banca en España* (Muñoz, 1969). Even though the idea of a powerful banking system was forged in the 1950s and 1960s under the influence of the anti-liberal corporatist ideology known in Spain as *falangismo* (De la Sierra, 1953; Velarde, 1967), it would reach its peak in the 1960s and 1970s, supported by the research of scholars with a radically different frame of mind (Tamames, 1961, 1968 and 1977; Muñoz, 1969; Roldán and García Delgado, 1973; Tortella, 1974; González, Sánchez and Torres, 1981; Tortella and Palafox, 1983). The economic crisis of the late 1970s and early 1980s made it patent that this explicative model was limited, as has been stated by several economists (Cuervo, 1990 and 1991; Fernández, 2001; Torrero, 1991) and specialized economic historians (Pons, 2001; Pueyo, 2006b). In contrast, little attention has been paid to previous and/or more recent economic shocks.

The concept of business groups has been used in the field of Spanish business history since the late 1980s, as research activities and the visibility of the discipline increased considerably. It has helped to provide new and valuable empirical evidence on the creation, rise, and decline of business groups in the Basque Country (Díaz Morlán, 1996, 2002 and 2007; Torres, 1993; Valdaliso, 1988, 2002 and 2004) and Catalonia (Rodrigo, 2000), pointing out the relevance of this organisational structure in modern Spain. To date, however, little effort has been made to add to its theoretical or conceptual development, even though Torres (1993) and Valdaliso (2002 and 2004) have applied concepts of transaction costs economy, as well as evolutionary and neo-institutional economics, to explain the existence and development of business groups in Spain. Our proposal is thus truly innovative within the framework of the Spanish business history. It is also important to note that it focuses on the largest and most relevant Spanish economic group with the aim of comparing it with other

Spanish groups about which information is available. Moreover, our research team includes two reputed specialists in Latin American business history who are currently conducting research on large Argentinian and Mexican business groups and this will ensure an international perspective and diffusion for our study (Barbero, 1997, 2000 and 2006; Cerutti, 1992 and 2006; Cerutti and Marichal, 1997 and 2003; Marichal, 1998).

The Urquijo Group is not only the most conspicuous business group in twentieth century Spain, but the one that probably fits better into our proposed analytical model, relying on the seminal contributions of Granovetter, Amsdem and Hikino, Guillén, and Kock and Guillén. Some general information on the Urquijo Group can be found in the studies of Spanish financial capitalism mentioned above (Tamames, 1961, 1968 and 1977; Muñoz, 1969; Roldán and García Delgado, 1973; Muñoz, Roldán and Serrano, 1978; González, Sánchez and Torres, 1981). The origins and early development of the Group have been described, however partially, by Otazu (1987) and Díaz Hernández (1998 and 2007). These authors provide abundant evidence on the personal, political and entrepreneurial networks created by the Urquijo family from 1940 through 1918, networks which were as essential for establishing stable partnerships with foreign firms as they were for growth in the Spanish economy. The international connections of the Urquijo Group after 1918 have been studied by three members of this research team (Puig, 2003; Puig and Álvaro, 2004 and 2007; Álvaro, 2007; Castro, 2007), and the first full historical chronicle of the Urquijo Bank, built upon internal archival sources, was recently published by the two senior researchers of the proposed project (Puig and Torres, 2008).

Initial hypothesis

We strongly believe that the previous research and its results will enable us to adequately formulate our initial hypothesis and rigorously define the main research lines of our case study:

firstly, an empirical and dynamic reconstruction of the entire Group (a difficult task if we consider that at times it comprised more than 200 firms; secondly, the interaction between the Bank's managers and their main foreign partners, this being fundamental, as argued before, to understanding the process leading to the creation of technological and operational knowledge scarce or absent in Spain; thirdly, the strategy for improving the Group's management and human capital, an essential step in the creation and strengthening of its project execution capabilities; fourthly, a systematic study of the Bank's cultural activities, a complementary strategy of recruitment and development which had apparently significant effects on the Group's human capital and the advance of both economic research and scientific/cultural activities in Spain; and fifthly, a comparison of the Urquijo Group with other Spanish and Latinamerican business groups aimed to better understand how business groups operate in contexts of economic growth or depression.

The available research on Spanish and Latin American business history suggests that the large managerial enterprise (Chandlerian model) is not an appropriate paradigm for studying the organisational structure of Spanish business. Alternative organisational structures such as business groups, networks, industrial districts, and family firms seem far more adequate than the Chandlerian model for understanding the dynamics of markets and firms in Spanish-speaking countries. This coincides with the conclusions of an increasing number of studies based on other historically less developed countries, particularly in Asia, where business groups seem to have been extremely important at both the macro and microeconomic levels. There is also a growing interest in the conceptual and theoretical analysis of this particular organisational structure in the fields of economic sociology, economic development, management, and industrial organisation, although this rarely involves solid historical evidence. Business (or

economic) groups are usually defined as sets of firms engaged in a wide variety of industries and services and held together by common ownership or ties of control, linked very often to a family and/or a bank. Since the late 1980s, there has been abundant historical evidence about the existence and development of these groups. In the case of Spain, research has focused traditionally on the rise of financial groups, with studies on particular business groups being more recent. By explicitly or implicitly pointing out that contacts with the local Administration and with foreign firms were crucial to accessing external capital and know-how, influencing or coping with the dominant economic regime, and developing specific managerial capabilities, they provide the ground for testing some of the theories developed in other academic fields. The group created around the Urquijo Bank, the most important in 20th century Spain as well as an influential partner in various Latin American groups, provides an excellent case study upon which to build a conceptual, dynamic, and comparative analysis of business groups, particularly with regard to their growth strategies and responses to major economic shocks.

Objectives

This project pursues six main objectives:

1. To identify and elaborate a dynamic typology of the historically most relevant business groups in Spain and Latin America. This will require a systematic review of the theoretical literature and the available historical research.
2. To analyse the Urquijo Bank in terms of investment and entrepreneurial banking, paying particular attention to the challenges posed by the 1970s' crisis. The corporate history of the bank will be reconstructed in order to identify its core competencies and how they have performed over the long term. The group will build upon the previous research by Puig and Torres (2008) to achieve this fundamental objective.

3. To analyse the constellation of firms created by or around the Urquijo Bank and to estimate their impact on the Spanish economy. This dynamic analysis will be carried out according to four variables: date of establishment and/or major financial and corporate changes, links with the Urquijo Bank, activity sector, and corporate structure. Part of this analysis has been already done in previous works (see point 3.2).

4. To examine the recruitment and development of Urquijo's top and middle management. The research aims to identify the Group's key individuals by examining their educational and professional backgrounds, the roles they have played within the Group's firms, the political, economical, educational and cultural networks they belonged to or helped to create, and, last but not least, their part in the development of project execution capabilities (a fundamental concept in the hypothesis supporting this project).

5. To analyse the cultural / intellectual activities of the Urquijo Group and their contribution to the economic and social modernisation of Spain.

6. To compare the Urquijo Group with other Spanish and Latin American business groups, particularly from Argentina and Mexico. This will strengthen the conceptual framework which supports the project and provide a better understanding of how business groups operate in contexts of economic growth or depression. For this reason, cooperation with our Latin America-based senior investigators is crucial.

The ultimate goal of the proposed research is to make: 1.) an empirical contribution to the history of business groups in the Spanish-speaking countries by producing a dynamic typology; and 2.) a theoretical contribution to ongoing international debates on the relationship between business organisation and economic development.

This project provides benefits to:

1. The international social sciences. We offer them a historical analysis of the largest business and financial groups in the Spanish-speaking world. With its solid theoretical, interdisciplinary background and sound empirical foundation, this analysis aims to shed light on the debate over the relationship between business organisation and economic development. We offer historians and social scientists all over the world a database and dynamic taxonomy of these groups that will allow them to be compared with Asian and European groups or integrated into a comprehensive cross-country analysis.

2. The Spanish and Latin American communities of economic and business historians. By providing new and systematic evidence on historically relevant business and financial groups, our research will shed light on the role of alternative business organisational structures in the Spanish-speaking world, contributing to the debate on the Chandlerian paradigm, currently the most intense in the field of business history. It will also help to integrate the theoretical contributions of other fields into the economic historical research in general. Moreover, our database and taxonomy will allow business groups to be seen as major players in the economic and social development of their countries, as well as a better understanding of the role of financial groups and the interaction between migration and entrepreneurship. Finally, our in-depth analysis of the Urquijo Group will be a major contribution to the business and economic history of modern Spain.

3. The Spanish and Latin American business communities. This research group has been cooperating with the Spanish business community for several years while preserving its independence. Its members have also led or participated in a number of privately funded

projects, allowing us to work closely with institutions such as the French, German, British and American Chambers of Commerce in Spain, the Círculo de Empresarios, the Asociación para el Progreso de la Dirección, the Instituto de la Empresa Familiar, and a large number of foreign and Spanish industrial and service firms. We also cooperate regularly with business schools, and one of our members is affiliated with the IESE. The Latin American scholars included in the group have also been very active in establishing stable links within their business environment. A top-priority goal of the project consists of consolidating these connections as well as promoting dialogue between the academic and business communities.

4. Top managers of educational and cultural institutions. As the Urquijo Group has had a huge influence on the intellectual development of Spain – supporting the individual and collective work of many scholars, collaborating with institutions such as the Ford Foundation, and creating various cultural enterprises –, we want to examine the intellectual activities of other groups as well. Our findings, which will be integrated into our database and taxonomy, should therefore contribute to the study of educational and cultural entrepreneurship from an academic as well as professional perspective.

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“Grammar” of Corporate Photography The Case of BNP Paribas Fortis’ Archives

Scope of companies concerned

Since 2009, BNP Paribas Fortis has been the name of the main Belgian bank, formed in 1999 under the name of Fortis Bank following the integration of the Société Générale de Banque and the Caisse Générale d'Épargne et de Retraite. These companies were both founded in the nineteenth century.

The roots of the Société Générale de Banque go back to the foundation in 1822 of the Algemeene Maatschappij der Nederlanden ter Begunstiging van de Volksvlyt. Founded on the initiative of King William of the Netherlands, this mixed bank became the Société Générale pour Favoriser l'Industrie Nationale and in 1903, the Société Générale de Belgique. In 1934, due to new banking legislation, the Société Générale de Belgique was obliged to hand over its purely banking activities (deposits and short-term loans) to Banque de la Société Générale de Belgique, a new company. In 1965, this became the Société Générale de Banque.

As regards the Caisse Générale d'Épargne et de Retraite (CGER), this was founded in 1865 on the government's initiative. A public credit establishment, it was privatised in two stages

in 1993 and 1998, before merging the following year with the Générale de Banque.

The historical archives of BNP Paribas Fortis comprise those of the Société Générale de Banque and the CGER, as well as those of numerous banking companies which these two companies themselves incorporated and/or absorbed. Without wanting to be exhaustive, those for which we hold extensive archives are listed below. For instance, we have the Société Nationale de Crédit à l'Industrie, a public credit establishment created in 1919, privatised in 1995 and taken over by the CGER. A few subsidiaries of the Générale de Banque active in the last century abroad have left substantial archive material: Banque du Congo Belge and its subsidiary, Banque Commerciale du Congo, along with Banque Belge pour l'Étranger.

Group Archives and Archiving Policy

After the 1999 merger of the CGER and the Société Générale de Banque, the historical archives of BNP Paribas Fortis were organised more systematically than previously. To do so, the bank enlisted the help of the Association for the Valuation of Corporate Archives (Association pour la Valorisation des Archives d'Entreprises or AVAE), a non-profit association specialising in the processing and use of corporate archives



01- Colorised picture- departure of a boat in Congo-1937



02- Brussel's office of Banque du Congo Belge, about 1930

and working in partnership with the Belgian State Archives. The AVAE undertook the task of bringing together the historical archives of the various merged entities into a cohesive whole, then systematically inventorying them.

After almost ten years' work, in 2008 the bank founded the BNP Paribas Fortis Historical Centre to consolidate the future of its historical heritage. This Centre, which is run by the AVAE pursuant to an agreement entered into the same year, continues to bring together and process the bank's historical archives, but also encourages their use by the bank's various departments or by third parties, specifically by uploading existing inventories on-line, setting up a reading room, outlining the terms and conditions of document consultation, lending out documents and objects and so on. The Centre contributes in this way to maximising the value of the historical heritage of BNP Paribas Fortis via scientific studies, exhibitions and conferences, to name but a few. Much of its work is intended for the Bank's departments themselves, for the purposes of internal and external communication.

The historical archives of BNP Paribas Fortis currently take up some 1,300 linear metres, comprising some 15,000 items! This is an exceptional heritage for Belgium but also a fantastic database: 80% of the archives have been inventoried, and the inventory lists are gradually being uploaded to the Internet (<http://www.bnpparibas-fortis.com/en/pid2106/online-inventories.html>). Some of the archives 'fonds' (or record groups)

are very old, like those of the Société Générale de Belgique, which dates back to 1822, or the Banque Joseph le Grelle, an Antwerp bank of which initial archive volumes date back to the close of the eighteenth century.

The archives kept are very rich. In them, you can find hundreds of posters, medals, films, a library, and hundreds of objects (office machines and so on). Some pieces are of great heritage value, like the sample banknotes issued by the Banque du Congo Belge before 1952. Analysis of this heritage allows Belgium's financial evolution to be observed, as can its expansion throughout the world (China, Egypt, Congo, Eastern European countries etc.) over the past 200 years.

Photographic Collection of BNP Paribas Archives

One of the objectives of the BNP Paribas Fortis Historical Centre is to develop a database allowing the value of the photographic collection to be maximised. This work is actually a long-term exercise. Though it is very difficult to give the exact number of photos held in the archives, it would not be excessive to say there are over 80,000. The quantity is thus considerable, though the shots are of very varying degrees of interest. They are also kept in very diverse formats: negatives on glass plates, large prints in their original frames, colour or black and white negatives, Ektachromes and slides, prints mounted on card or wood, sundry computerised formats, etc. (photo 1).



03- Photo of A.L. Myers



05- ID photo of a CGER employee, about 1930

The quality of the archive photos is also very variable. Before the Second World War, companies generally used the services of professional photographers who would take a specific shot or make reportage series that sometimes included many dozens of shots. Some photos from this time are of remarkably high quality, showing genuine thought in terms of staging, where time seems to stop because the people in the images are standing still (photo 2).

However, from the outset of the twentieth century, it was not always possible to use professionals in this way. In the Banque du Congo Belge archives, for instance, there are a number of photos taken from life by bank employees – and as such, a good many of them are blurred, poorly framed, overexposed, etc. Twenty or so of the most eye-catching shots conserved in this bank's archives were however taken in the field by a professional photographer signing as A. L. Myers. This photographer it seems compiled a reportage of several hundred photos in the Colony in 1918-1919, though we have only found a small fragment (photo 3).

