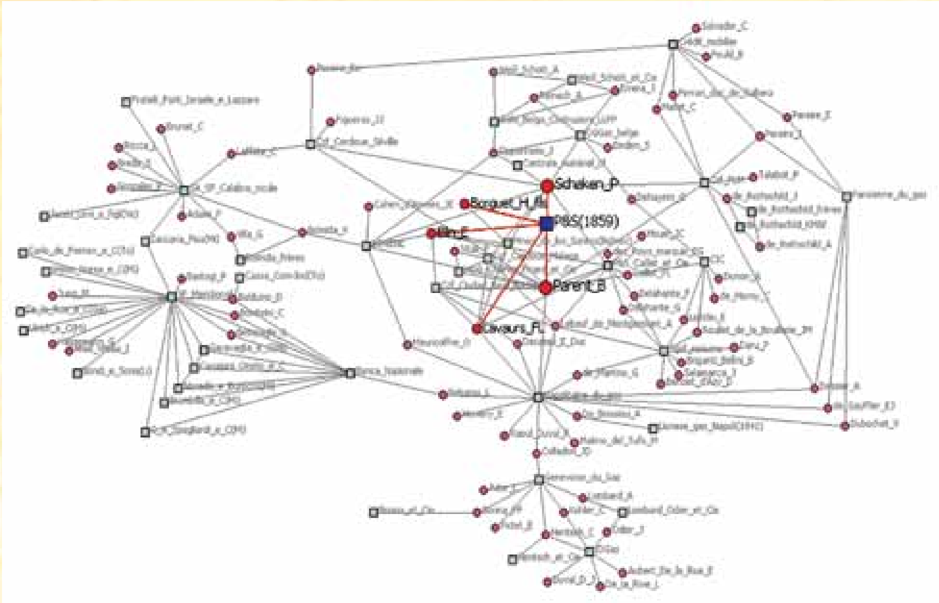
bulletin

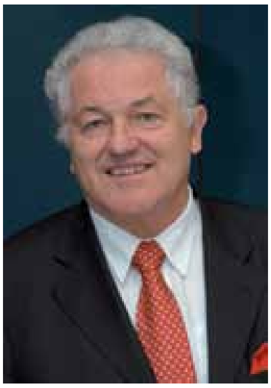


Newsletter from the EABH

1/2014

The European Association
for Banking and
Financial History (EABH) e.V.

Editorial



Dear Colleagues and Friends,

EABH and Swiss Re look forward to welcoming you at this year's annual meeting. This year's conference will be held in Zurich and will focus on the theme of Risk Management. As usual there will be an Archival Workshop, this time dedicated to the European banks confronted by the Great War.

We are particularly proud to announce the 2014 Summer School 'Rethinking Financial History', which will take place from 8 - 11 July 2014 kindly hosted by Figuerola Institute of Social Sciences History and Universidad Carlos III. Madrid.

We would like to express a gratitude to Prof. José Miguel Martínez Carrión, general secretary of the AEHE for opening Spanish Association of Economic History for partnership and cooperaton with *EABH*.

In this issue of the *EABH* bulletin please find contributions about important research undertaken by Maria Carmela Schisani and Francesca Caiazzo from University of Naples "Federico II" and František Chudják from National Bank of Slovakia.

This 33th edition of the *EABH* Bulletin provides you with a large amount of other interesting material. We hope you will enjoy reading this issue.

The entire *EABH* team wishes you happy holidays

Yours faithfully

Manfred Pohl

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Networks of powers, networks of capital and economic growth:
querying the history of Southern Italy from a global perspective (1850-1919)
A new interdisciplinary approach

1. Querying the history of Southern Italy from a global perspective (1850-1914)

As early as the 1990s, on the back of the financial crisis in Far East Asia, and mostly in the light of the recent financial crisis, doubts on the efficacy of the openness of capital markets have intensified the debate on the connection between financial integration and growth. In general, the literature results seem to suggest a difficulty in detecting univocity or agreement in this sense. In line with the neoclassical tradition, many have shown a positive impact of financial integration on growth, especially for developing countries. This is achieved both by means of a reinforcement of the domestic financial systems due to a stimulus to investments and a more efficient allocation of capital (Levine 2001); and by means of a promotion of the international division of risk (Obstfeld 1994).

These results are offset by the arguments of those who show that financial integration does not increase wealth in the presence of distortions such as weak institutions (Acemoglu et al 2005; Acemoglu, 2006) and informational asymmetries that affect the working of the international capital market (Baghwati 1998, Stiglitz 2000, 2004).

Chemins de fer Romains

The contrasting conclusions of the literature have led more recently to empirical analyses that, by looking at the economic history of the first financial globalization, tested the validity of the results of a long-term comparison for different regions (Schularick 2002, 2006, 2010). A historical approach generally appears to be an effective support for conferring depth to the theoretical models that often, with the use of proxies, are distanced from reality (Twomey 2000; Bordo et al. 2003; Flandreau and Zumer 2004; Schularick 2006). Analyses of a qualitative type - that consider social, institutional and cultural factors - seem more effective in accounting for the processes of convergence or lack of convergence of some peripheral systems on levels of the core area in the periods of globalization. In general, such analyses have underlined the contribution of international capital in the growth of the peripheral economies until 1914. They illustrate that the entrance of foreign capital in local markets, by activating the forces of competition by means of larger investment opportunities, had the advantage of lowering the cost of capital for the existing businesses, thereby fostering growth.

In the context of that literature, the proposal of the current research project is added; it seeks to ascertain whether and to what extent these forces of competition actually did exert a positive role in the growth process of the South of Italy, commonly known as the Mezzogiorno. It does so within the scope of the first wave of economic and financial integration, a theme on which historical and economic analyses still have a large margin for research, particularly in view of incomplete and unreliable datasets. The Italian Mezzogiorno appears to be an interesting area of analysis for an empirical assessment of the contrasting interpretations of the abovementioned theoretical debate concerning the connection between international financial integration and economic growth. We think that, in this perspective, the southern economic delay and the chronological positioning of the opening of the Italian dualistic divergence – one of the most explored topics of historical and economic literature on Italian development – can be effectively re-read by means of a systemic and long-term analysis that focuses attention on the interaction between domestic factors and dynamics exogenous to the system Mezzogiorno/nation state.. This latter relation (Mezzogiorno/nation state) has been the most frequented path of scholarly analysis. In fact, the guiding idea of this project is that historical findings both relative to modernisation (Rostow, 1975; Gerschenkron 1965) and dependence (Wallerstein 1976 and 1979; Arrighi 2003), - which respectively investigate underdevelopment in relation to internal/external factors (i.e. economic factors, modernisation/institutions, society/dependence/international capital, imperialism) – and which diverge in respect to their analytical basis (endogenous growth vs world economy) can be considered as complementary. The choice of this perspective is backed by the evidences of the most recent economic literature on the processes of financial integration and divergent growth performances of developed and developing countries - partly mentioned above - which often resorts to economic history as a terrain for the assessment of the outcomes which diverge from the forecasts of continued economic convergence.

Up to 1861, the Italian Mezzogiorno stood aside from the dynamics of the economic and political modernisation which shaped the institutional structure of capitalism in Europe. The forms through which the Mezzogiorno took part in international financial market integration did not enter the processes of restructuring of the haute finance networks, which since the 1850s, had been affected by a process of structural revolution (Landes 1956; Cameron 1961; Cassis 2008). This last process was accompanied both by the concentration of capital and the intensification of its exportation, which progressively broadened out from the traditional patterns of sovereign debt towards direct investments in infrastructure and territory planning; and new economic policies. At the moment of political unification the Italian Mezzogiorno was underwent deep institutional change and entered the wave of financial market openness, attracting all forms of investment from international capital markets. This entailed a change in the role of local actors both in respect to the political institutions of the new nation state and international financial networks. Local actors were linked to local business, national (but also local) politics and international capital. In particular, it seems very interesting to enrich the project with a special focus on the transformations of the political elite, covering the passage from the authoritarian and socially and economically traditional regional Kingdom of the two Sicilies (1815-1860) to the liberal Kingdom of Italy. When Naples lost its old role of being the capital city, its elites became for the first time really local (or peripheral) and had therefore to reformulate their strategies and to adapt them both to the new national core and to the changing transnational financial context. An investigation on this elite during this time could be, a pioneering and original study on the his-

Kingdom of the Two Sicilies bond

torical dynamics of the glocalization.

In this light, the aim is that of reconstructing the networks of powers between economic, financial, institutional and political actors and consequently analysing how these changing chains of relations influenced Mezzogiorno economic growth dynamics and performance. The idea comes from the literature: clusters of actors linked by various forms of linkages including ownership relations, interlocking directorships, ethnic, religious, family ties, generally associated with "late-industrialising" nations (which achieved "modern economic growth" in the 20th century, especially after the 2nd WW) have been studied as business groups (Hikino et al., 2010). It has been shown that they have great importance in numerous countries and have gained prominence in the global economy. Conceptually defined as social networks in which economic action is embedded in systems of actors (White, 1981, 2002; Burt, 1982; Granovetter, 1985, 1992, 2005), they are seen to function above and beyond markets and hierarchies

Compagnie Napolitaine

(Alchian and Demesetz, 1972; Powell, 1990; Williamson, 1986; Scott, 2001, 2003; Bourdieu, 2005; Davis, 2005; Fruin, 2008), since they internalise functions for which no external market or supporting institution exists. Even their performances differ from each other depending on the nation or region. Finance scholars tend to consider business groups as an effective mechanism for expropriation (Khanna and Yafeh, 2007). Furthermore, the literature (Galaskiewicz 1979; Perrucci and Pilisuk, 1979; Moore, 1979, Knoke, 1990, 1994, Scott 1991) on elite structures considers the "interorganisational networks" in which enterprises, institutions and finance centres are embedded, as coalitions of power affecting decision-making processes and economic strategies. In particular, the so-called "interlocking directorates" (the relationships among corporate boards that share one or more members), or other types of ties between economic and political actors, are often seen as forming a corporate elite with power and influence across the economic system as a whole (Bunting and Barbour, 1971; Stanworth and Giddens, 1975; Useem, 1984; Scott, 1997; Domhoff, 2006). These interlockers, along with shareholders whose investments span many sectors, come to embrace class-wide interests that transcend specific property interests (Mills, 1956). These Interlocks or linkages offer these elites a potential for exchanging views and consolidating the corporate world by unifying the outlook and policy of the propertied class (ibidem). In this regard, Scott's (1991) observation comes to mind that power in inter-corporate networks are based on at least three distinct kinds of inter-corporate relation: personal, capital and commercial.

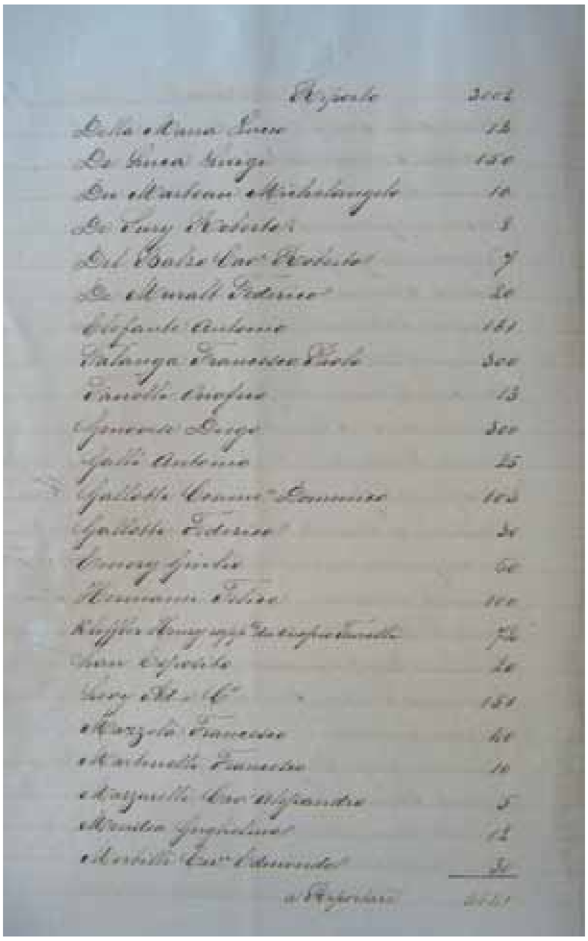
Therefore,

1. the general objectives of the research are:

a. an in-depth and different reading of the history of the Italian Mezzogiorno economy, starting from the dialectic institutions/international capital;

b. (through) the construction of a relational database (see the detailed description in the section "methodology"), which will allow a conglomeration of interrelated datasets on economic/financial/social/institutional groups. Moreover, it will allow for the valorisation and maintenance of the historical memory of an archival heritage: from the surveys already carried out and Europe-wide disseminated results. This is essential to increase knowledge of the global dimension of the economic growth of Southern Italy.

2. The specific aim is to define the relations of cooperation/opportunism and therefore the directions of the control between high finance and the actors bound to the territory (principal-agent game). This aim can be realised via the study of the relations between haute finance and institutions, with particular attention to institutional changes: the Bourbon State (absolute state) and the Kingdom of Italy (constitutional monarchy). That is, the study of the relations between haute finance and the absolute Bourbon State; versus haute finance and representative organs of the unitary State in which the growth of the territory (becoming a political instance) introduced local representations in political bodies as fundamental actors in the institutions/international capital dialectic.
The starting point is to define the actors involved, the strategies adopted and the interrelationship between their behaviour; and to situate these in relation to the different environments in which they moved (i.e. local/national/international) within a space that is necessarily transversal to the political and administrative borders and is necessarily variable over time. A space for analysis, therefore, which results in the product and the construction of the same historical actors and their networks.
The arrival point is to analyse the distribution of the advantages of such a game; one that is performed in the first wave of international financial market deregulation. Situations of weakness/dependence can be accounted for, with positive results for just a part and situations in which the systemic conditions allow for an advantage for all of the actors.
The research proposal suggests an innovative approach if compared with literature findings in the different fields of interest involved in this project: economic history, sociology, and political and institutional history on the Mezzogiorno. Economic literature on the growth of Southern Italy, making use of the most explored perspective of the relationship between Mezzogiorno and the nation state and of dualism. Even when it goes back to the preunitarian period this literature has focused on internal actors and endogenous factors (with only a few principal references Cafagna, 1989, 1994; Zamagni, 1990; Giannetti and Toninelli, 1991; Ciocca and Toniolo 2004; and more recently Ciccareli-Fenoaltea, 2010; Daniele-Malanima, 2011).



Società di Credito Meridionale shareholders

On the inflow of foreign capital and on the interests of haute finance in pre-and post-unification Italy there is indeed an influential body of literature that has overlooked its paths and has tried its quantification (Gille, 1968; Cameron, 1961; Hertner, 1984; De Cecco, 1971). More specific studies on the economic system, public finance and infrastructure of the Mezzogiorno (Ostuni, 1992; De Matteo, 2008; de Majo, 2006 and 2011; Caiazzo, mimeo) confirm the interest of foreign capital in this area “throughout the 19th century” as one of the topics related to the never-ending history of the “Questione Meridionale” (Southern Question) (for all, see Nitti, 1915). More recently, the corresponding PI of the present project has adopted a new perspective of research on the economic history of the kingdom of the two Sicilies, which focuses on the dependence of a politically and financially weak state on external actors to the system (Holy Alliance, haute finance). This highlights the effect of the partial loss of sovereignty on the social and economic structure of the kingdom (Schisani, 2001, 2010; Schisani and Conti, 2011).

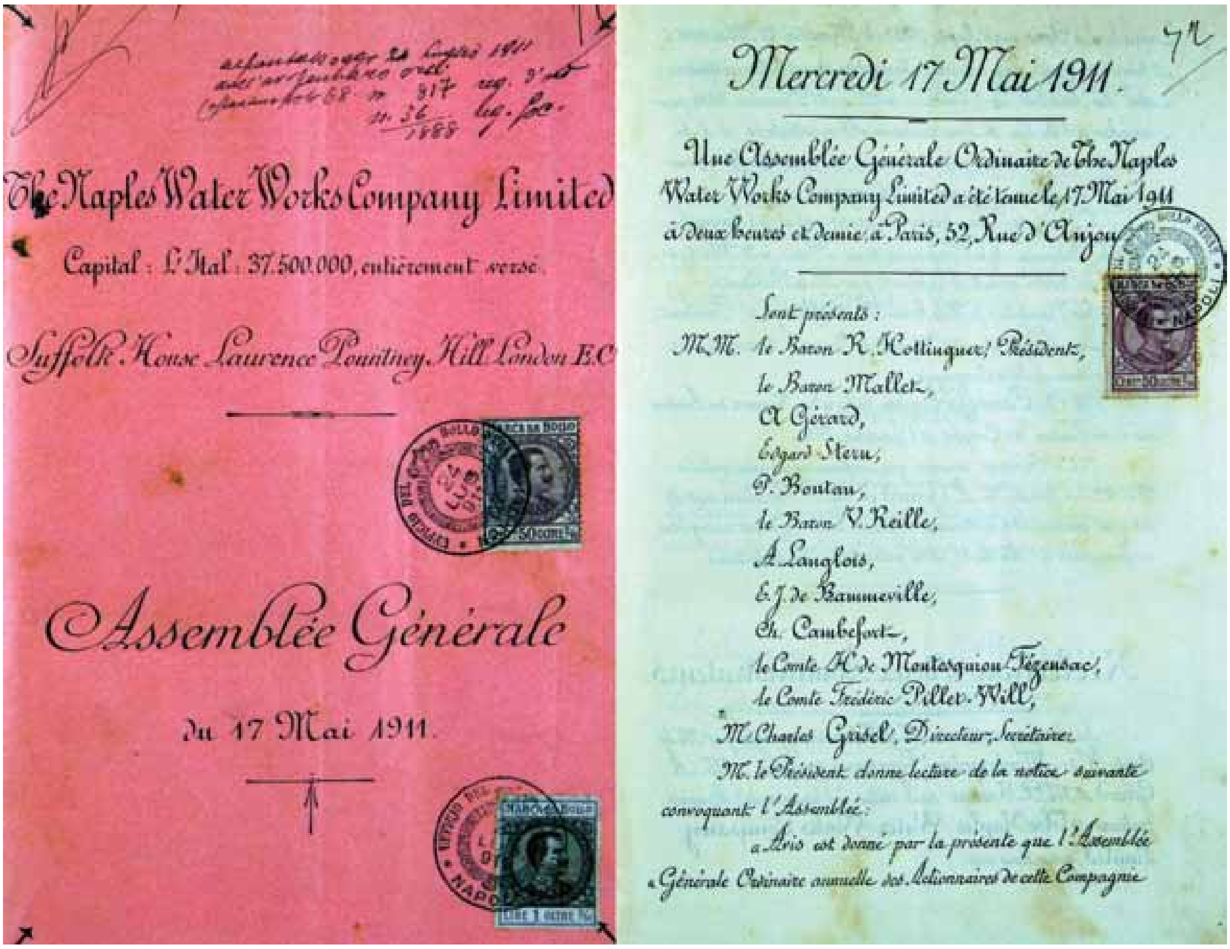
Equally significant are the political and social studies on the structure of the networks of power in Southern Italy. On the Bourbon state, the contribution of the consensus on certain internal actors (mercantile and financial elites) to the detriment of others (productive and propertied classes) has been studied (Davis 1979; Macry 1988, Spagnoletti 1994, 2000; Caglioti 2006, 2008; Dawes 1990), even if essentially from a social perspective. The outcomes of this line of analysis show that the absolute state, with the exclusion of the representative bodies of the territory from decision-making, undermines the survival of the Kingdom (Demarco, 1960; Spagnoletti, 1997; Lupo 2011; Pinto 2011; Macry 2012; Meriggi 2013).

On the post-unification state, literature underlines, on the one hand, the alteration in the pre-existing core-periphery relations which – making of Naples an intermediate node – changes the territorial balance of the Mezzogiorno (Massafra 1988; Salvemini 1995); on the other hand, it focuses on the entry of local social/economic elites in the central and peripheral bodies of the State (to which the representation of the territory is delegated) and their development into active agents in the bargaining to get/preserve the centrality of their own territory (Barbagallo 1980, 1995; Musella 1985, 1986, 1993, 1994; Aliberti 1987; Romanelli 1995; Melis 2003; Allegrezza 2007).

Florence municipal bond

Starting from this point, the research project suggests going a further step, widening the perspective by combining the findings of economic history literature with those of social/political/institutional studies, and focusing attention on local actors in their role as political agents able to affect the direction of internal and external financial flows (sources of funding and expenditure). In this light, we aim to refer to that economic literature which highlights the binding importance of the institutional history (North, 1990; Williamson, 1975; new institutional economics). Institutions and "organisations" become the pivot around which the objectives of economic policy – which involve territory – hinge (infrastructure, organisation policies and industrialisation Merger, 1998); and on which the interaction with international capital in the development of global finance is played out (Chapman, 1984; Landes, 1956; Cassis, 2008 Flandreau, 2004, 2009). This way, it would be possible to give a more complete interpretation about the economic history of Southern Italy, taking into consideration the lesson of the present wave of globalisation which evidently suggests that – mostly in periods of market openness – the analysis of local facts cannot neglect the global context.

The aim is to provide an additional interpretative key in reading the structural economic weakness of the Italian Mezzogiorno, going back to the origins of those distorting socio-economicinstitutional factors which have conditioned its growth mechanisms. We think that rent-seeking behaviours, which take root in weak institutions, can be better studied from transparent data in which privacy constraints no longer exist (i.e. archival documents). Therefore, the aim is to increase knowledge on growth dynamics of a socio-economic developing system in a wave of financial market openness. It aims to be a case study from which some useful indications can



The Naples Water Works Company Limited

Capital : L. Ital : 37.500.000, entièrement versé.

Suffolk House Laurence Pountney Hill London E.C

Assemblée Générale

du 17 Mai 1911.

72

Mercredi 17 Mai 1911.

Une Assemblée Générale Ordinaire de The Naples Water Works Company Limited a été tenue le 17 Mai 1911 à deux heures et demie, à Paris, 52, Rue d'Anjou.

