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Newsletter from the EABH

1/2003



European Association  
for Banking History e.V.

# Editorial



Dear colleagues,

After almost thirteen years of existence, an association might lose some of its initial enthusiastic spirit. On the contrary, we are indeed older, wiser and more mature, but there are no traces of lost vitality.

Our series of workshops entirely dedicated to the banking archives ended successfully with Appraising Banking Archives, held in Milan last March and kindly hosted by Banca Intesa. The review of the Milan workshop will be published in the next issue of the Bulletin. In this edition you will find the report of the workshop Archives and IT Solutions, held in Istanbul in October 2002, and kindly hosted by the Ottoman Bank Archives and Research Centre.

The EABH is already organising its next central banks workshop in Amsterdam, at the end of November, which will be kindly hosted by De Nederlandsche Bank. A benchmarking study will be conducted in order to provide a picture of the archives in central banks within and outside the European Union.

We especially look forward to welcoming colleagues from Eastern European countries as, keeping in mind the enlargement of the European Union, we are strongly committed to expanding our activity in that region. There is a very positive movement in banking history there and this is proven not only by the fact that four central banks from the Eastern European countries joined the EABH recently, but also by copious contributions from our colleagues of that area in this issue of the Bulletin. Also for this reason, we are extremely delighted that this year our annual conference will take place in Bratislava, kindly hosted by the National Bank of Slovakia.

I trust that you will enjoy reading this edition and I would like to take this occasion to ask you to continue your co-operation with us by sending further interesting literature for the next issue.

***Manfred Pohl***

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*Many historical archives have a very strong and independent position within the bank they are part of. Through research projects, publications and other activities they become established as an integral part of the bank. However, there are others which are struggling for survival, trying to find a place within their bank. Professionally speaking, the position of archives is determined by many external factors, but most of us would certainly agree that the position of an historical archive can only be as strong as its staff make it.*

*In this EABH survey we would like to get an overview of activities which could be of help while promoting banking archives.*

1. *To what extent can the staff of the historical archive have influence on the department's position within the bank?*
2. *Which activities has your archive department used to strengthen its position within the bank?*
3. *How do you draw the attention of academics and the intellectual society to the valuable sources held in the banking archive and how do you organise the cooperation and communication with them?*



**The Bank of Finland's  
Document Services  
Department**

**History Through to the Future**

**Archives or Document Management**

The European Association for Banking History e.V. has been improving cooperation between the banks' archives for over 10 years. Particular thanks go to the organisation for its efforts in this cooperation. While it has been involved in this valuable work, the role of the banks' archives has been changing from that of a passive information storage point to an active data management unit.

As you can see from the headline, we call ourselves a document service rather than archives. The Bank's archives are expected to be an active part of the Bank's document management and - preferably - the department that unquestionably takes the lead in bringing the electronic approach to document management. This automatically elevates the significance of the archives within the organisation.

The Bank of Finland began the revision of its document management in 1994 with a survey and inventory of the archive's existing material, it consisted of 11 kilometres of shelves, while also undertaking a study of what electronic document management systems were available. The result was that the Bank of Finland transferred references to all its archival material onto the Access database.

The second phase in the electronic development of the Bank's document management commenced in 1998. As a result of the project, it was realised that the life span of a document can be handled completely electronically. At the beginning of 2000 the Bank of Finland applied the *Documentum* document management solution to its document management and archives. During the project's implementation period the archives personnel have been actively involved in developing the workflow processes for the documents that have originated within the department. The role of the archives has altered significantly, as we are also involved in the development of the document management system. In the coming years relevant software will be applied extensively within the Bank's entire organisation.

### Co-operation with historical researchers and general public

The fever of technological development has not meant that we have forgotten the fact that the house possesses almost 200 years' worth of unique documents pertaining to the Finnish economic and financial history. The Bank of Finland was founded in 1811 and the archives were set up at the same time.

Researchers and journalists, in their constant search for information, also prompt us in underlining the significance of the historical archives. We are unable to grant researchers completely free access to our archives, as it still holds plenty of material that remains classified. However, we are able to offer researchers short-term research facilities and to meet quite extensive requests for research assistance. This sometimes happens in co-ordination with our communications department or other archives.

In December 1999, the new Act on the openness of government activities (612/1999) brought with it an increase in archival usage and has already changed the general approach to document management to some degree. Not all research requests have been academic in nature; there seems to be an unusually great interest in salaries and in the brands of cars belonging to the Members of the Governing Board. However, we do serve the public needs. The Act on openness, with all its side-effects, is important evidence of a democratic society and of the transparency of the Bank of Finland.

The department will face a tremendous demand to support the Bank of Finland's forthcoming 200<sup>th</sup> anniversary. Independent researchers or the Bank's own research team will be actively utilising the archives for several years. We must be able to serve all kinds of researchers and journalists who may be interested in our 200 years of history.

### Conclusion

It is our opinion that the Bank's document management service must be capable of looking both back and into the future. In being an active part of the Bank's operations, document management naturally emerges as a service unit. In organising the historical archives for researchers, the Bank of Finland's archives can augment both the organisation's image and serve Finnish cultural life.

***Sinikka Parkkila***

***Head of Document Services***

***Vappu Ikonen***

***Archives Researcher***



**ALPHA BANK**

There is no doubt that banking archives are specific institutions, but they are also absolutely necessary for the operation of a bank. Unfortunately, in a business-competitive environment, it is difficult to demonstrate the importance of historical archives. Considering our professional position at Alpha Bank we have to acknowledge that, with the obvious exception of our manager and the members of the Board of Directors, nobody seems to care about the Archival Department. From our point of view this is, of course, a typical pattern of behavior: the banking management often undervalues the archivists' role. This statement mirrors the dominant mentality within the bank. It is due to the lack of understanding of the role played by historical archives, which are given a vague sense of isolation. These

perceptions concerning the role of the historical archives deeply affect the strategies drawn up by our Archival Department as well as our decisions concerning the way in which we can achieve a strong and independent position within the bank.

This difficult situation makes us concentrate on promoting our archival work and we have developed certain initiatives in this direction. Firstly, our attempt consists of introducing the historical archives as an internal part of the Bank's archives, and also in enhancing the cooperation and relations with the Bank's other departments. The principal step of this process is to engage one employee from each of the bank's departments to function as a liaison between his or her section and the historical archives. Through a planned sequence of projects and activities which we then provide, these key persons are trained and educated and obtain better knowledge about our holdings and services, and are directly involved with our documentary heritage. The purpose is to create and reinforce the understanding that an archivist belongs "twice" in his or her bank: first as a part of the banking structure, and secondly as integral part of the enterprise involved in reaching its macro-goals.

During our meetings with liaison persons we emphasise the importance of the historical archives in promoting the public and social image of the Bank. We focus on the archive's purpose and its unity with reference to traditional documentation and electronic products. We also try to make liaison persons aware of the need for keeping records and the operational value of preserving them and making them available to the Archival Department. We maintain that such procedure can yield good results if they are declared to be of "exceptional historical interest".

The second step is the circulation of a special leaflet/brochure introducing the archives and its acquisition collections. This informs other departments of the Bank about our work. At a further stage we focus our efforts on organizing exhibitions which present to the wider public various objects, such as

photographs, posters or office equipment, and which educate the employees of the bank.

Although the intention of us all is the utilization of historical archives by the Greek academic community, for the time being the department continues to remain unused or underused. The result is that the academic community is not aware of the valuable resources held in our Historical Department. However, at the end of this year, our materials will be available for research purposes following the decision of the Board of Directors to open up the bank's archives. A responsible study of our collections requires close co-operation with banking historians. This co-operation involves us not only helping researchers to identify, select and read records, but also in activities such as providing a suitable environment for research, information and advice as well as support services to facilitate research. Yet, we try to be prepared to respond to the ever-changing inquiries and to keep pace with progress in research. In addition, in our attempt to aid banking historians in their work, we intend to publish a leaflet describing the archives access policy according to the nature of the information sought. We also plan to publish primary source materials after they have been properly classified and processed. These documents can be useful for historiographic purposes.

***Anastassios Stergiou***

***Historical Archives of the Alpha Bank***



## The Promotion of Historical Archives in the Banking Sector: Key Factors and Activities

### Paribas and BNP Paribas Experience

*Business history today is an established field in the academic world and a tool for the management, who are beginning to understand the importance of promoting historical background, for marketing as well as for communication purposes. Using the example of Paribas we would like to show the interaction which exists between the promotion of a bank's historical archive and the promotion of the company itself. Our purpose is to show the vast field of possibilities that this cooperation can offer in the development of both internal and external communication, business and marketing, and point to factors which are important in the fulfilment of this task.*

#### 1) BNP Paribas: History of the archives and its staff

In contrast to their British counterparts, French banks have not been leaders in the field of banking historical archives. British historians generally have a keen interest in economic history whereas the Europeans are more interested in political and social history.

In the merchant banking community, the institution's history is part of the family history and thus a subject of personal interest to the management (which explains why publications about banking resemble brochures rather than scientific studies). In the special case of Paribas - a bank that has been known for a long time as the leading merchant bank "à la française" - the history of the company has been strongly linked with the European industrialisation process and the development of financial markets. The bank's achievements have been the result of the views, connections and decisions made by prominent individuals. Therefore, the company's motivation to maintain its history has always been present.

- **The historical archives of Paribas and BNP-Paribas**

However, in the highly informal management style prevailing up to the early 1980s, no particular

structure had been set up in order to carry out historical researches and study the company's tradition. The first attempt was made in the 1970s by Jean Cabet, a former Secretary-General of Paribas, who started to systematically collect all kinds of documents of historical interest from the company's beginnings in 1872 through to the Second World War. With this personal venture, Cabet created a tradition, starting up in an informal way which would later be the historical archives of Paribas - although in his approach he actually worked contrary to the archival principles, as he organised documents by country.

In 1989 a formal structure devoted to the company's archives focusing on its historical purposes was established. It was staffed by two freshly-recruited archivists and headed by the Director of the Bank, Pierre de Longuemar, after his return from the UK where he had been in charge of the London branch.

It is not surprising that Pierre de Longuemar became associated with the historical archives. He had spent most of his career at Paribas in international finance activities, apart from a few years in Washington at the World Bank, feeling a keen interest for European history. While posted in London, he had witnessed the developments of the historical archival departments in British merchant and clearing banks, and was convinced of the importance of the task at stake.

His conviction was then shared by top management, especially as it coincided with a general awareness within the European banking community, that resulted in the creation of the European Association for Banking History e.V. (1990), in order to promote a dialogue between banks and the public.

The Historical Archives Department's first aim was to publish a book on the international history of Paribas, a task which was completed in 1992. This venture had been largely supported by the top management, and therefore the team was reinforced with two extra members.

However, in 1995 the bank experienced a particularly difficult year, when restrictions on operational expenses were applied across the board which affected the historical archives whose staff was then reduced. With the merger of Paribas and BNP, the necessity of further organisational issues became evident. An important change occurred when the banking community was faced with research about bank accounts belonging to the Jewish community during the Second World War. The completion of this specific task required the creation of a complete team within BNP (now BNP Paribas). A professional archivist was recruited in 2000 in order to reorganise the archives.

- **Oral history and the Association pour l'Histoire de Paribas**

In order to attract attention to the activity and ensure its survival regardless of organisational issues and cost-cutting exercises, an Association for the History of Paribas was created in 1994 - an initiative that came mainly from Pierre de Longuemar - which, amongst others, helped its progression by enrolling volunteers from among the retired staff. Alongside the collection of documents and a well-equipped library, the Association launched a programme of oral history.

A number of oral testimonies was collected as early as 1991 for the preparation of the book on the bank's history (see over). It then appeared that the written material available for the post-war period did

not necessarily accurately express past facts. Since certain older people were still alive, in some cases retired and more willing to express their opinions, it was felt that oral testimonies could be a rewarding source of information. In wake of this endeavour more than 60 oral records were created, which is an important collection. A new wave of interviews is currently under way, specifically aimed at identifying in greater detail the activities of the financial market during the last decades surrounding London's "Big Bang".

Thanks to the determination and resilience of individuals and records management, historical archives survived a variety of ups and downs, and ultimately became an essential section of the Bank.

## **2) Marketing, communication and historical archives**

Company history is a management tool for internal and external communication as well as a commercial tool for marketing. It is an indirect source of income for the bank. However, the interest in the subject has mostly come from the academicians (see Point 3). This public interest was duplicated to some extent internally as well, as the top management, or heads of operational departments, have a growing awareness of the advantages of being drawn into history for different kinds of purposes:

- **Strategic planning**

History never repeats itself, but there are lessons to be drawn from it. Therefore, at the top management level, the knowledge of the company's history can help in the process of strategic planning, while learning from past experiences. In the special case of the BNP Paribas, not only the written sources can be a great help in this special field, but also the numerous oral testimonies collected by the Association pour l'Histoire de Paribas.



- **Internal communication**

Historical references can be useful in creating a sense of identity and solidarity among staff, through a shared feeling of pride in the achievements of the past and those projected for the future. This common allegiance has been passed for generations by word of mouth, when the world was moving at a slower pace, and when structures enjoyed a certain degree of permanence.

Rapid evolution of the professional and financial markets carried out in a new (global) manner implies greater instability within the staff, which is less and less homogeneous in terms of national and educational background. The worldwide rationalisation processes, involving a series of bank mergers, make it even more essential to create a sense of "belonging together" among staff members who are expected to carry on "business as usual" in a new corporate environment. Such an undertaking needs to be initiated from the management. This topic was discussed at length during the EABH annual meeting in Madrid in 1997 and in Frankfurt in 2000. Internal communication has become the key to all management levels. The basis of team spirit is mutual respect, inspired by a good knowledge of the other parties' background.

In the case of the BNP Paribas, the first attempt started soon after the merger of the BNP and Paribas, and that was by devoting one of the monthly lectures organised by the Communication Department to the history of Paribas. In the future, such lectures could inspire regular presentations in the training centre of the bank, as well as the publication of a general information brochure on the Group for the benefit of newcomers as well as for the rest of the staff. Publications of articles about the Group's historical background in in-house magazines have also proved helpful.

- **Marketing and external communication**

(This point concerns communication with the financial world, the corporate world and the general public. External communication directed at academicians is dealt with in Point 3).

Operational departments can find valuable resources for the development of their presentations in the Historical Archives of the company - inasmuch as the department keeps records about the company's relations with a number of corporates and in a number of countries, as well as its financing of several key industries. For example, from the very beginnings, a number of standard information files have been put together on different topics of interest at the Paribas' Historical Archive in order to respond to the minimum delays of the operational departments' requests.

Conferences, seminars or exhibitions related to corporate history are also a powerful motif in the PR policy. In the case of the BNP Paribas, the use of historical archives as a resource for public relations has raised a more immediate interest among the bank's top management, at least on specific occasions:

- Most French banks publish historical books to commemorate an anniversary or a special event in the company's history. On the occasion of the Paribas' 120th Anniversary, "Paribas, Europe and the World 1872-1992" was published in 1992, the same year when the Single European Act was passed.
- In December 2000, shortly after the merger of Paribas and BNP, a new book entitled "Banquiers d'avenir" was published to demonstrate how the past of each of the two partners predisposed them to operate as a single unit in the future.
- The Group sponsored the third symposium on economic history in France and the UK which was held in London in April 2001.

- At the inauguration of the BNP Paribas subsidiary in Russia, which took place in September 2002 in Moscow, Philippe Blavier, co-director of the Investment Banking Department, presented the activities of Paribas and BNP in Russia related to the early years of Paribas there since the 1880s, and of the Comptoir d'Escompte, predecessor of BNP, both of which participated in financing the industrialisation of the Imperial Russia.

An Internet site detailing available material, similar to the State archives' web sites, would also be invaluable.

### 3) Collaboration with historians

A well-known name such as the BNP-Paribas Group can attract vivid interest from historians. The bank's task is to make historical material available to support academic purposes such as research, extending its professional network among historians and archivists.