After 1945, banks used professional photographers less frequently – it was no doubt considered to be a costly practice. The average quality of the photos bears witness to this. Except in the illustration of documents such as the annual report, banks generally used an employee – whose degree of talent would vary. When illustrating the company journal, in particular, amateur or semi-professional photographers reporting to the Bank were used.



06- Fingerprints of a CGER employee on the back of his photo, about 1930

The oldest photos in the archive of the BNP Paribas Fortis Historical Centre date back to the 1890s – however these are rare, with fewer than ten or twenty taken prior to 1900. Many are commemorative photos, taken during notable events, such as those taken by photographer Henri Crampon during a celebration on behalf of seven employees of the Banque Générale de Liège, who in 1894 all celebrated 25 years' service (photo 4). The number of photos prior to 1940 is most likely to be under 10,000. The vast majority of shots are taken after 1960. Some periods are very sparsely illustrated, like the war years (1914-1918 and 1940-45) or the years of the Great Depression (1930-37).

We decided to group together most of the photos into a single purposefully gathered collection. It should be noted that this practice was what the banks themselves did, prior to merging. When we recovered photos from the Société Générale de Banque, the CGER or the Banque du Congo Belge, they had already been grouped into their own series. We have continued in this same spirit of categorisation. However, we did not systematically take photos out of the files



07- Photo of Louis Thielemans, employee of Société Générale de Belgique, about 1924

containing them. For example, in the case of staff files from the Société Générale de Banque, often containing a photo of the employee, we considered it more appropriate to leave them where they were, thus keeping them in their archival context, and if need be, creating a virtual collection by scanning the originals.

How did we classify the photos grouped in this way? We obviously made a distinction between the different banks providing the photos. Here is the list of banks for which we have shots, quoted in order of foundation:

Banque Joseph J. Le Grelle (1794)
 Société Générale de Belgique (1822)
 Banque de Flandre (1842)
 CGER (Caisse Générale d'Epargne et de Retraite) (1865)
 Banque d'Anvers s.a. (1870)
 Banque du Hainaut (1872)
 Banque Centrale de la Sambre (1872)
 Banque de Courtrai (1873)
 Banque Centrale de Namur, subsequently
 Banque Centrale de Namur et de la Meuse (1874)
 Banque Centrale de la Dyle (1874)
 Banque Centrale Tournaisienne s.a. (1881)
 Banque de Gand, subsequently Banque de Flandre et de Gand s.a. (1881)
 Banque Générale de Liège s.a. (1882)
 Banque d'Outremer (1899)
 Banque Générale Belge, subsequently Société Belge de Banque (1901)
 Banque Sino-Belge s.a. (1902) subsequently
 BBE (Banque Belge pour l'Étranger) (1913)



08- New building of Banque d'Anvers- the construction of the vaults 1913

Banque Générale du Centre (1903)
 Banque Centrale Gantoise (1906)
 Banque de Huy (1907)
 Banque du Congo Belge (1909)
 Banque Centrale de la Dendre (1910)
 Banque Italo-Belge (1911)
 Banque Générale du Nord (1919)
 SNCl (Société Nationale de Crédit à l'Industrie) (1919)
 BBIE (Banque Belge et internationale en Égypte) (1929)
 Société Belge de Banque (1932)
 Banque Diamantaire Anversoise (1934)
 Banque Belge Ltd (1934)
 Banque Belge France (1934)
 BSGB (Banque de la Société Générale de Belgique), subsequently Société Générale de Banque (1934)
 BBE (Banque Belge pour l'Étranger) Extrême-Orient, which became Générale de Banque Belge pour l'étranger, then General Belgian Bank, followed by Fortis Bank Asia (1935)
 Banque Générale du Luxembourg s.a. (1935)
 Banque Belgo-Libanaise (1953)
 Belgian American Banking Corp. (1950)
 Cogeba (Compagnie de Gestion et de Banque) (Genève) s.a. (1956)
 Banque Belgo-Congolaise alias Belgolaise (1960)
 European-American bank (Euram-Bank) (1968)
 Banque Parisienne de Crédit s.a. and BRN (Banque Régionale du Nord) s.a. (1991)
 Generale Bank Nederland n.v. (1993)
 Fortis Bank (1999)



11- Cycle ride organised by the Staff club of the Société Générale de Belgique about 1920

Due to a lack of time and resources, it was not possible to compile an inventory on a photo-by-photo basis. We chose to make inventories of existing entities in accordance with: slide boxes, photo albums, files containing negatives classified in chronological or thematic order, etc.

Several photos obviously pose accurate dating and identification problems. Often, there is no key – or else the key is very summary. In some cases, we can make up for the lack of a key thanks to the context. For instance, it is sometimes the case that a packet of photos is kept in an envelope or box carrying overall identification for the entire batch. However, we must take care, because sometimes these envelopes or boxes have in fact been re-used. In addition, it is inevitable that over time, some packets of photos are mixed together.

In the CGER archives, several thousand shots used to illustrate the staff magazine between 1965 and 1977 were kept in bulk and their keys were lost: reclassification work is now in progress, which consists of systematically comparing the collection of shots with photos published in the magazine. This method does not however allow for accurate dating, since some time may have elapsed between the photo being taken and it being published.

Some office photos kept in the BNP Paribas Fortis archives can be accurately dated thanks to the wall chart that can be seen in a corner: extensive blow-ups then reveal the actual date! The custom of these wall calendars being

present is a genuine boon. In some cases, this means allows an entire reportage to be dated. Once a photo has been identified – we know the bank the photo came from, the date when it was taken, its subject and perhaps the name of the photographer – from a critical standpoint, there remains the issue of motive. Why was the shot taken? It has acquired historical value, but what was its original function? In other words, for which purpose does a bank take a photo? This reasoning leads us to offer below a “grammar” of corporate photography, distinguishing between three essential functions in the photographic discourse: management, internal cohesion and publicity or propaganda.

Photography as a Management Tool

First of all, let us consider photography as a management tool. Any photo actually allows for remarkable savings to be made in terms of the description of a person or building and so on. And banks also used this medium as an “objective” data format.

In this respect, human resource management has long used photography extensively. The archive collections held at the “BNP Paribas Fortis Historical Centre” include many individual files of former staff members. These files are often accompanied by an ID photo of the employee. However, at the CGER between the wars, it was decided to centralise photos of all employees in an alphabetical file. Regardless of their position, they were photographed from the front and in



12- Publicity of Banque du Congo Belge about 1917



13- 100th anniversary of the Société Générale de Belgique in the presence of King Albert, 1922

profile, and the resulting prints were mounted on card. Some cards carry the employee's fingerprints on the back (photo 5-6). These were no doubt employees who would handle valuables. The Société Générale de Belgique had a similar system at the time. In it, all employees were photographed standing up, often against a measure to allow their height to be assessed. At their feet, a slate displayed the photo number (photo 7). This was visibly a systematic photographing campaign, and not just photos taken when employees were taken on: the age of those photographed varies widely. Dating of this photo campaign was made possible by comparing employees' curriculum vitae – based on the employment date for the youngest, thus the starting point or terminus a quo, and on the departure date for the eldest, thus the end point or terminus ad quem. In this way, we obtain the date 1924. Perhaps this photo campaign was undertaken to facilitate the search for an employee who had committed theft or embezzlement? The card on which the photos were mounted allowed space for a detailed breakdown of the individual on the back, with anthropometrical data such as height, eye colour and hair colour and so on, although these questionnaires were not completed.

Above and beyond staff management, the banks' real estate pool also generated substantial numbers of photos. In two record groups (Banque de la Société Générale de Belgique and Banque du Congo Belge), there are extensive inventories of this stock, a type of "atlas" featuring all the office

buildings at various times with a brief description and one or more photos – in general taken from the outside.

In many cases, photography also allowed monitoring of the construction and internal fixtures of buildings – central head office and branches, as well as staff accommodation in the case of Banque du Congo Belge. Special attention was often paid to the construction of the vault, the bank's nerve centre (photo 8).

Some building photographs were taken as evidence, in the event of poor quality building work or damaged buildings. This is the case in two photos of a warehouse built for the Banque Belge pour l'Étranger in Shanghai, which accidentally burned down in 1910 (photo 9). The file created to collect the insurance policy included two or three photos. Other building photos were taken in connection with the preparation of war damage files. As such, the administrative headquarters of the Banque de la Société Générale de Belgique in Courtrai was completely destroyed in July 1944 following an aircraft crash. The request for reparations made to the "ad hoc" commission includes forty or so photos of the destroyed building.

In the same vein, photo files were created so as to document the bank's artistic heritage. Art collections were systematically photographed to facilitate both management of the works and contacts with insurance companies.

However, photography was not only used as a management tool in terms of bank employees



14- Offices of the CGER in 1930



15- Employee's accommodation in Congo, 1920

and assets. Some shots taken by staff at the Banque du Congo Belge were used to support credit transactions. One photo taken in Elisabethville (today Lubumbashi) in 1911 shows a batch of ivory deposited with the bank (photo 10). Others show corporate establishments to which loans had been granted between the wars. This was doubtless intended to show the administration in Brussels, to whom the branches in Africa sent these shots, that the bank's customers had prosperous businesses and tangible sureties with which to guarantee loans granted to them. Meanwhile, in so doing, the bank gave historians a very interesting view of the Congolese economy in the 1920s, since we can see photos relating to a few dozen companies of all sizes.

Photography as a Tool for Cohesion

Photography is not just a management tool, it is also an instrument for cohesion. It can contribute to the creation of an "esprit de corps" within the company.

This is indeed the case of the shots taken during celebrations intended for staff or management. These photos often show the entire staff of a branch, a department, and so on.

In different record groups, photos also show staff members who fell in the line of duty during the World Wars: soldiers who died in combat, prisoners of war, etc.

In terms of relations between management and staff, internal magazines are a genuine goldmine. These magazines were originally born of cultural and sports clubs organised by staff.

Paraprofessional activities organised by staff members first tasted success at the beginning of the 20th century (photo 11). The staff club of the Société Générale de Belgique, founded in 1912, published an internal magazine from 1921 onwards. The initiative came from staff but management agreed to subsidise this journal, first on an ad hoc and then in an increasingly regular basis. After the Second World War magazines financed by banks for their staff became more

widespread, turning into genuine corporate news-sheets, designed by professionals who were paid for their services. Some themes were recurrent: sporting and cultural activities organised within the bank, daily life within the departments, branch creation tendencies, the development of office automation tools, staff leisure activities and so on. However, the magazines also strove to be instructional, offering articles of general interest. Lastly, one section talked about mobility within the bank: promotions, retirements and so on.

These magazines have left behind significant photographic collections from the middle of the 1960s onwards. They are an unparalleled source to see daily life in banks, despite the photo quality not always being optimal. The bank took advantage of this service to highlight its progress in terms of the social promotion of its workers (internal training courses) and their families (holidays for children, social commitments, etc.) The reports from departments and branches underline the family atmosphere and professional skills of employees and the bank's technological performance.

Photography as a Publicity or Propaganda Tool

Alongside its application in management and internal cohesion, photography obviously allows a positive image of the company to be conveyed to third parties.

Photography has long been used in connection with institutional banking publicity. Furthermore, it was at the beginning of the twentieth century that the first illustrated photographic brochures appeared introducing the bank's services (photo 12). For instance, we have price lists illustrated by photos published by Société Générale de Belgique in 1907 and 1913. The photos frequently used in brochures are those of the vaults – an excellent way for banks to stand out from the competition: the capability of a financial institution is measured visibly in terms of the number of vaults made available to customers.

In the BNP Paribas Fortis archives, we also have photos which illustrated commemorative works, often published to coincide with an institution's anniversary. For instance, we have those used for the brochure issued to mark the 100th anniversary of the Société Générale de Belgique in 1922, and those taken during the academic session organised on 23 December the same year, in the presence of King Albert I of Belgium (photo 13). Clearly means of reproduction have evolved hugely since then, and it is interesting to start again using original print runs as a basis when these are still available.

In the archives group of the CGER, some high-quality reportages show the institution's offices at different times: 1902, 1926, 1930, etc. We can see the staff at work, and these photos give a good impression of the atmosphere in the offices – even though they are obviously staged photographs (photo 14). Why were such reportages made? Perhaps in connection with the CGER's participation in fairs or exhibitions but in any case for the sake of publicity.

In the same vein, we have two series of black and white glass slides in the archives of the Banque du Congo Belge, which were used in conferences given by René Guillaume, the managing director in the 1930s. One of the two conferences talks about the bank's network in the Congo. Several shots show the bank's social policy, in particular staff accommodation (photo 15). This accommodation became stylish, or even opulent, during the 1920s. Of course, these photos are in part a way to identify the bank's property inventory. Yet above all, the bank wanted to be able to show that expatriates lived in enviable conditions. Clearly, this was an invitation to any candidates for a posting who were wondering about the comfort of life in the tropics. The other conference comprises some 90 shots and was completely dedicated to the work organisation within the bank, highlighting all the office machines the bank was equipped with at the time. Here, this was positive publicity for the bank, its capabilities and its effectiveness.

We cannot leave the Banque du Congo Belge photo collection without taking a look at this shot taken shortly after the Congo's independence in 1960 (photo 16). It clearly appears as a justification of the colonial regime or propaganda in its favour. In it, we see a Congolese clerk working for the bank. He is posing with his wife and children in front of a comfortable house and, the pinnacle of luxury, his own car.

A large part of corporate communication can be found in its annual report. Actually, the custom of illustrating these is relatively recent. Société Générale de Belgique first introduced the occasional illustration in its report for the 1969 financial year, while CGER did so in 1964. The type of photo is rather standard. All the photos resemble one another, and the recurring themes are very neutral: new branches, foreign networks, departmental computerisation and the economic role of credit establishments are the favoured topics of corporate life.

Conclusion

There is no point in showing endless examples, as by now the theme of this article is clear. "Grammar" of corporate photography or the analysis of banks' motives when ordering or using a photo can help to show the values underlying banks' actions, and thus the environment in which they operate. Thanks to a critical analysis of the image above and beyond simple identification, a historian can largely recreate the atmosphere of a time, and even in some cases it can be used as a replacement in the absence of other sources. This analytical work is particularly relevant if we process a large number of images. It also opens the door to comparative analysis: beyond the Belgian example, with BNP Paribas Fortis, can we find points for comparison with banking establishments in other countries?

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The History of Collecting Fine-Art Photography

Introduction

In her book *About Photographers* Mariëtte Haveman writes the following: "Although it appeared that there was no end to the increase of the market value for photography, it seems like this development is bound to limits. In contrast with the monstrous prices paid for paintings until the collapse of the market in 1991, photographs have been relatively affordable, and it is unlikely that this will change". How could Haveman have known that her prediction was far from the truth, and that Andreas Gursky's *99 Cent II Diptychon* (fig.1), a colour photo of racks of candy inside a discount store, holds the record for the highest price paid at auction for a photograph—Sotheby's sold it for \$3.3 million in 2007. This photograph by Gursky is by the way a beautiful example of the current photography trend among collectors: monumental sized and in deadpan aesthetic style. The aim of this article is to present an historical overview of the collection of fine-art photography and how the market for fine-art photography developed. The initial problem photography faced was that a machine was needed to create a photograph and therefore it wasn't considered as art. The idea that an esthetical input of the photographer was necessary for the result didn't matter. Later critique is familiar to the much-heard comment on the Cobra movement: "my little sister could do that", insofar as anyone can take a photograph, so why would it be art? In my essay I will highlight the people

who often single-handedly succeeded in establishing photography as art, thus worthwhile to be collected.