Sont présents :

MM. le Baron R. Hottinguer, Président,
le Baron Mallet,
A. Gérard,
Edgard Stern,
P. Boutau,
le Baron V. Reille,
A. Langlois,
E. J. de Bammeville,
Ch. Cambefort,
le Comte H. de Montesquiou Fezensac,
le Comte Frédéric Pillet-Will,
M. Charles Grisel, Directeur-Secrétaire.

M. le Président donne lecture de la notice suivante convoquant l'Assemblée :

Avis est donné par la présente que l'Assemblée Générale Ordinaire annuelle des Actionnaires de cette Compagnie

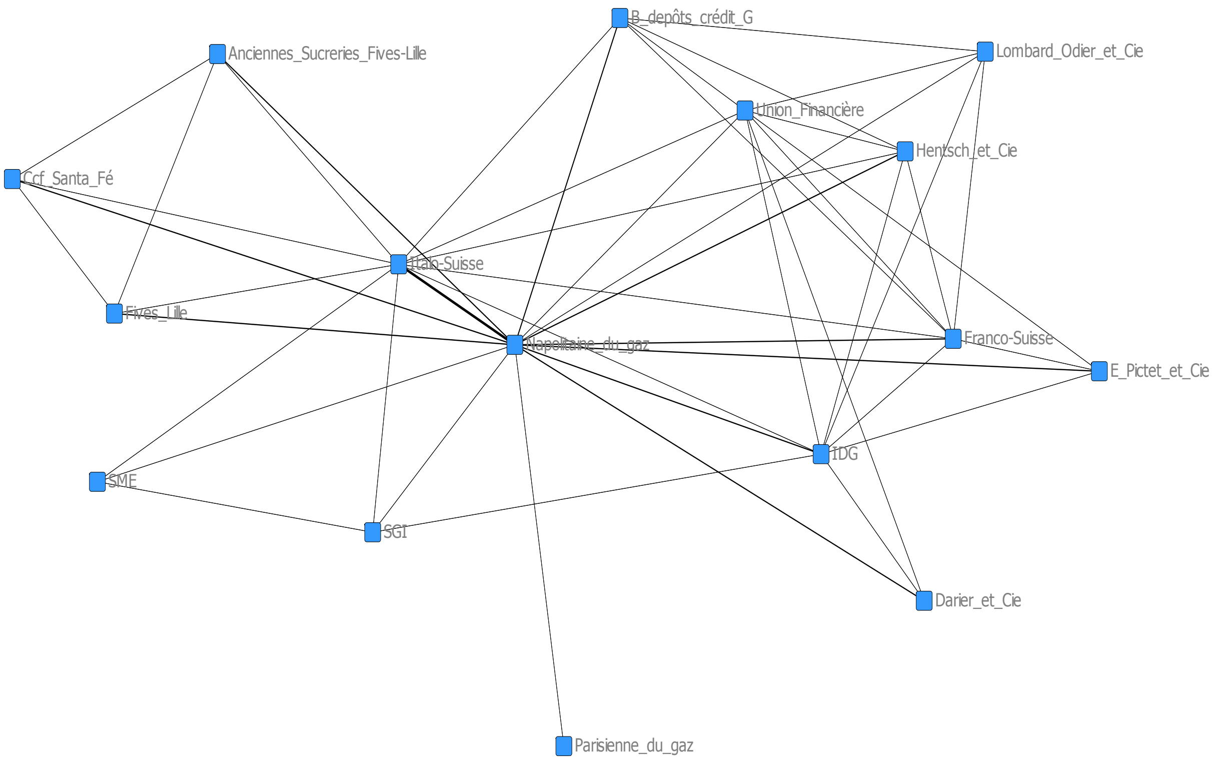
Naples Water Works

be drawn; as a lesson of history for European policy makers in relation to the formulation of those policies aimed at strengthening growth in the present wave of globalisation, liberalisation and privatisation, wherein financial and institutional actors have gained new importance. This could be a seminal project. The tools of analysis (as will be described hereafter) allow the sharing of knowledge with widespread access to some history phenomena. This could be made available to other scholars, who could undertake similar studies/analyses on different economic and geographical areas of interest so as to create a broad and integrated system of historical knowledge. In order to promote research excellence at the European level, forms of cultural and scientific integration must be supported with initiatives addressed at intensifying forms of exchange between international research institutions.

2. A multidisciplinary approach: the Social Network Analysis (SNA)

The project has been realised thanks to a synergy of scholars of different disciplines (economic historians, political historians, sociologists, statisticians and computer scientists) who – putting together their different conceptual frameworks and skills – could make the most of the complementary aspects of their specialist knowledge through an interdisciplinary approach to the multi-faceted topic of the project.

The methodology for realising the project is based on a massive application of digital tools to historical research. The aim is that of ordering and storing, managing and relating data to be collected through archival research. The needed datasets concern individual and collective actors of the Mezzogiorno system in both an economic and socio-political sense. Their actions/activities and significant events, etc., with particular attention for those actors involved in what were the main forms of investment which attracted foreign capital are the particular focus. This includes: public loans and FDI (Foreign Direct Investment) in specific business sectors.



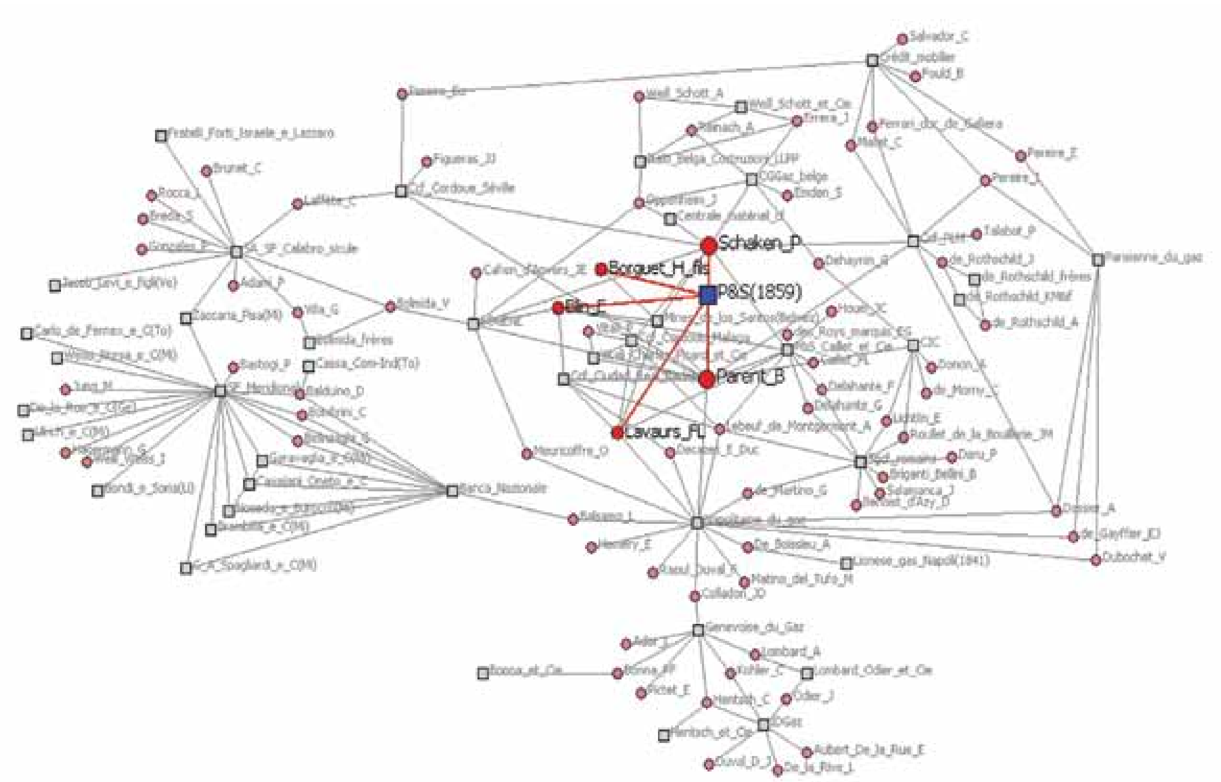
Compagnie Napolitaine - Ego network 1903

a. Economic actors:

- qualitative data:
- individual actors: public loans contractors, subcontractors, notaries, etc.; enterprise founder members, shareholders, borrowers, administrators, chairmen - indications supplied with short biographies where available;
- collective actors: enterprises' constitutions, duration, legal office, administrative head office, if any, etc.
- quantitative data: nominal value of public bonds, underwriting price, interest, current yield, etc.; capital stocks, shares (number and nominal value), bonds (number and nominal value), balances - (in reclassified form and with links to analytical pages), stock exchange data, weekly quotations on different national and international stock exchanges.

b. Political/social actors:

- Composition of political and administrative bodies of the state (monarchy; governments; significant ministerial bodies; parliament – legislatures of Chamber of Deputies and Senate; peripheral bodies – legislatures of city councils and municipalities; control bodies – ordinary and special courts such as the Court of Auditors, The State Council, etc.). These data should be collected from both archival (State Archive of Naples, Turin, Florence, Rome; Municipal Archive of Naples) and printed sources (national libraries of Naples, Florence, Rome);
- Composition of economic and financial institutions (boards of directors, ownership/co-ownership, management, etc.);
- Composition of institutions which have social and economic importance:
- Advisory bodies, such as the Chamber of Commerce, etc.
- Associative bodies, such as clubs, parties, etc.
- Composition of family groups (family ties) of the actors individuated during the research development – through prosopographical studies and related sources.



Compagnie Napolitaine actor per firm network 1862

c. Events/actions/activities

- Chronology of historical events significant to the research: institutional changes, laws, decrees, wars, revolutions, diplomatic relations, historical events related to actors.

The construction of the above-mentioned datasets is needed for the project to reconstruct network ties both on the inside of organisations/aggregate structures and crosswise, in order to define size, composition and the centrality of business (interest) groups and their mutability over time. The Social Network Analysis (SNA) method will be able to explore the temporality of these formations using a variety of models and designs, using both standardised and new procedures. Above all, we try to apply the basic "longitudinal research design" depicting network structures at several moments, interpreting patterns of continuity and change in view of historical, economic and social processes.

The instrument used to collect and relate the above-mentioned data is a complex relational database IFESMEZ - which is the acronym for Imprese, Finanza, Economia, Società nel Mezzogiorno/Enterprise, Finance, Economy and Society in the Mezzogiorno – which has been created (according to the model studied by M.C. Schisani and Francesca Caiazzo) and hosted on a web server of the University of Naples "Federico II" (www.ifesmez.unina.it). The database has been tailored to meet thespecific needs of the project: managing heterogeneous data and allowing network analysis. Therefore, it is clear that the database is not a standard transactional database, but a database for decisional support. Indeed, the data retrieval cannot be a priori standardised and frozen in a predefined set of data querying as in the standard transactional databases. Retrieval techniques (for instance, aggregations of data and statistical analysis of data) heavily depend on investigation requirements, which of course may change during the course of the research. Moreover, the development of ad hoc data analysis techniques and tools must be taken into account, requiring the continual support of technical, algorithmic and programming skills.

Furthermore, in order to allow a more effective data interpretation (by historians and sociologists as well) the multidisciplinary approach of the Social Network Analysis (SNA) seems to be appropriate for providing a fairly clear overview of the complexity of the relationships between individuals or entities (Cross, Parker and Borgatti, 2002), and allowing for the exploration of these interactions by using a variety of models and designs. In the historical field, it could be used to try to depict network structures at several moments, interpreting patterns of continuity and change in view of the processes that occurred during the period. The simple task of analysing the network evolution through the comparison of subsequent states of an evolving network (i.e. the examination of nodes or links over time), aimed at enhancing the perception of structural changes at different levels (i.e. micro and macro), represents an emerging research topic in the form of the analysis of dynamic social networks (Federico, Pfeffery, Aigner, Mikschand and Zenk, 2012).

3. A pilot study case: brief hints

A pilot case study – entitled Networks of power and networks of capital: evidence from a peripheral area of the first globalization. The energy sector: from gas to electricity in Naples (1862-1919) (authors M.C. Schisani and F. Caiazzo) – has been recently developed on the topic, and it has been presented at the Frankfurt World Business History Conference, on March the 17th 2014 (http://www.worldbhc.org/?seite=full%20program). The study investigates public utilities sector in Naples, through the specific case of the gas company, the Compagnie Napolitaine pour l'eclairage et le chauffage par le gaz (CNG), in the period between its creation, in 1862 and the aftermath of the WW1. Its origins as as "born-global" firm and the financial nature of the contract which bound it to the Naples municipality made it appropriate to be studied as an entity embedded in a wider context of inter-firm and inter-actor relationships and strategies, transversal to local/ national and global space. The case has been analysed by making use of the Social Network Analysis approach and sets of tools and by resorting to an integrated perspective of business and financial history. Besides a more complete interpretation about the organisational and financial dynamics of the Naples power sector as part of a broader cross-border business, this has allowed us to discern problems of agency on behalf of the financial system organised around foreign investors in a weak institutional environment and of the deleterious effects of financial parasitism.

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Slovak banks in the maelstrom of World War I – between patriotism and nationalism

This study seeks to present a brief outline of the situation of Slovak banks during the First World War, and the difficult economic and political context in which banks had to select their strategies with the greatest care. The ruling Austro-Hungarian regime required the management of Slovak banks to show heightened loyalty and patriotism, which often ran counter to their national interests. The study presented here is based on a study of archived documents of former commercial banks in Slovakia up to 1918, held in the archives of the National Bank of Slovakia. Much of the information comes from employees' personal files, bank officials' personal correspondence or recorded memories, historical calendars and journals. The study forms a part of the Slovak archives project entitled "The First World War in Archival Documents". Additionally, it builds on the research of Professor Roman Holec and several works by the author of this study.

The territory that today forms Slovakia was, up until the end of the First World War, part of the multinational Austro-Hungarian Empire. The first financial institution in Slovakia was the Bratislava Savings Bank (Bratislavská sporiteľňa), established in 1842. From the end of the 1870s onward a great number of various, mostly small, banks were established, thanks to a liberal Austro-Hungarian law allowing joint-stock financial institutions to be established with relatively little difficulty. A group of mostly large Budapest-based banks was established on the basis of the law, often also drawing in capital from outside the Austro-Hungarian Empire, and focused on the credit needs of industry, wholesale and estates, which also satisfied requirements for mortgage lending. However, a large number of small joint-stock banks of local importance were also established throughout the Austro-Hungarian Empire. These banks provided mostly smallholding and trade loans, and in particular bill of exchange credit for financing larger investments for which borrowers' own funds were ordinarily insufficient.

Local privately-held banks were established in non-Hungarian parts of the Empire not just for purely economic reasons, but also for national motives. This understanding of the political importance of financial institutions and the political dimension of economic activities was a major breakthrough in the Slovak national emancipation movement. Through its concentration and accumulation of capital, banking played a key role not just in terms of business in all areas of the economy, but also in political objectives at the local, regional and national level. By 1912 there were some 45 banks already operating in the Austro-Hungarian Empire with Slovak administration (including two affiliates): 26 branches and 2 sub-branches. The registered capital of all Slovak privately-held companies of a banking nature in that year totalled almost 14.5 million koruna. Although the number of Slovak banks continued to rise until the outbreak of the First World War, nothing changed the fact that capital in the Austro-Hungarian Empire remained concentrated primarily in Budapest. Indeed, the local Magyar Általános Hitel Bank alone had a registered capital of 60 million koruna. The outbreak of the war, it can be said, came at an extraordinarily difficult time for Slovak banks. In the summer of 1914 they were gradually overcoming a period of stagnation following the financial crisis of 1912. Several banks were increasing their share capital, setting up new branches, and developing Czech-Slovak capital cooperation. Plans were set for an expansion of capital abroad, particularly into Russia.

The outbreak of war swept away all such considerations, hopes and plans like a house of cards and put many Slovak banks into critical difficulties, mainly due to runs on deposits and major disruptions in the capital and credit markets. Therefore, the government with effect from 1 August 1914 declared a moratorium on all financial liabilities, which was later extended to 31 August 1915. The general shortage of money was evident in the rise in the Austro-Hungarian Bank interest rate, which over the course of the first month of the war increased from 4per cent to 8 per cent, though by the end of June that year the bank had reduced it by 2% and in November again by half a per cent. Even so the rate remained relatively high. The Ružomberok Credit Bank (Úverná banka v Ružomberku) was forced to place securities with a nominal value of 180 000 koruna at a branch of the Austro-Hungarian Bank in Žilina and take on a Lombard loan in order to pay off its clients. By the end of 1914 the Credit Bank had lost 677 000 koruna in deposits, with only a pitiful 3147 koruna remaining at the central office in Ružomberok on 2 December 1914.

Slovak banks were also afflicted by the difficult situation in other ways. In particular, right after the outbreak of the war, the authorities issued an official directive ordering that audits be carried out on accounting books in order to identify property belonging to citizens of enemy states, and any financial flows with the enemy. Offices and documents of Slovak banks were searched and bank managers were denigrated; in many towns this also happened with the complicity of local competitors, who sought to discredit Slovak banks, through investigations and alarming reports. These had the effect ofunnerving clients and drew many of them to their own institutions. In Zvolen they fabricated rumours about links between Slovak banks and Serbs, and about counterfeiting; they also spread reports of the collapse of the Zvolen People's Bank (Zvolenská ľudová banka). Windows and notice boards were also smashed up, while heads of Slovak banks suffered physical attacks. In Lučenec on 7 August 1914 the Slovak General Bank (Všeobecná banka) was raided by a team comprising two detectives, the county chief notary, a police captain, accountant and interpreter. They examined the accounting books under the pretext of possible financial support for various discredited persons or unpatriotic societies. When they did not find these items, or Russian roubles, or Serbian money, they unlawfully began to scrutinise the accounts of several municipalities and individuals. Similar raids and detailed inspections were also carried out at other Slovak banks. On 3 August 1914 the district judge entered the Krupina Savings Bank (Krupinská sporiteľňa) and announced that the bank's correspondence would from then on be subject to censorship. This censorship was cancelled only on 8 March 1915 following the intervention of Elemér Hantos, chairman of the Provincial Union of Financial Institutions (Pénzintézetek országos egyesület). Likewise, the branch of Tatra Bank in Prešov was visited on 22 August 1914 by a commission of the state commissioner in Prešov for the purpose of inspecting correspondence and accounting books. According to information of the branch cashier, Ľudovít Thomka, the commission acted properly and the inspection was more or less of a formal nature. In the first months of the war Slovak banks

Office of the Ružomberok Credit Bank (renamed in 1919 to Slovenská banka/Slovak Bank) were forced to minimise their activities under the pressure of an atmosphere whipped up by the whole of society into extreme chauvinism.

Social status of bank officials

One extremely difficult consequence of the war, which affected all banks without exception, was that many bank clerks were called up for military service and were replaced by unqualified people, particularly women. For example, at the Ružomberok Credit Bank 37 officials had entered military service while only four had managed to gain exemption from military service. The situation was similar at other banks. In March 1916, out of 17 clerks at Tatra Bank, 9 had been called up, leaving, for example, the Senica branch completely without a clerk. Several banks, for example, the Lučenec General Bank (Všeobecná banka v Lučenci) were, for reason of unqualified staff, unable or able only with great difficulties to draw up the balance sheet for 1914, because most of the bank officials and managing board had been called up. The influx of women clerks was an important turning point in what had otherwise been a highly conservative bank environment. Slovak banks up until 1914 had only very rarely employed women, and in most cases those women were daughters of senior officials or clerks at the bank, who worked there until getting married. In 1905 the first woman, Žofia Maťugová, worked for a short time at the Credit Bank . She was an assistant accountant at a branch in Trstená, the daughter of the cashier Móric Maťuga, and earned a salary of 1 080 koruna. As for Tatra Bank, the first woman in its services was Margita Pauliny-Tóthová, the widow of the director Žigmund Pauliny-Tóth. She worked at the bank from 1906 onwards, earning a measly 720-koruna salary despite her excellent education and language skills. The situation with the employment of women changed after the outbreak of the First World War, with so many bank staff called up. In 1917, out of 28 staff of the Ružomberok Credit Bank some 16 were wom-

Bank officials of the Ružomberok Credit Bank, 1910. Source: Zdenko Ďuriška, Martin, Private collection en, whilst at the branch in Bratislava there was only 1 man and 9 women. They were mostly young women from the families of high bank officials and graduates of two-year business schools. Rarely, though, did they hold important positions and their salaries were substantially lower than those of their male colleagues. At the conservative Catholic People's Bank in Ružomberok (Ľudová banka v Ružomberku) a dispute even broke out between members of the managing board regarding the employment of women. At a bank committee meeting on 12 February 1917 the bank trustee – a Catholic priest and leading figure of the Slovak national-political movement, Andrej Hlinka – submitted a lengthy paper regarding the poor staffing situation at the bank's branches and recommended the solution that branches "take on girls". The board member and local businessman Ján Janček Snr., though, disagreed and proposed that branches limit their opening hours to 2 – 3 days per week. Eventually, though, the authoritative Andrej Hlinka's opinion prevailed and so women could also be employed at this conservative institution.