At the beginning of the 20<sup>th</sup> century, while a new historical approach was leading to the emergence of a new discipline - business history - it was already evident to the historians that the history of Paribas was intimately linked with the European financial and economic history. A number of books were published, starting as early as 1908, which were based predominantly on public records (Ministry of Finance and Foreign Office). At that time, private banks did not have any historical archival structure and records were considered highly confidential.

The publication of a book was the first communication ascribed to the Historical Archives department soon after its creation. A team led by the French historian Eric Bussiere wrote the book with the assistance of the Bank's archivists. Since then close cooperation with the historical community has existed.

Within the EABH, Paribas sponsored the first ever European symposium on financial history in

1991. Furthermore, the archivists and the Association pour l'Histoire de Paribas have had many opportunities over the following years to participate in seminars on a variety of themes at the request of historians. The Association also played an important role in promoting external communication with the academic community:

- In France, the Association pour l'Histoire de Paribas has had strong links with the Comité pour l'Histoire Economique et Financiere de la France (CHEFF), a public body supervised by the Ministry of Finance. At this Committee's initiative, a guide to all historical bodies involved in company history in France since 1999 was published. The Association also cooperates with the French Archivists' Association and the dedicated committee created by the French Banking Association "Archive and History", where bank historians and archivists meet, exchange views, and promote events or programmes of common interest within banking industry.
- The Association pour l'Histoire de Paribas, in close cooperation with the Historical Archive of BNP Paribas, hosts - on a regular basis - business historians, researchers and students, and assists them in their research. The Association has also put together a library of some 2000 volumes essentially devoted to the history of banking, finance and industry as well as monographs on individual corporations. This modern library is accessible to researchers.
- Regular contributions to specialised reviews such as the "Financial History Review" or "Entreprise et Histoire", "Perspectives" and "Nouvelles des Archives" have provided the opportunity to maintain good relationships with academicians as well.

The Association has further plans for communication with historians such as financing of historical research projects (possible subjects including the financing of railways, commodities, the presence

of the BNP-Paribas in the Anglo-American finance, etc.). These projects can be carried out due to close cooperation between the bank's Historical Archives and the Association and with strong links to the academic world.

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Inaugurating historical archives inside an organisation is a long, strenuous process, requiring dedication, perseverance and initiative. Its purpose is the advancement of scientific research which is an activity which does not bring immediate profit, though it is an important tool for the development of the company's aims such as the strengthening of corporate identity, the relationship with business partners and the public in general, and better acceptance in the academic world. For these reasons, it is important to promote such an enterprise, and this enriching experience will be successful if undertaken by a motivated team with explicit commitment from the top management and in close cooperation with academicians.

*Nelly Hopper-Verspiere*

*Association pour l'Histoire de Paribas*



### Center for Business History in Stockholm

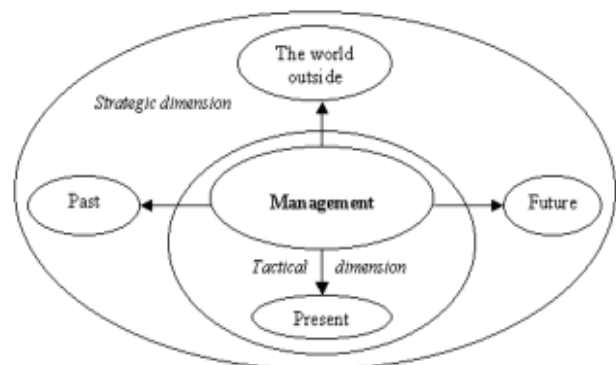
#### The Power of Stories or How to Turn History into an Asset

*Stories are the best carriers of values and experiences and most corporate historical archives are brimming with them. And they are true stories, collected and checked by professionals. In matters of branding and corporate culture this makes historical archives a good investment, argues Pontus Staunstrup of the Center for Business History in Stockholm. It is only a question of proving this to top management.*

"What's the point of having historical archives?" A lot of banking archives are facing that question today. The global banking community has gone through a series of mergers and cost-cutting exercises in the last decade. In times of change what has previously been taken for granted suddenly becomes the target for tough evaluations.

Well, what is the point? Many archivists and historians seem to feel that the question should not be asked at all, that the value of the historical archives is self-evident. But to most people in today's banks it is not. Especially to those in managerial positions, history is something vague and unfamiliar that they do not really know how to relate to. The reason for this is very simple; they are forced to

spend a lot of time focusing on tactical now and strategic tomorrow, yet lack enough time for continuously linking this to a strategic use of yesterday. The dimensional problem of leadership can be illustrated in this way:



Management is forced to spend too much time in the tactical dimension for another reason as well. Many companies have adopted a narrow shareholder value model instead of a broader stakeholder model. This means that the focus is on the next quarterly report and how the market will react to it instead of long-term visions. The past falls outside the scope of managers and that is why they question the value of history. And if it has no value, why keep the archives?

It is up to the archivists and historians to explain the value of having the historical archives. And it has to be done in a language that management understands. In my experience this means a language other than the one normally used in the academic community, a more business-oriented language. This is the basis for all successful communication, using a language that the recipient understands.

There is one key phrase that management lives with on an everyday basis and that is Return on Investment. It is a very simple concept; if I invest money in something I want a return on my investment. This holds true for the historical archives just as much as every other department within a company.

But how do historical archives become a good investment? And how can you prove to management that it is a good investment?

The answer to the first question is that the archivists have to find ways to make history an asset to the company. The best way of doing this is to reach out to departments like Communications, Brand, Human Resources, etc., and find out what they are doing. Perhaps there is a need there that the historical archives can satisfy. Or perhaps the archivists can suggest something from the records etc., that will add to a campaign or an educational program. Sometimes the first task is simply to point out that historical archives exist.

It might be difficult to measure and express in Krona, Francs or Marks whether the archives are a good investment, but that does not mean that its value cannot be proven. One very effective way of doing that is measuring customer satisfaction, i.e. how satisfied the in-house users are with archives. Doing that, and also collecting statements from satisfied colleagues, is a very tangible way of proving value. And once the archives have established as an asset to other departments, they will become its chief advocates and ambassadors.

This is because there is a real need for history in most companies today. There are two main reasons for this. Firstly, as branding becomes increasingly more important as a factor in differentiating between companies, history can play an important role in defining a brand. Secondly, there is a need to strengthen corporate culture as the workplace changes and employees start to move around more. In this aspect history can play a vital part in shaping and defining values and the culture itself.

Stories are the best carriers of values and experiences, and most historical archives offer a plethora of great stories that can be used for this. As companies try to define themselves both externally and internally, they will increasingly look to their past and present to find the stories that help shape and transmit what they are about. This situation creates a golden opportunity for historical archives to prove their value and show return on investment.

Another important factor is that the stories provided by the archives are true! They have been collected and checked by professionals. In these days of inflated brands and perceptions that all stories are of equal value, that fact is of great value. A great service the historical archives of a company can provide is the ability to deflate false stories and verify the true ones.

I would like to finish by telling a story. Last year I was working with Nordea, the Nordic banking conglomerate. Some of you may remember a paper I presented at the EABH conference in Stockholm last year on this subject. While I was interviewing representatives of Nordea's senior management I came across a story that proves my point of the importance of vision and values.

The creation of Nordea began in 1997 with the merger of Merita Bank of Finland and Nordbanken of Sweden. During the preparations for the press conference to present the merger, senior executives struggled with the statement why the two banks had decided to merge. As was and is customary, the emphasis was placed on cost-cutting and synergies, all in accordance with the creed of shareholder value.

But the presentation was not working, the executives did not feel that they were communicating the reasons for the merger very well. Late one night just a couple of days before the press conference they finally realised why. Cost-cutting and synergies were not really the fundamental reason for merging. Both banks had gone through a period of reconstruction and had done a lot of cost-cutting. It was the vision of a Nordic bank that had brought them together and somehow that point had got lost in the process. Once they rediscovered why they had begun negotiations in the first place everything fell in place. And then they could take the process one step further, including an open invitation to other Nordic banks to join them. Eventually this led to the creation of Nordea as they were joined by a Danish and a Norwegian bank.

Of course, cutting costs and taking advantage of synergies are of vital importance, but they do not work very well as inspiration for the employees who have to live through a merger or reorganization. And often those are not the reasons why executives sit down to discuss the merger in the first place. There has to be a vision of something greater and in order to get the employees to embrace the merger that vision has to be communi-

cated. Telling stories about the merger process, about what you believe in and how those values connect with the past is the most effective way of motivating people.

The moral of this particular story is that once you reach your goal you should remember what made you want to go there in the first place. And the moral of this article is that historical archives can provide a map of the visions and values that created and developed companies. There is a growing demand for maps like that.

***Pontus Staunstrup***

***Head of Communications***

## The Bank History Archives of the Oesterreichische Nationalbank

*1<sup>st</sup> April, 1999, marked the official start of the Bank History Archives (BHA) project, which was initiated and implemented by the Economic Analysis and Research Section. The project's aim was to put the archival material of the Oesterreichische Nationalbank (OeNB), as defined by the provisions of the 1999 Federal Law of Archives (which was then still a draft) at the public's disposal. This concerns archival material pursuant to paragraph 25 of the Austrian Historical Monuments Protection Act, such as documents and records, plans, photos and electronic recordings. So-called "accountable assets," e.g. coins, notes, stocks and similar items, are not part of the archives, since they are kept and maintained by the Numismatic Collection of the Oesterreichische Nationalbank.*

It was necessary to take the following measures in particular during the planning stages of the OeNB Bank History Archives:



*Palais Ferstel, former location of the bank and stock exchange, Herrengasse, Vienna (Copyright OeNB)*

- Registration of archival material available at the organizational units of the OeNB, followed by an estimation of the quantity;
- Preparation of a filing and storage concept based on organizational, spatial and technical requirements for the estimated storage volume;
- Selection of software for setting up an electronic archiving database;
- Modification of the internal record retention time limits for documents and records in the organizational units of the OeNB in view of the new material which the BHA continuously receives;
- Preparation of Regulations for Use in cooperation with the Legal Division of the OeNB for archival material, detailing the criteria for the use of archival material, the rights and obligations of external users, and the use of information gained from examining the material in line with the stipulations of the Federal Law of Archives;
- Identification of archival material which has to be restored or sterilized (mold removal), and how, to guarantee that the OeNB archival material is in good condition and is suitable for use.

After the project had been completed, the BHA was assigned to the Documentation Management and Communications Services Section. This section

is subordinate to the Organization and Internal Services Section, which, in turn, is subordinate to the Investment Policy and Internal Services Department.

While the organizational and technical establishment of the BHA has in effect been completed, it will still take several years to fully record, classify, assess and make accessible archival material acquired so far (apart from the material that is continually added). However, the use of the BHA by external visitors has been possible since the project phase.

Since mid-1998, the historians Walter Antonowicz and Bernhard Mussak have been entrusted with setting up the BHA and carrying out the day-to-day archival work.

Archival material is usually recorded, classified and registered in accordance with the principle of origin, i.e. in the order in which it was originally submitted by the organizational unit.

In the interest of the users, this organizing principle had to be slightly modified for some material that had not been recorded in the registry. These documents continue to be physically assigned to the unit that submitted them after they had been acquired and are kept in the archives. However, the user will find them under the heading "Miscellaneous historical documents and records" classified by subject.

This recorded and classified archival material is entered into an electronic database, with the structure of the entries and the search functions guaranteeing easy retrieval and availability. Microsoft Access is the chosen database software, since it is highly flexible from a technological point of view. The choice of this software will make it easier to subsequently harmonize the database with electronic systems in use at the OeNB, e.g. in the Accounting Section or the registry.

The database of the BHA is divided into three levels. The top level covering the whole structure is the "inventory overview" level; it provides the fol-

lowing information together with individual explanatory texts:

- the kinds of archival material (records, protocols, balance sheets, etc.);
- the quality and structure of archival material;
- the author of the respective document;
- the time period (from-to) the archival material stems from.

One level below the first is the "storage cardboard box and volume catalog", which allows for a more detailed subdivision of material. This catalog also links the inventory overview and the lowest level, i.e. the "detailed descriptions".



"Highest Finance Patent", June 1, 1816 (Copyright OeNB)

The third level is intended for making entries and assigning subjects for each record along with a detailed search function, enabling users to target research very accurately. However, in view of the huge amount of material to be archived, this kind of data entry is extremely costly and time-consuming. To record the OeNB archive material at the two upper levels within a foreseeable period of time, the archivists have decided to limit the recording at the third level to particularly significant documents.

The archival material acquired by the BHA is, of course, treated in a way that guarantees that it can be used for as long as possible. One prerequisite for this - besides the preservation and restoration of archival material that is damaged or at risk - is that the archival material is stored properly. To this end, two subterranean, air-conditioned storage rooms are used. The standard values for air temperature are 18°C to 20°C and for humidity 45% to 50%; special care is taken to keep the climate values consistent for the long term.

We are proud to say that the archival material of the Bank History Archives can be dated back to the year the Austrian central bank was founded nearly two centuries ago.

After many decades of experimenting with the printing of paper money in the Hapsburg Empire, Emperor Francis I established the central bank of Austria ("privilegierte oesterreichische Nationalbank") following the initiative of Count Johann Philipp Graf von Stadion, then Austrian Minister of Finance. The foundation documents are the "Highest Finance Patent" ("Allerhöchstes Finanzpatent") as well as the "Bank Patent", both dated June 1, 1816.

The further development of the Austrian central bank can be divided into the following eras:

- "privilegierte oesterreichische Nationalbank" 1816-1878;
- The "Oesterreichisch-ungarische Bank" 1878-1922 reflecting the dualistic system of compensation of 1867 between Austria and Hungary, the two parts of the Empire;
- The Oesterreichische Nationalbank (OeNB) 1923-1938, which was founded as the central bank of the Republic of Austria following the collapse of the Hapsburg Empire;
- The liquidation of the OeNB from 1938 to 1945 as a result of the assumptions of its functions by the "Deutsche Reichsbank";
- The reinstatement of the OeNB in 1945. Since 1999 the OeNB has been part of the European System of Central Banks.

The BHA does not limit its archives to monetary and economic material. It also contains legal, social and cultural material linked to the history of the central bank, such as the development of the labor and pension law for the civil servants and employees of the OeNB, or material on the design and construction (architects, artists) of various bank buildings.

The archives of the BHA are organized into eight main collections (archive initials I through VIII). Collection I "Historical documents and records of the decision-making bodies" and II "Records of the bank's administrative bodies" constitute the actual



*Art Nouveau commemorative publication on the occasion of the 30th anniversary of Friedrich Schmid, deputy secretary-general, in 1908 (Copyright OeNB)*



core material of the BHA. Under the archive initial IV "Documents and records of operative business", the visitor will primarily find accounting and balance-sheet documents of the OeNB, which comprise bank general ledgers, balance sheets and weekly financial statements in particular. Unfortunately, the collection headed under III "Deutsche Reichsbank" contains only a few documents of the headquarters of the Reichsbank in Vienna as well as all of the branch offices of the bank on (formerly) Austrian territory. In addition, there are the collections V "Regulations collection" (collection of patents, decrees, articles of incorporation, bylaws, service regulations, etc. concerning the OeNB) and VI "Miscellaneous historical documents and records." Lastly, there are the collections VII "Image archives" and VIII "Plans and maps."

The completeness and quantity of the archival material preserved in its original form varies depending on the type of record. For instance, the minutes of meetings of the General Meeting (or the Banking Committee), the General Council, the various offices and committees as well as the Governing Board have been almost completely preserved.

Relatively few banking records of the early years have been preserved in their original form. However, the availability of later records increases proportionately with their proximity to the present. From the time of the First World War until the liquidation of the Austro-Hungarian Bank at the end of 1922, the relevant original records have been almost completely preserved, while the banking records of the Oesterreichische Nationalbank during the First Republic from 1923 until the beginning of 1938 have mostly been destroyed. Fortunately, they had been copied on microfilm before they were destroyed, making them available to the user in that form, which also applies to archival material produced after 1945.