1. The first collectors

On a summer day in 1827, Joseph Nicéphore Niepce made the first photographic image with a camera obscura. Normally people just used the camera obscura for viewing or drawing purposes, not for making photographs. Niepce's heliographs, or sun prints as they were called, were the prototype for the modern photograph. (Fig.2)

The Frenchman Louis Mandé Daguerre invented the first practical process of photography called the daguerreotype in 1839. Around the same time the English aristocrat Fox Talbot invented the photographic process. He produced a negative of the subject with a corresponding method to duplicate an unlimited number of positives and called this the calotype, later known as the talbotype. This technical progress was very promising, but Talbot patented his invention. It made commercial exploitation difficult; anyone who wanted to take photographs had to apply with a written request. There was of course the possibility to fall back on the daguerreotype, but the main objection was the single print and the price of the equipment. Photography became



Figure 1. Andreas Gursky, "99 Cent II Diptychon" (2001)
C-print mounted to acrylic glass



Figure 2. Nicéphore Niepce, *View from the window at Gras* (c.1826) Heliograph

a hobby for gentlemen who made their money with a real profession. These gentlemen united in the middle of the nineteenth century and eventually formed photographic societies in order to exchange ideas. The first one was the Heliographic Society in Paris (1851), followed by The Photographic Society of London (1853). The latter was renamed the Royal Photographic Society of Great Britain (1894) and still exists today. The Great Exhibition of Works of Industry was organised in 1851 at the Crystal Palace in London.

The Society of Arts was responsible for the art section. Joseph Cundell, founder of The Photographic Institution and member of the Society of Arts, insisted that photography should be presented in the section 'Philosophical (scientific) Instruments', where photography would be presented among other instruments such as telescopes, galvanic batteries, and coin weighing machines. Cundall got his way and this would become the first time that photography was exhibited during an international event.

The exhibition was successful and encouraged the members of the Photographic Society to organise the first purely photographic exhibition. Recent Specimens opened on 22 December 1852, at the Royal Society of Arts. About 700 photographs from six different countries were on show. Most of the material was on loan from British collectors and, given the number of entries, it suggests that there were a lot of them. Unfortunately there is hardly any information regarding the identity of these collectors. Nevertheless, it is certain that Sir Henry Cole, director of the Victoria and Albert Museum, gave some photographs, like Panoramic view from the Louvre by Martens, on loan. The exhibition was well attended and extended by one month. Despite the number of visitors, it remained a challenge to interest people in collecting photographs.

In his book *The Golden Age of British Photography* Mark Haworth-Booth, former senior director of the photograph department at the Victoria and Albert Museum, managed to identify the most im-

portant photography collector of his day, collector poet Chauncy Hare Townshend (1798-1868). The collection was probably collected during the period 1855-60 and is nowadays in the Victoria and Albert Museum. The earliest photographs in the Townshend collection are the tree-studies in the forest of Fontainebleau by Gustave Le Gray (c. 1856). Townshend also owned Le Gray's *La Grande Vague -Sète* (c.1855, fig 3), a photograph that was sold during the so-called André Jammes auction in 1999, for a world record price of £507.500 plus premium. Another collector was Townshend contemporary, Sir Thomas Phillips (1792-1872), whom Eugenia Parry Janis refers to as a 'vello-maniac', or paper-maniac. After a meeting in 1843 with Fox Talbot, Phillips bought daguerreotypes and ambrotypes from Talbot's own collection, including a copy of Talbot's *Pencil of Nature*, the first important photographically illustrated book. Despite Phillips's remarkable photography collection, one has to keep in mind that he was obsessed with paper, not with the visual image. Phillips once wrote in a letter "I am buying Printed Books because I wish to have a Copy of every Book in the World!!" Since photography is a print medium, it had to be included in his collection.

Finally I want to mention Sir Martin Conway, 1st Baron Conway of Allington (1856-1937). His American sister-in law said about him: "He does not believe in spending money on living. His ideas are so unlike an American man's [sic]



Figure. 3 Gustave Le Gray, *Grande Vague- Sète*, (c. 1855), albumen print

on all matters of luxury. He would rather buy a photograph, than get the most dainty meal Delmonico's could prepare." Conway's photography collection formed the basis of the Conway Library at the Courtauld Institute in London.

1.1 Baudelaire and his supporters

From photography's beginning there was a discussion if a machine could produce art; the dependence of a mechanical device and a chemical process to make an image aroused suspicion. In 1859 it was the first time that photographs were exhibited at the prestigious Art Salon of Paris. There was a lot of comment. The poet and art critic Charles Baudelaire probably had the most criticism against photography. He was not so much against the mechanical nature, but considered photography as a part of mass culture and believed that photography focused too much on the external reality, which made the imaginary inferior. This remark by Baudelaire says it all: "A revengeful God has given ear to the prayers of this multitude. Daguerre was his Messiah. And now the faithful says to himself: "Since photography gives us every guarantee of exactitude that we could desire (they really believe that, the mad fools!), then photography and art are the same thing." - It wasn't just in France that people were being negative about photography. England had art critic John Ruskin who was initially positive about the medium. In 1845 in a letter to his father he wrote: "Among all the

Mechanical poison that this terrible 19th Century has poured upon men, it has given us at any rate one antidote-the Daguerreotype. It is the most blessed invention; that's what it is". Only one year later Ruskin revises his opinion: "As regarding to photography, I wish it never been discovered, it will make the eye too fastidious to accept mere handling". Ruskin summarised the concept of art together as: "a human labour regulated by human design". Ruskin regarded photography as the product of a machine. This opinion ruled until 1894.

In the introduction of the catalogue that accompanied the exhibition the Premier Exposition d' Art Photographique in Paris, 1894, writer Frederick Dillay carefully tried to convince the public that photography is art. In the mid-nineteenth century a collecting mania of cartes-des-visites arose among the population. This was an invention of André Disderi that made it possible to put several shots, each measuring $2\frac{1}{8} \times 3\frac{1}{2}$ inches mounted on a card sized $2\frac{1}{2} \times 4$ inches, on one plate. Between 300 and 400 million of these cartes-des-visites were sold in France, and collected in specially made albums, but this was just a trend and can't be considered as a serious form of collecting. The carte was a mass product. It mattered who was portrayed, artistic content didn't count.

2. Stieglitz's contribution

Until the Second World War, England was actively involved with photography. For comparison around 1900 there were 256 societies in England, while America counted 99. The Royal Photographic Society, mentioned earlier, was the oldest, best known and most prestigious one. This society focused on exhibitions with many different categories. Not all members were happy though. In 1892 a group of fifteen members left to set up a new society, the Linked Ring. They felt that with the Royal Society emphasis was too much on the scientific side of photography and that the aesthetic side was undervalued. The Linked Ring was committed to Pictorialism,



Figure. 4 Anna Brigman, *The Bubble*, (1907), gelatin silver print

a style that is mainly aimed at aesthetics. This international movement was shaped in 1890 and came from the idea that photography should be independent from depicting reality and should concentrate on the transcendent mood of fine art. Typical subjects are idealised landscapes and allegorical figure studies, including the nude (Fig 4).

When the American photographer and godfather of photography Stieglitz met a few of the Linked Ring members in 1894, he was asked to become their representative in America. He accepted. In 1902 Stieglitz established the Photo-Secession, a group of American photographers who promoted photography as a fine art. The name Secession was 'borrowed' from groups of progressive artists from Germany and Austria, who had the same ideals as the Photo-Secession; objections to, and independence from, artistic and academic establishment. In that same year he organised a major exhibition at the National Arts Club, 'American Pictorial Photography arranged by the Photo-Secession'. It included work by Gertrude Käsebier, Clarence White and Edward Steichen. In 1903 Stieglitz published a new lavishly illustrated photographic quarterly, *Camera Work*. It was presented as a collector's item and many editions were monographs of one photographer with reproductions in highly accomplished printing techniques. The magazine was exclusive and expensive; normally prices for a magazine varied between one and two dollars. *Camera Work* sold for four dollars. Stieglitz argued that the prints came from the original negative, a labour-intensive process, hence the price.

Since there were hardly any collectors, it became usual for photographers to collect each other's work. Stieglitz collected actively between 1889 and 1908, but also after 1908 he purchased works, like photographs by Paul Strand (1917). As representative of the Linked Ring, one of his tasks was to look for new talent. His choices were not always appreciated because some members were extremely conservative. Stieglitz

however, followed his own path and was open to the new generation of photographers, like F. Holland Day, Clarence White and Gertrude Käsebier, and started promoting and buying their work. Stieglitz travelled regularly to England and noticed the improved ways of displaying art that he introduced in America.

Stieglitz implemented these six new rules on exhibiting photographs:

1. The exhibition should only contain artistic (pictorial) work;
 2. Had to have an international character;
 3. A fund was introduced to cover the cost for the organisation;
 4. A committee had to supervise the framing of works;
 5. Hanging the artworks had to be done with utmost care;
 6. It was an art-exhibition, not a cheap attraction.
- Not only did the quality of the exhibitions improve, but photography was also treated as if it was art.

Stieglitz would adopt more European initiatives, like for example the one-man show. The first American photographer who had the honour was Clarence B. Moore.

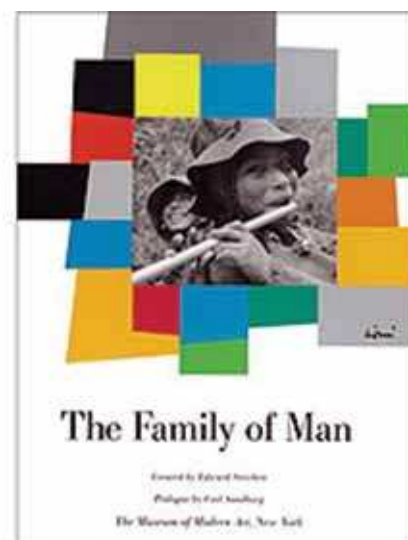


Figure 5. Cover of the Catalogue of the Family of Man exhibition

2.1. The first photography galleries

In 1904 Stieglitz visited Europe and was pleasantly surprised that prices for photographs had increased. He then decided that it was time for New York to have a photography-gallery. On the 21 of November 1905 the first exhibition of the Photo-Secession gallery (also known as 291) is a fact. The gallery was to provide a focus for the efforts to gain recognition for Pictorial photography as a contemporary art form. Group- and one-person exhibitions of photographs were the main focus of the gallery for only a short time. Visitors could buy the exhibited works, but sales were disappointing. In the end it was Stieglitz himself who bought the most. Of all the exhibitions at the gallery, Steichen's one-man show (1906) attracted the most visitors (2500), and the sale with proceeds of \$1500 was the most successful. In January 1907, the first works in another medium were shown: drawings by Pamela Coleman Smith. Beginning in 1908, under the influence of Edward Steichen advising Stieglitz from Europe, the exhibition program dramatically shifted to works by such masters as Rodin, Matisse and Picasso. Photography would only play a minor part, and by 1912 there were no exhibitions of photographs at all. Meanwhile Stieglitz had put his own collection in storage, and had a good reason to do so. The core of

the collection was Pictorialism but that style was out of fashion, modernism ruled. Photographers were freer with the introduction of the portable camera and were discovering the city. Stieglitz had invested \$15,000 in a collection that had hardly any commercial value. In 1923 Stieglitz donated his collection of photographic books to the Metropolitan Museum of Art. The major part of his photography collection would also, by coincidence, end up in the same museum. Stieglitz had plans to destroy his worthless collection and told this to gallerist Carl Zigrosser. The latter had connections within the museum and it took him only one telephone call before the collection of seven hundred prints was brought to the museum. There is no information on a photography gallery before 1931 in New York or elsewhere. In 1931 Julian Levy opened his eponymous gallery in New York. The gallery opened with a retrospective of American photographers, followed by an exhibition of works by Atget and Nadar. Prints were especially made to sell, but despite the low prices, ranging from \$10 to \$50, Levy didn't sell any. There were more setbacks and Levy was forced to shift his focus from photography to modern art.

It might seem awkward to make such big leaps in time, but since there were no photography galleries between 1931 and 1954, there is no other option. Helene Gee opened the Limelight gallery in 1954. Gee, a former student of Lisette Model, wanted to make the gallery a cultural meeting point, hence a gallery cum coffee shop. But unfortunately Gee suffered the same fate as Stieglitz and Levy. Nobody would pay \$100 for a Moholy-Nagy (please note that in 1990 a Japanese museum paid one million dollar for a Moholy-Nagy). After seven years Gee closed her gallery, and until 1969 there are no new initiatives. Lee Witkin was brave enough to open his gallery in 1969. He was aware of the fact that his predecessors were unsuccessful and was realistic about his faith. He said: "So in 1969 when I rented my first gallery space...my hopes were slight and the prospects of my finally read-



Figure 6. Diane Arbus, *A young man at home on West 20th Street, NYC*, (1966), gelatin silver print

ing all of my Proust during the slow hours large". Witkin managed to sustain. In the 1970s Witkin would comment on a new trend that he calls the manipulation of the market, and pointed his finger at dealer Harry H. Lunn Jr.

Lunn entered the stage around 1971 and would almost single handily build the market for fine art photography by introducing limited editions. Lunn understood that photography had one big problem, its reproducibility, and believed that a dealer had to create artificial scarcity or 'the creation of rarity', which would give photography the same status as a fine print. A famous example is the work of Ansel Adams. Prior to Lunn's strategy, prints by Adams cost around \$400. In 1975 Adams declared that he would not make any new prints after December 1975'. Subsequently Lunn placed a big order, turning the photographs of Adams into 'a flagship leading the rest of the fleet' and prices for living photographers rose. As a result prices for Ansel Adams photographs went up between \$4,000 and \$16,000 in 1979 (prices would drop again in the early 1980s, but are back again and this time close to the \$100,000 mark). Lunn was also one of the organisers of Paris-Photo, the famous photography fair in Paris launched in 1996, and became one of the founding members of AIPAD (The Association of International Photography Art Dealers). This association is dedicated to creating and maintaining the highest standards of buying and selling photographs.

2.2. Reasons for the acceptance of photography Lunn was undoubtedly a driving force behind establishing a market for photography, but there were more factors. Around 1967 there was a growing interest in art as investment. This was partly due to poor exchange rates. The Pound Sterling devaluated in November 1967, and the value of international currencies dropped as a result. The art-world had the advantage of operating at an international level, meaning that an important work keeps its value, or at least in the strong U.S. dollar.