Zdenko Houdek, clerk of the Ružomberok Credit Bank and Czechoslovak legionnaire

On the other hand, many managers were able to temporarily avoid military service by claiming that they were "irreplaceable". The state needed them in its subscription for crucial war bonds. In the case of Slovak financial institutions, though, the situation was rather more complicated. Governmental Hungarian authorities did not greatly trust Slovak bank officials. Although the management of Slovak banks appealed for loyalty from Slovak bank clerks, several of them were arrested and sentenced for sedition or for expressing affinity with the Slavonic enemy nations of Serbs and Russians, or for allegedly refusing to subscribe to issues of war bonds. So it was, for example, that in December 1914 a clerk of the Ružomberok Credit Bank, Kornel Ondruš, was taken into pre-trial detention for sedition against the nations and in February 1915 was sentenced to 5 months imprisonment. Criminal proceedings for sedition were also conducted against a cashier of the Krupina Savings Bank, Paulina Chorvátová in August 1914. Immediately after the war began, Ján Cablk, senior clerk at the People's Bank (Ľudová banka) in Nové Mesto nad Váhom was arrested and sentenced to one year's imprisonment. After release from prison he was again interned for half a year at Körmend, and eventually, as a 50 year-old, was called up for military service. This, though, he spent away from action, as a supplies officer in Vienna. For allegedly refusing the subscription of war bonds all officials of the Tatra Bank branch in Prešov were gradually sent to the front. The authorities thereby almost paralysed the bank's operations. One of the branch officials called up, Pavol Šípka, was killed on the Italian front. On 1 February 1915 the Krupina Savings Bank branch manager in Bekešská Čaba, Ivan Thurzo, was unexpectedly called up. Since he was a top official, the bank's management sought his exemption from military service. The matter at first seemed straightforward, since just earlier the branch's lawyer, Henrich Herzog, had similarly been exempted from military service. It turned out, though, that Ivan Thurzo had been called up quickly due to an accusation concerning his insufficiently patriotic conduct at Bekešská Čaba. The accusation against him was *"that he wears a shirt decorated with Slovak embroidery and a Russian cap, that in 1913 he had started a collection for the Serbian Red Cross, and that if any of the local farmers did not want to contribute, he yelled abuse at them. He lent Slovak books to one high school student and persuaded him to be a sworn Slovak and nationalist, with the result that he was expelled from high school. His son ostentatiously wears in the street a Russian cap and sabre. In official premises late into the night he writes articles for the Dolnozemský Slovák and other journals, in which he defames the Čaba public …".* Although the Ministry of Defence's rehabilitation commission identified the allegations as unfounded, the savings bank by the end of the war had failed to secure Ivan Thurzo's release from military service.

With so many bank clerks called up, their families were also getting into financial difficulties. Banks tried in various ways to mitigate this. For example, the Ružomberok Credit Bank decided, following the lead of the Trade Bank (Živnostenská banka) in Prague, that wives of soldiers called up would receive the clerk's full pay for the first 3 months and thereafter half of that amount. In consequence of price developments, banks were gradually forced to introduce flat-rate increases for all bank clerks and also undertook to pay cost-of-living weightings. According to a report of the Ružomberok Credit Bank from 1916, some 39 clerks of the bank had been called up, of whom "four had been killed, six had been captured, two were missing, and several were wounded and had received awards". In the case of death or permanent invalidity, the pension fund of the Ružomberok Credit Bank paid out invalidity, widows' and orphans' pensions plus funeral costs. The invalidity pension was increased by a childraising contribution, whilst 12.5 per cent of the pension amount could be paid out per child. The widows' pension was set at half the bank clerk's pension, and the orphans' pension was set at a quarter.

Several clerks of Slovak banks, who fell into enemy hands, later became senior figures in the foreign Czechoslovak resistance, since they entered the Czechoslovak Legions. We can mention here, among others, in particular the clerk of the People's Bank in Námestovo, Rudolf Gábriš, the former clerk of the Ružomberok Credit Bank, Pavol Varsík, the Tatra Bank branch clerk in Prešov and prominent writer, Jozef Gregor Tajovský.

War bonds

For pursuing what was a financially costly war, the state mobilised its finances and took on loans in the form of a subscription for war

Jozef Gregor Tajovský, Slovak prominent writer and Czechoslovak legionnaire bonds. Overall eight of these issues were made, the first was subscribed in November 1914, and the last in spring 1918. In the Hungarian part of the Empire a total of 18.6 billion koruna was raised, and a further 35.1 billion koruna in Austria. Government war bonds formed an awkward topic in Slovak banking history. Slovak banks had to, willingly or unwillingly, participate in the subscription, even though this meant a great loss of deposits for them. A most difficult fact, though, was that investing in war bonds had been declared a patriotic duty and that no one was to be discouraged from a similar act. Articles had appeared in the Hungarian press accusing Slovak banks that, out of fear for their deposits, they were refusing to participate in the subscription of war bonds. Slovak banks, thus, had to constantly prove their patriotism and undertake quick actions to gain subscriptions. After the founding of the Czechoslovak Republic in 1918, representatives of Slovak banks were again on the defensive, responding that they had been forced into the war bonds subscriptions and that they had proceeded with the maximum reluctance, and so on. The truth, though, lies somewhere in between. The banks, including Slovak banks, against a background of subdued lending and limited production at enterprises, often over the years 1916 – 1918 did not have any real option in how to mobilise their spare resources other than by investing them in these state-backed securities. The banks acted rationally and in a manner appropriate to the environment in which they operated. It is, therefore, understandable that in the second half of 1918, with the end of the war approaching, nationally Slovak banks, in particular the Martin Savings Bank (Martinská sporiteľňa) and the Ružomberok Credit Bank began to scale back Lombard loans with war bonds and sought to get rid of them. According to data from 1921, Slovak financial institutions after the end of the war had 6.9 million koruna of subscribed Austro-Hungarian war bonds, whilst their clients had subscribed a further 15.7 million koruna. In total this represented a negligible 22.6 million koruna. In comparison, Hungarian and German financial institutions had invested in war bonds totalling 295.9 million koruna and their clients subscribed 852.5 million koruna, which together represented in Slovak terms and incredible 1 148.4 million koruna. This great disproportion, apart from the different capital strength, was indicative also of declining confidence in the Hungarian state from the side of Slovak banks, particularly toward the end of the war. The huge exposure among Hungarian and German banks to war bonds was one of the causes of their deep crisis following the founding of Czechoslovakia, which was amplified by the new Czechoslovak government's prohibition of Lombard war bonds.

A 1000 K bond certificate of the fourth Austrian war loan, 1916

Changes in the commercial orientation of banks

The tightness of money at the start of the war switched, from about mid 1915, to an unprecedented surplus of cash, leading to a complete stagnation in lending. Only trade for ready cash developed, whilst bills of exchange completely disappeared from circulation. Mortgage lending also collapsed. For example, in the case of the Ružomberok Credit Bank bill of exchange transactions fell from 9.4 million koruna at the end of 1913 to 3.2 million koruna at 30June 1918, while such business was of key importance before the war. On the other hand, the surplus of money led to the repayment of debts and the depositing of cash surpluses in the form of deposits. The Ružomberok Credit Bank saw growth in deposits on deposit book accounts from 6.9 million koruna in 1913 to 14.6 million koruna in 1918, with current account deposits rising even more over the same period, from 0.57 million koruna to 10.9 million koruna. This inflow of money enabled Slovak banks to repay their re-discounting debts. The Ružomberok Credit Bank, which at the start of the war owed the Trade Bank in Prague around 6.6 million koruna, was able to pay off this debt at the start of 1917. In general, it can be said that Tatra Bank in the town of Martin made best use of war inflation, even avoiding severe losses and problems, managing not just to pay off re-discounting debts, but also by the end of 1918(particularly in consequence of the significant inflow of deposits) to report a slight profit.

Since no bills of exchange were available, banks placed a large part of their spare funds in securities. The Ružomberok Credit Bank by mid-1918 had invested around 8.5 million koruna in securities, with investments in war bonds representing 16 per cent. Trading in commercial paper flourished and, particularly in the last months of the war, speculation on the Budapest stock exchange spread rapidly. Money could be easily gained there, but also easily lost; a lesson that more than a few banks learnt to their great cost. Most notable of the Slovak banks in this regard was the Ružomberok People's Bank.

Slovak banks sought to place their surplus in trade goods, which in a period of general shortage proved to be extraordinarily profitable. The Ružomberok Credit Bank focused particularly on the wholesale trade in paper and wine. In 1914 it created a joint product sales outlet for the Hungarian papermill in Ružomberok and earlier a competing Ružomberok plant for paper and pulp. The main activity of the Credit Bank branch in Bratislava was primarily the wholesale of wine, which it stored in rented basements in the towns Vajnory and Modra. The Economic Bank (Hospodárska banka) in Trnava also focused on the wine trade, via its branches in Modra and Pezinok, even purchasing houses with large basements for the purpose of storing wine. In addition, the Economic Bank at its branch in Hlohovec set up a shop with agricultural machinery. Other Slovak banks also focused on the sale or lease of agricultural

A 100 K bond certificate of the seventh Hungarian war loan, 1917 machinery, perhaps most notably the Sereď People's Bank (Sereďská Ľudová banka) and the Krupina Savings Bank.

Banks also began to invest more heavily in agricultural businesses. The Credit Bank, following the outbreak of the war, began, quite successfully, to manage in-house three businesses: in Teplička, Nitrianske Nováky and Krpeľany. Likewise, Tatra Bank in 1917 bought up assets in the municipality of Nimnica pri Púchove, estates in Komjatice and a sawmill in Kraľovany. Krupina Savings Bank in 1916 financed the construction of a roller mill in Krupina, which, for example, in 1917 directly under the bank's management ground about 150 wagons of grain.

The favourable money situation and also the belief that after the war there would be greater demand for loans, as well as the need for the banks' own funds to be brought into line with entrusted funds, led the management of Slovak banks to increase their share capital. Thus, for example, the Ružomberok Credit Bank during the war increased its share capital from 3 million koruna to 6 million koruna, whilst the Martin Savings Bank increased its share capital from 1 million koruna to 3 million koruna.

Situation of industrial enterprises

Slovak banks at the end of the 19th century began to progressively engage in establishing Slovak industrial enterprises, either by means of share subscriptions, direct investments or via lending. The wood, paper and leather industries dominated, and to a certain degree the textile industry did as well. In this regard the Ružomberok Credit Bank took on the greatest exposure, relying on capital from the Czech Trade Bank, and was closely followed by Tatra Bank, Martin Savings Bank and Žilina Assistance (Žilinská pomocnica).

Industrial enterprises that were owned or under the direct influence of Slovak banks during the war were in a very difficult or often even unsolvable position. After the start of the war most of them immediately ended operations. For example, the Tools Workshop (Dielňa na náradie) in Martin (a factory for the production of bentwood chairs) ceased production right at the war's outset on 8 August 1914, and did not restart production until the end of the war. Its activity was limited to handling orders for finished goods. Due to severe losses in 1916 it entered liquidation, with Tatra Bank buying it in public auction for 656 000 koruna. The glassworks at Žilina was similarly in the ownership of the Ružomberok Credit Bank. After the outbreak of war the glassworks closed on 9 December 1914 and was sold in July 1918 for 1.2 million koruna to the Czech firm Bratři Benešové. The Hungarian Papermill (Uhorská papiereň) in Ružomberok, owned by the Ružomberok Credit Bank, also had to cope with a lack of materials for production, limited transport connections and a workforce shortage. Shortly after the outbreak of the war it suspended operations for 18 days. After renewing production its operations remained limited. Since losses and bad debts were gradually rising, the Ružomberok Credit Bank at the end of 1915 proposed reducing the papermill's share capital from 2.5 million koruna to 1.5 million koruna. In 1916, influenced by the wartime production boom, the Hungarian Papermill returned to profit. 1916 was a very successful year; the papermill wrote off losses from 1914 and restored its share capital to 2.5 million koruna. The papermill thus, for the first time in its existence, was able to pay a dividend for 1916. The favourable boom period in the second half of the war was also exploited by the papermill for reducing its indebtedness toward the Trade Bank in Prague and the Ružomberok Credit Bank. Despite problems with the supply of coal and other raw materials, the papermill reported a net profit from 1917 of 1.6 million koruna, and paid out a dividend of 15 per cent, whilst the dividend for 1918 was even higher at 25 per cent.

The Ružomberok Credit Bank exploited the wartime production boom and established a factory for paper products in Ružomberok. Together with the Hungarian Papermill it purchased in the summer of 1918 an iron works and factory for enamel baths of Franz Rohwer in Bratislava for 1 million koruna. This enterprise, which had been established in 1907 and designed for the production of 15 000 baths per year had employed 90 workers before the war.

Despite all the activities of the Slovak banks, five large Budapest-based banks had acquired a key role in privately-held companies in Slovakia over the period up to 1918. Slovak banks in 1918 controlled around 20 privately-held enterprises, which represented only 2.5per cent of the aggregate value of the shareholder capital of industrial enterprises in Slovakia. These enterprises were mostly small and undercapitalised. They survived only with difficulty in the competitive environment and, without the presence of state support, many failed.

Conclusion

It can be said that, as regards Slovak banks, the consequences of the war were somewhat paradoxical. Through its extent and brutality, the war impinged on the life of every citizen. Most clerks from Slovak banks were called up to the front, some died, some were wounded, or maimed. The consequences of the war fell heavily on the families of those clerks, who suffered shortages and high prices. On the other hand, the calling up of bank clerks in this period opened up unforeseen opportunities for the advancement of female staff, which was a major breakthrough in the otherwise conservative atmosphere at banks.

It can be said that most nationally Slovak banks, after the critical period of 1914 – 1915, were able to ride the wartime production boom and exploit currency inflation to repay their rediscounting debts, to write off pre-war losses and to increase share capital. They were able to do this on the basis of an unprecedented inflow of deposits, as well as taking a somewhat pragmatic and reserved attitude to war bonds. The banking journal Slovak Financier (Slovenský peňažník), in the new political and economic conditions of the Czechoslovak Republic in 1921, celebrated in an improper and propagandistic manner the managing representatives of Slovak banks as “well-informed about world affairs and having the necessary merchant’s prudence”, whilst denouncing the representatives of Hungarian-German banks as having acted with “inability, often bordering on the sinful frivolity”. This was, though, just the rhetoric of winners and an expression of economic nationalism, which had not faded from the scene, despite all the horrors lived.

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Franz Urbig – The life of a German banker

Franz Urbig was born 150 years ago on 23 January 1864. He is one of the leading figures in German banking history, but sadly his name is all but forgotten today. From 1902 to 1929 he was one of the joint proprietors of Disconto-Gesellschaft and, after the merger of Disconto-Gesellschaft with Deutsche Bank, chairman of the supervisory board of the merged institution from 1930 until 1942.

Urbig was a self-made man who never made a secret of his humble beginnings. He hailed from Luckenwalde, a small town in Brandenburg, approximately 50 kilometres south of Berlin. His ancestors were farmers and craftsmen. His father rose to become foreman of a local textile company. Urbig's own career took him from the office of the local court to the top of German finance. His stellar career has rightly been described as truly remarkable for the period in which he lived.

At the age of 20 he joined Disconto-Gesellschaft in Berlin, Germany's then leading commercial bank. He started as a simple employee in the foreign exchange department and gradually acquired knowledge of the most important areas of the banking business. In 1894, Disconto-Gesellschaft sent him to China to Deutsch-Asiatische Bank (DAB), which it had co-founded in 1889. He initially worked in Shanghai. In the following year in Beijing, he negotiated the first Chinese bond to be issued on the German capital market. In 1896 he was promoted as deputy member of the management board and was in charge of the DAB branch in Tientsin before returning, after stays in Japan and India, to Europe in 1900. After a short stay in London, where he was involved in setting up the London branch of Disconto-Gesellschaft, he returned to the bank's head office in Berlin and was admitted to the exclusive group of joint proprietors in 1902.

Foreign business with its increasing interconnections became Urbig's domain. In addition to ongoing business in securities and foreign exchange, he was responsible for international securities offerings. Painfully for him, the onset of First World War brought an end to an early phase of globalisation, restricting his field of activity to the national level. He was involved with wartime enterprises established specifically for the management of scarce resources. After the 1918 armistice he was consulted by the German government as a financial expert in the negotiations with the victorious powers. Urbig was disappointed by Germany's acceptance of the Treaty of Versailles, convinced that its economic terms were unrealistic. Alongside Hugo Stinnes, he fiercely opposed payment of the requested reparations and fought against the social policy measures of the Weimar Republic, above all the introduction of the eight-hour working day. Influenced by the economic

Franz Urbig in 1912

policies of the German Empire, he opposed government interference in business.
When a new currency was introduced to halt hyperinflation in late 1923, the German government had planned to appoint Urbig as Reich Currency Commissioner. However, the appointment fell through because of his calls to shake off the burdens of reparations and undo the social gains achieved by the revolution. Instead, Hjalmar Schacht was appointed as Currency Commissioner. Urbig became a member of the administrative board of the Rentenbank, where he successfully pursued a restrictive monetary policy. Since 1924 he was a member of the General Council of the Reichsbank and of the supervisory board of the newly founded Deutsche Golddiskontbank.
In the interwar years, Urbig also devoted himself to the consolidation of international financial relations. He represented the interests of German creditors vis-à-vis the countries of former Austria-Hungary, Russia and China. He sought to reshape German industry with conglomerates such as Vereinigte Industrieunternehmungen AG (VIAG) and Vereinigte Stahlwerke. He last represented Germany at the international level as a member of the arbitration tribunal in the Standstill Negotiations the Reich had entered into after payments were suspended in 1931.
When the National Socialists came to power, Urbig and Oscar Schlitter were co-chairmen of the supervisory board of "Deutsche Bank und Disconto-Gesellschaft", as the merged institution was then called. Adaptation and a willingness to compromise were in their view the order of the day. In the aftermath of the banking crisis of 1931, they felt powerless and helpless against the anti-bank ideology of leading National Socialists.
As chairman of the supervisory board, Urbig placed his loyalty to the bank above his loyalty to his colleagues of many years. When in 1933

Premises of Disconto-Gesellschaft in Berlin in 1884

Oscar Wassermann and shortly afterwards Georg Solmssen yielded to political pressure by resigning from their positions as management board spokesmen, because of their Jewishness, Urbig believed this was inevitable and made no attempt to intervene. Nonetheless, he maintained his distance from the National Socialistic government. He was opposed to its interventions in the economy, as well as the interventions of the democratically legitimised governments after 1918.

Alongside his career as a banker, Urbig acted as a developer. In the middle of the First World War he commissioned the yet unknown architect Ludwig Mies van der Rohe to build a summer villa at Griebnitzsee in Neubabelsberg. Villa Urbig was to later to become the principal family residence. It was here that Franz Urbig passed away on 28 September 1944. Less than a year later, in the summer of 1945, his house became a place where world history was made, successively serving as the sleeping quarters of British prime ministers Churchill and Attlee during the Potsdam Conference.

In memory of Franz Urbig, the Historical Association of Deutsche Bank has published his memoirs of his early career, accompanied by a biographical introduction, available in print and as an audio book. The publication can be ordered from the Historical Association: http://www.bankgeschichte.de/de/content/776.html.

Martin Müller

Villa Urbig constructed by Ludwig Mies von der Rohe in 1915

Ahmed el Naggar – the Pioneer of Islamic Banking

Throughout the Islamic Finance world Ahmed el Naggar's name is very well known. Having started the first ever Islamic bank, el Naggar is considered the founding father of Islamic banking.

But in spite of this ground breaking achievement in the international financial world, little is known about his person. How did the son of Abd-el Aziz el Naggar, the Cairo professor of Islamic teachings, become one of the most influential figures of the Islamic financial world.

Islamic finance has been discussed extensively in the West only since 2008. The financial crisis triggered the search for alternative modes of finance, and for an alternative economic system. The best known fact about Islamic finance is that it prohibits interest. This especially made the media turn attention to the faith based idea of finance, hoping to find an antidote to the bubble economy

and reckless betting against credit defaults.

El Naggar wanted to end usury and the exploitation of small farmers and craftsmen. Small farmers, the fellahin, and small entrepreneurs without collateral or capital had no access to bank loans. Commercial banks didn't like this poor clientele and even denied them access to their premises. Thus, the farmers had to resort to unauthorised money-lenders whose interest rates were far higher than those of the commercial banks. The debtors were trapped in a spiral of debt, having to borrow in order to pay back part of the old debt and so forth. El Naggar´s motivation was to disrupt this cycle and to create a system that would allow not only loans to farmers but also their precondition: savings. He wanted to establish banking for the poor.

Islamic scholars are still discussing whether Islamic finance is an ancient tradition, dating back to the first days of the Islamic "Golden Age", or whether it is a new idea, brought along by Muslim thinkers at the beginning of the last century.

Ahmed el Naggar 1964 with Heider Dawar and Günter Klöver

Whatever the view, it is undeniable that Islamic banks were established only after an Egyptian student, who graduated in Cologne, Germany, decided to put theory into practice. As there was no comprehensive model of Islamic finance available at the end of the nineteen-fifties, Ahmed el Naggar used a model that had been field-tested in Germany for over a 100 years: The savings bank. Designed to provide accounts for all levels of income and in this way to encourage even the poor to start saving, the creation of savings banks was a huge success story in Germany. El Naggar not only knew about the success but experienced it first-hand while working with Cologne savings bank, the German Kreissparkasse Köln. He was inspired by the fact that these banks were designed for rural people.

As a country deriving revenue largely from agriculture and with a significant portion of low income farmers, he recognised the potential for his home country, Egypt. His main motivation was to help the disadvantaged. He dreamt of a bank that would allow the village population to save and invest and thereby enhance not only their own living standards but also the overall standard of living in the region.

Ahmed el Naggar possessed a great deal of charisma. His enthusiasm was infectious and he always received a lot of help in realising his plans. While studying in Cologne, he resorted to the usual training-scheme for university exams at the time, provided by external companiesor persons like Günter Klöwer, who trained students of economics and became el Naggar’s close friend. El Naggar was a frequent guest in Klöwer's home and was very soon regarded more or less as a family member. Much of the planning and organising of the Islamic bank was therefore done at the family kitchen table. Ideas were exchanged and discussed till late at night. They were often joined by other family friends like Heider Dawar, former minister of finance of Afghanistan, Wolfgang Hohmeyer, head of the daily “Die Welt” Cologne office, and Martin Gester, who later served as a correspondent in South America.

El Naggar certainly was a committed student, though even todayhe is also remembered for his enviable humor. He loved to surprise his friends and was filled with genuine puerile joy and the enjoyment of life which he managed to preserve until his death in 1994.