The archival material of collection VI "Miscellaneous historical documents and records" that has been preserved is mostly only available in paper form (as originals or copies). Hardly any microfilms have been made.

External users may generally access BHA archival material that is older than 30 years. The rules and regulations for using the archives are laid down in the "Regulations for Use of the Bank History Archives of the Oesterreichische Nationalbank" mentioned earlier.

In conclusion, we invite you to visit our new BHA website at [www.bankhistorisches-archiv.at](http://www.bankhistorisches-archiv.at) to obtain further information on the history of the Oesterreichische Nationalbank as well as the Bank History Archives and its material.

**Walter Antonowicz,  
Bernhard Mussak**

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First sheet of a list of shareholders from the foundation of the bank up to July 31st 1816

## The Founding and Development of the First Stock Commercial Bank in Lithuania 1873-1915

*The first stock commercial bank in Lithuania, the Vilnius Private Commercial Bank (VPCB) was established 130 years ago. As there are no VPBC archives in Lithuania, the history of VPCB (1873-1915) has to be reconstructed from the annual reports of the bank published in separate editions, in the newspaper "Vilenskij vestnik", or from other sources. However, we are confident that the stored database is sufficient and reliable for highlighting the main tendencies of the bank's activity.*

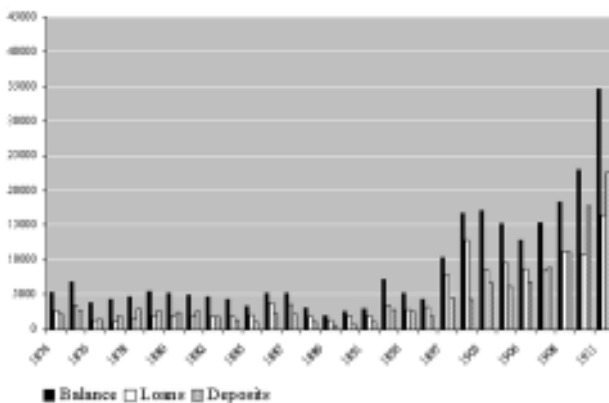
### The circumstances surrounding the bank's foundation

The origin of banks in Lithuania, which was incorporated into the Russian Empire in 1795, was conditioned by the processes in the Russian Empire. The first private banks in Russia developed considerably later than those in Western Europe. Russia is distinguished for the longevity of the state banking monopoly. The state banks were made to support the landlords, who were the economic basis of tsarism.

Russian scientists determined the following reasons for the lag of their country's banking: 1) Russian industry and trade were so primitive, that there was no basis for establishing commercial banks; the trade went for cash, an appeal for a loan was considered shameful [13, p.54], 2) the exclusive centralization of authority and various re-

straints of private initiative [5, p.151; 6, p.9], 3) a huge capital deficit and absence of civil society [11, p.1]. Besides, the above-mentioned process was hindered by Russia's leading position in the world in terms of inflation and the archaic notion of authority and society.

In Lithuania additional specific circumstances hindered the accumulation of credit resources and the emergence of banks. Liberation uprisings and their severe suppression in the years of 1830-1831, 1863-1864 played their role. The country's economic power-base was undercut and no less than 2/3 of manor land-ownership were concentrated in the Russian hands. Thus, 113.9 thousands of tithe land allotments were forfeited, all the squires of "Polish origin" (i.e. Catholics) were taxed with the 10 per cent contribution. Its size was surpassing the economic forces of landowners and was destroying their farms [1, p.208]. In 1865 it was forbidden for the above-mentioned category of individuals to buy, give as gift, bequeath in the testament, mortgage or rent land for a long time. The set dues for the peasants were 46 per cent higher than average in the Russian Empire. In the case of indigenous farmers, the state Peasant Land's Bank and Noblemen's Bank ran the discriminatory credit policy. Local industrialists were discriminated against in a similar fashion. At the beginning of the 9th decade of the 19th century the industrialists of a Lithuanian gubernia (a main administrative territorial unit) paid the higher profit tax (7.1-9 per cent), while the Moscow and St. Petersburg industrialists paid 5.6-5.7 per



*The dynamics of main indexes of VPCB in 1874-1914, in thousands of rubles.*

Sources: [7, 8]

cent [4, p.113]. All that hindered the merchant agriculture expansion and the accumulation of capital.

The abolishment of serfdom and especially the building of railroads were the most important events in the Empire, which meant a huge step towards the establishment of share banks and commercial banks. The founding of VPCB was in 1873 [2, p.31; 3, p.12]. One of the motives for the founding of the bank was the realisation of the Lithuanian large landowners after the quenched uprising in 1863-1864, that although the hope for an armed liberalization from the Russian Empire was gone, they should still resist it in the economic arena. This started related organizational and economic initiatives [3, p. 7].

The permission for establishing share banks took into consideration the founder's national and religious dependence and political reliability. The founders of the VPCB were major local landowners, famous St. Petersburg bankers and others.

The founding assembly of the bank was held on 12<sup>th</sup> March, 1873, and on 24<sup>th</sup> March the bank started its operation [3, p.12]. On 1<sup>st</sup> January, 1896, from among 35 commercial banks operating in the Russian Empire, VPCB was 25-29<sup>th</sup> [14] according to its date of foundation.

**The main legal parametres of the bank's operation**

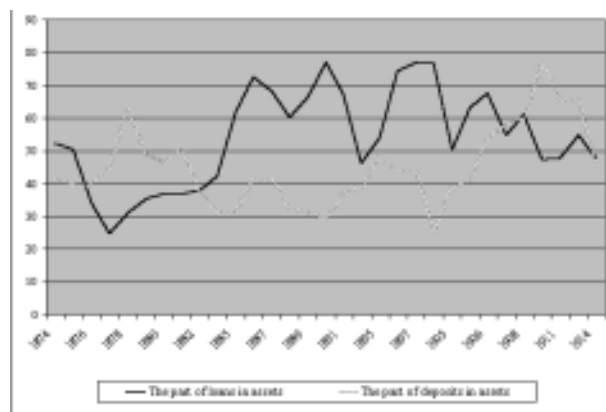
The status and the amount of the share capital of VPCB, defined in its statutes as a joint-stock company, was R 1.5 million [16, p.3, 5]. The bank could start its operation after having paid no less than 40 per cent of the capital. The balance needed to be paid within the period of 2 years. After a year it transpired that the liabilities of the founders exceeded their financial abilities, and that the minimum capital (R 0.5 million) required of the banks of provincial towns was set too high [9, p. 391]. The Minister of finance conceded to the prolonging of the period for the payment of capital fees for 1 year, and

agreed to lower the required amount to R 1 million [12, p.7]. Consequently, the number of shares declined from 6000 to 4000. This decrease of VPCB capital was not exceptional. The same occurred in 12 other banks between 1872 and 1882.

In 1872, the par value of shares (250 rubles) was determined by the law, which presented an insurmountable difficulty for small investors for various reasons. St. Petersburg bankers realised the majority of the initial shares emission, because of: 1) the lack of capital in Lithuania, 2) as local merchants were gaining large profits from trade they were not interested in investing in banks.

At the end of 9th decade, when VPCB came to the brink of bankruptcy and rebounded, the composition of shareholders changed dramatically. Then the individuals who were unrelated to the country and interested only in the dividends disposed of their shares. Local old and new shareholders bought these shares from them. The shares were concentrated in the hands of Lithuanian shareholders who had 59 votes, while the rest had 10 votes. That determined the change in the make-up of the bank's council and board.

The statutes protected the larger shareholders, because only 25 shares gave the right to vote. The shareholders of 50 shares had two votes, of 100 shares - 3, of 500 shares - 4, and of 1000 and more shares - 5 votes.



The proportion of the VPCB loans and deposits in the assets in 1874-1914, in percentages. Sources: [7, 8]

The bank received the approval for the start of its operation and some of the conditions were clearly regulated in the statutes. The bank could discount the domestic and foreign commercial bills of exchange, if their terms of payment were not longer than 9 months. For the same period, it was permitted to grant loans for various mortgaged government and private securities (up to 90 per cent of their exchange rate), various documents of goods (up to 2/3 of their price), noble metals and soon also for nonperishable goods (up to 2/3 of their price). The goods had to be insured at 110 per cent of their value [16, p.6-7]. Around 1899 the bank was permitted to mortgage and to mortgage repeatedly its and its client's debt securities, to grant loans according to promissory notes, insured by the mortgaged manors [17, p.9]. In addition, the statutes clearly regulated the intermediation and commission operations. The holders of term deposits were not issued deposit passbooks, but tickets (in 100

rubles), which were transferable to other people, and mortgaged in the banks.

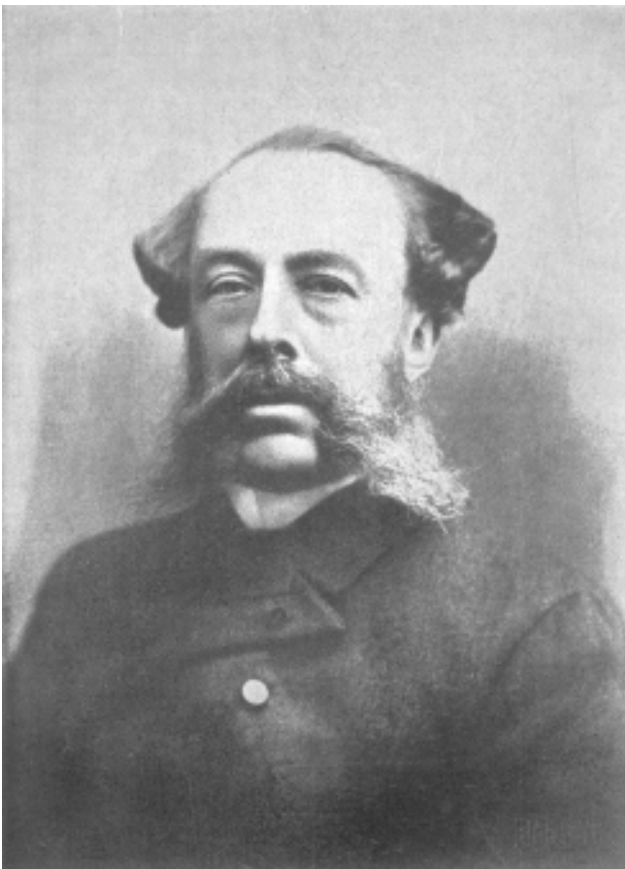
All bank liabilities could not exceed 10 times the value of its fixed capital [16, p. 12]. This was later lowered to 5 times the value of the fixed capital. The profit had to be distributed in this way: no less than 10 per cent to transfer to reserve capital, the dividends were paid from the balance (up to 8 per cent). If any profit remained after that, 90 per cent of it could be used for additional dividends and 10 per cent for the grants of the bank's officers. The reserve capital had to be accumulated until it reached 1/3 of the share capital. It had to be held as government securities [16, p.23-24].

In 1912 additional regulations were legislated, i.e.: 1) the money reserve in the bank's safe and in the Russian State Bank's account should make no less than 10 per cent of the amount of liabilities; 2) it was permitted to lend an amount not exceeding 10 per cent of share capital for one customer [15, p.262].

### An outline of development

Through the whole second part of the 19<sup>th</sup> century the development of the bank was unsettled and uneven. Only at the close of the 19<sup>th</sup> century and particularly in the first and second decades of the 20<sup>th</sup> century, the changes in the VPCB operation started to coincide to some extent with the cycles of Russia's economic development. The bank chose the traders lending and their commission's service was luckily expanding the correspondent relations.

The first years of work (1873-1875) were hopeful, because the balance sum grew and reached R 5.9 million (this particular record amount was exceeded only in 1892), the portfolio of business loans R 3.5 million, R 2.7 million of deposits were taken, 15 rubles for a dividend's share were paid out. However, 1876 saw economical difficulties, and the decay in grain and wood trade reflected on the bank. The Empire's banks were shaken by the first bank-



*Earl Adam Plater, Council chairman, 1873-1884*

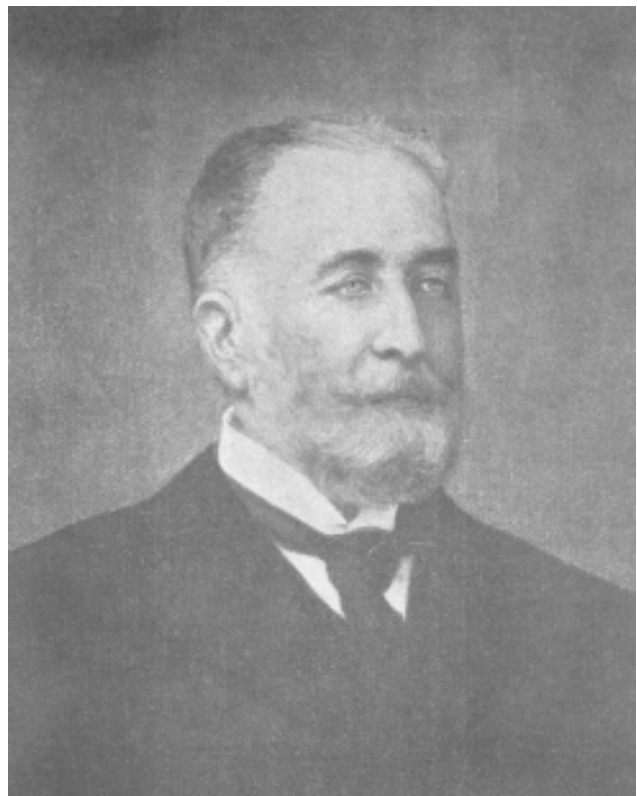
ruptcy of one of the Moscow banks, which created huge reverberations in Lithuania too. It reached Lithuania in 1876 during which VPCB lost as much as 55 per cent of deposit [8]. Of course, their drop was influenced by the economic decline occasioned by the Russian-Turkish War. In 1875 Lithuanian gubernian industry's trade declined by almost 12 per cent [4, p.162]. Because of the unfavourable economic conjuncture the lumber industrialists and merchants and the sellers of grain incurred losses, their funds in current accounts declined, they could not redeem the bills of exchange in time. That reflected on VPCB, and it was forced to write off a loss of 48 thousand rubles through protested bills of exchange [8, p.4]. In 1877 the bank successfully used the rate's fall of foreign bills of exchange: after having bought large amounts of them from its banking correspondents Rothschilds (London) and Mendelssohn (Berlin), VPCB sold them at a profit [3, p.15]. Consequently, it earned a record high profit (R 246 thousand or 24.6 per cent from shareholders equity), which enabled it to pay high dividends: R 45 for a share or 18 per cent from its denomination [8]. Such results were never again to be achieved.

Many Russian scientists came to the conclusion that in the 8<sup>th</sup> decade the Russian Empire's banks were passive and inert, because they expanded their operations very weakly, mostly using the resources from the Russian State Bank to grant mortgaged securities. It is likely that because of that and because of the 1877-1878 war and the losses in the aftermath of the global agricultural crisis, eight commercial banks went bankrupt in the Russian Empire in 1876-1880. Though VPCB did not avoid adverse consequences, it was not seriously shaken and annually earned approximately R 130.1 thousand of profit paid R 25 a share dividend [8]. The bank's stability was guaranteed by borrowing small amounts and by cautious engagement in the security operations.

From 1882 the bank entered a long-term decline, which almost ended in bankruptcy. The decline could have been caused by the global agri-

cultural crisis which started at the beginning of the 9th decade. As the industry of Lithuania was related to agriculture by 90-95 per cent, the troubles of the latter were passed on to the industry and trade sectors. This claim is proved by the reduction of industry production at almost 17 per cent in the period 1884-1885 [4, p.162]. Judging from the facts of fecundity and export of cereal, agriculture recovered from these enormous troubles in 1880-1885. This explains the reduction of deposits in the bank (1882-1885) of R 1.5 million or the reduction by 2.5 times, and the not so high (35.5 per cent) reduction of loan portfolio [8].