In 1969 with Wall Street suffering major blows, art as investment became interesting; an official relation between the investors market and the art world becomes a fact. Recently, special photography art funds have been set-up: Tosca Photography Fund, initiated by Mr. Dalman, executive vice chairman of Tosca Asset Management LLP and the Art Photography fund, launched by Johannes Faber of the eponymous gallery, Vienna.

Already a long time ago, in an interview with Stieglitz entitled "Can a photograph have the significance of art?", Marcel Duchamp said: "You know exactly how I feel about photography. I would like to see photography make people despise painting until something else will make photography unbearable". Duchamp would get his way. In the 1960s artists began looking for ways to replace the canvas. They rejected traditional painting and sculpture and started to experiment with photography. Then came a group of American artists who would be known as the Picture Generation. These artists, with key-figures like Cindy Sherman and Richard Prince, were focusing on reproduction instead of production and began to appropriate images from the media. Photography was still separated from fine art and free of theoretical baggage, and therefore attractive for these new artists. What happens next is a division in photography; the traditional photograph capturing the decisive moment, and the staged appropriated photographs that are more related to the modernist aura of

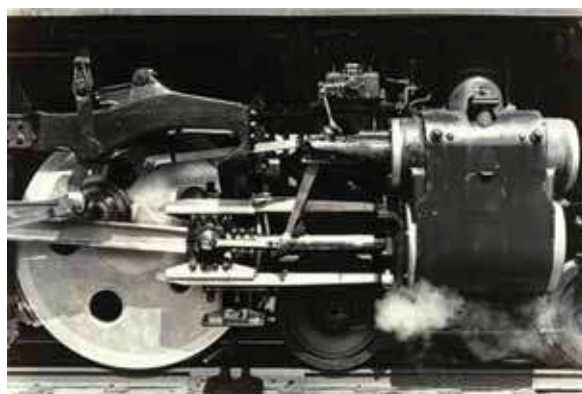


Figure. 7 Charles Sheeler, *Wheels*, (1939) gelatin silver print

contemporary art. This division also had consequences in the art world where two different kind of galleries emerged; specialist photography galleries and contemporary galleries where they sell work of artists working with photography. The auction houses have copied this model. This will be further discussed in section 4.

3. The MoMA and its curators

There are a few objects that have passed as quickly and as directly from the stage of destruction to one of worshipful admiration, from the trash heap to the museum. This statement is a good introduction to photography's (re)-entrance into the museum. In 1929 a committee of influential Americans decide that there should be a museum exhibiting modern art. This new museum would focus on traditional art forms: painting and sculpture. Its director, Alfred Barr, however, believed that a museum for modern art should also show new media. Barr made it

possible for new departments to be created in the museum for architecture (1932), film (1935), industrial design (1940) and photography (1940). Photographs had been shown in exhibitions at the MoMA before the official arrival of a photography department like, for example, *Murals by American Painters and Photographers* (1932). But as the title implies it was an exhibition of painting and photography. Walker Evans: *Photographs of Nineteenth Century Houses* (1933) was the first exhibition at the MoMA that only showed photography. The photography department transformed after the arrival of Beaumont Newhall in 1935. Newhall was originally hired to run the library, but when Barr discovered that he was interested in photography, he was appointed as the first curator of the photography department. In 1937 Newhall curated his first exhibition, *Photography 1839-1937*, that showed 841 works by different photographers. What Newhall wanted to illustrate was the evolution of the image instead of the technical progress. This exhibition would become the basis for Newhall's book *History of Photography*. The department could, however, never have survived without the support of David H. MacAlpin and James Thrall Soby, both photography collectors. MacAlpin donated money that made it possible to buy new material, while Thrall Soby donated about a hundred Man Rays from his private collection in 1940.

In 1940 the first official photography exhibition at the MoMA takes place. *American Photographs at \$10* is a compilation of work by nine top photographers all represented with one photograph. Ten prints of each work could be bought for \$10 per print. Sales were disappointing; only a dozen prints were sold. In 1945 the photography collection contained about 2000 photographs and was divided into two categories: historic (nineteenth century) and contemporary. Photographer Edward Steichen became the new curator in 1947. Steichen considered photography as a universal language and it is in this context that he curated the monumental exhibition *Family of*



Figure 8. Cindy Sherman, *Untitled Black Bra*, (1978), black and white photograph

Man (1955). The focus was not in the first place on artistic expression, but on photography as a mass communication tool and presents an idealised vision on the theme of man and family. In the introduction of the catalogue, Steichen wrote: "It was conceived as a mirror of the universal elements and emotions in the everydayness of life as- a mirror of the essential oneness mankind throughout the world". The exhibition showcased a selection of 503 photographs by 273 photographers, famous and unknown, from 68 different countries. Family of Man attracted around 9 million viewers from all over the world and the accompanying catalogue sold out within no time (fig. 5). This great interest gave photography some sort of stability and comfort, and the proceeds made it possible for the department to expand its collection.

3.1. Szarkowski

In 1962 John Szarkowski was appointed director of the photography department. At the time photography was still not fully accepted as an art form by the commercial galleries, curators and critics. Szarkowski managed to change that, largely on his own. Szarkowski preferred contemporary photography that distinguished him from his more traditional predecessors. His first exhibition in 1963, *Five Unrelated Photographers*, was a group exhibition of five contemporary photographers: Ken Heyman, George Krause, Jerome Liebling, Minor White and Gary Winogrand. *New Documents* (1967) was probably his most influential exhibition. It established snapshot photography and showed works by relatively unknown contemporary photographers (Garry Winogrand, Diane Arbus and Lee Friedlander). It caused a stir; Arbus made harsh photographs of outcasts in society (fig. 6), while Winogrand and Friedlander took pictures of the streets in New York. Another groundbreaking event was the exhibition of works by then unknown William Eggleston (1976), since it was the first time that color photography was shown in a museum. This decision incensed the critics

almost as much as the supposedly banal and vulgar subject matter.

In his still-challenging book, *The Photographers Eye: A way of seeing* (1964), Szarkowski analyses the formal development in the way of "photographic seeing". In the introduction Szarkowski writes: "this book is an investigation of what photography looks like, and of why they look that way". According to Szarkowski there are five formal characteristics that can be found in every photograph.

These are:

1. The Thing itself
2. The Detail,
3. The Frame,
4. Time,
5. Vantage Point.

These structures are based on the modernist view of the aesthetic autonomy of the medium. As a consequence photography got her own aesthetic focus and became independent from painting. Szarkowski's approach is democratic; he makes no difference between photojournalism, documentary photography or fine art photography. All genres can be judged by the same criteria. Szarkowski's curatorial choices endured much unfavourable judgement by critics, but by giving photography her own 'language', Szarkowski managed to (re)introduce photography into the art scene.



Figure 9. Imogen Cunningham, *Magnolia Blossom*, (1925), gelatin silver print

4 The Auction

Nowadays one can buy photographs at a gallery or auction-house, but this is a fairly recent development. In the early 1970s Sotheby's started to auction photographs, but it would take another five years before these auctions became regular. Where could someone buy photographs prior to this date? The photograph had primarily served as illustration, so the place to buy a photo would be at an antiquarian bookseller. These booksellers also happen to be the first to auction photographs, but only as a small part of an eclectic supply of goods.

The sale of the Marshall collection (an engineer from Rhode Island) would become the first auction in America dedicated solely to photography (Swann auctions, 1952). The auction –with in total 371 lots- raised \$5,232. The interested group was small, and consisted mainly of book dealers who called this event a 'trial balloon'. In June 1961 book dealer Nicolas Rauch and André Jammes auctioned 241 items from the Jammes collection, but it was not a success. In New York (1967), auction house Parke-Bennet, now known as Sotheby's, auctioned the collection of Will Weisberg, a publicity photographer of the hotel Waldorf Astoria. In 1970 Sotheby's sold the Sidney-Strober-collection, but only managed to attract a small group of die-hard photography collectors. There were no indications that a market for photography was realistic. Auction houses in those days were smaller than now and it was unusual to get involved with a

new and young market. However, Sotheby's in London officially started to auction photographs in 1971, followed by New York in 1975. I spoke with Mr. Howard Ricketts who organised the first auction at Sotheby's in London. He told me that the material came partly from the households of aristocratic families and the photographs would have been put together with discarded furniture. This first auction did attract the public, but only because this event was a novelty and hardly anything sold. 1980 was the year that Sotheby's New York had its first highpoint: three photography auctions achieved a return of \$1.6 million. Two years later one photograph (Wheels, by Charles Sheeler, fig. 7) was bought for \$67,100 by The Detroit Institute of Arts. It was a clear and hopeful sign that a leading institution would pay that amount of money for a photograph.

1985 turned out to be a significant year for the photography market. The J. Paul Getty Museum in Malibu, California, announced that it had bought a few private photography collections and had opened an official photography department. The news sent shockwaves through the art world, not only because of the amount of photographs (18,000), or the fact the curator was Weston Naef, lured away from the Metropolitan Museum of Art, but above all because the deal was done in secret. This coup was the work of three men: curator Naef, photography dealer Daniel Wolf and Getty-director John Walsh. Wolf received a budget of \$20 million to buy a couple of important private collections. The collectors were not allowed to know the identity of the buyer: if they knew their asking price would have doubled. Wolf, however, made an exception for one person, André Jammes, whom he greatly respected and who he considered to be the most important and serious collector. Jammes agreed and sold a part of his collection. Wolf also bought the following collections (or a part): Wagstaff, Crane and Bokelberg. As a consequence, important works were off the market in one foul swoop. The law of supply and demand also applies in this case and prices for



Fig. 10 Art Price Index 1: Photography 1985-2010

photographs were rising. The total revenue of photography auctions at Christie's, Sotheby's and Swann (the branches in New York) in 1985 was \$2,920,776. A decade later, this amount is increased to \$12,173,585.

In 1985 trends arise in the photography market, and especially contemporary photography becomes popular. A good example is the work of Cindy Sherman that had a remarkable development in the art market and was a decisive moment for the status of photography. The market for Sherman is quite recent; before 1990 her work was rarely auctioned. An important event for Sherman's market value was the sale of *Untitled (Black Bra)* for \$ 28,600 (Fig. 8).

The estimate had been between \$6,000 and \$8,000. This black and white photograph has an unusually big size (28 ¾ "x 37"), and shows Sherman, lying on a bed in her underwear, holding a mirror in her hand. A significant detail, in the late 1970s this photograph could be bought for around \$150. Ever since the auction in 1991, the so-called "Film Still" series fetches record prices. What made Sherman's work so valuable is that it is categorised as contemporary art (Charles Saatchi was among the first to pay the kind of sums that most collectors had previously paid for paintings). Going forward there is a strong belief that there will be further blurring between the contemporary photography market and the contemporary art market. This shift has caused a major change regarding photography auctions, which are now divided into: dedicated sales, and contemporary art auctions with photographs. According to gallerist Edwyn Houk of the eponymous gallery, the popularity of contemporary photography has to do with a new conception of art, which makes that sectarianism has disappeared. When people buy a piece of art they don't necessarily look at the medium. Galleries cater to this trend by showing art works from different media next to each another, also known as crossover. Another thing, according to Houk, is the price. A print by a famous photographer, exceptions aside, is considerably cheaper

than paintings and sculptures by the hottest signatures on the art market.

In 1989 photography celebrated her 150th birthday. All around the world big exhibitions were mounted, like for example *Photography Now* (London) and *Photography Until Now* (New York), and a new record was set at auction; *Westons Nautilus Shell* became the first photograph to sell for more than \$100,000. In 1990 Sotheby's auctions the first important single-owner collection of singer Graham Nash (singer from Crosby, Still, Nash & Young). During that year Sotheby's had three auctions that raised a total of \$8.000.000, twenty times more than in 1975. The market is quiet between 1991 and 1993. There are some outliers, like Tina Modotti's *Roses Mexico*, changing owners for \$165,000, but nothing spectacular happens after that. Another happening is on the way though, when in 1994 the Museum of Modern Art sells part of its photography collection through Sotheby's. It is the first time that a prestigious institution sells a part of its collection and the interest is enormous. The auction raised \$600,000. Since 1994 the photography market shows an upward trend. An



Fig. 11 Daniel Gordon, *Portrait in Orange and Blue*, (2010) Chromogenic print

important moment for photography was the sale of the André Jammes collection in October 1999 at Sotheby's London. Jammes is known as the connoisseur of connoisseurs in the inner circle of photography. He was originally an antiquarian book-dealer and started to collect in the 1950s. During a meeting with other book-dealers, prints by Nadar were shown. Apparently Jammes asked if anyone collected these. Since nobody did, he decided to build a collection. Setting up an archive was back then the only possibility to study the history of photography. Jammes systematically amassed a collection with all the big names, especially from the nineteenth century. The Jammes auction would fall just short of becoming a white glove sale (a term in the auction world when all lot-numbers are sold), but managed to break a record when a tree-study by Gustave le Gray (1855) sold for £460,000. Lot 64, however, will become the star-lot of the auction. It is a seascape: Grande Vague-Sète by Gustave Le Gray, that went under the hammer for £507,500 a world record. For a while it remained unknown who the buyer was, but eventually it was revealed that sheik Al-Thani from Qatar bought the Le Gray.

5. Vintage and non-vintage

It is well known that photographs can be multiplied, a characteristic that was part of the problem and resulted in the idea that prints from the same negative were exchangeable and could be produced in large editions. The idea that a photographer could make unlimited prints didn't appeal to collectors who value rarity.

A photograph can look like a direct positive, a slide, a negative or a print. Direct positives, positive slides and negatives are unique objects. A single glass negative, flat film or contact sheet of 12, 24, 36 or more exposures- forms the basic material of a photographer, and he will choose the image he feels is the best at that moment. This negative is the 'mother'-in fact the plate- of the photographic prints. Or to quote Ansel Adams: 'The negative is the score: the print the

performance". However, no two prints are identical: prints can have clear differences because of the format and the finish. Finally, photographs are usually printed in small numbers: practice showed that early prints are rare. Edward Weston's notebook, for example, reveals that he only sold 12 prints of his famous Pepper No. 30. Photographer W. Eugene Smith once said to photography dealer Witkin: 'The care I give the prints and the agony I go through making them makes it almost an unpleasant but necessary task. Because of the time it consumes, I could never "flood" the market with my prints. I make my own prints because no language or communication allows me, or anyone else, to tell another person the very subtle balances of print quality only I can register. Anyone else's print of my negative is a rough approximation, even with the best of printmakers. I struggled all my life to come back from assignments and make my own prints.'

In the meantime the market has come up with a solution for this through limited editions. It means there is a stated number of prints of an image in a particular size and in a particular format, preferably signed. Now all the photographer/gallery has to do is keep a record of the number of prints. If keeping a record is neglected, the serious collector who wants rarity loses interest. A good example of a photographer with a great talent, but no business acumen, is Annie Leibovitz. Leibovitz never kept a record, which might indicate that there are a lot of her prints around, making her work commercially uninteresting.