But the friendship with Klöwer transcended well beyond the realms of joking or academic discussion. Klöwer was a sponsor of the first “facility” for the revolutionary banking idea: an old VW van. As the Egyptian savings bank project started taking shape the van was converted into a bank branch office on wheels and equipped with all the necessary tools: a counter, account books, accounting and office equipment. This idea proved to be resourceful as it allowed Ahmed el Naggar to fulfil one of his main objectives: that of reaching the people right in the middle of the village. At that time loans were decided upon in Cairo, often influenced by the help of bribes (baksheesh). The centralised system was opaque and arbitrary. El Naggar designed a decentralised system in which he passed the responsibility back to the villagers themselves. He literally banked on the village assemblies which took place regularly and where every villager could bring forward his own concerns in front of the audience. Here, the elders would advise on whom to give credit to. In this way, el Naggar used a popular tradition to build a grass-roots system.

But before he could set sails, el Naggar had to secure funding and political support. He managed to obtain funding from the organisation of German savings banks and from the Federal German government. Both considered the experiment to be revolutionary and a promising start into financial development aid. Besides, it gave the German government an additional opportunity to promote its ideas as opposed to communist ones in the struggle for influence over the Arab world. The undertaking was labelled as an official German development aid project under the header of “Development of a regional savings bank sector in Egypt”. The role international politics actually ended up playing for the German officials' decision to support el Naggar's project is unclear as all this happened in the troubles of the dawning Cold War. Especially in Egypt, the struggle was carried out on a business level, as both Soviet and West-German bidders competed for tenders on major construction projects. Eventually the West-German companies lost out on the big contracts. Nevertheless the German government committed itself to providing the necessary technical equipment for el Naggar's idea: to finance the training of 20 savings bank employees; and to send along a three member delegation of experts for consulting and support, one of which was Ahmed el Naggar himself.

Convincing the Egyptian government, on the other hand, was far more difficult. Ahmed el Naggar carefully avoided promoting his model savings bank as Islamic. At least on a higher political level it was not advisable in Egypt at the time to create the impression of promoting Islamic values after the attempted assassination of Gamal Abdel Nasser in 1954, which was widely attributed to the Muslim Brotherhood organisation at the forefront of the Islamic renewal in Egypt. Using family contacts, el Naggar managed to gain the support of the directors of the State Intelligence Agency (al Mokhabarat), who introduced him to high ranking officials in the Ministry of Economy. In a long and drawn-out process, el Naggar successfully managed to get the official stamp of approval. The Egyptian side contributed a sum of 60.000 Egyptian pounds to the project.

The organisation of German savings banks, on the other hand, had more obvious questions. Walter Quade, the chairman of the Frankfurt savings bank, asked: “To save without interest – how is that supposed to work?” Again el Naggar managed to convince his critics, even enlisting the help of high ranking officials like Klaus May, then chairman of the German Ludwigsburg savings bank. El Naggar explained his principle of profit and loss sharing that was the core of his model. All savings had to be invested in projects that were decided upon by the members of the village. The profits of these investments would then be split to give the savers a return, the advantage being that all the money was to be used

Ahmed el Naggar 1975 with Günter Klöver for the benefit and under the control of the community itself. In the same way, losses were not the sole burden of the debtor but borne by the community. In the words of his friend Murat Çizakça "he tried to implement a financial system that is based on profit and loss sharing, i.e. risk sharing, rather than shifting the risk." In fact, el Naggar was so convincing that the German government and the organisation of savings banks backed the project with over three quarters of a million Deutschmarks.

With funding and support finally provided, Ahmed el Naggar set off from Cologne in 1963 and drove his mobile banking branch office all the way to Cairo. He was accompanied by the Klöwers and other German friends. El Naggar had chosen the area of Mit Ghamr, in the fertile Nile delta north of Cairo, and went to the farmers as well as to the local authorities, such as the Imams of the villages, to explain and promote his idea.

Again el Naggar's charisma not only helped him to start his bank, but also to run it. He actively engaged the imams of the rural communities who in turn helped to promote his interest-free model of a rural savings bank. The function of the imams back then was that of multipliers and advisors. Only later, that role developed into the institution of Shari'ah boards, which in future was to be established in all Islamic banks .

Already in the first year, 25.000 accounts were opened at the Mit Ghamr bank with a volume of over half a million Deutschmarks. The success inspired the creation of eight more savings banks in other areas, namely in Dakahlia and Zifta and also in Cairo. But the great success proved to be the biggest obstacle - yhe size. The Egyptian employees were unable to cope with the task of investing the money in order to generate profits. Once the Germans ended their counselling activity, the banks failed in generating the necessary returns. Another factor was the growing nervousness not only among the conventional bankers but also within the Egyptian government. While the leaders of Egyptian banks, which had always been viewed with suspicion had no interest in being delegitimised by a working Islamic banking model, government officials feared growing Islamic influence in the country side. In consequence, in 1969, the well-functioning sections of the savings banks were forced to integrate into the state-owned Nasser Social Bank and for the time being the experiment was over.

Nevertheless, Ahmed el Naggar, a graduate of economics, had achieved something nobody had accomplished before him: he had not only proven that there was a way to mobilise savings according to Islamic beliefs but had also anchored the very idea of Islamic banks so firmly that it could never be brushed aside again. This achievement proved to be the decisive one – for el Naggar and for the future of Islamic banking. Since Mit Ghamr, more and more people have taken up the idea of the Islamic banking model as an alternative to conventional banking. In Germany, the Klöwers were influential lobbyists for Islamic banking and together, they were able to reach a wide range of people. In this capacity, Gerd Klöwer in the 1980s invited Ahmed el Naggar back to Germany to give lectures about the nature of Islamic banking to German government officials. Promoting the importance of mobilising savings they also discussed it with Mohammed Yunus. Thus a network emerged that exchanged ideas on how to help alleviate the plight of poorer segments of society.

Even though Ahmed el Naggar's original motivation was helping the poor, later Islamic banks developed into profit-oriented commercial institutions and have so far not been able to fulfil the initial purpose.

Ahmed el Naggar inspired both Prince Mohammed al Faisal al Saud and Sheikh Saleh Kamel to set up what was to become an Islamic banking empire. The first independent Islamic bank was founded by Prince Mohammed al Faisal in Egypt with el Naggar's help in 1975. Again, it was necessary to convince the official establishment of the necessity and the feasibility of an

Islamic bank. As el Naggar had by now risen to the head-office of the Nasser Social Bank, he had excellent connections within the Egyptian administration. He was a protégée of the Minister for Religious Endowments (Awqâf), Sheikh al-Shaarâwi, who in his position managed to push the necessary new laws through parliament. This also became the blueprint for the establishment of subsequent Faisal Islamic banks. First, governments and administrations were won over for the new model. These then issued laws adapted to the requirements of Islamic banks and on this basis new Islamic banks were founded. In this way, el Naggar and Mohammed al Faisal together established banks in Sudan, Switzerland, Bahrain, Pakistan and Cyprus.

They were not only united in their wish to promote Islamic banking but had also developed a close friendship. Ahmed el Naggar frequently accompanied Prince Mohammed al Faisal when travelling to London on behalf of the Quran Teachers association. They again combined forces in setting up the Islamic Development Bank. Already in 1970, Ahmed el Naggar was asked by the Organisation of Islamic Conference (OIC) to assess the possibility of a bank that was to help Muslim countries to prosper. He did so in a study that was conducted by himself and the Egyptian Ministry of Economy and drew heavily on his experience with the Mit Ghamr bank. In 1972, the results were consolidated into a document that achieved fame under the name of "The Egyptian Study of Islamic Banks". In 1975, the same year as the founding of Faisal Islamic Bank in Egypt, the study led to the establishment of the Islamic Development Bank (IDB) with the great support of the royal Al Faisal family. IDB's purpose has been to foster the economic development and social progress of member countries and Muslim communities individually and jointly in accordance with the principles of Shari'ah. Another institution, initially recommended in el Naggar's study as the first step on the way to an intergovernmental Islamic bank, was the creation of a consultancy institute which would provide guidance in matters of Islamic economy and bank-

Ahmed el Naggar 1985 with Ehefrau Carola ing, both on a national and international level. This institute, the International Association of Islamic Banks (IAIB), was set up by the OIC in 1977 in Jeddah, Saudi Arabia, and Ahmed el Naggar was appointed as its secretary general. Its function was to provide a lobby and to help with practical issues concerning the founding of Islamic banks. In 1982, the IIAIB established the International Institute of Islamic Banking and Economics in Levcosia, Cyprus, with the support of Al-Azhar University, Cairo, the King Abdul Aziz University, Jeddah, and other universities. At the same time, el Naggar and Prince Mohamad al-Faisal al Saud established the Kibris Faisal Islam Bankasi, in Levcosia. The renowned Volker Nienhaus, likewise an old friend of el Naggar´s, was visiting professor of the new institute.

After the termination of the initial Mit Ghamr experiment, el Naggar planned his postdoctoral treatise on the establishment of the savings bank in the Nile delta. His work was published by Cologne publishing house, Al Kitab (The book). The publishing company was established by Klöwer and other German friends like Ayyub Axel Köhler, who converted to Islam in 1963 and later founded the main interest group of German Muslims, the Central Council of Muslims. Their teamwork continued when Köhler became an advisor of the IAIB publishing books on Islamic economy and society.

Numerous other examples could be recounted in relation to the success and reach of el Naggar's work, but just one more should be singled out: after the Faisal Islamic Bank of Sudan was founded, one of the first Islamic insurance companies was the Islamic Insurance of Sudan. It was similar to models later used by Nobel laureate Mohammed Yunus. El Naggar personally convinced Nymeiri to change the laws in favour of an Islamic bank. Nymeiri granted the bank tax alleviation for ten years. In fact, Nymeiri was so inspired by el Naggar that he asked him to teach as a professor at the University of Khartoum.

Though his remarkable career eventually drew him away from his German friends of the 1960s, he always remained in close contact with them. He even married a German from Cologne, Carola el Naggar. Their son, Khaled el Naggar, later became the head of the Deutsche Bank in Cairo. Ahmed el Naggar is exemplary for his resolve to put theory into practice. With great skill and on the basis of friendship he managed to spark a whole new era of Islamic banking. Even though his initial intention to devise a bank for the poor and thereby support the rural communities has taken a back seat in history, Islamic banking turned out to be a success story especially in the affluent Gulf region. It owes its success to the foundational work of one dedicated man. But Ahmed el Naggar’s most valuable legacy transcends the realm of Islamic finance. His biggest success was to be the pioneer of Islamic micro-finance at a time when the very idea of micro-finance was hardly known and, even more important, to transform Islamic societies from non-banking to banking societies.

Rebecca Schönenbach
Gerd Klöwer

Interest-Free Savings Banks – A Development Project in the Nile Delta
Zinslose Sparkassen – Ein Entwicklungsprojekt im Nildelta
Author: Ahmed El Naggar
Published: 1982 by Al Kitab, Cologne, Germany

Planned as a habilitation (postdoctoral) treatise, but later published simply as the German language account of a ground-breaking experiment, Ahmed El Naggar´s "Interest free Savings Banks – A development project in the Nile Delta" El Naggarholds valuable information. El Naggar's experiment is famous as it is considered to have created the first ever Islamic bank. That alone would merit attention but it falls short of El Naggar´s actual intention. He set off to create no less than an alternative economic system adapted for the Islamic world. His account sheds light on the events that took place in a small rural area in Egypt in the nineteen-sixties. But more importantly, it provides valuable insights for the ongoing discussion which economic system is best suited for Muslim societies. Furthermore, El Naggar´s experience is useful for those interested in furthering successful development aid programmes in the Islamic world.

El Naggar's guiding theme was to implement a process that would bring about social and economic change to the most deprived segments of Egyptian society, that of the low income farmers. His choice was not random but based on his belief that economic change must start within society itself. Especially the uneducated masses, many of them illiterate and living off the land, are a common feature of the Islamic world. This was true when Ahmed El Naggar wrote his book and unfortunately still holds true today. In his view, the structure found in most traditional Muslim societies of the time is no coincidence. Islam is the dominant factor that shapes behaviour leading to similar circumstances in Indonesia, Sudan and the Arab world. For any programme that aims to enhance the living conditions of traditional Muslim societies, Islamic beliefs have to be taken into consideration. Poor farmers representing the majority of those societies, El Naggar believed that to bring change to them means changing their whole reality to the better.

Like many development organizations today, El Naggar was well aware of the fact that he would be accused of trying to change not only the life of traditional Muslims but also their beliefs, the Islamic teachings themselves. El Naggar, though, never leaves any doubt that in his view change is possible in accordance with Islamic traditions as well. He argues that the censoring of certain methods would never lead to real change. In contrast, an approach on purely economic parameters also falls short of the mark. By Western standards Muslim traditions are often considered adverse to productivity and development. El Naggar noticed that the elites in the Islamic world often reproduce this Western view and regard their own peoples as fatalistic masses that will not change without pressure. In this way the upper classes usually welcome development aid believing that by importing Western recipes bolstered by aid money, a change for the better will automatically occur. Most programmes, though, did not produce the desired results. In consequence, the leading figures in recipient societies frequently accuse Western donor countries of a lack of assistance and of stamina in order to expand the aid to where it would inevitably provoke the desired change. The patterns that emerged, observed by El Naggar, in parts are still prevalent today. El Naggar's solution was to take into consideration "cultural factors" that shape not only economic but also social behaviour.

El Naggar argues that conventional aid programmes only work where people are already inclined to behave and think in a dynamic and economic way. His prime example is the U.S. Marshall Plan which could only help Europe and Germany in particular because the main productivity factor – the people (der Mensch) - were already economically mature. The billions of dollars alone did not make the difference but the fact that Europeans were able to put them into productive use did.

As a first step for a functioning economic programme, he therefore identifies cultural patterns that may hinder economic growth and factors that shape daily life in the Islamic world. The goal is not to install the same system in every country but rather to find a way to combine the predominant local traditions with the proper ingredients that lead to capital accumulation and, in consequence, to growth.

El Naggar sees capital accumulation as the key component, because it is the basis for later investment. But, per his insight, individual saving demands foresight and sacrifices in the present. To initiate savings behaviour in spite of low income, the wish to save must be based on the free will of the people. If they changed their behaviour, then that change would be lasting and could lead to a substantial improvement for the majority. With this in mind El Naggar was sure that the only solution would be a project which was able to trigger profound change in daily economic and social life. To explain the process, he resorts to behavioural theories. Distinctive psychological and social determinants shape our habits and our behaviour. So to change the latter it is necessary to know the former. Thus, the first step is to assess what are the elements of daily life. The various cultural factors in traditional Islamic societies were identified by El Naggar: for one thing, family ties in the Islamic world are of paramount importance. The more successful a breadwinner the more he will have to share his income with his extended tribal family, which leaves no room for savings. Another factor is the often costly celebrations of great splendour that are part of traditional rituals. These feasts even leave entire middle class families indebted. And last but not least the focus is on prestige, leading to “total consumption” in order to show off one´s “success”. Under these circumstances, the chances for savings are slim even for those who earn more than a bare living. For the rest, the only aim remains survival.

To change these patterns, El Naggar looked around for support but quickly had to give up on the elites. The intellectual class typically lives far from life in the countryside and their discourse concentrates on their own chiefly theoretical world-view. They were either Westernised and as such not accepted by the rural population or obviously immersed in corruption and disrespect for the common people – a theme running through all of El Naggar’s book. The disregard of the leading figures, both Westernised and Islamic, is also well known to the rural population and is present in their daily lives whenever they are forced to interact with the “upper classes”. Decisions about their life are frequently taken by others. Subservience is expected - irrespective of the benefit. El Naggar was convinced that long-term change can only occur if people themselves choose to change. Therefore a programme decreed by the elites would not be able to improve circumstances any longer than it was forced upon the people. In the end it always ensured the growing power of the elites. So he aimed at the backbone of village life, the people who transmit beliefs and traditions and at the same time ensure adherence to them.

In the countryside, the leading figures are the village sheikhs, who most of the time have only a modest education. Quite often, their main qualification is to recite the Quran by heart with hardly any exegesis or even the ability to read and write. El Naggar observed that the Imams had no interest in taking a risk with an innovation that might lead their people away from their rightly guided and traditional way of life. Nevertheless, their weekly sermons and daily advice are the bedrock of village life. El Naggar identified two economic cornerstones of Islamic tradition which are always upheld. First and foremost, interest and usury is forbidden under all circumstances. For example, whoever takes his savings to a regular bank even though he might waive interest payments, will still run the risk of being punished by social exclusion. And Islamic inheritance rules are always strictly observed. So what did El Naggar put at the core of his approach? The first rule led El Naggar to label his bank "interest-free". This would allow the sheikhs to recommend the bank even if they did not fully understand its operation. Their help is what was going to be crucial for a change in behaviour. El Naggar himself was convinced that this was the key to success and in hindsight his experiment proved him right.

The two factors observed by El Naggar are especially interesting as they still seem to be prevalent in Muslim communities even in the West. The word "Riba" literally means usury and not necessarily interest. Nevertheless the vast majority of Muslims, even with a Western upbringing, still consider both to be forbidden according to Shari'ah. Likewise, the application of Islamic inheritance rules is widely regarded as essential to fulfil the religious duties. The most recent indication is from March 2014 when legal advice was given by an English law society caused uproar in the United Kingdom. It provided guidelines on how to ensure Islamic inheritance rules under British law. Regarded by the British public as backward, the Muslim community felt insulted and denigrated by the rejection of one of their core beliefs – just as El Naggar predicted in his book over 30 years ago.

The first prerequisite in place, El Naggar put a lot of thought behind the tactics of his programme. As his goal was to set up an institution that could support the farmers, his methods concentrate on ways to change the habits of these people deeply rooted in traditional and religious thinking. One of the main characteristics that the book discusses at great length is the fatalism that dominated common behaviour. On the one hand, this was expressed in various religiously motivated sayings: leave it to God (Khaliha ala Allah); God will attend (Rabina yrzouk); Kismet (Kismat). And on the other hand, as a way to survive despotism. Even though the farmers were hard-working, they just did not see any sense in planning far ahead or taking responsibility for their own lives in a surrounding that was unpredictable and highly insecure. Instead, they worked with great patience to earn their living and never considered the possibility of improving their lives, accepting whatever good or bad came along their way. Most of the time educated outsiders meant trouble to them and were met with deep mistrust. In order to disrupt this behaviour, El Naggar resorted to a trick of which his book gives a vivid account: He set up the first working meetings with his employees in the middle of a village so that everybody could see that something was going on. But he instructed his employees not to go to the villagers and tell them what they did, who they were or where they came from, but to avoid all active exchange. A lot of rumours started circulating ranging from secret service to tax collectors, communists infiltrating the village or worse. The curiosity increased the longer the "secret" meetings went on. The only way for the villagers to find out what went on was to go and directly ask the bankers what they were up to. This way the first contact was made on the initiative of the villagers themselves and on the basis of their own curiosity.

Once contact was established in this fashion the second phase started: here the instruction to his employees was to behave like the villagers, not to drink alcohol, to regularly visit the mosque, and, most importantly, not to enter into any discussion but to take on an approving attitude in conversations. This established trust and helped to improve the self-confidence of the farmers.

El Naggar's personnel used the time to identify the informal leaders of the village, those whose words and opinions counted most. In step three, at the same time, they tried to convince officials such as teachers or the mayor. This was usually easy, both were dependent on the governor of the district who had approved and supported El Naggar and was his personal friend. Once all the officials were informed and the contact to the villagers was established, the informal leaders were invited to a big gathering. The idea was to convince them one by one with arguments that suited their personal values and beliefs . “The government so far had for the most part let them down, the prevailing system was unjust. The Mit Ghamr bank was designed to come to their aid and change their situation. The bank operated in accordance with the Quran.” These arguments were repeated patiently until eventually the opinion leaders were won over.

This concerted action devised by El Naggar also shows one of the main problems of designing development aid programmes. It takes an unusual amount of time and perseverance to tailor an approach that is fit for the needs of the recipients. El Naggar was fortunate enough to secure funding for the training of 20 employees. Employees were indispensable to follow his strategy in several villages simultaneously and to give the experiment the necessary scale. His basic concept was trust; indeed, it was a first principle, taking into account the mistrust that was the norm. Today, such a concept is likely to be rejected as time and cost inefficient. In hindsight, though, it would be well worth checking the actual costs of El Naggar’s experiment and compare them to one of the more recent development projects which boast ever increasing funds but unfortunately often accomplish very little.

The final step then was to win over the farmers as customers and to educate them on saving and investing – no small task. Village gatherings were held where one of the opinion leaders would praise the project and publicly open his own first savings account. Every question was to be answered politely and with due respect. One of the more unorthodox methods, El Naggar reports in his book, was to organise the sale of a special breed of chicken. The breed was hard to acquire but popular with the village women. Every woman who deposited some savings was entitled to buy them at a discount price. As chickens were the sole business of women and normally no man would touch them, the women had to show up for banking themselves. In this way, the female population was persuaded. The incentive for the men were new sandals. Pupils in school received pencils as a gift and were trained to help their illiterate parents to start saving. Street theatre plays were staged with lay actors to show how to save and invest. Slowly but surely, a whole village picked up on the idea to save and later to invest. Additional trust was built when customers came for the first time to withdraw their money, count it and deposit it again without hassle and without any loss.

All this had the goal of transfering knowledge about saving and its effects, to strengthen the new saving behaviour and to overcome obstacles. It is easy to imagine an internaitonal aid organisation's reaction to such a proposal including these methods. How this was overcome, El Naggar never tells, but it can most probably be attributed to his exceptional charisma and trailblazing power of persuasion.

When the village had been won over to the idea of saving, the focus shifted to implementing an economic system according to Islamic values, which was El Naggar’s underlying goal.

His model rested on three pillars: A savings and credit fund, an investment fund and a social fund. Every saver had the right to also apply for a credit, both interest-free. Should he get in trouble through no fault of his own, he was entitled to receive help from the social fund. The social fund was supplied through the obligatory Islamic alms giving, zakat. Whoever wished to generate a return could contribute to the investment fund and share its returns. As interest was forbidden, he used the idea of profit- and loss-sharing investments in order to generate profits. The investments were decided upon by members of the fund. The village, mostly the opinion leaders, supported the process and helped decide whether the project was creditworthy or suitable for investment. In practice the system was more of an insurance scheme. Since the village population was entitled to supervise and decide upon the investments and credits, it would accept failures that were outside of the control of the bank more easily. At the same time, it exercised an immense social control over every recipient. El Naggar dubbed this “the whisper control”. In consequence, the failure ratio turned out to be remarkably low.