VPCB was able to protect itself from the rush of depositors by borrowing from the Russian State Bank. In comparison with 1881, in 1883 VPCB's debt for rediscounted bills of exchange grew nearly 2 times and equalled R 0.83 million [8]. As soon as 1880, critically reduced profit (42.5 per cent) continued to decline. In spite of such a dangerous situation, high dividends were paid annually (R 15). It



*Earl Nikolai Zubov, Board chairman, 1873-1898*

is hard to say whether such policy of dividend payment was dictated by the wish to keep the share rates steady, or by the big appetite of the shareholders. In addition, no effort was put into the reduction of the bank's management expenses and bringing it to an appropriate level.

VPCB fared well among the Empire's banks. On the basis of the facts from the 31<sup>st</sup> January, 1886, among 15 working banks, which had a paid-in capital up to R 1 million, VPCB was ranked 5th and the turnover it made on the discount of the bills of exchange was lower than only three other banks. It was more difficult for it to accumulate deposit, because in this instant it was higher in five banks. The lack of deposits was compensated by intensive borrowing from the Russian State Bank.

However, the results of financial activities started to fall suddenly from 1886 and the bank's operation suffered. The incurred losses were not shown in the balance. Due to unpaid dividends, the



*Karol Salmonovicz, Board chairman of VPCB, 1900-1915*

rate of shares fell from R 250 to R 110. Unfortunately, available data does not allow us to see in detail the reasons for this. According to L. Kuczewski, the bank's difficulties were related to the economic crisis and crop failure of 1884-1887 [3, p.17]. Only in 1888-1889 the bank lost 71 per cent of deposits and the money held in current accounts, the losses grew up to a huge amount of R 560 thousand, so the bigger part of capital was "guzzled". A dilemma arose: to adhere to the statutes and liquidate the bank, or to supplement the capital by deposits of shareholders? On 28<sup>th</sup> August, 1890, the repeated meeting of shareholders decided to require tendering R 140 for each share from the shareholders in order to make restitution [7]. Local shareholders started to salvage the bank. Other means to revive the bank were inaugurated: salaries were cut twice, interest paid on current accounts and deposits was reduced, the portfolio of private securities was reduced by half. At the close of 1890, the bank started to slowly revive: R 110 thousand of deposits returned to it upgraded the loan offering by 46 per cent. The bank made a fast recovery in 1892. For the first time after a long period dividends were paid (R 14 or 5.6 %) during this year.

The slow rise of Lithuanian industry started in 1894-1895 and lasted until 1899-1900, which elevated VPCB to record heights. The rise of main indicators was determined by the growth of the bank's capital to up to R 2 million.

The Russian-Japanese War (1904-1905) and the revolution of 1905-1907 slowed down the development of the bank. The turnover was reduced by 10% in 1904-1906. Due to revolutionary agitations, the trust in banks dipped, which precipitated the harassment of some of them and panic withdrawal of deposits. In 1904 VPCB lost R 429 thousand or 6.44% [8]. The bank was ready for this turn of events to some degree and it was able to pay off some panicked depositors. Through this stormy period, the bank incurred a loss of R 84 thousand. Still there was enough profit to pay small dividends (1906 - 3.4 rubles). Generally, in the first decade of the 20th century the bank's management followed

the principle of paying the set minimal dividends. In 1913, the bank succeeded to raise the capital up to R 3 million for the second time. In 1907 the bank's operations normalized and even the capital taken abroad was returned.

The period of 1908-1913 was the "golden age" of VPCB according to the increase and rate of amounts of the main indexes and the solid development of the bank's operation. In this period the investments of VPCB were small (1913 01 01 - R 0.7 million or 0.02% of assets) [8]. Therefore, the bank was classified purely as a deposit bank. During this period, the bank was expanding the lending of industry. Thus, the interests of VPCB and the industry were interrelated.

In 1908-1913 the deposits grew from R 8.9 million up to R 33 million or approximately by R 5.5 million annually [8].

The increase of the VPCB's volume of work was determined by the rise of industry output of that time. This is the correlation which can be observed: the rise of profit heavily lagged behind the expansion of the flow of loans. As the flow of loans grew 3.3 times between 1908-1914, the achieved profit was 1.6 times bigger. It seems likely that such results were determined by the increased competition among the banks.

At various times VPCB had branches both in Lithuania and outside the Lithuanian gubernias. The establishment of the territorial offices outside Lithuania was related to the bank's (mainly commission's) service of very active lumber trade.

The development of the bank was stopped by the First World War. Panicked depositors rushed to reclaim their savings, the police had difficulty in quelling them, and the bank was not ready for such a critical moment. During the first 3 months of 1914 out of R 33 million of deposit R 20 million were paid off [3, p. 35-36]. To compensate for the results of this mass withdrawal of deposits the Russian State Bank made quite enough as it rediscounted the bills of exchange R 6.2 million [3, p.23].

The management of the bank demonstrated prudence and wisdom since the bank in 1914 ended with results which were not so bad (in comparison with 1912) and the balance declined only by R 0.5 million or 1.7%, the portfolio of loans 16%. In fact, the deposits shrank much more. In 1914 rather big profit was made (R 169.6 thousand), which allowed the bank to pay 5 per cent of dividends [8]. The short-term success of Russian army at the beginning of the war may have had a soothing effect on the bank's customers. Otherwise, it would be hard to explain the return of fair sums of deposits (about R 5 million) to the bank at the close of 1914.

When the German army occupied Lithuania on 19<sup>th</sup> August, 1915, by the command of the Russian army the bank with its branches was evacuated to the East. After the evacuation, the head office of the bank did not run active operations and the branches in new places were vegetating. In 1915, the turnover of VPCB reached only R 615 thousand [3, p.37].

While evaluating the history of VPCB we must say that the bank's mere existence was significant because it forced private and legal persons to use the bank's services, to entrust the savings to it, to earn income, and diminished dependence on moneylenders. The bank strongly financially supported the trade and industry enterprises, quickened their capital turnover, and alleviated the realization of their securities, so it consolidated the industrial expansion of the country.

VPCB held firm position in the country's credit sector. For example, in 1914 the bank loans for agriculture made a huge amount of R 85 million [8, p.3], or 50.7 per cent of short term loans of all credit institutions [4, p. 278]. No less important is the fact that the country's credit resources were used to strengthen the local economic potential, and the bank's profit was not taken away.

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## An Octopus in Symbiosis with Bulgarian Business

### Bulgarian Commercial Bank (1895 - 1947)

*The creation of both the Bulgarian Commercial Bank (BCB) and the 'Bulgaria' Insurance Company are among the most successful financial projects of the local Bulgarian capital. The BCB/'Bulgaria' IC financial group was created in the mid 1890s by merchants and private banking houses based in Rousse, one of the most dynamic Bulgarian business centres situated on the Danube river bank.*



By that time no local financial market existed. Only one state-owned bank (Bulgarian National Bank) and one foreign bank (Banque Ottomane) operated in the Bulgarian Principality. The Rousse project had the ambition to pour fresh air into the financial system by concentrating the national capital and directing it towards different entrepreneurships. Aiming to support Bulgarian business, the BCB also tried to become a channel through which foreign investment could enter the country and facilitate economic growth.

The Fin-du-siecle Depression, the low level of expertise, as well as the pseudo-banking practices (such as low-interest and non-guaranteed internal credit to large shareholders) resulted in two waves of bank runs (1898 and 1903) and the financial stability erosion of the BCB. Both attempts at attracting a foreign investor were unsuccessful (Credit Anverasis in 1901 and Banque d'Athens in 1910). The moth-eaten credit portfolio recovered with the support of the related 'Bulgaria' Insurance Company and thanks to certain painful but necessary reforms. The Board of Management which was drastically changed by 1905, the newly opened legal department, as well as the clear credit regulations and procedures have all contributed to the restoration of the BCB's predominant position in the financial sector. The new persons who entered the institution by mid 1900s introduced a more conservative banking philosophy, which served as an immunization measure against future quasi-market decisions.

By the time the BCB overcame its internal crisis (around 1908), the state of the Bulgarian finan-

cial market had radically changed. The former nearly virgin banking sector became a highly competitive one. By the mid 1900s the Austro-Hungarian and the French investment groups established their local affiliations in Bulgaria bringing know-how, higher banking standards and lower interest rates. The Commercial Bank adapted to the new situation by attracting additional financial resources (increasing its capital in 1910 and 1911 up to 5 mil. golden Franks); by developing an extended network of eight local offices and by the creation of a full basket of industrial affiliations. By the beginning of the First World War the BCB was already controlling a trading company, a brick-making factory, a paper plant and a textile mill. In addition, the Rousse based group was also related to a mortgage bank and to the biggest insurance company (the above mentioned 'Bulgaria'). Key BCB's shareholders held a predominant position in two tobacco producing companies, enterprises for leather producton, agricultural machines, wood-processing, in a cooking-oil refinery, a publishing house and in the second largest insurance company 'Balkan'. By 1914 the assets of those industrial affiliations totalled about 30 mil. golden Franks.

The Commercial Bank went through a decade (1913 - 1925) of both political and economical hardships. The two Balkan wars, the First World War, the post-war slump and hyper-inflation, as well as the hostile attitude of the Agrarian Party's government impeded the steady BCB's development after mid 1900s. The Rousse financial institution had to close down two of its branches (Silistra and Dede Agach) due to the loss of territories by Bulgaria and sus-

tained substantial losses by the moratorium on its assets in the enemy countries (USA, UK and France). During the most part of this period the Commercial Bank was in opposition with the government and its key figures played an active role in politics. BCB was the leading institution in the so-called 'Declausier Affair' when the Entente tried to coax Bulgaria in its military camp by buying up the whole grain crop in 1915. In the early 1920s the bank financially supported the political opposition to the Agrarians because of their semi-socialist economic program and their hostile approach to business. The BCB welcomed military cue changing the regime in 1923 and one of its main Board members became Foreign Minister (Atanas D. Burov 1925 - 1930). Actually, the BCB was constantly under suspicion for its political contacts. Founded by the leading members of the Popular Party, it never really cut the life cord tying it with politics. Though these links are difficult to trace, it is hardly conceivable that the BCB was nothing more than a political cash-box. Many of its Board members had their definite political sympathies but the bank itself always tried to remain politically neutral. Its active involvement in public life (the 'Declausier Affair' and the opposition to the Agrarians) was more an exception than a characteristic type of behaviour. In the Balkan world,

where business was married to politics, having political contacts was the key element of one's competitiveness. Most, if not all significant enterprises in Bulgaria had their political lobby and protection. The Commercial Bank could not afford to be different.

By mid 1920s the BCB managed to leave hardships behind by increasing its capital up to 70 mil. Lev, which made it the largest Bulgarian private financial institution. This recovery was facilitated by the unification with the Banque de Paris et des Pays Bas. In 1923 the French financial group bought 33% of the capital and consolidated the BCB's position in the market. The Commercial Bank at last succeeded in reaching one of its initial goals: to be a channel through which foreign investment could contribute to the economic growth of the country.

Through the years, the Commercial Bank extended its industrial 'empire' and spread its influence in virtually all important economic branches. By mid 1920s the BCB was connected with two insurance companies (the above mentioned 'Bulgaria' and 'Balkan'), two trading companies, a brick-making factory, a paper producing enterprise, two textile mills, a brewery, two canning factories, the biggest private coal mining company in Bulgaria,



*The main office of the "Bulgaria" Insurance Company,*

two tobacco exporting houses, a cooking-oil refinery, a construction company, two publishing houses (with three newspapers), a factory for agricultural machines and a flour mill. Through its key shareholders the bank was also related to numerous other important businesses in different branches of economy.

The Great Depression broke the upward development trends of the whole Bulgarian banking sector. Many financial institutions suffered enormous losses and soon found themselves incapable of paying out deposits drawing. Several key banks with long tradition in the country were forced to liquidate (Sofia Bank, Bulgarian Bank, etc.) or to consolidate with other financial institutions (Balkan Bank and General Bank). During the first days of the banking panic it looked as if the BCB would also sink to the bottom because of the Baklovs Bros Company bankruptcy. The merchant house was closely related to the BCB as it had one of its associates on the bank's Board. Thanks to the support of the Banque de Paris et des Pays Bas the Commercial Bank stabilized its position and regained the confidence of the public.

Having overcome immediate danger, the BCB had to adapt to the new downturn conjuncture. It managed to consolidate with five regional banks previously affiliated to it ('Arda' and Vidin, Radnevo, Nova Zagora and Elhovo Merchant Banks). Because of that, the Commercial Bank enlarged its network to up to 23 offices in 20 towns all around the country. A special information system was introduced enabling the Head Office to keep track of the everyday amount of credits, deposits, future expenses in Lev, foreign exchange, etc. The overall picture allowed the management to optimize the distribution of available resources. The extended network of local branches and affiliations was one among several reasons why the BCB became a key element in financing the German - Bulgarian trade. Since mid 1930s the Third Reich became the main commercial partner of Bulgaria concentrating nearly 2/3 of both our export and import. Despite its strong ties with France (during the First World War and

through Banque de Paris et des Pays Bas) the BCB successfully managed to compete with other financial institutions. The German capital related to the Credit Bank was not substantial enough to be the financial heart of these trade operations. Being present in only three Bulgarian towns, it was unable to direct Bulgarian - German commerce. Due to its extensive network of offices and some changes in the management (new persons from the German education were given high positions in the bank) the BCB managed to join in this very profitable business. The first contacts with the German companies date back to the late 1920s due to the affiliated firm 'Komerzium'. Importing agricultural equipment and different types of vehicles resulted in a breakthrough in the Reich's market.

Since its early years, the industrial affiliations played an important role for the Commercial Bank's strategy. Those business partnerships were mainly



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В. Червен, кмет

*"Bulgaria" Insurance Company  
First Board of Management*

in the financial sector (mortgage banks and insurance companies), trade (several export firms), food-processing industry (salt and furs import, grain export, cooking-oil refinery, brewery, flourmills), media business (newspapers, wood processing, paper producing), construction (brick producing, buildings construction) and textile. Since the late 1920s the BCB increased its presence or initialised it also in coal mining (buying out several coal mines and adding them to its 'Badashte' company), energy production (constructing two power plants), entertainment business (cinema) and machinery construction (two factories for agricultural equipment, two trading companies importing vehicles and other machines). Only few branches of Bulgarian economy remained outside the BCB's interests such as oil import, metallurgy, transportation and chemical industry.

By far the largest and the most influential in Bulgaria, the Commercial Bank comprises the whole history of the country's banking system. The benchmark study of the BCB can reveal all the deficits of the Bulgarian financial market. By digging deeper into its past, one can find a rich flavor of political lobbying, corruption or certain poor banking prac-

tices. Yet the long-lasting life of the BCB proves that those were its prevailing characteristics. Due to its professionalism, conservative credit policies, and fruitful cooperation with leading foreign banks, the Commercial Bank managed to overcome three economic crises (the Fin-du-siecle Slump, the Post-war hyper-inflation and the Great Depression) and bank runs (1898, 1903 and 1929). The extended network of local branches and affiliations, and the large number of dependent enterprises enabled the BCB to maintain intensive contacts with businesses throughout the country. They served as tentacles of an octopus making the bank sensible to the smallest changes in the economic network. From its very beginning the Commercial Bank was far from just a deposit safe or a cash point. On the contrary, it created a symbiosis with Bulgarian companies initiating or inspiring many of their business projects. Being hand-in-hand with the business made the BCB one of the most successful financial projects of the national Bulgarian capital.