Anyone with an interest in collecting photography has come across the term vintage print, but what is it? A vintage print is basically a photograph printed within a few years of the date when the negative was made. This window of time expands with the age of a print; a print made in 1890 from a negative made in 1880 or a print made in 1960 from a negative made in 1958 are both generally referred to as vintage. Prints that were made in the past, but after the

period of time in which they would be considered vintage, should be identified as “old” prints. When the photographer or an assistant supervised by the photographer makes a print in, for example, 1998 from a negative dated 1968, this print is called a modern print or printed-later. But what makes the vintage print so important, almost holy? A vintage print, in theory, represents the photographer’s vision and intentions of the photographer. But this concept doesn’t always hold up.

Ansel Adams, for one, often changed his printing style and intentionally altered negatives. The difference between vintage and non-vintage is particularly expressed in value; the price for a vintage print is on average twice as much as for a non-vintage. In some cases the difference is extreme: in April 2010 Christie’s New York sold a rare signed print by Imogen Cunningham for \$242,500. A month later at Swann auctions, the same image-non vintage- was sold for \$31,200 (fig. 9).

6. The future

Ever since photography became a part of contemporary art, more people have started to collect. A good example of this collecting mania is Pier 24, a 28,000 sq foot building where the contemporary photography collection of the Pilara Photographic Collection is housed. As a result, prices have skyrocketed. Prices started to increase in 1990. In 1995, the contemporary photograph auction was limited to 350 photographs for a total of €1.4m. Since then, prices in the segment have quadrupled and between three and six thousand contemporary photographs are sold each year.

In just ten years (1998-2008), the segment annual revenue rose by 1,270% and the photography segment today represents 7% of the global auction revenue generated by contemporary art (€31.1m from July 2009 to June 2010). More dynamic than the market for old photographs, the contemporary photography sub-segment has seen an astonishing rise in value and at

its speculative peak it accounted for more than half the global auction revenue generated by the photography segment as a whole. In 2009, the proportion was 53%. Since then, it has been contracting. In 2010, contemporary photography shrank back to roughly the same proportion as in 2006, generating 40% of the global auction revenue from the photography segment as a whole. We live in a world that is over-exposed with photographs. Some statistics: there are 1 billion cell phone cameras, 60 billion pictures on Facebook and 750 million images were uploaded in the New Year weekend alone. Photographers are exploring the boundaries of photography and are experimenting with digital techniques, giving photography, as we know it, a makeover. A good example is the work of Daniel Gordon who makes figural sculptures with images from the Internet. Gordon’s work does stretch the traditional definition of the medium, but is it still photography? During a symposium at Foam about the future of photography, Professor Fred Ritchin said that we are making a big mistake by calling digital photography, photography. According to Ritchin, digital photography has very (very) little to do with photography and compared it to the invention of the automobile. The automobile was initially called the horseless carriage because nobody knew what it was, but it still had the horsepower. Both were means of transport, but that is where the comparison stops.

I think it is appropriate to end this article with the statement of Peter MacGill of the Pace/MacGill gallery: “The book on analog photography has closed and there is a limited supply of all the good stuff, which has put tremendous pressure on that marketplace,” MacGill says. “The value is only going up more when people realize you can’t just make another print”. Maybe the record price for Gursky’s 99 Cent II Diptychon is only the beginning.

Maria Helene Kublin

The Kronenberg Foundation Bank Handlowy w Warszawie SA

Bank Handlowy w Warszawie SA, operating under Citi Handlowy brand, is a member of Citigroup, one of the leading global financial institutions. Citi Handlowy has conducted uninterrupted business operations for nearly 140 years, becoming the oldest bank in Poland.

The bank's mission includes playing a leading role in the banking industry in Poland by offering world class products and high quality services to our customers, both local and international, creating an attractive and satisfactory work environment and setting ethical standard in business. Citi Handlowy's activity reaches beyond business goals. Because the bank identifies with the community it operates in, it embraces the possibility to have impact on its shaping and growth. Citi Handlowy's reputation as a leader in corporate social responsibility has been confirmed by numerous awards.

The Kronenberg Foundation

Established on the 125th anniversary of the founding of Bank Handlowy, the Kronenberg Foundation has assisted its founder, Bank Handlowy, in pursuing its social responsibility mission since 1996.

Inspired by the work of Leopold Kronenberg, an outstanding financier, philanthropist and culture patron, we focus our efforts on economic education and protection of Polish cultural heritage. Embracing new ideas, we initiate and coordinate volunteering projects for the employees of Citi Handlowy and support the growth of local communities.

The mission of the Kronenberg Foundation is to provide assistance to programmes promoting the public good in the fields of education and local development.



Iwona Murphy, President of the Kronenberg Foundation, and Andrzej Rottermund, Director of Warsaw Royal Castle, presenting a commemorative medal to Prof. Andrzej Tomaszewski, winner of the eleventh edition of the Aleksander Gieysztor Award.

The Foundation achieves its goals through:

- Supporting associations and foundations active in the areas of the Foundation's interest,
- Creating advanced educational programs addressed to children and especially gifted youth,
- Granting, on behalf of the founder, awards to individuals with outstanding achievements in the fields of economics
- Supporting organisations effectively reforming economic and entrepreneurship education in order to adjust it to the needs of market economy,
- Supporting particularly valuable educational initiatives in culture, with special emphasis on music and cultural heritage,
- Supporting local and regional initiatives in the areas listed above,
- Activity in the third sector community, including organisations such as European Foundation Centre, Donors Forum Poland, Responsible Business Forum.

We have developed a number of original programs and supported worthwhile projects deliv-

ered by other organisations countrywide, with particular focus on local initiatives. In over 15 years of activity our programmes have reached over 6 million Poles.

Protecting Polish cultural heritage

Protection of Polish cultural heritage is one of the Foundation's areas of interest. Our flagship in this area is the Aleksander Gieysztor Award, granted annually for 12 years to individuals and institutions in recognition of their achievements in the area of protection of the Polish cultural heritage, in particular for museum and restoration initiatives as well as collecting items of value for Polish cultural heritage. The award was designed to promote and support those who undertake extraordinary efforts to protect Polish cultural heritage both in Poland and abroad.

Roots is a program dedicated to the life and achievements of Leopold Kronenberg and his successors. As a part of this programme in 1998 the foundation financed the publication of a richly



Sławomir S. Sikora, President of the Management Board, Citi Handlowy, giving a lesson in My Finances project

illustrated catalogue entitled *The Kronenbergs: Family Memorabilia* (Kronenbergowie. Pamiątki rodzinne), accompanying an exhibition in the Historical Museum of Warsaw, devoted to the family's role in forwarding the cultural and civilizational development of the country. In the same year the LKF produced a biographic documentary on Leopold Kronenberg *Labor Means Work* (Labor znaczy praca). A CD *History of Bank Handlowy w Warszawie* (Historia Banku Handlowego w Warszawie S.A.) followed in 2000, and in 2010 the LKF issued an album *The Kronenbergs' Heritage* (Dziedzictwo Kronenbergów) presenting the foundation against the history and achievements of Bank Handlowy and the Kronenberg family. In 2011 the LKF initiated the recovery and digitalisation of documents of the history of Bank Handlowy w Warszawie and the Kronenbergs.

The Foundation has consistently devoted much of its attention and grants to the protection of Polish cultural heritage. In 1998 we purchased a collection of nineteenth century silvers and

deposited it with the National Museum in Warsaw. The collection is exhibited in the Leopold Kronenberg Silvers Chamber. In 2006-2008 we were involved in the search for Nicolaus Copernicus' grave, which ended in the successful identification of the great astronomer's remains. In 2010 the Foundation purchased a painting formerly owned by Leopold Kronenberg, the founder of Bank Handlowy. The valuable painting „Resting in Tatra Shed” by Wojciech Gerson, looted in World War II, was recovered and donated to Warsaw Royal Castle.

Delivering financial education to Poles
Financial education is another key area of the Kronenberg Foundation's activity. We dedicate special efforts to assist Citi Handlowy in pursuing the strategy founded on „equal partners” approach to clients. We believe that living in a society with market economy as is essential constituent requires personal finance management skills. Low economic awareness causes excessive consumption, debt and unnecessary



Workshops of Hasidic dance at the Festival of Jewish Culture, a project financed by the Kronenberg Foundation

overspending. This in turn leads to lifelong financial difficulties. To prevent this, the Foundation delivers economic education programs to a wide range of social groups.

By bringing our programmes to Poles we want to assist in their financial education, help them learn to make rational and advantageous financial decisions, which will most likely advance individual wealth as well as the success of the entire economy in the future.

From Penny to Pound is the first economic education programme in Poland addressed at children aged 8-10. It aims to help them develop and adopt rational money management behaviours. Each year the program reaches over 11,000 children and nearly 25,000 parents and other family members.

My Finances is Poland's largest youth economic education program. Its aim is to educate young people to make rational and advantageous financial decisions and equip them with skills necessary to update their financial knowledge. The programme reaches 150,000 youth annually.

Bank in Action is an education programme addressed at upper-secondary students interested in finances. It was designed to promote knowledge of the principles of financial markets, and prepare young people to adopt careers in entrepreneurship and economics. Over 11,500 youth participate in BinA annually.

Banks in Action Contest of Financial Knowledge is the first financial knowledge competition in Poland. Its aim is to test the skills of young people who intend to study economics, particularly finance and banking. Over 10,000 students from 500 schools enter the competition each year.

Savings Week is a nationwide educational campaign combined with the celebration of the International Saving Day on 31 October. The main idea behind Savings Week is to promote saving as a lifelong habit and rational management of personal finances. This is done by means of a complex awareness-raising campaign in the media. We have also launched a multimedia portal for the needs of this program <http://tdo.edu.pl>. The media education campaign reaches



Penny Travels workshop, part of the From Penny to Pound programme

over five million Poles annually.

So far, the foundation's financial education programmes have served directly over 1,600,000 Poles.

The foundation is currently working with the National Bank of Poland on a National Financial Education Strategy to help Poles become conscious members of the financial markets, capable of monitoring and managing their financial situation, make the best of available financial products, successfully look for necessary information and consciously plan their future, including saving towards retirement.

The document will identify and prioritise key financial education goals, determine teaching standards and their attainability. The strategy will also diagnose Poles' current financial awareness, design long-term educational goals, guidelines for constructing high-quality financial education schemes, methods for reaching all social groups and actionable evaluation strategies.

Promoting entrepreneurship

In 2006 the Kronenberg Foundation launched Microentrepreneur of the Year contest. The idea behind this programme is to promote microentrepreneurship, encourage setting up of small enterprises and recognise the best micro-businesses as examples of effective economic activity. Directly, our goal is to recognise micro-entrepreneurs successfully combining tradition and modernity and firmly rooted in their local communities. Candidates are evaluated by the Selection Committee composed of the representatives of major organisations supporting microentrepreneurship.

Recognizing outstanding economists

Competition for Bank Handlowy Award for Special Achievement in the Theory of Economics and Finance, organised annually by the Kronenberg Foundation, is one of the most prestigious events aimed at recognizing scientific and scholarly achievement in Poland. The award is



Leszek Balcerowicz, former President of the National Bank of Poland, and Sławomir S. Sikora, President of the Management Board, Citi Handlowy, at the award-giving ceremony of Bank Handlowy Award for special achievement in the theory of economics and finance

sometimes referred to as the „Polish Nobel prize in economics” and aims to promote the most valuable publications in economics and finance. The jury composed of high-profile Polish economists, evaluates essays and books, published in the preceding 3 years. Winners of previous editions of the Bank Handlowy Award are highly reputed economists – academics, market analysts, members of the Monetary Policy Council.

Promoting employee volunteerism

Employee Volunteering Programme at Citi Handlowy is Poland’s first and largest structured programme of this type. Managed by the Kronenberg Foundation, it was created to stimulate and champion community involvement among the employees of Citi Handlowy. It provides them with instruments, financial support, expertise and logistics necessary to volunteer for those who need help.

Citi Handlowy employees are offered a range of opportunities for volunteering for community organisations or local self-governments. Many design their own original projects for collective or individual volunteering.

Among the most important projects are:

- Citi Community Day, an annual event with ca. 1,500 volunteers implementing around 100 original community projects in several dozen locations throughout Poland;
- Innovative employee integration off-sites combined with volunteer work, the first of this kind in Poland. Rather than waging paintball battles, employees renovate education centres, build playgrounds or take care of animals. 27 such events have been held so far, with over 2,550 employees participating;
- Involvement in the Foundation’s financial education programmes for children and youth;
- Regular charity projects for the inmates of children’s homes in Równe, Julin, Dębniaki and Rawa Mazowiecka; including 35 Christmas events organised as a part of „Santa’s Assistants” program;

- Special projects engaging the employees and clients of Citi Handlowy with their families, as well as student organisations, designed and delivered with Foundations Ja Wisła, Our Earth, and ABCXXI „All of Poland Reads to Children”; as well as students of Warsaw University.

721 projects have been delivered under Employee Volunteering Programme in five years of its existence, with over 9,000 volunteer engagements totalling over 54,800 hours of donated time, working for over 90,000 people.

Moreover, in 2006-2010 as many as 13 Citi Handlowy volunteers were chosen as the „Personality of the Month” by the Association Volunteering Centre in Poland. The programme recognises volunteers who champion volunteerism in their organisations and are uniquely dedicated to helping people in need.

Caring about the environment and sustainable growth

In 2008 we launched a programme More Trees Thanks to You in cooperation with Citi Handlowy. The idea behind the initiative is to promote pro-eco behaviours and encourage the clients of Citi Handlowy to use online statement service in place of printed account statements. Under the programme, Citi Handlowy plants a tree on

Bank Handlowy is a financial institution with a high sense of social responsibility. We do our best to be a model business in Poland, sensitive to the needs of our partners. We are particularly committed to initiatives in corporate social responsibility. At Citi Handlowy, we refer to them as modern-day philanthropy. Modern, because involving careful long-term planning to bring considerable benefit for local communities, contributing to their prosperity and growth”

Sławomir S. Sikora, President of Management Board, Citi Handlowy

behalf of each client who has chosen the online service.

Over 330,000 new trees were planted in 2008 - 2010 as a result of wide response to the campaign.

Supporting worthwhile community initiatives

Under the Grant Program, our oldest original scheme, we annually finance dozens of non-profit initiatives countrywide. We provide financial assistance to pro-bono programs in education and local development in the following program areas:

- Education
- Innovations in education
- Economic education
- Cultural heritage and tradition
- Artistic activity of children and young people



Leopold Kronenberg (1812-1878) - financier, philanthropist and culture patron; founder of Bank Handlowy w Warszawie SA.

Local development

- Healthcare priorities
- Social policy
- Teaching entrepreneurship

Our programme framework, financing formula and grant-giving procedure developed over many years of operations has brought us the reputation of one of the largest and highest-rated non-governmental organisations in Poland and an unquestionable leader among corporate foundations.