The system El Naggar installed was decentralised, independent from any government directives, and based on the participation of the entire village collective. As he writes in his book, by devising those three funds, he had in mind the basis of an Islamic economic system, a third way between capitalism and communism. The savings and credit fund led the individual away from immediate state control towards private enterprise. The saver had to take matters into his own hands and decide for himself whether and how much to save. No state-devised decree would tell a farmer how to save up for the future. El Naggar believed that the individual was responsible for his own fate under given conditions, which is a core Islamic teaching. On the other hand, Islamic teachings stress the importance of mutual support between Muslims. The investment fund ensured the focus on collaborative practice. No one could decide alone on an investment but everybody shared the mutual responsibility. El Naggar saw this as a disengagement of power and capital. Last but not least, the social fund allowed for traditional Muslim solidarity.

By educating traditional Muslims to save, El Naggar saw the chance to change a whole set of behaviour patterns.

Individual responsibility and self-confidence would produce a dynamic that was to counter fatalism. The efficient use not only of one’s own capital but also of the group’s investments such as the means of production would enhance overall output. Successful examples would trigger stronger work ethics. All the effects combined would form personalities that could ensure economic success in the long run, along the lines of the Marshall Plan aid, but still compatible with Islamic beliefs. In short, El Naggar believed that saving would lead to freedom.

Despite the extensive preparatory study for the experiment that the book suggests, El Naggar displays a refreshing honesty about the difficulties he encountered. The experiment never lasted long enough to prove El Naggar´s system was indeed sustainable. After a promising start, the external conditions brought the project to an abrupt end. There was no regulatory framework in place and no official institution wanted to take the responsibility for protection and support of the project. The capitalisation of Mit Ghamr bank was for a long time lacking as the German savings bank organisation delayed paying their lion’s share of the funding due to bureaucratic difficulties. This was aggravated by the Egyptian government’s share of 60.000 Egyptian Pounds, which was not disbursed directly to the Mit Ghamr bank but via an intermediary supervisory institution. The “General Organisation for Savings” was at best not interested and worse did not see much sense in collecting savings without the goal of redirecting them to a central government purpose.

No legal framework existed and the only way to start operating was to convince the local governor to give his permission. El Naggar succeeded in securing the support of the Governor of the Dakalia region for the savings bank model and chose to start in Mit Ghamr. What first promised to be a successful cooperation El Naggar conceded later turned out to be an obstacle. As the governor deemed the project fit to serve as a show case model, he demanded a branch office in each of his seven districts in exchange. El Naggar now had the support on the local level that would guarantee at least some legal protection for the banking operations. But accelerated expansion would overstretch the capacity of the existing structure far beyond operability.

Nevertheless, El Naggar accepted the proposal in order to ensure the start of operations and the establishment of the savings bank model in Egypt. The lack of a legal body meant that all contracts, for example those of the employees, had a weak legal basis. But instead of following up with new legislation to legalise the developing savings banks' activities, a decree was issued that ordered the young Mit Ghamr Bank to incorporate into a newly founded organisation, the "General Egyptian Organisation for Insurance". Mister Saragh, the head of the organisation, the former head of the Syrian secret police, shut down the essential features of the savings bank and transformed it into what El Naggar characterises as a mere savings collecting institution. This was the beginning of the end of the experiment. The next step was the takeover of Mit Ghamr Bank by the state owned Nasser Social Bank, which transformed the surviving branches into a service catering mainly to state employees.

El Naggar's belief that central government institutions cannot run development aid programmes that were meant to empower its recipients was painfully proven and the institution El Naggar created gave up its initial objectives. El Naggar's experience and the hindrances encountered unfortunately are still met nearly everywhere in the Islamic world and beyond, today. Countries in total disarray, even entrapped in civil war, cannot offer the secure surroundings that are the first condition for programmes set up for the long run. Others have stable political systems but are based on ruling families. Here stability comes with a price. Personal acquaintance and family bonds play a bigger role than talent or the quality of new ideas. Whether it makes sense to operate under such circumstances at all is a tough question. For a self-help model like El Naggar's savings bank to succeed, his own judgment is no. El Naggar proves the point by the path he took following Mit Ghamr: He never returned to the grassroots. In this respect "Interest free Savings Banks – A development project in the Nile Delta" is at the same time a roadmap, a witness account and El Naggar's farewell to the idea of the genuine empowerment of the people and grassroots prosperity in the Islamic world. Still, the book preserves the idea and safeguards the initial proposition until one day, maybe the conditions will be right.

Rebecca Schönenbach

A view of insurance history

De Nederlanden van 1845, one of the predecessors of Nationale-Nederlanden, was founded in Zutphen, a small city in the east of the Netherlands. In 1894, the company moved to The Hague, a bigger, more metropolitan city. It is therefore very special that today, a museum has opened in Zutphen, showing the history of De Nederlanden van 1845 and its years in Zutphen. The museum is based in the company's oldest office, which was also the home of one of the directors (Dercksen).
Soon after 1845, when two cousins, Gerrit Jan Dercksen and Christiaan Henny founded their fire-insurance company, the office was known as ‘Henny's fire cashier's vault’ (Brandkas van Henny). The money to pay out the premiums was kept in this safety box. Even when the office moved to a bigger building, this time Henny's home, it still was called the Brandkas van Henny.

Returning to roots
Dercksen's monumental 16th-century house, which was originally two houses, changed over the years and had many functions. After Dercksen left, it was a warehouse for paper. Gradually, it fell into disrepair, but luckily it was completely renovated in 1997.
The current occupants opened an old-fashioned candy store, and they use the house for exhibitions about the history of Zutphen and an old monastery library. They asked Nationale-Nederlanden to design one the rooms and display the history of its heritage in Zutphen.

Ingrid Elferink

Inventarisnummer	457
Rechtsvoorganger	De Nederlanden van 1845
Objectnaam	Schuifpuzzel
Titel	
Datum	1948
Materiaal en techniek	Karton, hout, bedrukt
Afmetingen	Algemeen: 9 x 10 cm
Signatuur	U.S.N.

Inventarisnummer	458
Rechtsvoorganger	De Nederlanden van 1845
Objectnaam	Schuifpuzzel
Titel	Nederlanden 1845
Datum	1952
Materiaal en techniek	Kunststof, bedrukt
Afmetingen	Algemeen: 6 x 6cm
Signatuur	"Trio" Hillegersberg.

Inventarisnummer	459
Rechtsvoorganger	Nationale-Nederlanden
Objectnaam	Schuifpuzzel
Titel	
Datum	ca. 1985
Materiaal en techniek	Kunststof, bedrukt
Afmetingen	7,5 x 7,5 cm
Signatuur	Pussy.

Inventarisnummer	00936
Rechtsvoorganger	Nationale-Nederlanden
Objectnaam	Bord
Titel	
Datum	1997
Materiaal en techniek	Aardewerk
Afmetingen	Algemeen: 4.7 x 33.2cm
Signatuur	Makkum

The collection

In the small museum, you'll find portraits of the founders, images of all the offices in Zutphen, interior pictures of the staff in 1893, nameplates and fire insurance marks.

Inventarisnummer	9289
Rechtsvoorganger	De Nederlanden van 1845
Rechtsvoorganger	Assurantie Maatschappij tegen Brandschade
Objectnaam	Penning
Titel	
Datum	1845-1895
Materiaal en techniek	Metaal (zilver?)
Afmetingen	Algemeen: 0.4 x 3.5cm

Inventarisnummer	HA-02158
Rechtsvoorganger	De Nederlanden van 1845
Objectnaam	Affiche
Titel	Rijwiel-Verzekering
Datum	1924
Materiaal en techniek	Getekend papier, kleur
Afmetingen	67 x 51,5 cm
Signatuur	Willy Sluiter (1873-1949)

Inventarisnummer	HA-02159
Rechtsvoorganger	De Nederlanden van 1845
Rechtsvoorganger	Binnenlandsche Vaart Risico Sociëteit
Objectnaam	Affiche
Titel	De Nederlanden van 1845 Bagage-verzekering
Datum	1924
Materiaal en techniek	bedrukt papier, kleur
Afmetingen	66,5 x 49,5 cm
Signatuur	Willy Sluiter (1873-1949)

Inventarisnummer	HA-02176
Rechtsvoorganger	De Nederlanden van 1845
Objectnaam	Affiche
Titel	Assurantiemaatschappij tegen Brandschade De Nederlanden van 1845
Datum	1891
Materiaal en techniek	Foto, kleur
Afmetingen	104,7 x 82 cm
Signatuur	A.F. Gips (1861-1943)

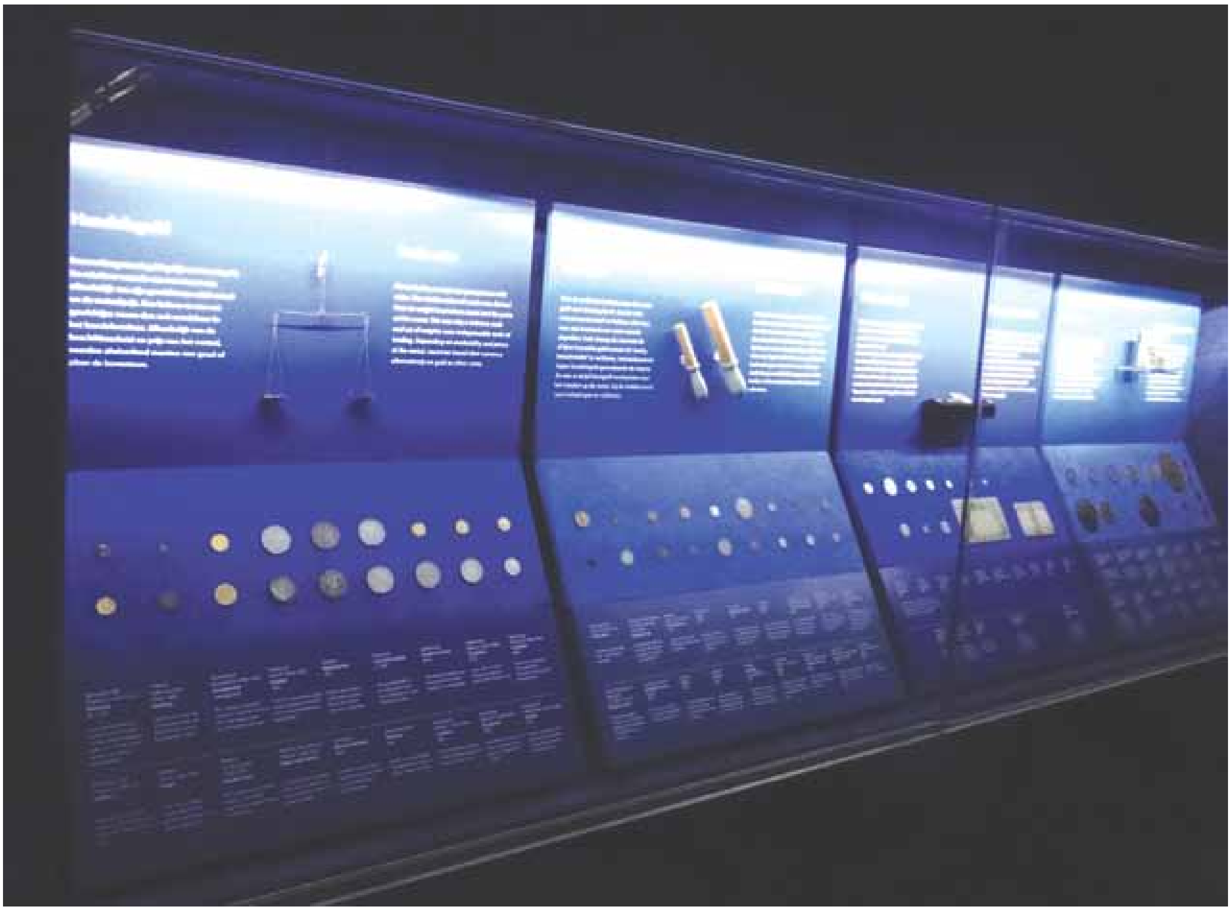
All the objects come from the historical collection of Nationale-Nederlanden. The company is proud of its heritage and wants to share it with the city of Zutphen.

More information mail to Bedrijfshistorie@nn.nl

Money of Yesteryear: Rabobank's coin collection

Rabobank's headquarters are located in Utrecht not far from the Royal Dutch Mint. The Rabo Museum is located in the former securities vault in this modern building. There has traditionally been a great deal of interest, both inside and outside Rabobank, in the bank's unique roots, its cooperative operating model and the development of the banking business. All three are key aspects that serve as ingredients for retrospection and form a source of inspiration. The bank's museum provides a unique overview of its cooperative history spanning more than a century. A great deal has changed through the years, including the use of payment instruments. Coins have over time gradually been overtaken by more modern forms of payment. Many numismatists will undoubtedly view this development as an abomination.
A small coin exhibition entitled 'Money of Yesteryear' was added to the Rabo Museum in late 2013. It enables visitors to view a selection of the bank's outstanding coin collection. Apart from De Nederlandsche Bank, Rabobank is one of a very few banks in the Netherlands to have such a collection. It is connected with the bank's history in an extraordinary way. In line with the founding ideas of the bank it was used to educate and also to reflect on the local history of money. Today, the collection forms a special part of Rabobank's valuable heritage.

History of the collection
The foundation for Rabobank's coin collection was laid in 1965 with the purchase of the private collection of Mr P.J.M. van Poppel of Heeze, the Netherlands. He was a collector who showed his coins to the public every year at the so-called Brabant Days. The collection, which boasted a large number of coins from the province of Brabant, was exhibited at the



local cooperative agricultural bank in 1962. This event attracted large numbers of visitors. The collection was acquired shortly thereafter by the Coöperatieve Centrale Boerenleenbank (CCB) in Eindhoven, of which the bank in Heeze was one of the founders. In 1972 the CCB merged with the Coöperatieve Centrale Raiffeisen-Bank in Utrecht to form Rabobank Nederland, that consequently became the owner of the collection.

The collection provided a more or less comprehensive overview of historical coinage in the Netherlands. The core of the collection was formed by more than a thousand coins from the Netherlands after the French period. The collection also included: 20 coins from the French period (1806-1813), 340 coins from the northern provinces and cities and over 150 coins from the southern provinces and cities of the Low Countries (1200-1800), some 20 coins from the period before 1200 AD and approximately 20 foreign coins. It furthermore included 30 historical commemorative coins and medals of various types. The bank supplemented the collection in the same year with the acquisition of a second private collection.

Rabobank's numismatic collection gradually grew in the subsequent years. New pieces were regularly acquired at auctions and from private individuals in the years that followed. Rabobank took over part of the sales stock of coins and banknotes of F. van Lanschot Bankiers N.V. in 1986 when the latter decided to discontinue the sale of old coins and paper money. It can now be considered a reasonably comprehensive collection that currently encompasses more than 3,000 coins. Nearly every type of coin that has ever been minted and put into circulation in the Netherlands can be found in the collection. The collection also includes a number of coins from the classical antiquity that reveal the origins of coinage.

Collecting, preserving en presenting

The objective of the numismatic collection can perhaps be best encapsulated in these three terms. The bank wanted to develop a collection of coins, jetons, commemorative coins, medals, counterfeit money and numismatic publications that all relate to the Low Countries. While the original collection aimed to have each issue of each coin, the bank abandoned this objective due to technical and financial reasons. It did, however, expand the collection to include banknotes.

In contrast to some other collections, the Rabobank collection did not end up in the vault. The aim from the very beginning was to show at least part of the collection to the public. A selection of the collection was displayed in connection with events such as the opening of a new local Rabobank office or local festivities. And there were numerous new offices opened during those years. This is because, unlike today, visiting the bank was a weekly routine for many customers in the 1960s and 1970s. Those were the years before the debit card and most payments were still made in cash. The fact that wages were deposited into bank accounts meant regular visits to the bank were necessary in order to withdraw cash for daily purchases.

It was agreed at the acquisition that Mr Van Poppel, who was a retired bank employee, would provide lectures about the collection. He consequently travelled through the Netherlands with the collection for years. The display would attract both adult visitors and school classes to the local Rabobanks. They were provided with an enthusiastic explanation of the history of coinage in the Netherlands. The local Rabobanks were in this way able to fulfil the legacy of their ideological father F.W. Raiffeisen who had laid the foundation for agricultural credit based on cooperative principles in Germany a hundred years earlier. In addition to self-sufficiency and cooperation, education and knowledge were key components of this philosophy.

Due the introduction of ATMs and POS terminals in the 1980s the number of visits to the bank decreased and the interest in the coin exhibition waned. As a result the collection ended up in Rabobank Nederland's vault around twenty years ago. But not for long. In the early 2000s the collection was placed under the management of the bank's History Department. In December 2013 a display with a selection of the coins was 'officially' opened in the Rabo Museum. Therefore, (part of) the collection is once again on view to the public.

The exhibition

Rather than a purely numismatic set-up, the curators of the Rabo Museum have opted for an arrangement that focuses on the use money. They designed an overview in four themes based on the premise that two panels will permanently on display and the other two panels will show alternating exhibits. The first themes, trade coins and small change, provide a clear link to the real economy and these themes form the permanent elements. Money around 1900 gives an overview of the money that the cashier of the young cooperative agricultural banks had in his cash desk. The second temporary theme is commemorative coins and medals (penningen) and displays various types of prize medals and commemorative coins from the collection. They also refer to the bank's cooperative history and its agricultural roots.

Jan van der Meer
Joke Mooij

Gelderland, Reinoud IV (1402-1423).
Goudgulden (Jansgulden)
Around the 14th century, the Dutch follow the Italian example and begin minting gold coins, like this one bearing the image of John the Baptist.

Friesland
Leeuwendaalder
± 1600
The 'leeuwendaalder' is the most accepted coin for trade on the Levant (Ottoman Empire).

The 8th Conference of the
South-Eastern Monetary History Network (SEEMHN)

Following the success of the previous seven annual conferences of the South-Eastern European Monetary History Network held in Sofia (BNB) in 2006, Vienna (OeNB) in 2007, Athens (BoG) in 2008, Belgrade (NBS) in 2009, Istanbul (TCMB) in 2010, Bucharest (NBR) in 2011 and Tirana (BA) in 2012, the University of Picardie Jules Verne and its research center CRIISEA hosted the 8th Annual Conference in 2013. This event took place on October 9-11, 2013, in Amiens (France) under the general topic of Public Finance Stability and Debt Crisis at the European Periphery: Exploring South-Eastern European Economic History.

The recent financial meltdown experienced by several European sovereign debtors renews the interest, for both academics and practitioners, in exploring the role played by the monetary and fiscal policies as well as by political decisions and the relationships between center and periphery in managing and sustaining the public debts. The use of historical experiences may provide useful insights in understanding the present and hence allow designing solutions for the future.

As such, the 8th SEEMHN Conference aimed at enabling academics and professionals to come together and discuss their latest research findings focusing on SEE countries as an integral part of the European experience and in comparison with other countries around the world.

The first day of the Conference was dedicated to the SEEMHN Data Collection Task Force (DCTF). Participants of the DCTF are the Bank of Albania, the Bank of Greece, the Bulgarian National Bank, the Central Bank of the Republic of Turkey, the National Bank of Romania, the National Bank of Serbia and the Oesterreichische Nationalbank. These seven central banks together with scholars from the University College London, the University of York and the Bogazici University Istanbul have agreed to contribute to the joint publication of a data volume of harmonized long-run time series on monetary, financial and other macroeconomic variables. The data volume is entitled South-Eastern European Monetary and Economic Statistics from the Nineteenth Century to World War II and will appear in 2014.

Five thematic sessions and a keynote speech animated the following two days of the Conference. The first session focused on trade policies at the European periphery exploring the relevance of particular international trade theories as well as the drivers of such policies in the particular context of those countries. The second session dealt with fiscal policies, namely in terms of crisis. Several historical examples at different historical moments in Greece, Bulgaria and Serbia were described and characterized both as standalone cases and in comparison with similar countries. Two sessions were specifically devoted to sovereign debt. The first one regrouped papers particularly focusing on the question of sovereign's credibility while the researches presented in the second one were more oriented towards the evolution and specific behavior of sovereign bonds. The empirical analyses discussed in both sessions mainly used financial market data on sovereign bonds in the 19th and 20th century, issued by

Southeast sovereign debtors but also by other European borrowers such as Germany or Russia. Finally, the last session of the Conference discussed specific patterns of banking systems in peripheral countries, also including currency issuing and the role of Central banks.

The keynote speech was delivered by Professor Kris Mitchener (Warwick University & NBER). Professor Mitchener's talk, entitled "Sovereign Debt: Are there lessons from history?", provided a comprehensive and excellent overview of sovereign borrowing over time along with some of the major theoretical frameworks used to characterize this specific and important form of debt while also sketching commonalities but also particularities that could improve our understanding of sovereign debt and associated potential financial turmoil.

The 9th Conference of the South-Eastern Monetary History Network will take place at the University of National and World Economy (UNWE) in Sofia, Bulgaria on October 9-10, 2014 and is supported by the Bulgarian National Bank (BNB). The topics of interest cover development and growth issues at the periphery, financial and banking system at the periphery, central banks and monetary policies at the periphery, sovereign economic policy and debt issues, economic nationalism in a historical perspective and economic thought at the Balkans in comparative perspective.

Interested researchers should submit their papers or extended proposals to 9SEEMHN@gmail.com no later than September 1st, 2014. Authors of the accepted papers will be notified no later than September 19, 2014. The conference version of the paper and the presentation version are expected by October 3, 2014. The papers should meet the usual scientific standards and address the main theme of the conference in a broad interpretation. Selected papers will be published in a special issue of Economic Alternatives Journal (University of National and World Economy).