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***Bulgarian Academy of Science***



*Bulgarian Commercial Bank - Head Office's Interior*

## The Economics of Financial Privacy:

### Evolution, Regulation and Economic Effects of Credit Reporting in the United States and Germany (1970 - 2000)



*The collection and distribution of sensitive personal information about borrowers is a vital function in consumer credit markets. Banks depend on creditworthiness information, as well as firms such as retailers and telecommunication providers who also increasingly make use of such data. Credit reporting constitutes an important part of the stability, breadth and depth of consumer credit markets in the economies of the Western hemisphere. Despite the importance of this informational activity, the institutions that actually account for it - credit registries - have received little attention in scholarly literature. The same is true of the regulation of such information flows that is the regime of financial privacy. Both aspects are therefore at the center of my Ph.D. project. As research fellow and lecturer at the John F. Kennedy Institute (Free University of Berlin), this field constitutes my primary research interest. The thesis entitled "The Economics of Financial Privacy: Evolution, Regulation and Economic Effects of Credit Reporting in the United States and Germany (1970 - 2000)," is supervised by Prof. Dr. Carl-Ludwig Holtfrerich (Free University of Berlin).*

The project constitutes one of the first works that systematically examines the economic effects of data protection in consumer credit markets in a comparative perspective (United States vs. Germany). Privacy regulation determines property rights in personal information as well as the information sets available to market participants. In credit transactions, privacy regulation determines the information asymmetries between borrower and creditor that influence the risk prediction capabilities of the latter. This bears major effects on the price mechanism, market structure and efficiency as well as banking competition.

The comparative perspective of the project ensures that two significantly different privacy regimes are presented and analysed. Germany applies comprehensive data protection acts directed at the public and private sector that introduce several rights for borrowers and impose many obligations upon credit registries. Moreover, Germany is a dual system with a public credit registry at the Central Bank and private ones, that compete in the information segment on households. The U.S., on the other hand, is a primarily market-oriented environment. Only specific acts are applied and its data

protection remains below that of Germany and many other European countries. The Ph.D. project quantifies data protection regimes via the Financial Privacy Index (FPI) to test their economic effects. The period between 1970 and 2000 is a time frame during which major changes occurred in the credit reporting industry due to the increasing adoption of information technology and increasing data protection regulation.

It is of special interest in this regard to apply econometric tools to estimate the effects which different data protection regimes bear upon credit market development. The latter will be instrumented by using variables such as access to credit, consumer indebtedness and consumer credit risk as well as overindebtedness. Again, we observe major differences between European and U.S. markets. The latter is generally broader, consumers are more indebted and credit risk is higher, whereas the former are thinner, borrowers are less indebted and credit risk seems to be lower. A major research question in this respect is, therefore, if we may find an optimal amount of information that should be shared in credit markets. In order to answer this question, a shift of focus is necessary. For the

project, the mechanisms of information allocation and its regulation as well as the microstructure in this information market is more important than actual contracting and banking activities.

Apart from the econometric analysis, the study also intends to summarize the history of the credit reporting industry - something that has been largely neglected in literature so far. In this respect I trace the early beginnings of the industry in the U.S. back to the 1860s, and also review the original establishment of registries in Germany and the rest of Europe. Of major interest is the evolution of industrial organization - credit registries compete in information markets and they do compete in several dimensions: coverage rates, information depth as well as prices and services. Since credit reports are information goods which have certain characteristics (such as non-rivalry), the study also intends to analyse positive and negative externalities that are observable in the market.

The theoretical background of the Ph.D. thesis draws primarily on information economics, which includes a review of models with information sharing among creditors and with information sharing via credit registries. However, insights from industrial economics are also included to account for the development in credit reporting competition. Moreover, new works on information as economic goods and competition in information markets will also be discussed. The Ph.D. thesis is intended to synthesize and extend these different theoretical fields.

The historical overview will make it possible to draw conclusions about the developments in this industry today. In Europe, money markets and bond markets are increasingly integrated, but the same development is not observable in consumer credit markets. Moreover, the credit reporting systems in Europe still differs from country to country and the transposition of the Data Protection Directive is a slow, cumbersome process that leads to unequal implementation in a number of countries. This Directive was intended to harmonise data protection in Europe, so that companies may freely exchange

personal information across borders. Since this exchange is still not taking place to a larger extent, the European Commission intends to include new regulations in the Consumer Credit Directive that is currently discussed. These aspects highlight the actual importance of credit reporting, since it bears implications for market integration as well as banking competition. The PhD thesis will therefore also review the current developments in light of the past to draw some conclusions for the current regulatory regime in Germany and Europe.

Moreover, I also intend to include a chapter on the regulation of international data traffic, something that has not been examined thoroughly so far. If we expect markets to further integrate, the exchange of creditworthiness data across borders will be of utmost importance. Differences in financial privacy regimes as well as different approaches to regulation might lead to considerable tensions between trading partners - something that could have already been observed in the privacy conflict between the U.S. and the European Union through to the end of the 1990s. The analysis of the regulation and its differences, as well as the search for solutions that reduce the potential for trade conflicts, are therefore also of major importance. The project is scheduled to be finished by the end of 2004.

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## Italy 1879-1896: An Anatomy of a Financial Crisis

*Italian financial events of 1879-1896 are a valuable case study for an inquiry into a number of problems such as the working of the international gold standard in the periphery, the nature of financial crises, the role of legal economic institutions. Italy was a peripheral country, which paid the cost of its international collocation. Capital movement, limited investment opportunities, and weak institutions contributed to create a fragile framework in which speculations turned into a dramatic economic, banking, financial and currency crisis.*



"Financial crises: a hardy perennial", so Kindleberger pointed out in 1978. After twenty-five years of financial turmoil and crises (stock market crashes in the UK in 1986 and in the US in 1987, currency and financial instability involving the European Monetary System in 1992, Mexico in 1994, and South-East Asia in 1997, through to more recent cases in Russia and Argentina), this statement seems to maintain its validity.

If we believe that the study of financial crises is such an endless and fascinating subject, there are good reasons to turn our attention to the Italian experience of 1879-1896. Real estate and building land speculations in Rome during the years 1879-87 looked like a textbook example of "mania" in which almost every Italian bank, including the banks of issue, was to a certain degree involved. The explosion point was indeed not less spectacular. After the collapse of the Roman market at the end of 1887, coinciding with a reversal in the international business cycle, financial instability turned into a widespread industrial crisis, into a de facto currency devaluation (the gold standard being de jure abandoned in January 1894) and, eventually, into an almost complete collapse of the Italian banking system.

This article summarizes the main findings of my Ph.D. thesis, defended at the University of Pisa (Italy) in March 2000, focused on the analysis of the Italian financial boom and crisis of 1879-1896.

Not surprisingly, the Italian case study has attracted the attention of scholars since the late 19<sup>th</sup> Century. Contemporary observers pointed the finger to the reintroduction of the gold standard in 1883 and, even more, to the behaviour of the banks of issue and the government. Massive availability of gold, so the argument runs, fostered an uncontrolled increase in the money supply, paralleled by progressively more risky investments, mainly, as noticed, financing companies and banks involved in the trade in buildings and land in Rome and Naples. The collapse of the Roman market and the following industrial, financial and currency crises were the natural outcome of breaking the rules. Such consequences were worsened by the unsuccessful attempt, made by the Banca Nazionale (the country's largest bank of issue) in 1889 under government pressure, to bail out the most important banks hit by the crisis. Fostering uneconomic rescue operations, however, did not exhaust government blame. Even worse, in the eyes of a contemporary observer, was the decision to break the traditional political-economic relation with France in 1887-1888, and to embark on a risky and fruitless alliance with Germany. With few exceptions (including the influential economist Matteo Pantaleoni) then, avidity, incompetence, short-term orientation, mismanagement and corruption of the banking system, together with government disproportional international political ambitions, were indicated as the main causes of the catastrophe.

Scholars writing in the first half of the 20th century shared this gloomy picture.

Since the 1950s, however, new research resisted the temptation of scandalist reconstructions and moral judgments, and turned its attention to deeper and more problematic elements. New contributions provided various innovative lines of inquiry and perspectives, both macroeconomic and microeconomic. From the macroeconomic point of view, the most interesting element added to discussion was the actual position of Italy in the international financial system. Scholars realized that Italy was located on the periphery of the system and that the fluctuation of the Lira during the period under analysis was framed into the more general problem of the working of the international gold standard, the analysis of which was at that time (in the 1960s) exploring new paths outlined by the seminal and revolutionary work by Bloomfield (1959). From the microeconomic perspective, the news was perhaps even more promising. A number of scholars (see in particular Caracciolo, 1956) started to stress the role of local institutions (mainly the Council of Rome) in accommodating the needs of companies and firms active in the local real-estate market. Along different but not less fruitful lines, the fundamental work by Confalonieri (1979) started an indepth study of the actual links between the banks of issue (mainly the Banca Nazionale) and various societies and credit institutions in the front-line of speculation.

During the 1990s, two fundamental contributions by De Cecco (1990) and Fratianni and Spinelli (1991), widened the spectrum of problems and perspectives on the subject.

Fratianni and Spinelli provided a monetarist interpretation of the Italian financial crisis in the framework of a "fiscal-dominance" oriented analysis to the Italian economic history from 1861 up to the late 1980s. This opened the door to a comparison to the "rival" view, the so-called Fisher-Minsky-Kindleberger (hereafter FMK) approach to financial instability. On the other hand, De Cecco, using ar-

chival materials from the Banca d'Italia, showed the strict relation between the buying and selling of Italian bonds (Rendita) on domestic and international markets and the fluctuation of the paper Lira vis-à-vis gold and other currencies. This research offered an analytical background to the analysis of data on prices of Rendita and Lira exchange rate during the adherence to the gold standard.

These two perspectives opened by Fratianni and Spinelli and De Cecco respectively stood at the heart of the macroeconomic section of my thesis.

The reconstruction of the Italian crisis in the light of the Monetarism vs. FMK debate was conducted in two logical phases. Firstly, the two generic approaches were transformed into sets of articulated and testable hypotheses. Secondly, time series of the major variables involved were used to support or reject various hypotheses. Generally speaking, the monetarist wisdom and the FMK approach to financial crisis can be seen as two opposite views on the problem: an exogenous and exceptional phenomenon for the former, and an endogenous and natural one for the latter. Such a difference is already reflected in the definition of financial crisis. The FMK approach views any form of financial turmoil and banking failure proceeding from the burst of a previous bubble as a case of financial crisis. The monetarists, on the contrary, are extremely careful in distinguishing between "real" financial crises, when money supply decreases because of the variation of the multiplier caused by the change in the currency/deposits and/or reserves/deposits ratios, and "pseudocrises" when money supply is not affected. Testing whether the Italian case was a "real" or a "pseudo" financial crisis was thus the first step before inquiring into its "monetarist" or "FMK" nature. Other relevant hypotheses to be tested were related to the endogenous vs. the exogenous character of the "bubble". More specifically, the problem was to assess if the "mania" was the consequence of a "displacement" (i.e. an economic or more general shock channeling investment towards a specific direction), and if it was fostered by the huge amount of credit



("overindebtedness" to use the expression of the FMK approach) available during the growing phase of the business cycle. Analyzing whether the "turning point" in the financial speculation paralleled the inversion in the business cycle (as advocated by Minsky), or whether it was unrelated to it (as stressed by monetarism), was the following step. The final element of debate between the two positions regarded whether the means of the transmission of financial instability into the real economy was the contraction of monetary supply alone or the reallocation of credit activity ("credit crunch") because of higher information costs also due to assets price collapse ("debt deflation").

The analysis of the Italian experience confirms the "real" nature of the crisis, as the ratio deposits/currency decreased during the period 1888-1894 and so did the money multiplier. On the other hand, the case under analysis revealed the endogenous nature of the speculative bubble whose burst brought into being the following banking crisis. A law approved in 1881 obliged the government to contribute to the development of Rome, and it gave a dramatic impetus to the speculation in real estate in Rome ("displacement"). A huge amount of credit, both domestic and international, was available in Italy as the consequence of the return to the gold standard and it was soon diverted to the ongoing speculation. Furthermore, such a phenomenon paralleled an upward phase of the business cycle, as data on industrial production and rates of growth demonstrate. No clear evidence, however, can be drawn regarding the "timing" of the crisis and the turning-point of the economic cycle, as different definitions of financial crisis lead to different assessments of the beginning of the crisis itself. Finally, the diffusion channel gave some credit to the FMK approach: while money supply was rather stable (despite the decline of the multiplier) banks re-oriented their activity towards public investment to the detriment of private enterprise. This behaviour is consistent with the "credit crunch" theory.

The story of the Italian financial instability runs parallel to the unsuccessful attempt to rejoin the gold

standard. The relation between the international investment on Italian bonds and the fluctuation of paper Lira is the approach I took to explore such a problem. De Cecco suggested that the double floatation of Rendita at home and abroad (mainly in Paris) affected the exchange when the value of bonds abroad declined more than in Italy, opening a window for arbitration and capital export. De Cecco pushed the argument further, pointing out that international factors such as wars, financial turmoil or political conflicts, via international "flight to quality" phenomena, could be an exogenous factor affecting the price of Italian bonds on foreign markets and consequently the Lira exchange. Italy became particularly sensitive to this problem since the political relations with France deteriorated.

To test this hypothesis, I collected daily data of the Rendita price in Paris and Rome, as well as the Lira exchanges rates with the French Franc, for the periods of international financial or political instability. Interestingly enough, figures confirm the De Cecco hypothesis, as the discrepancy between the French and Italian price of Rendita appeared in November 1890 (during the Baring crisis in London) and coincidence of the American crisis of 1893. A parallel worsening of the Lira exchange can be noticed too. However, given the inferior state of the Italian economy and financial conditions, as well as the critical level in the political relation with France, this is not sufficient to claim that such impact was completely exogenous. A different perspective emerges from a closer look at the Spring 1885 crisis. In that case, international political and economic turmoil resulted in the decline of the Rendita price in Paris and a worsening of the Lira exchange. Contrary to other parallel examples, the 1885 crisis took place at the time of the stable condition of the Italian economy as well as stable Italo-Franc relations, confirming at least in part the exogenous origin of the international capital movement towards and from Italian bonds.

The macroeconomic analysis was insufficient to explain such a complex story. As a consequence of the wave of literature published since the 1950s,

two main perspectives emerged. The first suggested an inquiry into the actual link between local authorities in Rome and the companies speculating in this market during the period 1879-87. Numerous authors suggested that an alliance took place between the local aristocrat landowners sitting in the council and the banks providing the capital unavailable in Rome. However, channels and mechanisms of such an alliance still need to be analysed. On the other hand, other authors stressed that most private companies operating in Rome succeeded in transferring assets to the Banca Nazionale before the actual collapse of the market. By doing so, private companies avoided bankruptcy and the burden of the crisis was transferred first to the Banca d'Italia (established in 1893) and eventually, via tight monetary policy, to the citizens. It was not clear, however, how the banking system achieved such an outcome.

The first step of the research consisted in establishing the links among the most important companies and banks operating in Rome. The study based on a document from the Banca d'Italia reveals that a number of societies active both in Rome and Naples, including the Banca Tiberina, Banca Geisser, Società Marotti & Frontini, Compagnia Fondiaria Italiana, were in fact owned and managed by a limited number of influential people.

With few exceptions, none of these men sat in the Rome Council and they had not, in theory, any possibility to have direct influence on local political decisions. However, a close analysis of council official records regarding the activity of these societies demonstrates how Roman aristocrats were extremely keen on supporting their needs, by easing building concessions, legalizing irregular operations, and favouring contracts with the council. Sometimes the reason for this behaviour was that specific Roman landowners would be directly involved in such business. More often, however, the local élite as a whole benefited from the speculation-driven increase in the price of agricultural land. The analysis shows that the instruments used to promote the activity of banks and society were nu-

merous and sometimes used rather sophisticated means to bypass the fierce and strong resistance of the few uncompromising council members. More relevant is to note that official rules and laws were extremely weak and that the line of defense depended solely on the personal moral commitment of a few council members.