Working with the best partners

Many of the Foundation's programs are delivered with widely recognised public and NGO partners such as the National Bank of Poland, Junior Achievement Poland (member of JA Europe), WSB Banking Schools, Microfinance Centre for Central and Eastern Europe, Academy for the Development of Philanthropy in Poland, and Volunteering Centre Poland.

The Kronenberg Foundation is an active member of organisations such as European Foundation Centre - an independent association of organisations with over 200 full and associate members. It was designed as a communication platform for philanthropic organisations worldwide.

Donors Forum Poland, of which the Foundation is a founding member, brings together organizations, institutions and companies that issue grants for various civil initiatives for the public benefit. Donors are associated in the Forum to improve their skills and promote good practices in issuing grants for operations of civil organisations.

Responsible Business Forum is a non-governmental entity supporting the growth of corporate social responsibility initiatives in Poland. Its mission is to promote the idea of corporate social responsibility as a countrywide standard, for increasing companies' competitiveness, social satisfaction and healthier environment.

Our credibility and prestige also comes from the support we receive from outstanding people of science, education and culture, who are actively involved in our operations. The Foundation's Council is chaired by Professor Daria Nałęcz and its members include Alan Okada, Prof. Andrzej Blikle, Prof. Jerzy Dietl, Prof. Janina Jóźwiak, Prof. Andrzej K. Koźmiński, Krzysztof Pawłowski PhD, Prof. Andrzej Rottermund, Prof. Henryk Skarżyński, and Prof. Edmund Wnuk-Lipiński.

Recognition inspires us to keep up with the good work

Wide appreciation of the Foundation's initiatives and programmes is reflected in the number of awards we have gained. Some of the most valuable are:

Honorary Pro Publico Bono Prize – the highest award offered to civic organisations in Poland. The foundation received it in recognition of our total pro-bono contribution, with particular emphasis on corporate volunteering. We were the first corporate foundation to receive this award. Benefactor of the Year 2006 – the most prestigious corporate social responsibility award. The foundation was recognised for model cooperation with the NGO sector, notably in the provision of financial education schemes

For our contribution to educating the society in financial matters:

Benefactor of the Year 2009 – the foundation won the prestigious award for the second time for strategic involvement in the delivery of financial education.

Award of The Association for Financial Security of the Citizens of the Polish Republic 2007, for the foundation's work for furthering financial education.

Golden Badge of Polish Economic Society 2007, received for long-term cooperation in the organisation of the National Economic Contest.

For investment in employee volunteering:

We are Poland's winner of the European Employee Volunteering Award 2011. EEVA is a contest organised by the European Commission and BITC (Business in the Community).

Image-Strong Award 2007 – for the delivery of „Citi Global Community Day 2006”.

Colours of Volunteering – twice, in 2006 and 2005. Colours of Volunteering is the most prestigious token of recognition received by the Employee Volunteering Program at Citi Handlowy.

For our contribution to the protection of Polish cultural heritage:

Honorary Award „Order of Merit for Polish Culture” for the recovery and donation of „Resting in Tatra Shed”. The painting by Wojciech Gerson was donated to Warsaw Royal Castle.

Image-Strong 2009 - the foundation received the award for strategic involvement in the DNA research project aimed at identification of Nicolaus Copernicus' grave.

"In the nineteenth century the Kronenberg Family set highly commendable standards of civic and patriotic conduct. With its outstanding reputation in the pro bono community, the Foundation has proven a worthy follower of its patron."

Prof. Antoni Kamiński,
commenting on the Kronenberg Foundation
winning the honorary Pro Publico Bono Prize

National Bank of Serbia

The National Bank of Serbia was founded by law on 6 January 1883 (18 January in the Gregorian calendar) as a lending and currency-issuing institution. It began operating in the form of a joint stock company on 2 (14) July 1884 under the name of the Privileged National Bank of the Kingdom of Serbia.

After World War I and the unification of Yugoslav peoples, the Bank was transformed into the National Bank of the Kingdom of Serbs, Croats and Slovenes (from 1929: Yugoslavia) and empowered to manage the needs of the new state. This was regulated by the law of 26 January 1920, which also gave the Bank the responsibility for maintaining the stability of the dinar, which in practice proved to be its most important task. In 1931, the National Bank became a shareholder and a fully-fledged member of the Bank for International Settlements in Basel, thereby achieving a significant position in the international financial system.

With the outbreak of World War II and the German invasion, the operations of the National Bank were discontinued. A new central bank was founded in the occupied Serbia – the Serbian National Bank. It operated under direct regulation of the occupation authorities, while the pre-war National Bank continued its operations in exile – in London and Cairo.

In the aftermath of World War II and establishment of the communist regime, the status of the National Bank changed dramatically. Already in 1946 the authorities of socialist Yugoslavia repealed the National Bank's status of a joint stock company and nationalised its assets. The Law on the Lending System enacted in the same year re-affirmed the National Bank of the Federal People's Republic of Yugoslavia as a federal lending institution, while the 1965 law renamed it the National Bank of Yugoslavia.

The National Bank of Yugoslavia was the only central banking and monetary institution in the country right up until 1972, when the constituent republics and provinces established their own central banks (eight in total) as a result of constitutional changes and disempowering of federal institutions. Together with the National Bank of Yugoslavia, these banks constituted a complex central-banking system. It was a rather specific and dysfunctional monetary system, comprising elements of socialist self-management, market and planned economy. Until early 1990s, it was governed by the Council of Governors, composed of the governor of the National Bank of Yugoslavia and governors of the national banks of Yugoslav republics and provinces.

Following the disintegration of socialist Yugoslavia, the 1992 Constitution of the Federal Republic of Yugoslavia defined the National Bank as an autonomous and single issuing institution in the country in charge of monetary policy, stability of the currency and financial discipline. In accordance with the Law on the National Bank of Yugoslavia, as the legal successor, the Bank assumed all the rights and obligations of the former National Bank of Yugoslavia and the national banks of the republics and provinces in the territory of the Federal Republic of Yugoslavia (Serbia, Montenegro, Vojvodina and Kosovo).

Pursuant to the law enacted in 2003, the National Bank of Serbia is the central bank of the Republic of Serbia and is accountable to the National Assembly of the Republic of Serbia.

The National Bank of Serbia comprises, inter alia, an archive division, which takes care of the archival records of the National Bank of Serbia, as part of the cultural heritage of the Republic of Serbia and the region as a whole.

**2nd EABH Workshop for Young Scholars,
Rotterdam School of Management, Erasmus University
29 March 2011**

This spring the Rotterdam School of Management, Erasmus University hosted the 2nd European Association for Banking and Financial History Workshop for Young Scholars. After a call for papers five papers were selected, covering three themes: debt markets, monetary policy, and banks supervision. One of the papers was selected to be presented at this year's annual EABH conference, which will take place in Amsterdam, 20-21 May.

In December 2010 the EABH issued a call for papers for its second Workshop for Young Scholars. Those working in the fields of monetary and financial history and within five years of the Ph.D. were invited to apply. The workshop organisers – Abe de Jong (Erasmus University), Anders Perlinge, Ingrid Elferink and Joke

Mooij – are also involved in organising the 2011 EABH Annual Conference. They were assisted by Stefano Battilossi. Although all topics in the field of insurance, banking, financial and monetary history would be considered, the organising committee particularly welcomed papers relating to the annual conference, i.e. Models of corporate governance; Governance mechanisms in financial institutions; and Regulation and legislation of governance. The response to the call for papers was promising. After a careful decision process five papers were selected out of fifteen submissions. The organisers, in close cooperation with the staff of the EABH, made a well balanced programme of three sessions. Each paper would be reviewed by two discussants, typically one historian and one economist



Port of Rotterdam

working on contemporary research.

On 29th March, the host and chairman of the workshop, Abe de Jong of the Rotterdam School of Management, welcomed the 25 participants. The first session was on debt markets. Stefano Ugolini (Graduate Institute of International and Development Studies, Geneva) proposed, in his paper “Universal banking and the development of secondary corporate debt markets: lessons from 1830s Belgium”, a reassessment of the old-age debate on universal banking and growth in emerging countries by putting it on a different plane. Ugolini used modern financial economics to provide new theoretical foundations to Gerschenkron’s (1962) hypothesis. By looking at the Belgium case, the conclusion was that creating a new financial market also implies establishing intermediaries to supply crucial functions such as underwriting, certification, and liquidity provision. Both discussants Gerarda Westerhuis (Utrecht University) and Lars Norden (Rotterdam School of Management) made very useful comments. The next paper was presented by Christiaan van Bochove and Heleen Kole (both Utrecht University): “The private credit market of eighteenth-century Amsterdam: big money in a small world”. In early modern Europe, banks were not the main institution that

allocated financial resources between business men. In their paper the authors compared the French financial intermediaries with those in Amsterdam. In contrast to the first paper, this was based on archival research in unexplored sources. The discussants of their paper, Erik Kole (Erasmus School of Economics) and Abe de Jong, both added various suggestions from their own academic research field.

In the second session, the focus changed to monetary policy. Gjermund Forfang Rongved (University of Oslo) in his paper “The Scandinavian central banks and the politics of supplying the belligerents with credit during First World War” analysed the monetary policy of the Scandinavian countries during the Great War. His point of departure was the perspective of the three central banks – the Danish Nationalbank, the Swedish Riksbanken, and the Norwegian Norges Bank – in order to be able to grasp and clarify the thinking of monetary policy inside these Scandinavian central banks. His discussants were Joost Jonker (Utrecht University) and Hein Klemann (Erasmus School of Culture, History and Communication). Both added useful comments. In his paper Matthias Morys (University of York) got into the “Monetary policy under the classical gold standard (1870s – 1914)”. For



“Little Break” : Stefano Ugolini, Gjermund Forfang Rongved, Hein Klemann, Matthias Morys (left to right)

this econometric approach the author collected monthly data for twelve European countries: this paper asks whether countries under the classical gold standard followed the so-called “rules of the game” and, if so, whether the external constraint implied by these rules was more binding for the periphery than for the core. From this three interesting findings emerged. In their comments both Ben Wubs (Erasmus School of Culture, History and Communication) and Dion Bongaerts (Rotterdam School of Management) discussed some of the findings.

The topic of the third and last session was bank supervision. Mikael Wendschlag (Linköping University) presented work in progress. His paper’s topic “Drivers of organizational change – banking supervision in Sweden between 1868-1991”

was regarded as an interesting and hardly researched topic by both discussants, Joke Mooij (Rabobank) and Oscar Gelderblom (Utrecht University).

After the concluding remarks by Abe de Jong, the participants of the workshop took a fast boat taxi on the river Maas to the Euromast. For a long time the Euromast was the tallest building in the Netherlands, built in the late 1950s as a landmark for the Floriade, an international exhibition for flowers and gardening in Netherlands, organised once every ten years. In this historical building, high in the sky, the evening closed with a dinner in a room with a view of the city of Rotterdam.

Joke Mooij
Rabobank



Comprehensive Discussion & Dinner

Rabo Canon: a New Format of Telling Bank History

Recently, Rabobank in the Netherlands released a new way of telling the story of its co-operative identity and its unique history. It is known as the Rabo Canon. It is published on the internet. The Rabo Canon consists of 17 so-called windows. In pictures and words (Dutch), each window links Rabobank's past and present. All the windows are joined together by Rabobank's co-operative principles, which are based on the idea of F.W. Raiffeisen.

Introduction

In the Netherlands, the concept 'canon' has been commonly accepted for a number of years now. Surf on the internet and in a few minutes you will find an enormous variety of canons. In this contribution, I shall go into the meaning and the popularity of the canon concept. I will begin with the Canon van Nederland. These two sections serve as a background for the description of how the Rabo Canon came about. Subsequently, I will elaborate on the Rabo Canon itself.



This contribution will conclude with a view on a future with new possibilities for the company history.

What is a canon?

In the Dutch language the word 'canon' has several meanings. The word derives from the Greek word 'kanōn'. The authoritative dictionary, Van Dale Groot woordenboek der Nederlandse taal, offers ten meanings. The first definition this dictionary offers is 'norm, criterion, standard'. The other definitions refer to a collection and are of a religious, cultural, musical, literary and mathematical nature. The word also refers to the thickest German font. The first-mentioned definition of 'norm, criterion, standard' was used for the Canon van Nederland (Canon of the Netherlands – see: www.entoen.nl) and was also influential during the making of the Rabo Canon.

Canon van Nederland

A few years ago, there was a passionate public discussion in the Netherlands about the content and quality of history lessons in primary schools: What ought new Dutch citizens and new generations to know of Dutch history, and is there such a thing as a Dutch identity? In addition, some



felt that a need for maintenance of the collective memory. This discussion was not limited to educational circles; it gradually became more of a national debate. Articles and letters started appearing in the media written by people from very divergent backgrounds. As a result of all the commotion, a Canon Committee was established in 2005. Approximately two years later, on 3 July 2007, this committee presented the Dutch minister of Education, Culture and Science with a report, a wall chart and a website of the Canon van Nederland.

The Canon van Nederland was not received with general acclaim. From day one some saw the potential of this form of history education, while others focused on what they considered serious omissions or had objections of a different nature. As with any historical publication, choices were made and explained. But take any historical publication and there will be differences of opinion. Perhaps of more interest here is the format of a canon. (see also www.entoen.nu)

In short, the Canon of the Netherlands has fourteen main lines which “are meant to serve as background texts to the fifty windows.” They are “the red threads running through the history of the Netherlands” and connecting the windows. The windows contain: “important persons, creations and events that illustrate how the Netherlands became the country we currently live in”, according to the Dutch text on www.entoen.nu – the website of the foundation of the same name. The goal of this foundation is to promote the use of the Canon van Nederland in education



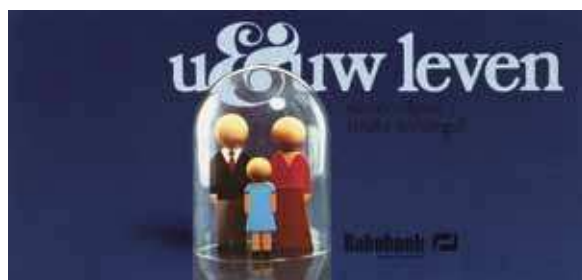
and society. Incidentally, this Dutch website also offers information about the canon in English.

Since 1 August 2010, teaching the Canon van Nederland is required in primary and secondary education in the Netherlands. The windows have been defined and approved for the foreseeable future, however, additional background information can be added to them. This form, in combination with the use of the internet, is probably what made this model so appealing.

Meanwhile, in the wake of this canon, dozens of other canons have been developed. There are city canons, such as the canons of Amsterdam and Gouda; provincial canons, such as the canon of Limburg and of Friesland, but there is also the canon of medicine, the canon of sports, the canon of greenhouse farming, etc. However, not every canon is published on the internet. They also appeared in book form and in poster form.