Loredana Ureche-Rangau

2014 EABH New Scholar Workshop

On 16 April 2014, six promising new scholars in the field of finance history followed the kind invitation of Queen's University Belfast (QUB) and met for an inspiring day of research presentation and discussion at the 2014 eabh New Scholar Workshop.

John Turner of QUB opened the day with a discussion of the bi-directional relationship between financial history and financial economics. He outlined the main topics of interest to financial economists and explained the increasing influence of financial economics in financial history writing. However, he raised concerns about the dangers of applying financial economics unthinkingly to the study of financial history, concluding that financial economics can potentially learning more from financial history than vice versa.

After this inspiring kick off, Rudolf Bosch from the University of Groningen was first to present his PhD work on 'The impact of Financial Crises on the Management of Urban Fiscal Systems and Public Debt. The Case of the Duchy of Guelders, 1350-1550'. His work is mainly concerned with the social and political backgrounds of, and the interplay between, elites, urban officials, and tax farmers, all of whom had a role in the management of urban fiscal systems and public debt in the smaller towns in the more 'peripheral' regions of eastern Netherlands and the adjacent German territories.

He was followed by Jéremy Ducros form the Paris School of Economics, who spoke about 'The Lyon Stock Exchange: A Struggle for Survival (1866-1914)'. His paper looked at stock exchange competition in eighteenth-century France. His study aimed to outline the complex interdependent relationship and interactions between the Paris financial center (the official Paris Bourse and its OTC rival, the Coulisse) and the Lyon Stock Exchange, taking other small town exchanges (Bordeaux, Marseille, etc.) into account.

Gareth Campbell (QUB) chaired this thought provoking discussion. He handed over to Chris Colvin (QUB), who led to the second session of the day.

'Is Art Really a Safe Haven? Evidence from the French Art Market during WWI' was Géraldine David's (Université Libre de Bruxelles) research question. Her paper revised the vision of art as a safe investment, providing evidence that art has not always supplied a safe investment strategy in times of crisis. To do so she constructed an art price index for the French art market during the World War I and the immediate postwar period. The paper fills a gap of literature, as the reactions of the art market during crisis times remain under-investigated. The paper was discussed controversially, ending with a remaining question: in essence, should art be seen as an investment at all (rather than a consumption good) and if, is it 'safe'? Géraldine will further work on the topic with plans to extend her database.

William Quinn of QUB wondered: 'What Moved Share Prices in an Early Stock Market?'. Using a new weekly blue-chip index, his paper investigated the causes of stock price movements on the London market between 1823 and 1870. Using the first-ever weekly stock-market index for the nineteenth-century, this paper sought to understand what moved stocks in the period from 1823 to 1870. He suggested that for several reasons (outlined in details in the paper) modern markets are much more volatile. In the nineteenth century, geopolicital events, monetary poicy, financial crisis and railway sector news were the most common cause for big shifts, while large movements in modern times have a monetary policy explanation. What has changed (and when) to make markets more volatile, and why is so much of this volatility unexplained? One major difference is the complete absence of institutional investors prior to 1870 compared to their ubiquity in modern markets.

Christopher Coyle (QUB) guided through the last session of the day.

Andrea Papadia from the London School of Economics talked about: 'Foreign Debt and Secondary Markets. Lessons from Interwar Germany'. He suggested that recent advances in sovereign risk theory show that secondary markets can act as an enforcement mechanism for foreign debt and help avert defaults. He showed this mechanism in action by revisiting a little-explored aspect of German economic history in the Interwar period: the large repurchases of foreign debt carried out by German citizens and companies between 1931 and 1939. He and his co-authors carried out an econometric analysis based on a unique dataset of weekly prices of German bonds traded in New York between 1930 and 1940 showing that German and foreign investors showed different probabilities of repayment which were decisively influenced by the possibility of trading on secondary markets.

'A Long Term Analysis of Dividend Policy: Evidence from the Netherlands, 1903-2003' is the current focus of the work of Philip Fliers (Rotterdam School of Management). He showed that during the twentieth century, Dutch companies had an increased propensity to pay dividends. However, at the same time the proportion of profits that were paid out seemed to decline; from 1903 to 2003, the median payout-ratio dropped approximately 55 per cent. By exploiting the variation across periods and by using decomposition algorithms, he mapped changes in the dominant logic apparent in dividend policies and identify multiple dividend regimes. He concluded that over the course of the twentieth century what happened was a decoupling of corporate earnings from dividend policies.

Joost Jonker, currently at the universities of Amsterdam and Utrecht, closed the day with an enlightening talk entitled 'Smooting the Flow, Currency Circulation and Payment Techniques in the Low Countries, 1500 – 1800'. The paper analyses the evolution of payments in the Low Countries during the period 1500-1800 to argue that money of account, a convention which spread throughout the entire area from the 14th century onwards, eliminated most of the problems associated with paying cash by enabling people to settle transactions in a fictional currency accepted by everyone. As a result two functions of money, standard of value and means of settlement, penetrated easily, leaving the third one, store of wealth, to whatever gold and silver coins available. The talk also highlighted the potential usefulness of adopting a more functional perspective rather than the traditional institutional perspective in financial history writing.

A detailed programme and all papers are available online.

Eabh would like to thank Chris Colvin and his team of discussants (Graham Brownlow, Gareth Campbell, Christopher Coyle, Alan Fernihough and Eoin McLaughlin) at Queen's University Belfast for their enthusiasm, inspiration, great work and hospitality!

The history of central banking in Slovakia

In October 2013, Národná banka Slovenska (National Bank of Slovakia) celebrated the 20th anniversary of its establishment by issuing a publication by a collective of authors entitled The History of Central Banking in Slovakia. The extensive archival and documentary material administered by Národná banka Slovenska became the main source of information for compiling this publication, with additional archival material acquired with the help of the archives of Česká národní banka (Czech National Bank), the archives of Oesterreichische Nationalbank (Austrian National Bank), Slovenský národný archív (Slovak National Archives) in Bratislava, as well as Národní archiv (National Archives) in Prague. The authors – mainly current and former employees of the Národná banka Slovenska archives – built on the results of research carried out by their predecessors – a synopsis called Banking in Slovakia, which originated 40 years ago at Štátna banka československá (State Bank of Czechoslovakia) – the predecessor of Národná banka Slovenska. However, it captured only the evolution of the banking industry until 1950, i.e. until the establishment of Štátna banka československá. The present publication provides a picture of the evolution of the monetary system in Slovakia from the earliest times to the present.

In 1841, the first independent financial institution in Slovakia – Bratislavská sporiteľňa (Pressburger Sparcassa – Bratislava Savings Bank) – was established. Banks in our country were also centres of the social, cultural and national-political events happening in Slovak society. In this context, particular mention should be made of Tatra banka (Tatra Bank), founded in 1886, and was to become a crucial economic institution for the national-emancipatory struggle and political activities of Slovaks. Its name became a national symbol. A similar situation occurred in the case of Slovenská banka (Slovak Bank) in Bratislava, which was founded in 1879 under the name Ružomberský účastinársky úverkový spolok (Ružomberok Joint-Stock Credit Society), and which, thanks to the hard work of the Makovický family, gradually developed from a modest family business into the most important bank in Slovakia. Readers of this publication can also learn about other important figures of economic life in Slovakia, for example Michal Bosák, a Slovak banker in America who worked his way up to become an important and respected banking figure in the United States of America, as evidenced by his signature on the ten dollar bill. The publication recalls many more such figures, who are now often unjustly forgotten.

An important chapter in the history of the banking industry in Slovakia concerns cooperative and people's banking. The origins of cooperative and people's banking were closely linked to the activities of the nationalist figure Ľudovít Štúr and his generation, which strove in their nationalist programme to improve economic and social conditions of the country. They also supported the formation of self-help societies of a financial nature intended to protect the poorest from poverty and usury. Samuel Jurkovič, a teacher, was a pioneer in this area. He formed Gazdovský spolok (Farmer's Association), also referred to as Hospodársky ústav (Economic Institute), in Sobotište. It was the first self-help credit society of a cooperative nature on the European continent. According to his model, various credit cooperatives, mutual help societies and mutual treasuries were progressively established.

The history of central banking in Slovakia did not start on 1 January 1993, when Národná banka Slovenska was established, but reaches far back into the past. The focus of this publication deals with its historical development from its beginnings until the adoption of the euro in Slovakia. Monetary developments in our country were consecutively influenced by several central banks. In the 19th century, before the establishment of Czechoslovakia in 1918, it was the Austrian National Bank and the Austro-Hungarian Bank. Despite constitutional and political changes, there has always been a certain continuity in the development of central banking. The first central banking institution of the Czechoslovak Republic, the Banking Office of the Ministry of Finance (Bankový úrad Ministerstva financií) followed on from the work of the Austro-Hungarian Bank by taking over all of its staff, assets and liabilities, and also the format of its paperwork. The situation was similar during the existence of the wartime Slovenská národná banka (Slovak National Bank 1939 – 1945), headed by the leading Slovak economist Imrich Karvaš. Despite differing political and religious orientations, employees of Slovenská národná banka were unified by their willingness to defend Slovak economic interests, which required a great deal of personal courage and bravery in the turbulent times of war and the Slovak National Uprising.

The advent of the Communist regime meant a break in the development of banking in Slovakia. This period had tragic consequences on the lives of its most important leaders, as well as ordinary bank officials. A great many of them were persecuted, lost employment or were imprisoned. The period from 1950 to 1989 was marked by centralisation and a radical departure from the standard tasks and powers of a central bank. However, it was also a period of attempts by Slovak economists and representatives of the banking sector to implement economic reforms and acquire an equivalent share in managing the currency of the common state. The establishment of Národná banka Slovenska in 1993 fully proved that Slovakia had experts capable of managing its own economy and currency. The bank had to fulfil new, often historically unrepeatable tasks, particularly in the first year of its existence. Over the past twenty years, our central bank has gained credibility, implementing objectives and tasks in maintaining its independence, and it has had a stabilising effect on the development of the Slovak economy. Furthermore, the central bank played an important role during the process of the Slovak Republic's integration into international financial and economic structures. The efforts of Slovakia to become a worthy member of the European Community were to a certain extent completed through the adoption of the euro. The greatest challenge for Národná banka Slovenska now would seem to be that of shaping the banking union and achieving effective cooperation between national financial market supervisors and the supranational supervisor being created at the European Central Bank level.

František Chudják
Andrea Leková
National Bank of Slovakia

Old Paternalism, New Paternalism, Post-Paternalism (19th-21st Centuries)
Hubert Bonin & Paul Thomes (eds.)
Brussels, Peter Lang, 2013.

The harsh arguments about the “dire” effects of the financialisation of the economy, market banking, overlending to subprimers, and lobbying for deregulation have recently fostered a new wave of critique about the very legitimacy of corporations to bear the sole charge of the overall balance of growth and wealth. Considering the whole spectre of companies, and not only banking and finance, this collective book intends to bring historians’ and economists’ contributions to the reshaping of mindsets about “good” and “bad” practices – financial or managerial. The objectives were to confront the three faces of “paternalism” (or social policies of firms): from the “old paternalism” – that of the 19th century mainly, which was marked by some totalitarian, oppressive moods, but also by decivise positive investments; to the “new paternalism” of the 20th century, whichwas characterized by social policies deprived of “controlling societal power” over the employees; and finally, to “post paternalism” eras or those of “corporate social responsibility” (CSR). The problem with corporate social responsibility in the early 21st century lay in the massive restructuring of the production apparatus at the expense of the industrial system, in aid of a “post-industrial” system characterised by maximal outsourcing of the manufacturing process. The service sectorwas marked by a smaller concentration of personnel and often also subjected to outsourcing (telesales, software and digital data management, etc.). This flexibility and explosion of manpower or the de-fragmentation aroused from transnationalisation and multi-domestic strategies – with big affiliates in several countries and core activities established abroad (as was the case for many big banks, assets management or insurance companies) – characterised the “social system” adopted henceforth by many big “globalised” firms. But how can corporate communities be “federated” in the face of such constraints? “Re-infusing meaning” into a communal life and thereby fostering a “new paternalism” is a delicate issue: one could as well say that it is well and truly “the death of paternalism”!


Henry Ford in 1913

The accumulation of systemic crises and the new configuration of a globalised productive system destroyed the basis of a classical form of corporate social policies – and even “wild capitalism” regained momentum on several continents and sub-regions, opening doors to the rebirth and reinvention of “paternalism”. Beyond mere new paternalist islets built around benevolent companies, what arosein the 1970s/80s might be called a “societal paternalism”. Numerous books identified the fad of projects around the set of values, but also the stakeholders’ disillusionment within the community of values in so far as “bad practices” in globalised management and the shock of massive plants closures seemed to dissipate the core “trust” towards corporations and dismantle their legitimacy;. even when the mirage of nationalisations and state-driven economies were squandered in favour of privatisations and free-for-all types of growth. Therefore, one might contend that the prevailing "new paternalism" has been absorbed by "post-paternalism", that is corporate social responsibility, the fad of corporate foundations with a social mission. The book and particulary its two last chapters thus fuels debates regarding corporate social responsibility.

Finance companies appear in the developments. First, because several of them proclaim their committment to CSR in their advertisements(insurance firms or banks); because they promote a philosophy which enhances their involvement into real economy (durable financial investments, removed from "greedy" or mere short-term concerns). I. Daugareilh's chapter also investigates the patterns which the western European institutions try to fix to entice "good practices". A European Multi-Stakeholder Forum on CSR, recensions of the mixed experience of CSR self-regulation by European enterprises, and arguments about the nature of self-regulatory standards and the implementation of self-regulatory standards sustained the outlines of programmes to "moralise" European capitalism", not only by the distribution of collective social advantages to compensate "bad practices" caused by the scramble for over-profitability, but also through durable mini-systems of social training, promotion, diversity, sur-complementary social insurances, or the promotion of investments into the formation or incentives of employees in favrour of culture and arts – through internal collections and creation, or through sponsorships and mécénat. As an example, in Spain, the Fundacion Mapfre, established in November 1975, brought together, in January 2006, all the specialised foundations that had been developed within this mutual insurance group.

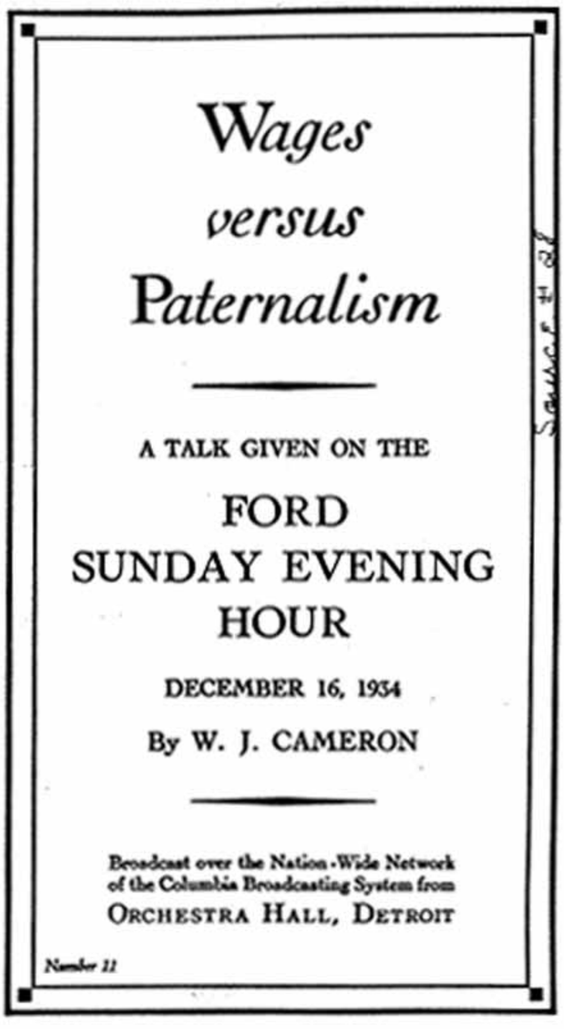
Having said that, the intensive "marketisation" hid within itself antidotes to an excessively savage capitalism, as investment funds were raised for investing in "socially responsible" companies, while "social rating agencies" participated in the efforts at evaluating "good practices". Paradoxically, one of the hubs of liberal, if not savage, capitalism, the United Kingdom, was also the most advanced in Europe in the management of these funds used along the principle of responsible commitment, with 830 billion Euros in outstanding assets in 2009 - far ahead of the Netherlands (307.5 billion), Norway (195 billion) and Sweden (119 billion), while France trailed a long way back with only 6 billion. And Warren Buffett asserted himself as an advocate of the orientation of some investments towards such funds or CSR fundations. And the rehabilitation of philosophies such as "good practices" spurred mutual or cooperative financial institutions to refocus on their "roots" or "values", instead of herding behind prevailing priorities toward hyper-profits through market trading. New programmes of insufflating refreshed cohesiveness among their re-motivated employees were established.

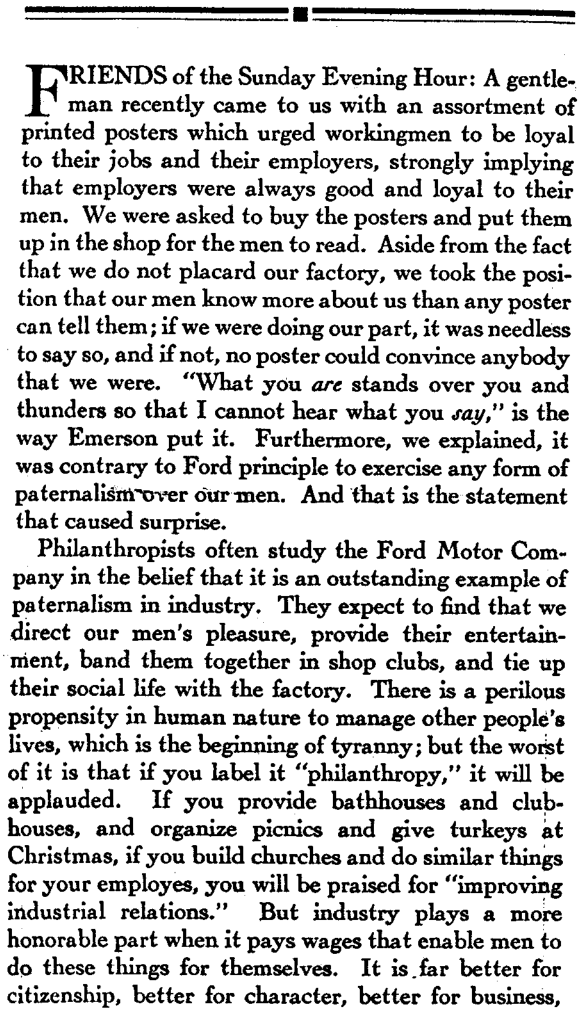
Russian immigrant family in Detroit, 1917

Daily production - Model T's chassis - Highland Park plant 1913

Hubert Bonin's publications about philanthropic et cooperative companies:

- "Issues concerning the stages of paternalism" (pp. 11-22); "The prehistory of corporate social responsibility: Why did paternalism failed in France?" (pp. 61-80); "Paternalism at the turn of the 21st century. Mothballed or regaining momentum?" (pp. 357-392), in Hubert Bonin & Paul Thomes (eds.), Old Paternalism, New Paternalism, Post-Paternalism (19th-21st Centuries), Bruxelles, Peter Lang, 2013.
- "French cooperative banks across crisis in the 1930s and in 2007-2013", in Joke Mooj & Wim Boonstra (eds.), Raiffeisen's Footprint. The Cooperative Way of Banking, Amsterdam, VU Press, 2012, pp. 139-160.
- "Austrian Raiffeisen Zentralbank through the 2006-2012 crisis", in Joke Mooj & Wim Boonstra (eds.), Raiffeisen's Footprint. The Cooperative Way of Banking, Amsterdam, VU Press, 2012, pp. 247-266.
- "Austrian Raiffeisen Zentralbank through the 2006-2010 crisis", Business and Leadership (Craiova, Rumania), 2011, n°2 (8), pp. 53-76.
- "The French Savings Banks from the 1990s. Issues and challenges", Bulletin. Newsletter from the EABH-European Association for Banking and Financial History, Francfort, 2/2011, December 2011, pp. 20-30.
- "Franse ideël banken tijdens de crisis van de jaren dertig en in de periode 2007-2009" ("French philanthropic banks across crisis, in the 1930s and in 2007-2009"), pp. 55-78; "Raiffeisen Zentralbank tijdens de crisis 2006-2009 : van een coöperatieve Oostenrijkse groep naar een Oost-Europese strategie" ("Raiffeisen Zentralbank through the 2006-2009 crisis: from a mutual Austrian group to an east-European strategy"), pp. 151-168, in Kate Mooijn (dir.), Een eigen koers. Coöperatief bankieren in turbulente tijden, Amsterdam, Vu University Press, 2009.
- "Non-state and non-capitalist enterprises in France in the 19th-20th centuries: The causes of a slow development", in Susanna Fellman, Antti





FRIENDS of the Sunday Evening Hour: A gentleman recently came to us with an assortment of printed posters which urged workingmen to be loyal to their jobs and their employers, strongly implying that employers were always good and loyal to their men. We were asked to buy the posters and put them up in the shop for the men to read. Aside from the fact that we do not placard our factory, we took the position that our men know more about us than any poster can tell them; if we were doing our part, it was needless to say so, and if not, no poster could convince anybody that we were. "What you *are* stands over you and thunders so that I cannot hear what you *say*," is the way Emerson put it. Furthermore, we explained, it was contrary to Ford principle to exercise any form of paternalism over our men. And that is the statement that caused surprise.