The failure of the 1890 bailout operations, which resulted in a transfer of declining assets to the Banca Nazionale, is another microeconomic problem to be analysed. Indeed, this was just a part of a more general problem of money issue organization in Italy during the gold standard years. During the period under analysis, six banks were allowed to print money and none of them were able to achieve an undisputed hegemony over the others. On the other hand, the Banca Nazionale was by far the most important institute, so that real free-banking system was not functioning. Furthermore, the right to issue paper money was granted on a renewable temporary basis, which resulted in an unclear relationship between the banks and the government. My study introduced another element in this complex picture. Internal documents from the Banca Nazionale show how influential the bankers operating in Rome were in determining the policy of the institute. The 1890 rescue operation can thus be described as a kind of "insider lending of last resort," in which official rules could be easily bypassed and unofficial commitment proved weak and inefficient. In particular, the complex system of bills re-discounting from one company to another created documents with a sufficient number of signatures but insufficient as real guarantees. Personal acquaintance and the friendship between the Director of Banca Nazionale and private bankers were efficient means for sharing information during good times, but no enforcement mechanism during crises. Thus, it was an inefficient set of regulations and institutions, rather than avidity or immorality, which allowed private bankers to escape crises and leave the Banca Nazionale almost empty-handed.

Which conclusions can we draw from the Italian experience of 1879-1896? The macroeconomic view seems to suggest two main inferences. Firstly, the Italian case gives some credit to the FMK view, supporting the idea of financial crises as endogenous and to some degree unavoidable phenomena connected with sophisticated financial intermediation and banking activity. Secondly, a fixed exchange rate regime, as the gold standard can be seen, is a powerful element to attract international capital and to foster growth, but also a source of instability and weakness for countries on the periphery of the system.

From a microeconomic perspective, this story tells us that institutions matter. Financial instability is perhaps to a certain extent unavoidable, but a sound set of rules, laws and regulations can limit its impact. Firstly, the lender of the last resort must operate free from the risk of "insider lending" and in a framework of defined rules of intervention, whatever the extent of its role can be. Secondly, rules and laws should guarantee sound incentives to foster entrepreneurship and to reduce gambling-like and "looting" activities.

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For a more detailed account see:

- *P. Di Martino, "Corso della Rendita e andamenti del tasso di cambio della Lira negli anni del gold standard (1883-1893)", Rivista di Storia Economica, 2001, XVII, (1), pp. 3-31*
- *P. Di Martino, "L'esito fallimentare di un intervento di ultima istanza; la Banca nazionale e i salvataggi del 1889", Imprese e Storia, 2001, 24, (1), pp. 307-336*
- *P. Di Martino, "Costi di transazione, andamento della rendita e tasso di cambio in Italia negli anni del gold standard internazionale: una replica", Rivista di Storia Economica, 2002, XVIII, (1), pp. 65-68*



**The Business History Research Unit  
Cardiff Business School**

*Cardiff Business School is part of Cardiff University, located in the capital city of Wales, and is one of a number of universities within Wales which together constitute the federal University of Wales. The Business History Research Unit (BHRU) was established in 1988 following the merger of the two former university institutions then situated in Cardiff, namely University College Cardiff and the University of Wales Institute of Science and Technology. Following the merger, a number of research units were established within Cardiff Business School, the BHRU being one of the first. The unit brought together economic historians with individuals based in accounting who were interested in the history of their subject. Throughout its existence the unit has been headed as co-ordinator by Professor John Richard (Dick) Edwards, a leading accounting historian, with Dr. Trevor Boyns, an economic and business historian (and one time president of the (British) Association of Business Historians), as assistant co-ordinator.*

Since 1988 the BHRU at Cardiff has focused its attention on becoming a centre of excellence for accounting history within Britain. To help establish its position within the academic community, not only in Britain but also internationally, the unit ran a conference in September 1989 on the theme of Business Decision-Making in Companies in the late nineteenth century. Attempts to publish the proceedings of this conference in book form floundered, but the upshot of the conference was the development, in conjunction with the publishers Routledge, of a new international, refereed journal covering the disciplines of accounting, business and financial history (interpreted broadly to cover all aspects of finance, whether in accounting terms, or in terms of the history of banking, insurance, etc.). This new journal, Accounting, Business & Financial History (ABFH), edited from within the BHRU by Dick Edwards and Trevor Boyns, was launched in September 1990 and, since 1993, has comprised three editions per annual volume. ABFH continues to be edited from within the BHRU by Dick and Trevor. The journal publishes articles within each of the historical disciplines covered by its title and while the majority of the articles published in early editions of the journal focused on accounting history, this was simply

a reflection of the material that was submitted to the editors. In recent years, however, as the journal has steadily gained an international reputation for publishing high quality research, it has increasingly included material on banking and financial history, as historians in these fields, both in Britain and abroad, have increasingly come to see the journal as a relevant publishing medium for their work. The journal is pleased to receive the submission of manuscripts from banking historians, not simply those carrying out work into the history of banking in Britain, but also those working on the history of banking in other countries.

The editorial input of the co-ordinator and assistant co-ordinator of the BHRU into the publication of ABFH reflects the fact that the publication of the journal helps to fulfil one of the main aims of the unit, namely, to provide a focal point for interdisciplinary research and investigation into business and industrial developments. The other main aims of the BHRU are as follows:

- To provide business and accounting history inputs to courses at undergraduate and post-graduate level.

- To arrange conferences and develop links with other business history research centres and cognate organisations.
- To conduct and publish world class research.

In its current guise, the BHRU comprises nine members and five associates. The former are all members of the academic staff of the Cardiff Business School and, in addition to Dick Edwards and Trevor Boyns, include Derek Matthews, Malcolm Anderson, Stephen Walker, Mahmoud Ezzamel, Roy Chandler, Sue Bartlett and Mike Jones. The associates of the BHRU comprise Garry Carnegie (Australia), Nicolas Berland and Henri Zimnovitch (both France), Hugh Greener and Huw Coombs (both Britain) who are engaged in various collaborative projects with members of the unit. The focus of the research work of the members of the BHRU is heavily on accounting and business history, and the major topics of ongoing research being carried by members and associates of the unit include:

- The development of costing and management accounting in Britain and France during the nineteenth and twentieth centuries
- History of corporate financial disclosure
- Historical development of auditing
- The development of the accounting profession in Britain, Australia and France
- The development of governmental accounting in Britain
- Accounting in Mesopotamia and ancient Egypt.

Over the last fifteen years the BHRU has built a strong international reputation as the centre for accounting history research in Britain and, as such, members are continuously being asked to participate in major international collaborative research and publication activities, as well as to participate in national and international conferences. The BHRU continues to progress through attracting to it additional scholars with international reputations. The most recent addition has been Professor Stephen Walker, the current editor of *The Accounting Historians Journal*, the journal of the American Academy of Accounting Historians, who joined the staff of Cardiff Business School in January of this year.

The unit continues to organise an annual conference, normally held in mid-September, and the 15th annual conference will be held at Aberdare Hall, Cardiff on 10-11 September 2003. For anyone thinking of submitting a paper for consideration for inclusion in the conference's final programme, the deadline for receipt of submissions is 31 May 2003. Full details of the procedure by which to submit applications can be obtained by clicking on the relevant link on the BHRU's web-site at <http://www.cardiff.ac.uk/carbs/research/bhru/index.html>. The web-site also provides additional links for those wishing to find out more information about the BHRU, and also provides contact details for those wishing to make contact with the unit.

### The Collection of Savings-boxes at the PBZ Museum

*Savings-boxes have had an enormous role in the development of the habit of bank savings and savings in general. The so-called children's savings programmes and school savings probably have never had significant financial impact on banks and savings institutions which offered them, but have had significant psychological effects which became evident only much later. Significant advertising resources were tapped for the promotion of children's and school savings programmes, and it seems that the most important marketing tool was the savings-box.*

In the centre of Zagreb, in the oldest bank palace called Octogon, an extensive museum collection is preserved of savings-boxes as part of the collection of the Croatian Bank Museum of the Commercial Bank of Zagreb (Privredna banka Zagreb - PBZ). For years the marketing service of the bank collected items for the collection through the exchange of savings-boxes with numerous banks in the world, and then through the operation of the newly established museum, so that it now houses over 1.500 types of savings-boxes and about 400 savings books from 90 countries around the world. The holdings of the PBZ Bank Museum have been growing constantly through new acquisitions and gifts from other banks and patrons, so that the number of savings-boxes increases constantly. They are a significant segment of the museum holdings, because they are recognisable symbols and promoters of savings which have appeared in all cultures simultaneously with the emergence of metal coins. Thus, the savings-boxes made of heated clay and other natural materials appear very early within rural and urban population in all parts of the world, and particularly in the periods of economic stability, displaying all characteristics of its time with regard to style, shape and source material.

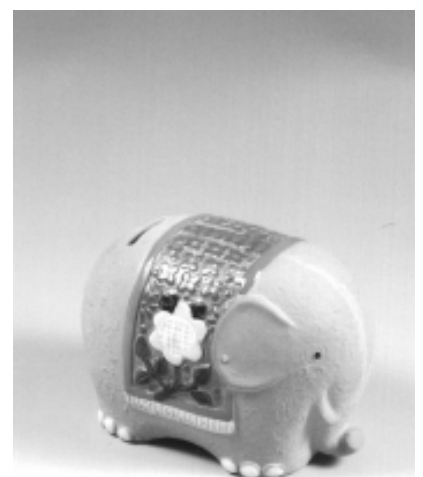
The collection of the PBZ savings-boxes is characterised by a varied and rich typology, and among the holdings the oldest are the ethnographic-pottery savings-boxes in the shape of a pear made from heated clay, the shape originates from as early as the Hellenic times. In order to obtain the money saved in them, their owners needed to break them, but to this day they continue to be manufactured by potters throughout the world. Similar is the genesis of popular clay piggy-banks, as well as more modern (and more expen-



*Ceramic savings-box in the shape of a pear*



*Ceramic savings-box in the shape of a piglet (the Netherland, 1965)*



*Ceramic savings-box in the shape of a small elephant (India, 1970)*

Removing the dust



*Tin savings-box in the shape of an oval case (Osijek, Croatia, 1965)*



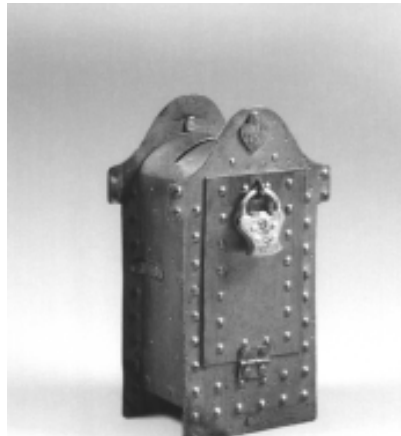
*Tin savings-box by the First Croatian Savings Bank in the shape of an oval suitcase*



*Steel savings-box in the shape of a case (Croatia cca. 1920)*



*Tin savings-box in the shape of an old furnace (Vojvodina, 1902)*



*Tin savings-box in the shape of a bank safe with a lock (Prague, Czech Republic, cca. 1900)*



*Charity box in the shape of a glass with a lid (Croatia cca. 1935)*



*Tin savings-box in the shape of pot with a cover and a lock*



*Wooden savings-box in the shape of a Biedermeier-style decorated well (Italy, 1890)*



*Ethnographic savings-box made from a decorated pumpkin*

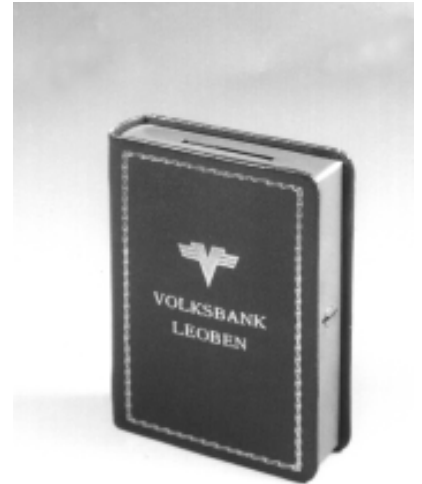
## Removing the dust



*Tin savings-box in the shape of an automatic safe (Austria 1960)*



*Tin savings-box in the shape of a travel suitcase (Germany cca. 1980)*



*Tin savings-box in the shape of a book (Austria, 1960)*

sive) variants, often artistically valuable porcelain savings-boxes, especially the Dutch ones made from blue-white ceramics from Delft, and similar ceramic hand-made savings-boxes from Sieherburg, Uksterwald, Brunslau and several other German towns.

The pear-shaped form is prevalent even today in the folk production of pottery savings-boxes among the Mediterranean people and also among Croatian potters. However, these savings-boxes are nowadays more frequently produced from other materials and in different shapes, which can be sorted according to their typology in several groups: those in the shape of different domestic and wild animals (zoo-morphic), those made to resemble geometrical shapes, and those in the shape of various practical objects which are often creatively adapted to attractive children's toys. Another special group of savings-boxes

are the ones in the shape of a bank safe, mobile safe and bank building, with the mandatory name of the bank and often with a marketing motto. These products, predominantly made of metal, prevailed from 1960 to 1985, but due to lower production costs in the nineties, metal was replaced by thin tin plates and various plastic materials and simpler shapes such as transparent plexiglass cubes and Coca Cola cans. However, there is an increasing number of savings-boxes in the shape of tin suitcases with a lock and decorated with contemporary designs from Science Fiction which are demanded by children as the youngest generation of bank patrons.



*Wooden savings-box in the shape of a shepherd in a raincoat (Hungary, cca. 1960)*



*HKD Savings box «Progress» in the shape of the palace of the same association*

**Ante Milinovic**

**Croatian Bank Museum**

**PBZ**



## How to Attract Attention to the Jewellery of Your Archives

*Every archive is like Aladdin's cave. Kilometres of boxes and many interesting things and papers are preserved there, and one or a few archivists are taking care of it. Usually, most material has to wait for decades, sometimes centuries, to be used. It can be frustrating to be an archivist.*

*Sometimes in your archive you find one or several boxes of very interesting and attractive material. The same evening you contact some of your friends or historians and inform them about the discovery. Usually their response does not match your excitement. Your friends listen to you but for them it is no more than an interesting story. Famous historians who come to see it are too busy with three other projects and do not have any Ph.D. student who can look at it. Getting money from your bank for this research is out of the question. You may mention your discovery on several occasions. With a little bit of luck, during your lifetime some of your discoveries will receive more serious inquiry. Resignation is a part of any archivist's professional career.*

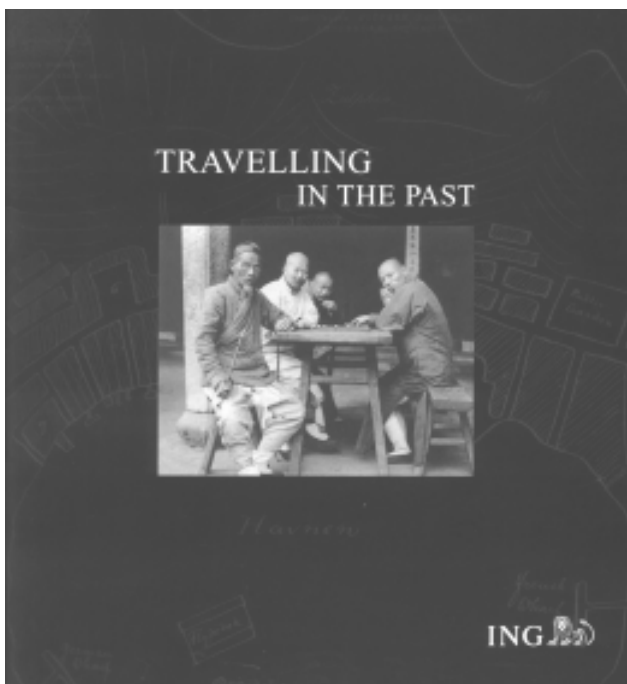
That is not necessarily so. The staff from the ING Historical Archives discovered some time ago a few boxes with some attractive material and spread the word about it - their smart presentation deserves serious attention.