Rabo Canon

With the publication of the Rabo Canon the Rabobank, as of the summer of 2010, is the first financial institution with its own canon. After ample deliberations, employees of the bank decided to come up with a company canon that – unlike their shining example – is not merely a historical canon, but also an identity canon. In formulating this company canon, employees from different departments and local banks were involved. Together with a number of outside experts, they constituted a canon committee, presided over by the banks' company historian. The seventeen windows tell in words and (moving) images who the Rabobank is, where the bank comes from, and where it is heading. Past and present are not separate entities in the seventeen windows, but are connected



by the bank's co-operative principles. These principles are 'connecting with customers', 'connect with society', 'connect with each other' and 'connecting with the future'. Each principle is further explained in four windows. That is how the compilers came up with sixteen windows. Last but not least, one window is dedicated to Friedrich Wilhelm Raiffeisen and his principles of a co-operative bank. To give an impression of the subjects in the canon, here are short descriptions of the different windows.

The principle "connecting with customers" has four windows: our bank; in the living room; across the border; and truly involved. They discuss, in order, the co-operative structure and especially the authority of the members; the evolution of a number of small local agricultural credit banks into the bank it is today; the international expansion of Rabobank and the contribution the bank wants to make to society.

The principle "connect with society" is explained in the four windows: joining hands; responsible banking; bank for everyone; and serving & leading. These four windows deal successively with: the history of the merger to become Rabobank (1972); corporate social responsibility; the evolution from an agricultural credit bank to a retail bank; and going from cashier to bank director and the necessary organisational changes.

The principle "connect with society" is reflected in the four windows: The Raiffeisen of Brabant; more than just money; from start to finish; and stimulate self-reliance. They deal with respectively: Father van den Elsen - the driving force behind Raiffeisen's co-operative legacy in the Netherlands and especially in the province of Brabant; the co-operative dividend and its significance; the various forms of sponsoring; and Rabobank Foundation - a foundation of the bank that for more than 35 years is committed to improving the lives of underprivileged and disadvantaged groups of people in society, the Netherlands and in developing countries.

The principle "connecting with the future" has the following four windows: Cijfers & Trends; a nest

egg; Triple A; and the co-operation deliberations. They deal respectively with: the sector research and the corresponding Dutch publication *Cijfers & Trends* (Figures & Trends) and the bank's transfer of knowledge; why savings and personal finance of young people; the significance of the Triple A rating; and, last but not least, the deliberations over the co-operative model versus the shareholder model in the middle of the 1990s. The outcome was that the bank would remain faithful to its co-operative principles.

Each of these windows also contains a local example. It also has the built-in possibility for every one of the 141 local Rabobanks in the Netherlands to build on the Rabo Canon by making their own canon.

The content of the seventeen windows described above has been defined and approved, but the charm of this instrument is that, unlike a paper publication, it does not require a large operation to adapt or update the canon. For example, it includes the possibility of adding more windows.

The future

If it is up to the compilers of the Rabo Canon, this is headed for a glittering future. In fact, the Rabo Canon is a living narrative; it is also something simple that bank employees can refer to when they are asked about Rabobank and its co-operative principles. The canon contains historical facts, as well as tangible examples of local practices in the old days. Because the model is so simple, the canon is ideally suited for digital publication. Unlike the more traditional historical publications, a canon offers the possibility of integrating words, photographs, moving images and audio fragments. For those interested in (bank) history it offers unprecedented dimensions. This, plus the combination of adding links to other sources of information, opens a world of opportunities for archivists and historians, as well as for communication specialists.

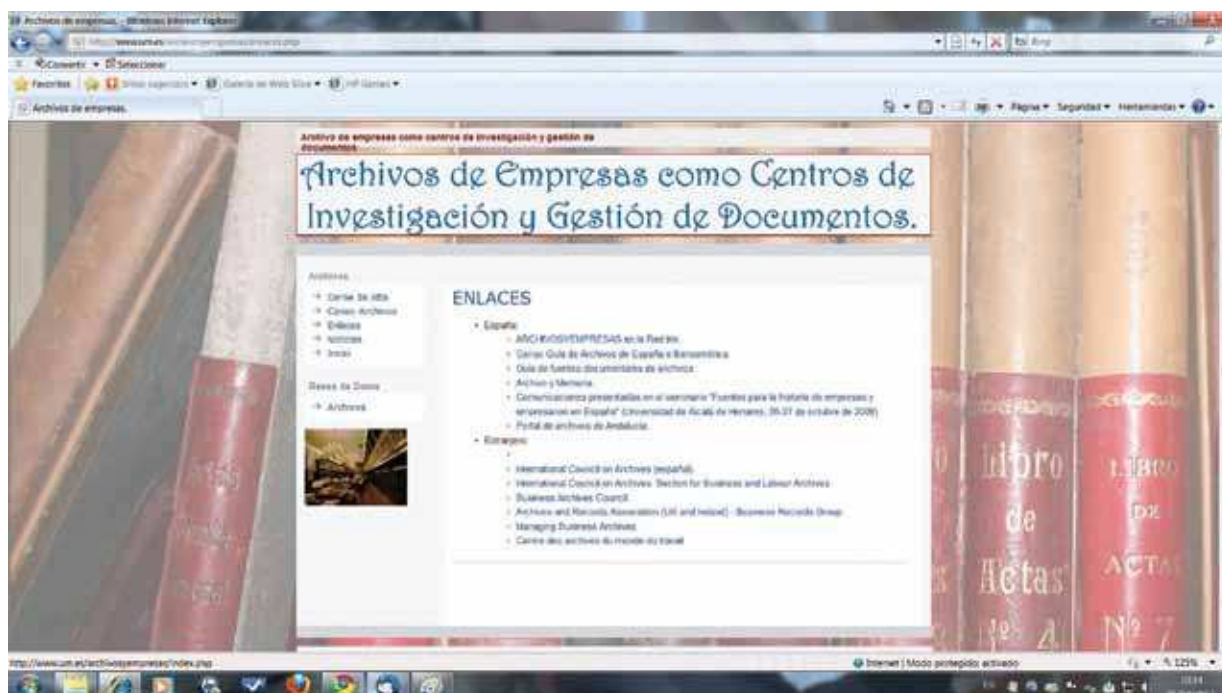
See: www.rabobank.nl/rabocanon

Joke Mooij
Rabobank

New Network of Business Archives in Spain.

The network ARCHIVOSYEMPRESAS (Business Archives as centres for research and management of documents) has just appeared in Spain. It will be a forum where archivists, historians, people in business, economists, jurists and other interested parties can share experiences and opinions. This initiative comes in response not only to the long-awaited desire to consolidate the collections of records of Spanish businesses in a country where there has been little tradition in this respect, but also as a means to bring together professionals in the handling of these documents and to make it easier for historians to access them for their research. In short, Spain is following similar, well-established initiatives in other countries and supranational organisations, such as the British Business Archives Council or the European Association for Banking & Financial History, where archivists and historians have been working together from the beginning. To date, the limited coordination that has existed between archivists and historians of Spanish businesses has been due to individual, very localised initiatives like the website ArchivoyMe-

moria (<http://www.archivoy memoria.com/>), sponsored by the Archivo Histórico Ferroviario del Museo del Ferrocarril de Madrid (run by the Fundación de los Ferrocarriles Españoles (Spanish Railways Trust) and the CSIC (Spanish High Board for Scientific Research). At the public level, there is no tradition in Spain of recovering and storing business archives, as has occurred for example with the Centre des Archives du Monde du Travail of the French Ministry for Culture, with the sole exception of the work being done in this field since 2008 by the Archivo Nacional de Catalunya, which now stocks over one hundred collections. Even at a national level there is no extensive repository of business, but merely a few very biased censuses like the Spanish Ministry of Culture's Censo Guía de Archivos de España e Iberoamérica, or a few, again biased, regional ones like the Andalusia archives website. In terms of private enterprises, there are only a few banks and historical businesses, especially in the area of energy, that have organised their archives. Neither has there been any clear trend towards any association



View of the provisional Archivasyempresas website

between the archivists of business collections, although a few have tried, off their own backs, to forge links, but these have always been weak and very general. Once again, it is only in recent years that there have been some sporadic meetings, such as those held by a group of Madrid based business archivists, or the occasional work seminar, but with very few new incorporations to this group of a dozen or so emblematic archives. To make matters worse, relations with colleagues from other countries are few and far between, while only a small number of Spanish business archivists attend or take part in international forums.

ARCHIVOSYEMPRESAS is the result of an interdisciplinary initiative born at the seminar on "Fuentes para la historia de empresas y empresarios en España" (Sources for the history of businesses and businessmen and businesswomen in Spain) organised by the research group "Determinantes del Espíritu Empresarial", directed by Professor Gabriel Tortella, and held at the University of Alcalá de Henares on 26 and 27 October, 2009. ARCHIVOSYEMPRESAS took the first step to unite efforts and to contact all the interested parties a year ago when it created its own email distribution list using the

Iris network in Spain of the Consejo Superior de Investigaciones Científicas (<http://www.rediris.es/list/info/archivosyempresas.html>). At the beginning of April 2011 the list ran to 383 subscribers, and the current administrators and moderators are Miguel A. López-Morell, full lecturer at the Faculty of Business and Economics of the University of Murcia (mlmorell@um.es) and José Andrés González Pedraza, archivist of Hullera Vasco-Leonesa plc. (archivo@fhvl.es). Other coordinators include Teresa Tortella, former director of the Bank of Spain Archives, and José Luis García Ruiz, full lecturer in History of Economics at the Universidad Complutense de Madrid.

Elsewhere the coordinators have supported a specific session devoted to business archives as a part of the Asociación Española de Historia Económica (AEHE) X Congress, that will be held in September 2011 in Carmona (Seville). Its immediate forerunner was the session at the VIII AEHE Congress, held in Santiago de Compostela in September 2005, devoted to business archives in Spain, which was coordinated by the Bank of Spain and Hullera Vasco-Leonesa archives. For the September 2011 event, the theme is "Access to business archives", for



which the following communications have been proposed:

- “Construcción desde la base de los Archivos de Empresa y praxis del Archivo Histórico BBVA”, by J. Víctor Arroyo Martín, director of the BBVA Historical Archives.
- “Digitalización y organización del trabajo con las fuentes de la historia económica: la necesidad de reorientar el trabajo de los investigadores de acuerdo a las nuevas posibilidades tecnológicas” by Miguel A. Pérez de Perceval Verde and Miguel A. López-Morell of the University of Murcia
- “El acceso a los archivos de empresa: el caso del Archivo Histórico de Iberdrola”, by Juan Carlos García Adán of the Iberdrola Historical Archives “Salto de Alcántara”.
- “El acceso a los archivos de empresa: el Archivo Histórico de Repsol YPF”, by Leticia Castro Leal (Repsol Archives).
- “El acceso a los archivos de las empresas. La política llevada a cabo en Europa y en EE. UU”, by Teresa Tortella.
- “El acceso al Archivo del INI y las nuevas tecnología”, by Elena Laruelo Rueda, Head of the SEPI Centre of Information and Historical Archives.
- “El acceso al patrimonio documental custodiado en el Museo del Ferrocarril de Asturias. Criterios para la elaboración de una normativa propia”, by Nuria Vila Álvarez from the Asturias Railway Museum Centre of Information.
- “Fuentes documentales para el estudio de la Empresa en los Archivos Históricos Provinciales. Reflexiones sobre el acceso”, by Luis Carlos Gómez Romero, Director of the Huelva Provincial Historical Archives.

The session is to be coordinated by Teresa Tortella, José Andrés González Pedraza and Miguel A. López-Morell. Information regarding contents and other matters of the congress is available at <http://www.aehe.net/xcongreso/sesion-archivos.html>

Along with consolidating these meetings and popularising the Internet as a means of dis-

semination, discussion and work, one of the main mid-term objectives of the coordinators of ARCHIVOSYEMPRESAS is to create a freely accessible website for all users. The website will have regularly updated information and will offer a series of links of interest as well as a census/data base of Spanish business archives for interested parties to use. This census will include basic business archives files related to the following fields: name, characteristics, legal situation, sector, general contents, chronology of the collections, description tools, archive services, access and reproduction levels, address, website, email, telephones, fax, hours and name of person in charge. This initiative, which has been generously hosted by the University of Murcia, is still in the design stage, the database is being built according to the information received from the heads of archives, although the net managers will make available all files whose data are already published for the public.

Despite the scarce baggage that ARCHIVOSYEMPRESAS has at the moment, the journey has begun well. We have been pleasantly surprised with the number of users who have registered, even if there has not been a corresponding influx of information. It is clear that at a time when social and professional networks are springing to life, the managers of business information and researchers in this area have still to hone their use of new technologies so that they can debate, learn and improve their work. Whatever the case, we firmly believe that thanks to this initial impulse and with the future support of public institutions and the businesses themselves, ARCHIVOSYEMPRESAS will not take long to become a reference point for handling information and for research into Spanish businesses.

Miguel A. López-Morell
José Andrés González Pedraza
Teresa Tortella

The Accidental Erosion of Privacy by Business Social Graphing and Profiling Knowing about Others

Who we are is important to us and to other people. We like to know with whom we are dealing. It makes us feel safe.

In the pre-digital world, life may have been simpler. Relationships developed with others over a longer period; they were expected to last a long time. New contacts were often introduced via a mutual acquaintance that both parties knew and trusted. This process meant we could largely rely upon others to alert us to unreliable or suspicious individuals. In a banking business, for example, the decision to lend to a new client was often taken after some input from an existing client who may also provide a reference or guarantee.

In the digital world, we are introduced to new contacts on a daily basis. Email, online shopping, remote contact centres, wiki collaboration, blog comments and friend suggestions on FaceBook are some of the places where we meet new people. The formal introduction is an increasingly rare event.

So how certain are we that the new digital contacts that we meet are whom they say they are? There are several steps that we can take to establish their credentials, including:

- We can check our own and other financial institutions' information. In the UK Experian is a leading provider of this type of comparative data.
- We can Google their name or email address and see what comes up (this often produces a lot of random and unrelated information).
- We can check out the popular social and business networking sites such as FaceBook or LinkedIn and see what they say about themselves (this gives us their own version of their story).
- We can check out the links and recommendations that they have to others on their social networking sites to get a sense of what their personal networks look like (this is time consuming).

- We can employ a third party to do a Social Graph analysis for us (this will have a cost).

These steps represent an increasingly complex set of search and analysis techniques each following on logically from the other.

The number of steps that we take along this path is dependent upon just two factors: First, how important is it for us to be certain who the other person is? In a credit transaction we want to be absolutely sure about the identity of the customer. Second, is the information worth the time and money to find it? We may find in future that companies like Experian will find that Social Graphing techniques will begin to compete with their credit referencing service. If more "financial reputation" information is available from online sources this could become as valuable as the hard data.

This generates interesting and simple formula as follows:

$$\text{How much we are willing to dig} = f \{ \text{time} \times \text{money} \}$$

We know that technology has already, and will continue to, reduce the costs on the right hand side of the equation. As these reduce, people will be more willing to pay for, or to create a Social Graph analysis.