Philanthropists often study the Ford Motor Company in the belief that it is an outstanding example of paternalism in industry. They expect to find that we direct our men's pleasure, provide their entertainment, band them together in shop clubs, and tie up their social life with the factory. There is a perilous propensity in human nature to manage other people's lives, which is the beginning of tyranny; but the worst of it is that if you label it "philanthropy," it will be applauded. If you provide bathhouses and clubhouses, and organize picnics and give turkeys at Christmas, if you build churches and do similar things for your employes, you will be praised for "improving industrial relations." But industry plays a more honorable part when it pays wages that enable men to do these things for themselves. It is far better for citizenship, better for character, better for business,

In commemoration of Ford's famous experiment with $5 per day, started in January 1914, the Ford Motor Company

Kuusterä & Erro Vaara (eds.), Historical Perspectives on Corporate Governance. Reflections on Ownership, Participation and Different Modes of Organizing, Helsinki, The Finnish Society of Science and Letters, 2008, pp. 65-88.
- Les coopératives laitières du grand Sud-Ouest (1893-2005). Le mouvement coopérateur et l'économie laitière, Paris, PLAGE, 2005 (350 pp.).
- "Histoires aquitaines de Caisses d'épargne : de la prévoyance à la banque", in Hubert Bonin & Christophe Lastécouères (eds.), Les banques du grand Sud-Ouest. Système bancaire et gestion des risques (des années 1900 à nos jours), Paris, PLAGE, 2006 (524 pp.), pp. 365-382.
- "Las estrategias de expansion de las cajas de ahorros francesas durante los siglos XIX y XX", Papeles de Economia espanola, 2005, 105/106, special issue La historia economica de las cajas de ahorros : Raices profondas de una realidad pujante, pp. 93-108.
- Un siècle de Crédit agricole mutuel en Lot-et-Garonne, Bordeaux, Crédit agricole d'Aquitaine, 2002 (144 pp.).
- Un siècle de Crédit agricole mutuel en Gironde, Bordeaux, Crédit agricole d'Aquitaine, 2002 (144 pp.).
- "Les Caisses d'épargne françaises (1914-1945) : une croissance mouvementée sans évolution stratégique", in L'histoire des Caisses d'épargne européennes. Tome 4. Conjoncture & crises, 1914-1945, Paris, Les Éditions de l'épargne, 1999, pp. 105-175.
- "Les racines historiques du Crédit mutuel : la difficile conquête d'une identité d'entreprise bancaire", Bankhistorisches Archiv. Zeitschrift für Bankgeschichte, volume 1, 1999, Francfort, pp. 23-37.
- "Crédit agricole et combat politique en Gironde à l'orée du XXe siècle", Annales du Midi, tome 105, n°201, janvier-mars 1993, pp. 65-91.
- Le Crédit agricole de la Gironde. La passion d'une région, 1901-1991, Bordeaux, L'Horizon chimérique, 1992 (222 pp.).

that men have the means to provide their own bath facilities, build their own churches and clubs, organize their own pleasures, find their own associations, than that they should be beholden to any company or corporation for these things. Where there is paternalism there is too often a stinted wage. And in the end men don't thank you for it, because they don't like it—and employers themselves would not like it if they were in the men's place. A man is, after all, a free being. In the State he is a citizen. In the home he is husband and father. In many instances he is office-bearer in his church or lodge. Outside working hours he cultivates individual tastes and talents. That is, he is grown up. The very basis of better industrial relations with him is a just wage. Pay that, and he will provide the necessary things himself, and be the better for it. In the emergencies of life, of course, the company can always do the neighborly thing, it can teach him, it can protect him from the racketeers and parasites that lie in wait for the workingman's wage; but the guiding principle must be to enable a man to stand on his own feet.

Our policy of paying men instead of patronizing them arises from the fact that Mr. Ford was a wage-earner until he was forty years old, and wanted what he earned, not what some employer's kindness gave him. He has never believed that charity was a substitute for equity. For twenty years his healthy scorn of that sort of philanthropy has been reflected in his wage policy.

Just twenty years ago next month—January, 1914—after first learning how, he raised wages from $2.37 to $5 a day—an unheard of thing. Economists predicted it would ruin him. In 1918 he added a 15 per cent bonus on the annual wage, payable in December; but because some men quit during the year and lost their bonus, he ordered it paid *pro rata* every pay day. The next year, 1919, the minimum wage was raised to $6 a day. In 1920 came the employes' investment certificates, which to date have paid our employes a *profit* of $25,000,000. Fourteen million of this was the guaranteed profit, the other $11,600,000 was added because business justified it. Then in 1929, thirty-seven days *after* the great crash, a dollar was added to the minimum wage, making it $7 a day. This was called "the depression dollar." It was paid all through 1930 as the depression deepened. It was paid right up to November of the despairing year 1931. That extra dollar a day meant $33,000,000 added to our men's wages during the twenty-three months it was in effect. The condition of the country finally became so bad that we were compelled to return to the $6 a day minimum. We hated to do it. During all the decline, the minimum never went below $4 a day. It is now $5 a day, but as the actual wage paid is usually higher than the minimum, our present average wage is $5.92. The range is from $5 to $11.60 a day.

The total figure of what this Ford policy has meant *in cash* to our men above the labor market value of their work during these twenty years, is hardly believable. It runs to $623,000,000. That represents the extra wages paid above what the Company needed to have paid had it followed the general wage scale.

A noted author asked Mr. Ford if the depression had not cured him of his high wage notions. "No," said Mr. Ford, "I believe in them more than ever. We haven't seen any real wages yet!"

spokesman William Cameron issued this statement in December, 1934 as public denial of any paternalist.

French Banks and the Greek "Niche Market", mid-1880s-1950s
Hubert Bonin
Geneva, Droz, 2013 (382 pp.)

The publication of a book dedicated to Greek banking history might have spurred illusions about its contents But instead of inquiries on recent divagations of finance and banking it focuses on "boring" business and banking history on the basis of numerous archives and long-term research. The idea came out of a grant from the Onassis Foundation in 2003 to stay in Greece and to delve into the rich archives of National Bank of Greece – with the precious help of a team of archivists (G. Notaras and N. Pantalakis). Far from using academic Greek, I benefitted from the fact that numerous official and day-to-day documents of NBG were written in French – or also available in English and French! The correspondence between Paris and Athens within the banking community was, for example, written in French, and it comprised a large number of files. The inquiry went on in Paris, in the archives of ancient banks (Comptoir national d'escompte de Paris, at BNP archives; Crédit foncier d'Algérie & de Tunisie, Banque de Salonique and Banque de l'union parisienne, at Société générale archives) and of still existing banks (Crédit lyonnais – now at Crédit agricole archives; Société générale).

Such a bulk of archives, complemented by books about the history of financial, commercial and banking aspects of the Ottoman Empire, the Aegean business, the Thessaloniky area, of the Greek diaspora, and of Marseille and North European places allowed me to write a far richer book than expected. Sure it grapples only with "niches", which are of a lesser dimension in comparison with the huge commercial and money flows, even those of Constantinople, the Black Sea area or the Middle East. But the addition of "niches", fuelling between 0,5 and 2 per cent of French trade and banking revenues fostered larger flows, as did the Chinese area or some Central European countries like Bulgaria. And, moreover, far more than mere quantitative issues, our book does enhance the maturing of strategies among "Europeanised bankers", the development of skills, the extension of communities of connections; and the mutualisation of practices already available at the banks allowed them to broaden their scope without large immaterial investments.

The difficulty of the book lies in fact in the territorial changes, which fixed political, monetary

Main building of Bank of Athens, 1950's

Branch of Bank of Athens in Kalamata, Peloponnese and customs constraints on the communities of business in the East-Mediterranean sub-region. "True" Greek merchants and bankers, on the Aegean islands or in Athens, "Ottoman" Greek and Jewish businessmen in Ottoman Salonica (and Smyrna), Greek merchants in "multinational" Egypt, and and Greeks from all origins and statutes in Constantinople joined forces with the Greek (and Jewish) diasporas active in West-Mediterranean port-cities, mainly Marseille, but also a few Italian ports, not to speak of Paris and London. The "Greek niche" therefore took on a far-extended dimension, which proves that the simple Greek business was often inserted within an overall chain of business which covered Europe and the Eastern Mediterranean as a whole.

This was explicit of course in the foreign exchanges (FOREX) flows and the clearing systems, which linked these places, Alexandria, Salonica, Constantinople or Athens to the West. Our book describes and analyses the day-to-day operations of basic commercial banking along all these axes of exchanges, thanks to the correspondance betweek bankers, miraculously preserved; and confronting the points of views and arguments of those committed to this business is a key window of opportunity for gaining a better understanding of the practices of commercial banking, in the "real economy", as would be said today. The negotiations of the prices, volumes, the assessment of risks, the core contents of "connections" between managers and banks thus appear throughout the chapters – as a way of rehabilitating the "boring" activities of banking (documentary credit, trading in bills of exchange, risk measurement, dependance on economic circumstances and the changes in the maritime economy and shipping, etc.), and promoting managerial skills. We contend that such reconstitutions help to understand the "discreet" aspects of the East-Mediterranean and Aegean banking history in contrast to the "huge and brilliant" aspects of the Ottoman Bank, as related by its big (and great) history books.

The second main topic is less original as it tackles the financial connections between Greece and the French market and companies. Some aspects of these middle-term investments or issues have already been addressed by some studies (Ioanna Minoglou, for instance). But the archives in Paris and Athens did allow us to deepen this analysis: to follow the day to day negotiations about the financial issues on the Paris market; and to analyse the banks in their supervision of investment programmes by com-

Branch of Bank of Athens in Kozani, Macedonia

Branch of Bank of Athens in Kastoria, Macedonia panies in project financing for infrastructure and a few industrial developments.

One key topic is brand new as the book ponders the strategies of big banks to establish affiliates in the Aeagean area, in Salonica (Banque de Salonique) and in Athens (Banque d'Athènes). Strategies are thus reconstituted, which include recurring arguments about their durability. And the main issue of the embeddedness of these sister-banks is gauged, as they existed as "local" companies, altogether bearing the interests of their godfathers (and cash financiers) and taking profit from the growth of the communities of business where they were active. They practiced commercial and corporate banking all around the Western coasts and islands of the Aegean Sea. Some aspects of the internal economic history of Greece and of the West-Ottoman Empire are therefore addressed, which provides a dual profile of the history: a local one or an internationalised one. If the fate of the Banque de Salonique could not resist for long the unification with Greece, which imposed a hard redeployment (and changes in the ownership, from Société générale to Crédit foncier d'Algérie & de Tunisie) of its activities, the growth of Banque d'Athènes as the second leading bank of the country (behind NBG) proves its resiliency. After the crisis of 1910 in which Egypt faced economic collapse it was able to develop its emerging art of risk management, its involvement in the various communities of business all over the country – till its absorption by NBG in 1953. By then the political and economic environment had deeply changed in the wake of the civil war and the instauration of communism in the North, which cut into historical commercial connections.

Publications by H. Bonin about East-Mediterranean business and banking history:

- French Banks and the Greek "Niche Market", mid-1880s-1950s, Geneva, Droz, series "Publications d'histoire économique et sociale internationale", 2013 (382 pp.).
- «La quatrième "expédition d'Égypte": le retour des entreprises françaises, ou la fin du syndrome nassérien», in Hommage à Guy Pervillé, special issue, Cahiers d'histoire immédiate, n°40, Fall 2011, pp. 173-186.
- History of the Suez Canal Company, 1858-1960. Between Controversy and Utility, Geneva, Droz, series "Publications d'histoire économique et sociale internationale", 2010.
- "The Compagnie du canal de Suez and transit shipping, 1900-1956", International Journal of Maritime History, XVII, n°2, December 2005, pp. 87-112.
- Un outre-mer bancaire méditerranéen. Histoire du CFAT (Crédit foncier d'Algérie & de Tunisie), 1880-1991, Paris, Publications de la Société française d'histoire d'outre-mer, 2004 ; réédition, 2010 (370 pp.).
- "Une banque française maître d'œuvre d'un outre-mer levantin : le Crédit foncier d'Algérie & de Tunisie, du Maghreb à la Méditerranée orientale (1919-1970)", Outre-Mers. Revue d'histoire, first half 2004, tome 91, n°342-343, pp. 239-272.
- "Un outre-mer bancaire en Orient méditerranéen: des banques françaises marraines de la Banque de Salonique (de 1907 à la Seconde Guerre mondiale)", Revue historique, CCCV/3, November 2003, pp. 268-302.
- "La Banque d'Athènes, point de jonction entre deux outre-mers bancaires (1904-1953)", in H. Bonin (ed.), special issue Outre-mers économiques : de l'Histoire à l'actualité du XXIe siècle, Outre-Mers. Revue d'histoire, 1er semester 2001, pp. 53-70.
- Suez. Du canal à la finance (1858-1987), Paris, Économica, 1987 (673 pp.).

The Dutch Roots of BNP Paribas

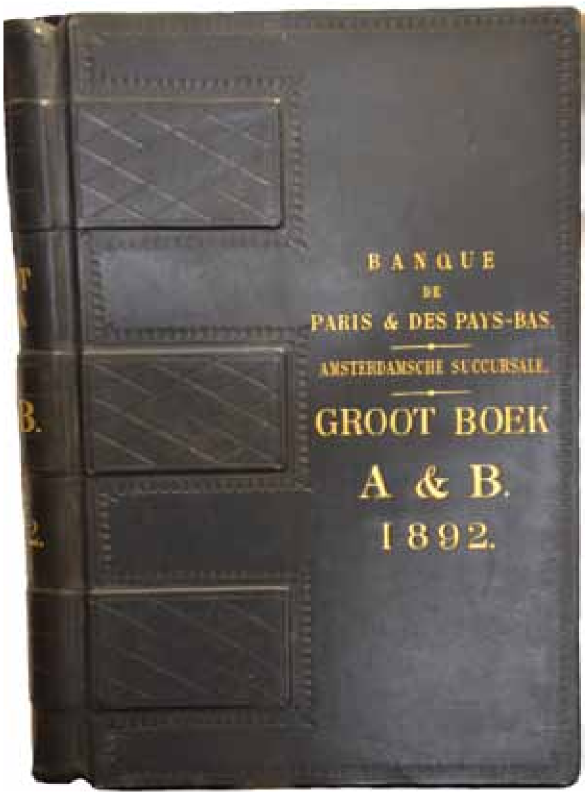
To celebrate the 150th anniversary of the Group's presence in the Netherlands, BNP Paribas has just published a book entitled The History of BNP Paribas in The Netherlands 1863-2013. Founded in 1863, the Nederlandsche Credit-en Deposito Bank (Dutch Credit and Deposit Bank) subsequently merged in 1872 with Banque de Paris to form Banque de Paris et des Pays-Bas. The name of the Group today still bears the memory of its Dutch roots, Paribas being a contraction of the words Paris and Pays-Bas – the French name for the Netherlands.

The book not only recounts the story of BNP Paribas in the Netherlands, it also explains how the Dutch financial market has developed over the past century and a half. It describes at length the role of the Amsterdam stock market in the introduction and listing of foreign securities, in particular the stock and bonds issued by US railroad companies.

An article entitled 'The Dutch origins of a French banking group: the Nederlandsche Credit- en Deposito Bank, parent of the Banque de Paris et des Pays-Bas, 1863-1872', first published in the 2/2010 Bulletin of EABH, is reprinted in its entirety as one of the book's chapters. The article, by Piet Geljon and Bernard van Marken, is based on information from Dutch archives and sheds new light on the role of the bank which was founded in Amsterdam on the initiative of Dr Samuel Sarphati, and was the result of quite unique and exceptional collaboration between Dutch and French bankers.

From 1872, the new Amsterdam branch of the Banque de Paris et des Pays-Bas took over the business of the Nederlandsche Credit-en Deposito Bank. The bank's Advisory Council, comprising some of the leading figures in the Dutch financial markets, ensured that it became well integrated into the economic and financial fabric of the Netherlands. The authors have been able to draw up a complete list of the members of the Advisory Council, and this helps us understand the links between the branch and the Nederlandsche Handel-Maatschappij (The Netherlands Trading Society).

After the first World War, the branch, which was highly active in the securities markets, also began to carry out an increasing number of commercial banking transactions. In 1968, it changed its status to that of a subsidiary company and launched into the retail banking business, growing to some thirty branches in the Netherlands. In 1997 there was a change of strategy and Paribas withdrew from the retail business. The majority of the Paribas Nederland businesses were sold off. Meanwhile BNP had been established in the Netherlands since 1977, and the Paribas Nederland teams that were left following the sell-offs joined with the BNP colleagues when BNP and Paribas merged in 2000. From then on, the BNP Paribas Group deployed a large number of its business lines in the Netherlands.

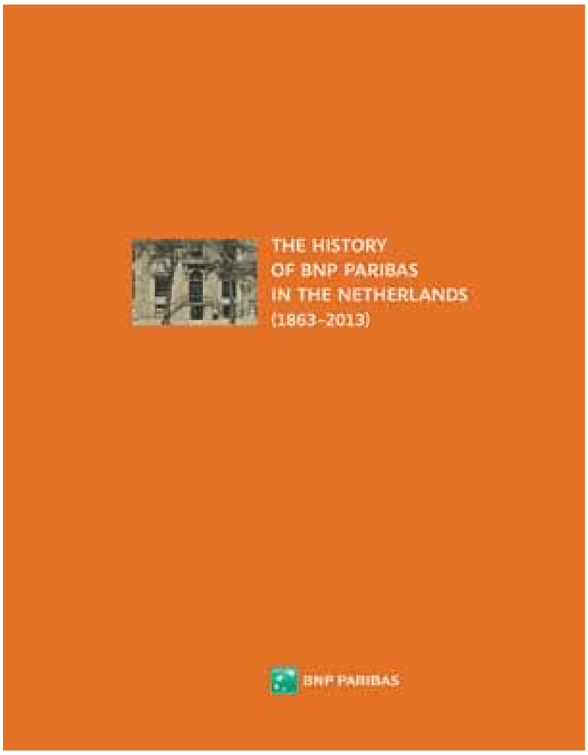


In the annexes the reader will find some well-researched articles on the history of Insinger de Beaufort and of Nachenius, Tjeenk & Co, plus a long article on the relationship between Société Générale de Banque – now BNP Paribas Fortis – and the Netherlands.

A Franco-Dutch work

Written by Bernard van Marken, a former partner of Pierson, Heldring & Pierson in Amsterdam and former director of MeesPierson, and Geoffroy de Lassus of the BNP Paribas Group Heritage & Historical Archives department, the book draws on original information from French and Dutch archives and eye-witness accounts. Together, these contributions have given shape to the various viewpoints on the story; they also highlight the role of the Amsterdam branch in financing the local economy and helping to develop the financial markets there.

The BNP Paribas Netherlands teams, the BNP Paribas Historical Association, BNP Paribas Fortis and the Dutch historians Piet Geljon, Ton de Graaf and Joost P. B. Jonker have all contributed to compiling the book.



If you wish to receive a copy of this book, please contact the BNP Paribas Group Heritage & Historical Archives department: archivesethistoire@bnpparibas.com
http://www.bnpparibas.com/en/about-us/corporate-culture/history

The Mediobanca Building in Milan
History, Architecture, Decoration
(Milan: Skira 2013, 214 pp.)

This volume, describing the Milanese palazzo where the leading Italian investment bank has its head office, looks at the history of this prestigious building from a variety of perspectives.

The section entitled "History" contains an essay on "Milan, from Military Might to Financial Power" written by Fulvio and Gabriele Coltorti.

Gabriele Coltorti discusses the appearance of the Scala quarter in the Middle Ages and modern era, illustrating the concentration of churches and ecclesiastical institutions in this area, as in other parts of the city. Emblematic in this respect is the church of San Lorenzino in Torriggia, long vanished, which at one stage was adjacent to the Mediobanca building. Coltorti then describes the noble Milanese families who lived in the Via Filodrammatici building: the Archinto, Riva and Visconti Ajmi families succeeded each other in ownership of the building, which over the course of the centuries came increasingly to be seen as a luxury patrician residence in the centre of Milan. If the Archinto family was initially responsible for the construction of the noble palace, it was the Viscontis who, in the first half of the eighteenth century, carried out a major extension of the building, which then came to take on the proportions of an aristocratic palazzo among the finest in the city. Coltorti also discusses the Scala quarter's financial vocation which developed in the course of the nineteenth century, showing how during the years of the Napoleonic Kingdom of Italy and the Kingdom of Lombardy-Venetia, the buildings which lined the roads now known as Via Santa Margherita and Via Manzoni became the premises of the state's financial offices and of numerous banking institutions.

Fulvio Coltorti, meanwhile, reconstructs the steps which led to Mediobanca acquiring the building in Via Filodrammatici from the Gnecchi Ruscone family, representatives of the late nineteenth-century upper Milanese bourgeoisie, who had come to own the property after the Visconti Ajmi family died out. The purchase was completed between December 1945 and January 1946 by a limited company known as Immobiliare Quarzo, owned 50:50 by Credito Italiano and Banca Commerciale Italiana. The company paid the Gnecchi Ruscone heirs the sum of Lit. 75m to acquire the building. On 10 April 1946, the day when the Board of Directors of Mediobanca first met, the bank decided to acquire the entire share capital of Immobiliare Quarzo. Coltorti goes on to describe the developments in the groupings of buildings between Piazza Cordusio and Piazza della Scala in the course of the late twentieth century: years which saw the area's financial vocation develop further from that witnessed at the turn of the previous century, to become the current hub of business activity.

The second section of the volume, "Architecture, Spaces, Transformations", contains es-

says by Ornella Selvafolta, Pier Fausto Bagatti Valsecchi and Cecilia Colombo, and a chronology of events prepared by Fulvio and Gabriele Coltorti.

In her essay entitled “A Palace Tells Its Story... The Architecture, Décor and Events of a Milanese Residence”, Ornella Selvafolta reviews the building’s architectural history. The restoration work carried out by the Gnecchi Ruscone reflected the stylistic trends current in the late nineteenth century, dominated by a historicizing fashion which sought to recreate the typical environments of the Lombard Renaissance in the townhouses of the wealthier bourgeoisie. In this connection, as Pier Fausto Bagatti Valsecchi points out in his essay “Building and Reconversion of the Palace, with Particular Focus on the Contribution of Fausto Bagatti Valsecchi”, an important role was played by Fausto Bagatti Valsecchi in recreating this Renaissance atmosphere. In these years Valsecchi acquired celebrity in architectural circles for the refurbishments he carried out in similar Renaissance style, together with his brother Giuseppe,

Coat of arms of Antonio Visconti Ajmi

on the family home situated between Via del Gesù and Via Santo Spirito. Thus, in the years straddling the old and new centuries, the Via Filodrammatici building took on the appearance of an elegant town house, a luxury property befitting one of the wealthiest families of the Lombard bourgeoisie: an atmosphere which the photographer Luigi Bassani captures well in his photos of the Gnecchi Ruscone family’s sumptuous rooms which date to this period. Some of these photos are reproduced in the section of the volume entitled “Interiors of the Gnecchi Ruscone Residence in the Photographs Taken by Luigi Bassani”.