One of the predecessors of the ING Group was a company called "The Netherlands est. 1859". It was an insurance company which had significant international operations, concentrating mostly on fire insurance. In order to keep fire insurance busi-

ness all over the world, exploiting the late nineteenth century travel and communication, the company had to employ a number of inspectors who travelled (or, rather, lived) around and controlled a network of agents and customers. By 1894 there were some 50 inspectors active in the field. Those inspectors wrote travel reports and sent them regularly, almost on a weekly basis, to the head office in the Netherlands. The ING Historical Archives own 21 inspectors' reports submitted between 1886 and 1938. They include photographs and impressions of professional observers, and are an excellent source for the economic and social history and one of the jewels of the ING Historical Archives.

In order to attract attention to this small but attractive collection of travel reports, the Archives' staff has made a 36-page booklet entitled "Traveling in the Past".

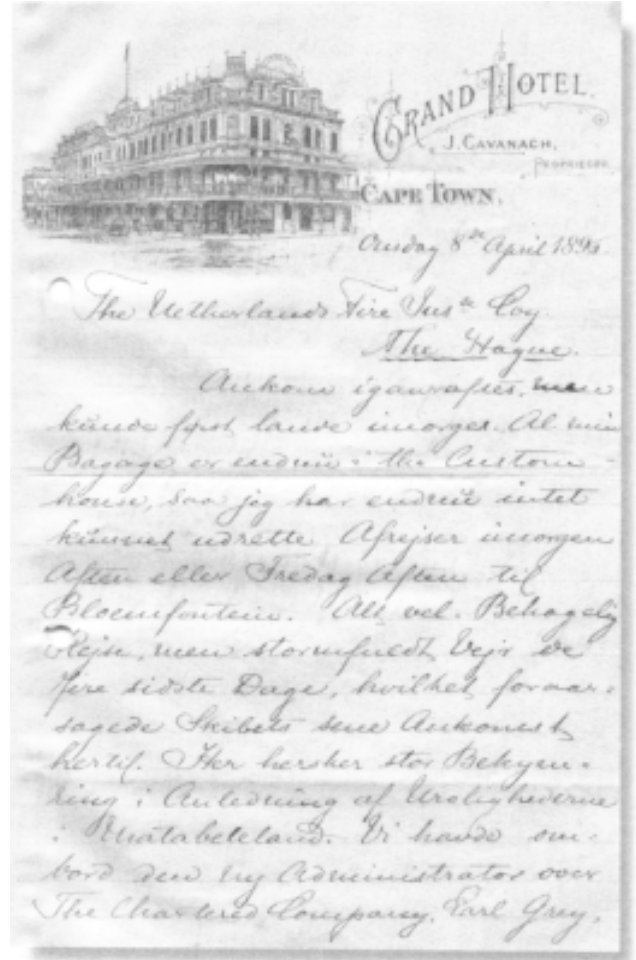
The booklet is graphically simple but with attractive design. Two-colour printing is always cheaper than a fully coloured leaflet and it attracts attention in the mass of available full-colour booklets and other marketing material.



The introduction is short and gives basic information about who, where, why - there was no need to employ anyone from outside of the archives. The main body of the booklet contains quotations from travel reports all over the world. They are well chosen, so that the reader develops interest in reading texts through to the end.

The strongest marketing weapon of the archives are photographs. There are two to four photographs on each page, and each of them tells its own story. There is a portrait of inspectors or agents sitting in their office in Japan, then there is a photograph of buildings or harbours (object of their insurance business). The reader will never throw this booklet away, if for no other reason than photographs: where can you find a landscape of the nineteenth century Buenos Aires, Hong Kong, Valparaiso and Bombay in the same book and for free?

We do not know anything about the distribution of this booklet, but the people from the ING Historical Archives will most likely find a way to send it to important target groups and individuals. There is a great chance that some of them will occasionally suggest to a colleague or student to take a look at travel reports from the ING Archives as perhaps they have something about...



A researcher in the hotel history in South Africa might be delighted to find a few words about the quality of hotel services from a hundred years ago in Cape Town.



On the boat to Chile.

It is not hard to imagine Agatha Christie exploiting these travel reports while writing the new bestseller: "Death of the Fire Insurance Inspector."

To protect these useful resources, the reports have been restored and recorded on CD-ROM. This probably means that they are easily available.

## Archives and IT Solutions

### Workshop of the European Association for Banking History e.V.

(Istanbul, 24-25th October 2002)

*The Istanbul workshop has provided the opportunity for experts from different fields to discuss challenges and critical aspects of the Information Society development in the private and public sectors with specific reference to document and records management systems. Records management efficiency, accessibility, legal requirements, long-term preservation and authenticity, were the focus of discussion and evaluation of all participants. The complexity of the questions involved cannot be summarised in a general conclusion, but can offer a useful and rich basis, as a concrete and detailed picture of various but not contradictory situations for further analysis as applied specifically to relevant topics of the future documentary strategy within and among organisations.*

In the course of the seminar a new profile was individuated with reference to the archivist/records manager as necessary and required to ensure the innovative and adequate organisation of records: a profile able to deal effectively and efficiently with the complexity and uncertainty of an extended and ever-fluctuating transition period. "Managing uncertainty" was chosen at the end of the seminar as an inclusive and stimulating subtitle of the meeting.

With reference to the records function, the basic assumption of the seminar was the recognition that the records system is an essential component of the information system (both in the traditional and in the digital environment). Crucial was also the awareness that the information system is able to assume a strategic role only if it adopts innovative procedures and technologically advanced instruments, corresponding to the needs for an efficient and effective use of the recorded information in an expanding environment. The consequent step thoroughly examined in the reports and in the debate was the definition of the nature of this change and how the traditional tools could be refined, updated or completely redeveloped.

#### **The role of standards and policies and the management responsibilities for the electronic record-keeping system**

As was explicitly stated in the introductory address of the seminar, it is progressively more necessary to develop (and maintain updating in a continuing changing world) a common perspective on the standardization processes in order to guarantee the quality, as well as feasibility, of documentary and archival information. The first step should be the definition of a documentary strategy to be implemented through the approval of guidelines and standards defined at different decision levels (international, national and single organization level). By the way, this is even more relevant because of the increasing complexity of the records systems



which develop advanced functionalities, and because of the implementation of the existing standards such as the ISO RM standard and the European guidelines for ERMS (MoReq) within each organization, the procedure which requires qualified presence of all the profiles of experts involved, mainly - of course - archivists and records managers. The introductory address (the following discussion and reports confirmed this claim) stressed the need for developing and qualifying traditional tools (like registry systems, classification plans, filing system, integrated preservation plan, procedures for their use, etc.) whose role should change and be transformed into a strategic and central system based on the potentialities they can play in organizing and retrieving records. At the same time, organizations have to be aware of the increasing relevance of organizational requirements. In defining, applying, implementing standards and policies, specialised responsibilities for their creation and maintenance will become more relevant for the success of the IT investments than technologies themselves. The required level of software functionalities - as described in the reports of Clotilde Wang and Joel Poivre - for Electronic Records Management Systems cannot be guaranteed by the IT market, which should be pushed further to invest adequate resources in qualified tools at the European Union level.

The fact that a new cultural approach cannot be avoided or simply replaced by a series of technological projects was widely shared (see the reports of Clotilde Wang and Floris Joustra, but also the final presentation of Ineke Deserno which focused on best practices for implementation). Quality information chain means "quality of the source information, its provenance, meaning, authenticity, appraisal, identification, context, value, use, life cycle, preservation, treatment, security, preservation, accessibility, etc." (Wang), and is connected to an authoritative agreement by the top management of any institution. Many questions - to be resolved within each institution but the consequences of which are clearly defined at the general level -

were mentioned with reference to the organizational issues:

- the relationship between record-keeping and archiving functionalities, the business application systems and the need - as previously stressed - for specialised tools,
- the development of training programmes able to ensure up-to-date skill of people involved in EDMS/ERMS and the implementation of best internal practice,
- the consideration of risk management issues and the sustainability of products, and the changes involved in the digitalized records environment (for instance, in the case of micro-filming or document-image processing as preservation reprography programs, as described in the report of Gerassimos Notaras),
- the capability of selecting and defining methodologies, plans and application strategies which take into account the real world, the level of fragmentation of services, the present work flow and the level of acceptance of innovations and the flexibility of each organization (Luis Filipe de Abreu Nunes).

The concrete experience described in the reports (see for example the DNB experience as outlined in the Joustra report) confirmed these difficulties and requirements. Archivists need to be more active, better trained and with more recognised responsibilities. The efficiency of the new digitised environment needs to be improved to increase mutual understanding between the computer and records experts. "Arbitrary decision-making" (Joustra) was correctly singled out as the last thing the creators need.

In summary, international directives dealing with records management describe basic aspects essential for building an electronic record-keeping system framework as the regulations for records transmission, procedures for records acquisition and preservation, records organization/classification criteria, authentication process rules and pro-

cedures and preserving and verifying authenticity across time, research and access systems while observing privacy. Furthermore, "the implementation of IT solutions in archives and documents management should be conceived as a project involving people, organisation efforts, changing environment and training and not only as technological aspects" (de Abreu Nunes). In any case, an internal project team should be in charge, even when the outsourcing will be the final solution to address the complexity of new challenges (Cavit Aksehirlioglu) that requires permanent selection, evaluation of the outsourced service, continuing survey to verify quality and consistency of all the products and the activities involved.

### **Digital environment: authenticity, legal requirements and multimedia strategies**

The seminar also focused on the fact that the creation and the management of electronic records are an exacting task not only with reference to the present needs for reliability of documentary evidence: many reports (MacNeil, Poivre, Gränström) and discussions they generated in many sessions pointed out that an increasing and even more binding effort is needed with reference to digital preservation, as many international bodies and research centres have already recognised. Authenticity and accessibility are contradictory requirements records managers and archivists also have to meet in the medium-term preservation process. Which level of loss is acceptable? Is microfilming still more appropriate than digital-image processing? Have we developed clear and comprehensible concepts as the basis of the digitisation process? Is it possible to guarantee long-term preservation of the original electronic records or is the only possibility left open for these records to be reproduced and stored as an instrument rather than as text stored in its purity, as stated in the final report of InterPARES (MacNeil)? These questions and many others were raised and debated in the seminar.

Theoretical concepts and functional requirements related to the assessment of authenticity were thoroughly analysed in the InterPARES project (as Heather McNeil described in detail). Preservation methods were examined and evaluated by the data-preservation experts, as Joel Poivre pointed out in the discussion about different possibilities (migration, emulation, etc.) which are being considered as international projects (i.e. the ERA projects funded by the National Archives of the USA or the Dutch Digital Preservation Testbed). The results are not yet decisive. More hands-on experience is required and a narrow-goal analysis should assess the cost and the feasibility of digital preservation, which is a challenge in the present and will remain so for the years to come:

- general models are difficult to generate and use because of fragmentation and the dynamic nature of digital resources, as well as the variety of the stakeholders involved in the process: anybody at any level and at institutions for digital preservation at national level and at the level of a single organization,
- the preservation issue needs to be increasingly addressed at the time of acquisition or even of the creation of digital resource, but in this phase it is not clear what long term commitment will mean, how responsibility is allocated, which technical strategy and method can be chosen and which type of access will be assured (as Claes Gränström clearly outlined in this report dealing with the legal issues related to the archival work and the recent



transformations determined by digital environment),

- new critical issues have to be considered with reference to the need for ongoing financial resources and for different architectural models, based on a process which is distributed among more participants and agents (which requires more control and is more complex), the lack of awareness among policy-makers, decisions-makers and practitioners, the lack of skill and experience among the traditional professions concerned with data preservation.

These questions are of central importance and require focused analysis, as the debate in the seminar clearly showed. The complexity of the records and documents management in the digital world is challenging all professionals involved in this area. Cooperation and multidisciplinary are essential to ensure rapid and efficient results. An appeal was issued again to the European Union for playing a significant role in supporting research in the area of digital preservation, and for enabling the exchange of results of this research in an effective and speedy way, in accordance with the present-day level of innovation. The notion of "trust in record-keeping and record preservation" (MacNeil) will become even more relevant and should be considered from the moment of the creation of a record. Because the future in this field will be "measured in terms of circumstantial probability rather than certainty", more empirical research is required mainly at an international level and on the basis of network communication. DLM and ERPANET networks are two good examples, both supported by the European Union, as tools to build a "platform for multidisciplinary cooperation with a view to identifying and promoting best practices and concrete solutions" (Gränström, Guercio).

### **Communication strategies and archival requirements and possibilities**

The diffusion of Internet and web tools cannot be ignored by archivists from private corporate

sector nor public administration even if the communication issue in the digital era should require specific attention: it is not a question of the quantity of the already existing initiatives (such as creating online catalogues or guides to archival collections), but of a systematic and qualified approach, as the experience of the London Public Record Office has recently offered to the UK archival community (see Victor Gray's report). Many relevant aspects deserve further investigation, specifically the extent of the digitisation process for disseminating information and documents which must be evaluated on the basis of the cost/benefit analysis and the specific nature of the archival material whose search requires "a historical-institutional context and not a hit and run approach" (see Guido Montanari's report). As concerns the quality of the system developed for historical archives, it is important to evaluate the integrated nature of the information system, its compatibility to international and national standards and its capability to accommodate the needs of different users by providing various levels of services (arrangement and description data, information services, archival management functionalities, etc.) and the ease of use.

### **Conclusions**

In conclusion, all the speakers agreed on the main point: organisational and cultural challenges are so fundamental that they deserve special focus. As was pointed out in the last report (Ineke Deserno), the success of the IT investments will depend on the presence of the strategic direction and co-ordination of information functions across the organisation; the capability of EDMS for handling large volumes of electronic information; defining common requirements; developing adequate and skilled resources and guaranteeing a quality level of communication; securing flexibility in meeting users' needs; educating users in record policies and procedures, associated with a risk analysis specifically related to adequate preservation of documents and metadata; a clear definition of responsibilities based on the presence of professional

archivists and/or records managers.

It is essential to be aware of the changing nature of this specific sector of administrative activity. In comparison to the past, the electronic record management system is developing from a low organisation, low centrality service (marginal and routine activity) to a high centrality structure, with

regulations and a high level of automation. Furthermore, from its previous role of predominantly bureaucratic control it is developing into a service which provides speedy retrieval and sharing of resourced records. The fact must be underlined that the changes involved in the process are not a matter of replying to immediate needs, but of replying to administration information needs, long term ones as well, dictated by the needs for continuity and quality.

**Maria Guercio**

Here we provide a synthesis of the main issues, questions and solutions as they emerged in the course of the seminar. As usual, all reports are published on the web-site of the European Association for Banking History e.V.:

- *Maria Guercio (University of Urbino, Italy), Research and Policies for Creation, Preservation and Communication of Electronic Records;*
- *Clotilde Wang (Deutsche Bank, UK), Document Management System: an Overview;*
- *Flors Joustra (De Nederlandsche Bank), Document Management Systems in the DNB: a Case Study;*
- *Victor Gray (N.M. Rothschild Sons Limited, UK), How to Benefit from the Internet in Archives;*
- *Gerassimos Notaras and Nikos Pantelakis (National Bank of Greece), Microfilming and Document-Image Processing. Preservation Reprography Programme of Historical Archives at the NBG;*
- *Joel Poivre (Ministere de la Culture et de la Communication, France), Requirements for the Management of Electronic Records;*
- *Heather MacNeil (University of British Columbia, Canada), Authenticity in a Digital World: Requirements for Assessing and Maintaining the Authenticity of Electronic Records;*
- *Claes Graenstrom (State Archives, Sweden), Legal Issues Related to Archival Work: Highlights;*
- *Luis Filipe de Abreu Nunes (Banco de Portugal), How to Select IT Solutions for Archives and Document Management;*
- *Cavit Aksehirlioglu (Aksis International, Turkey), Outsourcing in an IT Environment;*
- *Guido Montanari (Banca Intesa, Italy), An Integrated Information System: the Computer Application of IntesaBci Historical Archives;*
- *Ineke Deserno (World Health Organization, Switzerland), Electronic Document and Records Management System. Best Practices for Implementation*

## The Ottoman Bank Archives and Research Centre

**The Ottoman Bank Archives and Research Centre** was founded by the Ottoman Bank, in March 1997, in collaboration with the Economic and Social History Foundation of Turkey. The Centre, pursuing its activities in the old Head Office of the Ottoman Bank in Karaköy since the end of 1999, has undertaken projects related to oral history, publications, exhibitions, a documentary, a colloquium, competition and similar projects apart from the classification of the Ottoman Bank Archives.