Developments in this field are driven by a variety of interrelated factors:

- The increasing power of database technologies used for social, banking, purchase transactions, business networking, population surveillance, personal communication, performance measurement and process tracking, long term data storage, and information transfer.
- The use of information in more complex organisational decision-making. Automation of the initial stages of decision-making develops methods to track our choices and preferences for future analysis.

- A gradual improvement in links between existing corporate datasets plus the ability to purchase and combine third party datasets is creating a more detailed picture of individuals. These aggregations can include intimate details about a person and their financial activities.

Technology has provided the tools and corporate information management techniques that have indirectly led to the development of individual Social Graphing.

What is Social Graphing?

It is early days. Techniques are developing, mostly led by communication professionals, marketing analysts and academics.

The definition of Social Graphing in this context is:

Social Graphing

The collection of available personal information that is collated for use in an automated process that is designed to categorise people into types, groups, common units, etc

Figure 1 - Defining Social Graphing

Social Graphing generally uses some form of scoring or ranking mechanism to place individuals into a relevant category. These categories are accurate enough to launch a marketing campaign and this is usually where the analysis ends.

However, this is the point at which I became interested, because there is a by-product. Readily available tools can assist us in the search for meaning in the data. Many search engines allow us to export data into other, more user friendly computer programmes for further sifting and analysis. This means that a person with reasonable skills in Microsoft Excel or Access can quickly sort a long list of possible results into a much shorter list of probable ones.

From here, the techniques of Individual Social Graphing can be used and human effort and application of intelligence takes over.

The by-product is privacy erosion and it seems to be creeping up slowly. The gradual improvement in linkages between datasets is creating a more detailed picture of individuals. These aggregations of information can include intimate details about a person and their activities. The inexpensive and easy to use data analysis tools for manipulating the data are available to anyone, and the only limit to their use is the imagination and talent of the analyst.

Social Graphing uses the concept of synergy. i.e. the whole is more than the sum of its parts; it makes the development of new information relationships possible. We may have contributed information about ourselves freely to a number of separate databases but it is unlikely that we will have anticipated the effect of merging the data, especially where that merger might reveal something more about us.

Put simply, when we have more connections, we can build a more complex and comprehensive picture.

The diagram below illustrates that when increasing numbers of datasets are linked together, the complexity of the links is rapidly multiplied. As the links increase, the value of the information being analysed becomes much more than the sum of its parts. Note that when 10 datasets are linked, there will be 45 connections, with 15 datasets there will be 105 and so on.

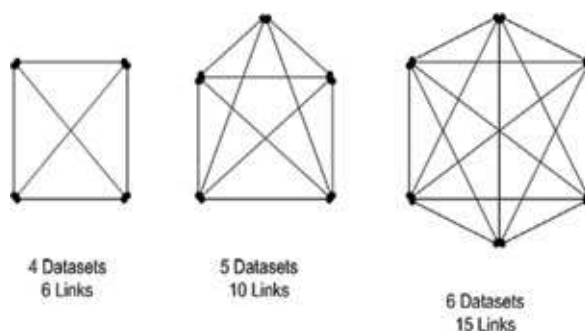


Figure 2 - How networks become exponential

The synergy we achieve when we merge datasets is something that most of us do not fully appreciate. Each additional piece of information reveals more and more about us. This is the

hidden process providing the real power behind Social Graphing.

In the longer term, this introduces a number of challenges for historians.

- The default datasets that we keep in the long term tend to be individual groups of data that we believe will be recyclable or required for audit purposes. These are good short-term reasons for keeping datasets, but what do we keep once these short-term reasons expire? The default situation in many organisations is to delete at this point.
- The data sets that we keep include information about individuals and these are sometimes anonymised to protect personal privacy. Will future historians come to regret this action? How do we repeat the analyses of the past if the data has changed in this way?
- The value derived from Social Profiling with datasets is often generated by ad hoc and random combination of several sets in a complex analysis. If we keep the datasets in separate units, how will we remember what these combinations were at some future date?
- Are we keeping the results of a Social Profiling analysis or just the data? If we keep both, how do we ensure that the future reworking of an analysis will produce the same result? If we cannot do this it undermines the credibility of our archives.

Linking our Digital Personality to others

The impact of linking our Digital Personality to other people in our network adds another level of complexity to the Social Graph that is available. If the person represented in the centre of the diagram below is presenting themselves as “Type 1” and we can see that their linked Digital Personality profiles are mostly “Type 2” does this give us a cause for concern? The answer is possibly yes, but only where the differences between the types are so wide that there is a clear cause for concern. E.g., where Type 1 is Finance Consumer and Type 2 is Fraudster. It is clearly a matter of crucial importance to know

that a client who is borrowing money has links of this type.

The degree of difference that is acceptable in this type of Social Graphing analysis is unique in every case. Moreover, it will be individual analysts who will be making these decisions, and the decisions will be based upon crude alerts from an automated system. A key indicator in the financial decision making process is the presence of conflicting information.

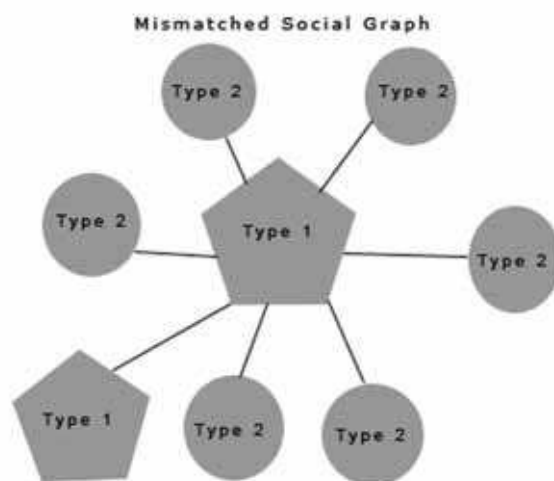


Figure 3 - Mismatched Social Graph

Why this is an issue

So do we need to worry? The answer to this is that it depends upon how the Social Graphing technique is used. It can be put to positive use e.g. to identify criminals and their networks of activities and to less positive use e.g. to provide political knowledge for use against a rival.

Here are some examples of how Social Graphing and Profiling information could influence your life. These are in both professional and personal contexts, to show that these techniques really can affect any part of our lives.

They are included here to demonstrate that these techniques are currently being used in a narrow, website specific context. It is a relatively small step from here to generic techniques applied to us all.

The first example is taken from a 2010 web page and an email communication from LinkedIn, a

major social networking site. One LinkedIn quote points to a collaborative system where people help each other, the next to a more judgemental (or exclusive) approach to using information about us.

From the LinkedIn “about us” page

Relationships Matter

Your professional network of trusted contacts gives you an advantage in your career, and is one of your most valuable assets. LinkedIn exists to help you make better use of your professional network and help the people you trust in return. Our mission is to connect the world’s professionals to make them more productive and successful. We believe that in a global connected economy, your success as a professional and your competitiveness as a company depends upon faster access to insight and resources you can trust.

....and from a 2010 email I received from LinkedIn.

DID YOU KNOW you can conduct a more credible and powerful reference check using LinkedIn?

Enter the company name and years of employment or the prospective employee to find their colleagues that are also in your network. This provides you with a more balanced set of feedback to evaluate that new hire.

Figure 4 - LinkedIn on reference checking

The second example is from the eHarmony dating website. It tells us how they use Social Graphing techniques to match customers with a potentially compatible partner. One quote extols the virtues of profiling techniques as a successful way to match us to a potential life partner; and the next quote points us to the dangers of having a profile containing anything that may be perceived as negative. Negative comments undermine our Digital Personality.

From the eHarmony “why it works” page.

eHarmony UK is different

eHarmony is more than just another online dating site. The eHarmony Compatibility Matching System™ measures your compatibility with our singles to match you with men/women with whom you share deep levels of compatibility. Where other sites make you search through pictures and paragraphs, eHarmony matches you based on your compatibility in the most important areas of life – such as character, intellect, sense of humour, spirituality, values, beliefs, passion, and other key dimensions.

....and eHarmony’s advice on profiling.

The profile

More bad news, we can’t tell you what to write that will portray who you honestly are.

..... What we can do however, is tell you what not to write. Scientifically speaking, there are some things – listed below – that you can exclude, for profile success.

Source:<http://www.eharmony.co.uk/relationship-advice/using-eharmony/2010/01/what-not-to-say-in-your-about-me-profile>

Figure 5 - eHarmony on profiling

Finally, a simple example of a Social Profiling technique applied by insurance companies to determine how big our pension payments might be:

These days, postcodes are used to determine whether or not an individual should receive a decent education, NHS operations or lifesaving drugs. In the case of pension annuities, postcodes could mean up to 10% more income for life.

Source: <http://www.h-l.co.uk/news/feature-articles/pass-on-your-postcode---youre-not-properly-addressed-without-it>

Figure 6 – Pension Profiling Opportunity

The third example should be of interest to any financial institution. If a postcode can be used to predict pension performance by using this technique, other variables can surely be applied to many other consumer finance products. It is just a matter of finding a correlation between the right variables for each situation. This is likely to happen more frequently in future as it becomes increasingly easy to collect information on ever wider ranges of variables.

These examples illustrate that businesses create value judgements from the information input by their customers. Businesses encourage us to share more information about ourselves in the hope that they may benefit from the relationships that our information can create.

Generic Social Graphing takes the same technical and analytical approach as the examples above, but it differs in that it uses information that can be gathered for free or at low cost from published information. It does neither depend upon, nor does it need, our collaboration. Any of our Digital Personality information can be used, irrespectively of where it comes from or who posted it on the web.

Conclusion

Social Graphing and Profiling techniques will be used in a collaborative way between businesses and their customers. They will also be used in a generic way, when businesses methodically collect available personal information. The growth in the generic approach is one that future historians need to monitor, particularly if it is developed in a way that adds value to banking business decision-making. How will we record and repeat these more complex decision making processes?

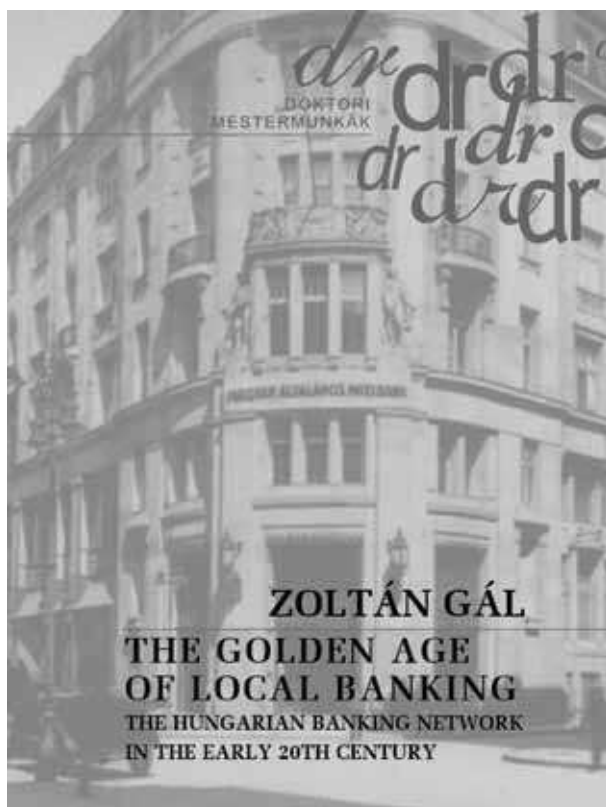
On a more personal level, we all need to become more aware of how personal information is used. Historically, the very practical safeguard to our personal privacy was the fragmented nature of paper based and unlinked digital information. Technology and Social Graphing techniques are fast eroding this safeguard.

Adam Blackie
WebSmart Ltd

The Golden Age of Local Bankig
The Hungarian Banking Network in the Early 20th Century
Zoltan Gal

Banking is one highly flexible economic sector. It changes all the time. Maybe, one of the reasons of misunderstandings between bankers and banking historians lies in the huge gap between contemporary banking, in which bankers work, and banking in the past, which historians are trying to explain. However, this does not mean that there is nothing to be learnt from the historic banking no longer in existence. Or that such history could not be useful for bankers or financial analysts today.

This book describes the times when bankers were much closer to their customers than they are today - the times of local banking. Once upon a time, banks were widespread local institutions, and their operation both reflected and acted as important propulsive agents of local economies. Local banking operation was based on two factors that are very much missed in modern banking, and which too often lead to financial crises: local responsibility and local knowledge. Maybe this book will remind bankers that durability of local banks was, above anything else, the result of profound understanding of local economies in which they operated and the strong business responsibility local bankers had in their local societies. Though this kind of banking is gone, the spirit of local banking, their seriousness in business, and their social responsibility is something contemporary banking has to learn from the past. Important innovations of this book are new and original methods to exploit the data which remained after the provincial banks disappeared. Trained in history and geography, Gal used balance sheets' data to highlight territorial differences in the Hungarian banking system. The results are fascinating maps that present various financial indicators and their change over time. Also, Gal observes the process of urbanisation of the region and recognises strong links between the development of the banking network and the process of urbanisation. His research confirms that local banking data could be an excellent indicator of economic disparities and economic hierarchy in one region.



Zoltan Gal has opened an important window to the past of Central European provincial banks. He reminds us of the fascinating world of provincial elites that we had forgotten. He has written an inevitable book for anybody interested in provincial elites and economies or Austro-Hungarian economic history, but also for anybody interested in cliometrics.



Regional distribution of per capita bank and savings bank deposits in Hungary, 1894

Teleprinter

A global teleprinter network, called the "Telex Network", was established in the 1920s, and was used through most of the 20th century for business communications. Telex is still in use in some countries for certain applications such as shipping, news, weather reporting and military command. Most business applications have moved to the Internet as most countries have discontinued telex services.

The teleprinter evolved through a series of inventions by a number of engineers, including Royal Earl House, David E. Hughes, Edward Kleinschmidt, Charles Krum, Emile Baudot and Frederick G. Creed. A predecessor to the teleprinter, the stock ticker machine, was used as early as the 1870s as a method of displaying text transmitted over wires. A specially-designed telegraph typewriter was used to send stock exchange information over telegraph wires to the ticker machines. There were at least five major types of teleprinter networks:

- Exchange systems such as Telex and TWX. These created a real-time circuit between two machines, so that anything typed on one machine appeared at the other end immediately. US and UK systems had actual telephone dials; German systems did "dialing" via the keyboard. Typed "chat" was possible, but because billing was by connect time, it was common to prepare messages on paper tape and transmit them without pauses for typing.



- Leased line and radioteletype networks arranged in point-to-point and / or multipoint configurations to support data processing applications for government and industry such as integrating the accounting, billing, management, production, purchasing, sales, shipping and receiving departments within an organization to speed internal communications.
- Message switching systems. This was an early form of E-mail, done with electromechanical gear. See Telegram, Western Union, Plan 55-A. Military organizations had similar but separate systems. See Autodin.
- Broadcast systems such as weather information distribution and "news wires". See Associated Press, National Weather Service, Reuters, and United Press (later UPI).
- "Loop" systems, where anything typed on any machine on the loop printed on all the machines. Police departments used such systems to interconnect precincts.