In her essay entitled “The Mediobanca Building from 1946 to the Present Day”, Cecilia Colombo discusses the various improvements which the new owners Mediobanca carried out in the second half of the twentieth century. The bank chose to retain the late nineteenth-century style, hence work was limited to restoring those parts which had been destroyed by bombing, and adapting the rooms to the building’s new mission as a bank. The furnishings were inspired by the work of the architect Enrico Monti (1873-1949), while the sculptures were commissioned and made by the artist Francesco Barbieri (1908-73). Important in this connection were also the designs made by the rationalist architect Franco Albini (1905-77) to refurbish some of the largest rooms on the first floor of the building. These designs, which were futuristic at the time, were never implemented precisely because of the decision, referred to earlier, to retain the style of the existing structures adopted by the bank.

Next in the volume comes an extensive set of photographs revealing the most prestigious courtyards, corridors and rooms of the building as they appear to this day.

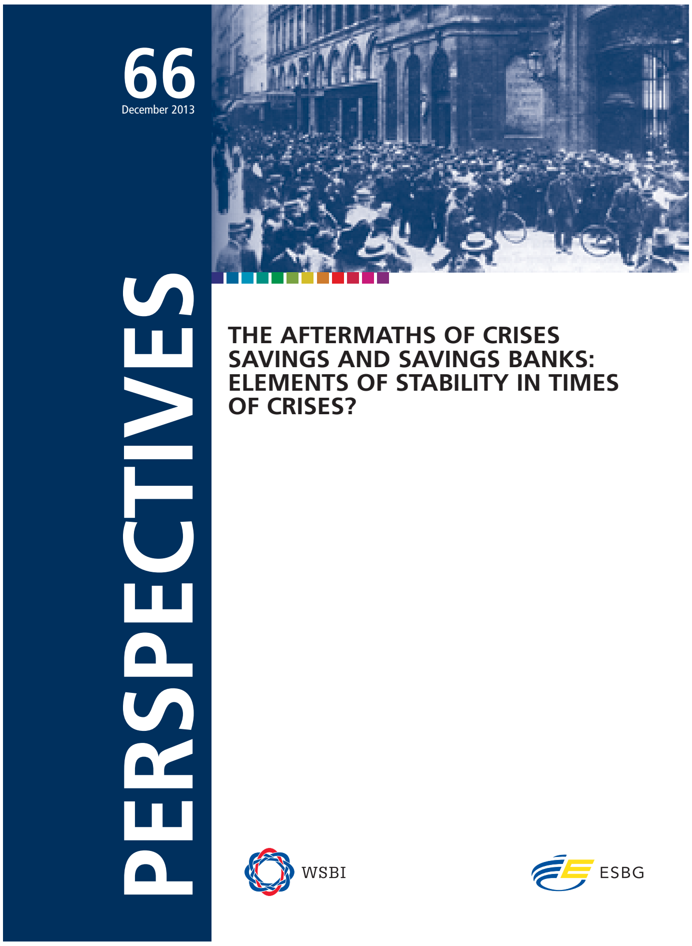
In the section entitled “Milan and Via Filodrammatici 1200-1950: an Essential Chronology”, Fulvio and Gabriele Coltorti provide a chronology of the developments of the building against the backdrop of the history of Milan, providing dates to help the reader understand the topics discussed in the book as part of a broader context.

In the section entitled "Family Stories", finally, the essay by Carlo Gnecchi Ruscone "The Visconti Ajmi and Gnecchi Ruscone Families in the Building on Via Filodrammatici" maps out the history of the two households, dwelling in particular on the family that owned the building from 1885 to 1946. The Gnecchi Ruscone family, entrepreneurs in manufacturing industry in the early nineteenth century, acquired their wealth through efficient management of their operations in silk production and distribution. Having built up considerable wealth in this way, in the second half of the century they carried out several substantial real estate investment projects involving not only town houses in Milan, but also villas and land in the Lombard countryside as well. The acquisition of the Via Filodrammatici property by Giuseppina Turati for her son Francesco Gnecchi Ruscone marked the family's entry to the most select circles of the Milanese aristocracy. Carlo Gnecchi Ruscone brings this section to a close with a summary of an essay by Silvia A. Conca Messina describing the family's social ascent, attributable to its business successes in the silk industry and banking activities.

This book represents a new contribution to the histories of buildings that are home to prestigious financial institutions. The essays and the extensive visual material which makes up the volume allows readers to follow for themselves the links which across the centuries have bound the building in Via Filodrammatici to its inhabitants.

Gabriele Coltorti

The artistic bronze gateway was designed and built by Francesco Barbieri in the 1960s, using some 40 tons of highest quality bronze melted in Verona. The gate consists of five rectangular panels, linked by six candeliere with incised decorative motivs surmounted by a sculpted allegorical monster.



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CAMBRIDGE UNIVERSITY PRESS

2014 eabh archival workshop.
12 June 2014. Swiss Re Centre for Global Dialogue. Rüschlikon. Switzerland.

Banks at War I. Financial Institutions confronted by the Great War.

Programme

Welcome Address
Salvatore Novaretti (Swiss Re) / Manfred Pohl (eabh)

Session 1
Moderator: Martin L. Müller (Deutsche Bank)

Zurich Would Have Been Bancrupt a long Time Ago. Zurich Insurance Company and the Great War. Thomas Inglin (Zurich Insurance Company)

Assicurazioni Generali and the Great War: Sources from the Company's Archives Andrea Mazzetti & Silvia Stener (Generali Group)

Alexander Freiherr von Spitzmüller and his Diary. Thomas Just (Austrian State Archives)

The War before the War - The National Bank of Romania and the Economic War during Romania's Neutrality years (1914-1916). Brindusa Costache & Nadia Manea (National Bank of Romania)

Discussion

Session 2
Moderator: Francesca Pino (Intesa Sanpaolo)

Things I Can Do for my Country. The Archives Reveal Patriotic Concerns of the Forerunners of BNP Paribas. Christiane de Fleurieu (BNP Paribas) & Jean-Louis Moreau (BNP Paribas Fortis)

Deutsche Bank and its Employees during WWI. Reinhard Frost (Deutsche Bank)

On Both Sides of the Eastern Front - Bank Handlowy w Warszawie during WWI. Lukasz Wilinksi (Leopold Kronenberg Foundation at Citi Handlowy)

Being German in Wartime Britain: How and Why Did J. Henry Schröder & Co. Survive? Caroline Shaw (Schroders)

Discussion

Europeana 1914-1918: Untold Stories & Official Histories of WWI Foteini Aravani (British Library)

Concluding remarks
Richard Roberts (King's College London)

2014 eabh annual conference

13 June 2014. Swiss Re Centre for Global Dialogue. Rüschlikon. Switzerland.

Risk Management

Programme

Risk Management. Part 1. Oral history.

Introduction. Walter Kielholz (Swiss Re)

From the End of Bretton Woods to the Global Financial Crisis: 40 Years of Turbulence. Hugo Bänziger (Lombard Odier)

Global Business, Global Risk - Turning Points in Reinsurance. Niels-Viggo Haueter (Swiss Re), Christopher Kopper (University of Bielefeld), Tobias Straumann (University of Zurich)

From Risk Engineering to Risk Management. Hans Bühlmann (Eidgenössische Technische Hochschule)

Early Days of Credit Risk Management: When Paper Was Credit-based. John Mooney & Doug Neilson

Market Risk Management - Early Days. Ralf Leiber (Deutsche Bank)

From the Cook Committee to Basel 3: The Introduction of Risk into Regulation. Christopher Kobrak (ESCP Europe / The Rotman School of Management), Clifford Smout (Deloitte), Daniel Zuberbühler (KPMG)

Enterprise-wide Risk Management. Torsten Wegner (McKinsey)

How Everything Started. Rolf Bachmann (Lazard), Hugo Bänziger (Lombard Odier), Christian Casal (McKinsey), Paul R. Hofer (Hutman Diagnostics)

Risk Management. Part 2. Research papers.

Chair: Harold James (Princeton University)

Derivates as a Risk Management Product: A History of Concepts and Markets. Alexander Engel (Goettingen University)

Insurance, Reinsurance, and Technologies of Financial Anti-Fragility: A Note on the Origins of Junk Bonds and CDOs. Alexandros Andreas Kyrtsis (University of Athens)

From Basel to Bailouts: Thirty Years of International Attempts to Bolster Bank Safety. Michael Troege (ESCP Europe)

In the Name of God: Managing Risk in Islamic Finance. Valentino Cattelan (University of Oxford)

Dealing with Underwriting Risk in Connection with Sovereign Loan Issues in London, 1870-1914. Anders Løhde Mikkelsen (King's College London)

Actuarial Backwardness in Spanish Life Insurance: Life Tables and Profits (1890-1937). Pablo Guitérrez González & Jéronia Pons Pons (University of Seville)

Constraints of Catastrophe Risk Management in the Global South. Welf Werner (Jacobs University Bremen)

Conservative Risk Management: The Asset Management of Zurich Insurance Company in the Interwar Period. Luca Froelicher (University of Zurich)

Creating a Risk Management Department: Banque Paribas' Experience. Jean-François Daudrix (BNP Paribas)

NEW *EABH* Summer School in monetary and financial history

Rethinking Financial History
8-11 July 2014

kindly hosted by
Figuerola Institute of Social Sciences History.
Universidad Carlos III. Madrid. Spain

July 8, 2014

1PM REGISTRATION

LECTURES:

2:30PM Good Bye Comparative Financial Systems, Hello Comparative Information Systems. Marc Flandreau (Graduate Institute Geneva)

4PM Competition, Cartel and Deregulation: the UK, 1870-2008. Fabio Braggion (Tilburg University)

5:30PM BREAK

STUDENT SESSIONS

5:45PM Art Dealers' strategy - The Case of Goupil, Boussod & Valadon from 1860 to 1914. Geraldine David (ULB)

6:30PM Keeping the Ship of State Afloat: Zeeland's Sovereign Debt Management, 1600-1800. Alberto Feenstra (University of Amsterdam)

7:15PM From Frankfurt to Berlin: The Spatial Politics of Finance Capitalism in German-Speaking Europe, 1866-1896. Benjamin

July 9, 2014

LECTURES

9AM The Evolution of a Skilled Workforce: The Bank of England at Work, 1694-1815. Anne Murphy (University of Hertfordshire)

10:30AM Sovereign Debt and History. Kim Oosterlinck (Université Libre de Bruxelles)

12PM BREAK

STUDENT SESSIONS

12:30PM Gregor MacGregor's Poyaisian Sovereign Debt 1822- 1823: A Preliminary Reinterpretation of the 'Most Audacious Fraud in History'. Damian Clavel (Graduate Institute of International and Development Studies)

1:15PM At the Heart of Financial and Monetary Instability: The Role of Central Banks in the 1970s. Mikael Huber (University of Geneva)

2PM LUNCH

LECTURES

3PM Learning how to Interpret a Bank Balance Sheet. Andreas Dielehner (KPMG Frankfurt)

4:30PM BREAK

STUDENT SESSIONS

4:45PM A History of Corporate Governance: Ownership and State Capitalism in South Korea. Francis D. Kim (Oxford University)

5:30PM Priests or Bankers? The Ecclesiastical Credit in 18th Century Spain. Cyril Milhaud (EHESS and Paris School of Economics)

6:15PM The Political Stock Market: The Influence of Lobbyism in Germany from Kaiserreich to Weimar. Alexander Opitz (University of Hohenheim)

July 10, 2014

LECTURES

9AM Thinking About Archives: Sources and Strategies. Melanie Aspey (The Rothschild Archive)

10:30AM Banking on a New Business History. Chris Colvin (Queen's University Belfast)

12PM BREAK

STUDENT SESSIONS

12:30PM Danger to the Old Lady of Threadneedle Street? The Bank of England, Warfare and the State in Britain 1694-1819. Nuno Palma (LSE)

1:15PM Demand-side Shocks as Contagion Channels: The American "Panic of 1907" and its Consequences for the German Empire. Beatrix Purchart (University of Zurich)

2PM LUNCH

LECTURES

3PM Bank of Spain, speaker tba

STUDENT SESSIONS

4:45PM Delivering on the 'Public Good' of Prudent Debt Management in Monetary Unions: the Austro-Hungarian Experience 1868-1914. Kilian Rieder (Oxford University)

5:30PM Lobbying in Banking Regulation. Joao Sousa da Cunha (Graduate Institute of International and Development Studies)

6:15PM The Law of One Price and Collateral Borrowing: The Case of French Reports Market at the Outbreak of WW1. Stefano Ungaro (PSE-EHEES)

July 11, 2014

LECTURES

9AM Insider Lending and Credit Risk Management in 19th Century Catalonia: Information Asymmetries or Looting. Pilar Nogues-Marco (Universidad Carlos III Madrid)

10:30AM ExToxic Assets in History: French Venality 20 Years before the Revolution. Rui Esteves (Oxford University)

12PM BREAK

STUDENT SESSIONS

12:30PM Becoming an Hegemon in the Age of Default: US Lending Decisions in the Interwar Period. Andrea Papadia (LSE)

1:15PM A Victim of the Business Cycle? Speculation in the British Bicycle Industry, 1895-1900. William Quinn (Queen's University Management School)

2PM The Lyon Stock Exchange: A Struggle for Survival (1866-1914). Jeremy Ducros (EHESS-PSE)

Participants

The target audience is PhD and Post-doc students in economics, economic and financial history and related fields. A maximum of 20 students will be accepted.

Programme

The programme consists of lectures by invited speakers and student sessions in which PhD and Post-doc students will have opportunity to discuss their research with senior scholars and practitioners.

The National Bank of Moldova

EABH is delighted to welcome The National Bank of Moldova as a new member.

The National Bank of Moldova (NBM) is the central bank of the Republic of Moldova, which was established under Presidential Decree of the Republic of Moldova on June 4, 1991 and exercises its attributions as a legal, public, autonomous person responsible to the Parliament.
The National Bank of Moldova plays an important role in the process of transition of the Republic of Moldova to market economy. Since 1991, it has worked out and implemented a range of efficient measures directed towards the stability of the monetary and credit environment. The most important step was the introduction of the national currency - Moldovan Leu on November 29, 1993 and the further promotion of an anti-inflationary monetary and credit policy. Thus, the galloping inflation was stopped from the beginning of ‘90s.
In 1995 the Parliament of the Republic of Moldova approved the Law on the National Bank of Moldova and the Law on Financial Institutions. In accordance with the first Law, the National Bank of Moldova is independent in exercising its attributions and is responsible to the Parliament. The second Law has as target the formation of a strong and competitive financial sector, the prevention of an excessive risk and the protection of depositors' interests.
Starting with 1998, the National Bank of Moldova abandoned the practice of establishing the official exchange rate of the national currency against the U.S. dollar at the Foreign Currency Exchange and proceeded to calculate it based on the simple average of the weighted average exchange rates of the U.S. dollar purchases and sales against Moldovan Leu on the inter- and intra-bank markets. That fact allowed decentralizing the local foreign exchange market in accordance with the practices of the developed countries.
The NBM has initiated in 2010 the implementation of a new monetary policy regime - inflation targeting. Considering the instruments available to the monetary authorities, in the context of Moldova's economic realities and the experience of other central banks, the inflation targeting enables to achieve more efficiently the fundamental objective of the NBM - ensuring and maintaining price stability.
On November 23, 2013 the National Bank of Moldova has celebrated the 20th anniversary since the introduction of the national currency - Moldovan Leu.

http://www.bnm.md/en/home

http://www.bnm.md/

Fundación Mapfre

EABH is proud to welcome Funcación Mapfre amongst its members.

Fundación Mapfre is the result of merging different Foundations which MAPFRE started creating in 1975, in order to channel in a specialized way, the socially responsible action of the entity towards society. In January 2006, the different Foundations, which had been developing a range of activities, merged into one Foundation, which is today Fundación Mapfre increasing the responsible commitment to society and maintaining its initial goals through five specialized institutes:

- To improve financial, social and cultural conditions of under-privileged people and sectors of society
- To increase safety for people and their assets, paying particular attention to road safety, medicine and health
- To improve the quality of life and the environment
- To disseminate culture, art and literature
- To train and research in subjects regarding insurance and risk management.
- To research and disseminate knowledge regarding the common history of Spain, Portugal and countries linked to them.

We collaborate with a range of public and private, national and international institutions, NGOs,museums, foundations and associations, with goals similar to our Foundation.

http://www.fundacionmapfre.org

http://www.fundacionmapfre.org/fundacion/en/

EABH is proud to welcome
Laurence B. Mussio as a new member.

Professor **Laurence B. Mussio** is a business historian working at McMaster University in Ontario, Canada. His scholarly interests have included telecommunications policy and the political economy of regulation, which resulted in the publication entitled Telecom Nation: Telecommunications, Computers and Governments in Canada (McGill-Queens University Press, 2001). In the last decade, Dr. Mussio's interests turned to the financial services sector – first life insurance in North America and internationally through a history of Sun Life of Canada. His book, Sun Ascendant: A History of Sun Life of Canada, McGill-Queen's University Press is forthcoming. He also has developed a strong interest in banking.

Dr. Mussio's current work focuses on Canada's first bank and its most consequential bank in the 19th century, the Bank of Montreal. The Bank funds Dr. Mussio's research in preparation for its bicentennial in 2017. It is hoped that the work will result in contributing to the field of banking history and the history of financial services in the North Atlantic. The history of the Bank will also allow scholars to draw comparisons with other regional, national and continental experiences in banking.

The work will be drawn from an extensive archival base. The Bank's own corporate archives are an important reference point, but not the only one. Canada's national archives (Library and Archives Canada), the National Archives of the UK, and a score of bank and corporate archives across Canada, the United States and the United Kingdom are being consulted. Government and regulatory archives spanning two centuries of operation are prominent.

The history of Bank of Montreal represents a fresh opportunity to examine the Canadian style of banking – its cycles of expansion and contraction, its growth into the markets of the continent and the hemisphere, the role of technology, and the evolution of regulation through the lens of one of its major players.

EABH is delighted to welcome
Korinna Schönhärl as a new member.

Korinna Schönhärl is assistant professor in the Department for Social and Economic History at the University of Duisburg-Essen. Her thesis from Goethe-University Frankfurt is entitled Knowledge and Visions. Theory and Politics of the Economists in the Stefan George Circle (2009). Her research interest is the combination of cultural and economic history on an international level, especially in banking history. Her second book project is entitled Financers desired spaces—European Banks and Greece in the 19th Century. She examines the international relationships of French, British, Swiss and German Banks with Greece since her independence until World War I. An additional research focus is the economic history of migration (Ruhr Area and Istanbul. The Economies of Urban Diversity, 2013).

Congratulations!

Manfred Pohl, founder and deputy chairman of EABH just celebrated his 70th birthday!

Not only EABH, the entire discipline of financial history owes its very existence and international recognition to his enthusiastic and dedicated work!

Thank you!

Commemorative coins: collector’s items

When one thinks of a bank, the word money comes to mind. Whether it is notes and coins (cash) or the balance on your account (cashless), money is the oil which renders the motion of the wheels of every modern economy smoother and easier. Money is used to pay, save and do business. The value of money is based on the confidence that it will be generally accepted. Various payment instruments have been developed throughout history. Coins hold a particularly special place within this development. In my opinion coins are part of a small group of groundbreaking inventions. They can be attributed this status due to the fact that we still use them so many centuries later. The size, shape and materials used to make coins, however, have been subject to change. Nowadays they are generally speaking no longer made of pure gold, silver or copper. These precious metals are extremely well suited to recycling. This is why many old coins formed the basic material for new ones. As a result only a small number of the old coins escaped the smelters and have survived to become highly appreciated collector’s items. Coins circulated among the population as payment instruments. This made them fit to commemorate special occasions, such as the coronation of a new king or a royal jubilee. But there were other. The Federal Republic of Germany for example issued a 5-DM coin in 1968 bearing on one side the portrait of Friedrich Wilhelm Raiffeisen (1818-1888), the ideological father of cooperative agricultural credit, to commemorate the 150th anniversary of his birth. There is another group of commemorative coins that appear to be regular coins, but which are not actually money or legal tender. One striking feature is the lack of a denomination. Just like coins, commemorative coins or medals are much-sought-after collector’s items. They are often miniature artworks. These medals, like coins, are issued to commemorate special occasions, but they are also used as prizes. A well-known example of the latter is the official prize medal of the Great Exhibition of 1851. The international industrial exhibitions of the nineteenth century did, in fact, generate an absolute treasure chest of commemorative coins. Following in the footsteps of these large international exhibitions, many smaller national and regional exhibitions also presented prize medals bearing dedicated images. Outstanding examples of these prize medals in the Netherlands include the one in bronze bearing the image of a bull, that was presented at the agricultural exhibition in Stratum (1886) or the penning bearing the image of Saint Isidore, the patron saint of farmers, that was presented at the Groote Land- en Tuinbouwtentoonstelling (Great Agricultural and Horticultural Exhibition) that took place in Venlo (1926). (2 photos) These pieces are included in Rabobank’s numismatic collection. Both coins illustrate in an unexpected way the bank’s longstanding relationship with the food & agribusiness that dates back to its foundation. Like many other corporations Rabobank itself has issued commemorative coins through the years to mark special events like the opening of a new building and naturally to celebrate its centenary . The Dutch word for these commemorative coins or medals is penning (comparable to penny in English or Pfennig in Germany). In Dutch this was originally the name given to a specific type of coin, but later became the general term used to refer to coins. Penning is still used in Dutch in this meaning in a number of expressions and sayings, as is penny in English and Pfennig in German. A penny for your thoughts.

Joke Mooij