**The Ottoman Bank Archives** include documents covering the period from the foundation of the bank to the 1950s. The researchers have access to information and documents related to the archives, digitalized so as to constitute a database, through a printed Catalog. Apart from the bank archives, the digitalised copy of yearbooks concerning the period in question, statistics, photographs and insurance plans are included in the catalog and are at the disposal of researchers.

**The specialised library**, constituted within the Centre and with holdings which have already reached 5.000 volumes, is collecting works focusing on the economic, political and social history of the Ottoman Empire starting from Tanzimat and of the Turkish Republic.



The Centre has been pursuing its activities within Garanti Bank since the merge of the Ottoman Bank and the Garanti Bank in December 2001. Since then, the Ottoman Bank Archives and Research Centre has expanded its vision and the scope of its projects. The Ottoman Bank Museum is the first outcome.

**The Ottoman Bank Museum**, located in the former head office of the bank, has been established by the Ottoman Bank Archives and Research Centre, under the aegis of Garanti Bank. Located in and around the safe rooms of the building, the museum exhibits consist of a large number of documents from the bank's archives illustrating the history of the Ottoman Bank, which served as a state bank, bank of issue and treasurer of the Ottoman Empire.

The objects and documents exhibited reveal a number of interesting aspects of the late Ottoman and early Republican periods, during which the bank played a central role. Organized respectively along a chronological and thematic layout, the museum pinpoints the major transformations undergone and the crises experienced by the bank, while at the same time focusing on certain distinctive features of its history, from customer profiles to branch buildings throughout the empire, and from recruitment policies to market strategies.

The chronological account of the institution's history starts with the foundation of the bank in 1856 and its transformation into a state bank in 1863. It describes the critical conditions of the 1870's, and ends with the process of growth initiated in the 1880's, which led the bank to the pinnacle of financial power in the years preceding the First World War. From this point on, the layout shifts to thematic approach, using archival material to depict the bank's commercial operations, its branch network, staff and customer profiles, occasionally focusing on particular events, transactions, or individuals. The main exhibition ends with a return to the chronologi-



cal layout, with a description of events and developments from 1914 on: the harsh conditions of the war years, the first contacts with the Ankara government, and the process of adaptation to the new balance of power emerging after the establishment of the Republic.

The four safe rooms, located at the centre of the main exhibition hall, are used to display some of the bank's archival wealth in greater detail. The intertwined structure of the safe rooms - a curiosity in itself - is thus devoted to some of the richest series of the bank's archives: accounting ledgers, stocks and bonds deposited by customers, customer cards and files, personnel files and photographs.

The "Mecidiye" safe room, named after the twenty-piastre silver coin of the period, houses a special exhibition of objects and documents related to the bank's role as a bank of issue, based on the bank archives and on the Tahsin Isbiroglu banknote collection. This two-story cash vault displays the most complete collection of Ottoman Bank banknotes, issued between 1863 and 1914, with a detailed description of each issue, as well as drafts, proofs, specimens and records pertaining to each banknote.

The interactive computer screens at the end of the main exhibition enable the visitor to access



the archives through a detailed virtual tour of the bank's history and documentation. Based on an alternative chronological/thematic layout, this virtual tour retraces the major moments of the bank's history, combining them with detailed visual and textual information on particular issues. Each period or theme unfolds into a series of commented documents illustrating specific events or individuals, allowing the visitor to browse his/her way through the bank's archival documents.

The aim of the museum is not so much to concentrate on the bank's own history as to plot it against the background of the social, political and economic history of the period of the bank's activity. With a wealth of information relating to the very environment in which the bank operated, the Ottoman Bank archives, through this museum, becomes an occasion for the historian and the layman alike to reconstitute a detailed narrative of a bygone era.

Other ongoing activities at the Ottoman Bank Archives and Research Centre can be classified as follows:

**The Voyvoda Street Meetings** are held monthly in the premises of the Centre. Academicians, students and amateurs interested in economic history are brought together for interesting discussions.



The Centre, in collaboration with the European Association for Banking History and the Economic and Social History Foundation of Turkey, is also undertaking the **Prize Competition for Research on History of Banking and Finance**. The first Competition awarded the prizes in four categories in December 2001; the second competition has been under way since the beginning of 2002 and will award the prizes in December 2003.

The Centre has also published a series of books:

- "The Imperial Ottoman Bank" by André Autheman, the General manager of the Ottoman Bank from 1975 to 1986 and member of the Bank Committee from 1980 to 1990.
- "Istanbul, Imparatorluklar Baskenti" by Stefanos Yerasimos (Constantinople, capital of empires from Byzantium to Istanbul, this book is reconstructing the shaping of the capital's civilization over the centuries)
- "Voyvoda Street From Ottoman Times to Today" by Edhem Eldem (Based on the exhibition with the same title, is based on a spatial and architectural setting, but also tries to reflect the economic and social dimensions of the street which used to be called the "Banks Street". The book is a bilingual edition.)
- "A History of the Ottoman Bank", Edhem Eldem (This book traces the history of the institution from its foundation in 1856 to the transformations it underwent during the first decade of the Republic.)
- "Banknotes of the Imperial Ottoman Bank (1863-1914) Based on the Ottoman Bank Archives and the Tahsin Isbiroglu Collection" by Edhem Eldem (This book attempts to present all the banknotes and instruments of circulation issued by the Imperial Ottoman Bank from 1863 to 1914, within the framework of its privilege.)
- "A 135-Year-Old Treasure. Glimpses from the past in the Ottoman Bank Archives", Edhem

Eldem (These pages should be considered a journey into the memory of the Ottoman Bank, using all kinds of material to illustrate some of the points where this institution has met with history, and to provide the reader with as many snapshots, textual and visual, of this historical process and the legacy that can also be seen at the Ottoman Bank Museum.)

The Ottoman Bank Archives and Research Centre, with its archives, museum, library, educational units, publications and other activities, is acting as an alternative point of reference, where economic history in general, finance and banking in particular are being discussed and learned about.



## HSBC History Wall Unveiled

In September 2002 a major modern art installation was unveiled in the reception hall of HSBC's new Group Head Office at 8 Canada Square, Canary Wharf in East London. However, this very modern piece of artwork gives the stage to more than 200 years' worth of banking history and banking archives. Designed and built by the award-winning Thomas Heatherwick Studio, the 'HSBC History Wall' is made up of 3743 individual images relating to the Group's history around the world. It is huge in scale, measuring 7 metres in height and 35 metres in length.

The project utilised the Group's archives on a quite unprecedented scale. Working to a tight deadline, the archivists and designers collaborated to produce more than 4000 scanned images - pictures, documents, photographs, portraits and other illustrations of the Group's people, buildings, business and special events. The selection, retrieval and monitoring of the archives was an exhausting but thought-provoking process. Whilst continuing to provide the designers with eye-catching images, we had to ensure that over 200 years' worth of the Group's history would be displayed in a thorough, well-balanced and sensitive manner. Over 100 constituent companies are represented in the final images, as are many of the 81 countries in which the Group currently has offices.



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The archivists also worked with a digital design company, Cognitive Applications, to provide interactive touch-screen monitors. These allow visitors to take a closer look at the images with their descriptive captions and there are links to explain when and how a constituent company became part of the HSBC Group.

The HSBC History Wall combines art and archives in a most original and striking manner. Every day 8000 members of staff pass the installation on their way to their desks, not to mention the many customers, clients and other visitors to the new building from around the world. It has been extremely well received so far and is proving to be a wonderful advertisement for the educational value and the 'treasure-trove' factor of banking archives.

Furthermore, it has led to the commissioning of a History Wall book, which will be launched to celebrate the official opening of the building in April 2003. We have selected 224 images from the 3743 on display, on the strength of their visual impact and their relevance to the Group's history. The descriptive captions provided for the interactive monitors have been extended to offer the reader insights into a wide variety of banking history topics, in addition to further information about the Group and its constituent companies. The result is an illustrated company album that celebrates the history, traditions and values which have been, and continue to be, an important influence on HSBC's development.

*Tina Staples*

**HSBC Group Archives**

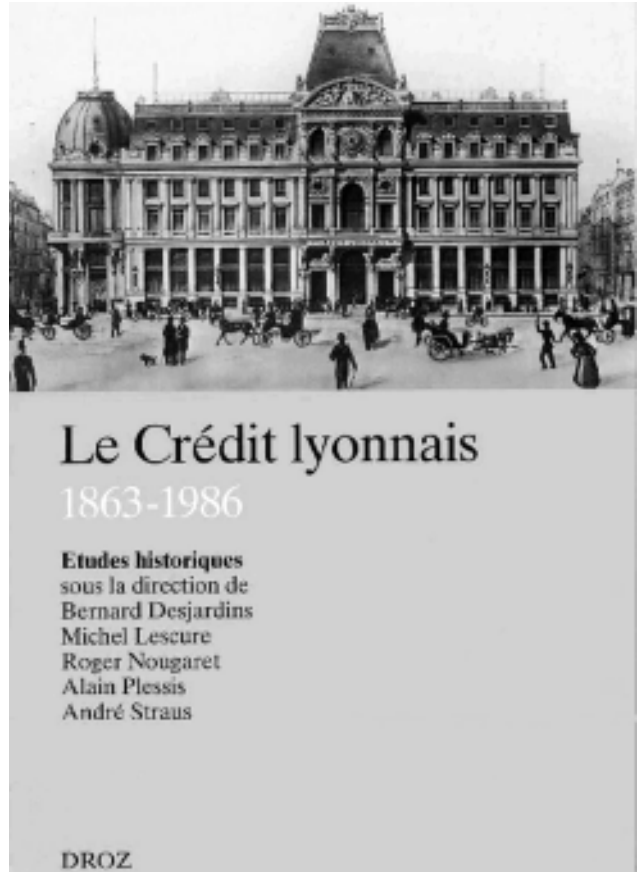
## Le Credit Lyonnais

1863-1986

Following the pioneering work written in 1961 by Pr. Jean Bouvier on the setup and development of Crédit Lyonnais from 1863 to 1882, much research has been done on the bank's history. Based on the rich bank archives, these academic works increased in number during the last decade, thanks to an easier and more open access to documents.

This robust collective book started from an academic initiative backed by the bank. It gathers together a significant part of these recent works and emphasises how topics and points of view have been renewed in the field of business history, as well as in financial history and broadly in economic and social history. One can see the broadening of the chronological scope up to the 1980s. The book is a mix of history and recollection, as 10 stories and interviews of former bankers take place side by side with 31 academic papers (with no less than 5 authors who are members of the Academic Advisory Council of the EABH).

Preceded by an introduction by Prof. Alain Plessis, these 41 papers are divided into 5 parts. The first one is devoted to the Crédit Lyonnais as a firm: the studies on bank staff begin from the top with a new study (by the late Dr. Bertrand de Lafargue) on the founder Henri Germain. An interview with Mr. J. Deflassieux (chairman from 1982 to 1986), also engaged in politics, gives a modern counterpoint to the biography of Henri Germain. Another interesting parallel applies to social conflicts, through the 1925 strike (studied by Dr. Cécile Omnes) and the one in 1974, as seen by cross interviews of actors. Two studies focus on a famous unit of the bank, the economic study (by Pr. Marc Flandreau) and the industrial study (outlined by Bernard Desjardins). André Straus and Roger Nougaret give a paper which describes the different models of the insurance unit at Crédit Lyonnais from the late 19<sup>th</sup> Century.



The second part examines the classical theme of the bank-financed businesses: the papers are devoted, for example, to real-estate financing up to 1914 (Prof. Michel Lescure) and mainly to the "new" industries such as car manufacturing (Prof. Jean-Louis Loubet) or electricity (Prof. Denis Varaschin and Prof. André Straus).

The third part deals with international banking: many of the foreign branches of Crédit lyonnais are studied in depth, among them London (by François Gallice), Geneva (Prof. Youssef Cassis), the Levantine branches (Prof. Jacques Thobie), Egyptian branches (Prof. Samir Saul), Spanish branches (Prof. Jean-Marc Delaunay) and Portuguese branches (R. Nougaret). Prof. Eric Bussiere closes this chapter with a study of the European strategy of the bank since the Second World War.

In the fourth part Crédit Lyonnais is situated in its environment: it is compared to its foreign (Prof. Cassis) or French (Prof. Hubert Bonin) competitors. Prof. Ulf Olsson studies the partnership with the Wallemberg from the 1870s to the 1920s. Dr. Dubuisson and Prof. Gallais-Hammono scrutinise the Crédit Lyonnais as a listed bank through the evolution of capital and stock. Prof. Olivier Feiertag proposes several explanations of the close relations with the French Treasury during the 20<sup>th</sup> century while Prof. Patrick Eveno investigates the bank's image in the press over time.

The last part is devoted to the bank during crisis. Balaji Ambigapathy explains the strategy of the interwar period and Capucine Bidault shows how the bank overcame the Depression. A long and new paper written by Prof. Plessis and Dr. Philippe Verheyde scrutinises the management of the bank during the Second World War. It is the first monograph on a French commercial bank during this period. The chapter is closed with interviews with Mr. Jean Saint-Geours (a former CEO, 1968-1975) and Mr. Claude Pierre-Brossolette (a former Chairman, 1976-1982) who relate a period of growth, crisis and tricky relations with state supervision.

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In March, the Bank of Italy's Historical Research Office and the Historical Archives Unit moved to new premises. The offices are now located in the historical Villa Huffer, close to the Headquarters of the Bank in Palazzo Koch.

Villa Huffer was built in the 1880s and its elegant architecture provides an ideal setting for the consultation of documents. The central location offers easy access to the Archives reading room and there is the additional advantage of close proximity to the Bank's Library.

The new premises will bring together the researchers and archivists of the Office, previously located in different facilities, with considerable benefits in terms of efficiency and communication.

The most valuable archival collections are stored in Villa Huffer. The technical staff in charge of digital reproduction of documents onto CD-ROMs will be housed in a nearby building, with the rest of the archives.

Our new address is :

BANCA D'ITALIA  
UFFICIO RICERCHE STORICHE  
ARCHIVIO STORICO  
VIA NAZIONALE, 191  
00184 - ROME (ITALY)

Please note that phone and fax numbers remain the same. For further information and enquiries, please contact:

Telephone: +39.06.4792.2533

Telefax: +39.06.4792.3360

e-mail [birst\\_archiviostorico@insedia.interbusiness.it](mailto:birst_archiviostorico@insedia.interbusiness.it)

**Banking Historiography: Past and Present**

**Corfu, 3 and 4 October 2003**

**Preliminary Program**

**3 October 2003:**

First session (10:00 - 11:15): **National Experiences: The South of Europe**

- E. Eldem, Bogazici University, *Banking History in Turkey: Issues, Sources, Phases and Shortcomings*.
- I. Minoglou, Economic University, Athens, *Banking Historiography in Greece*.

Second session (11:30 - 13:00): **National Experiences: The South of Europe**

- G. Piluso, Bocconi University, *Financing the Industrialization of a Late Joiner Country. The Formation of a National Banking System in Italy: Structures, Markets and Policies (1890-1960)*.
- J.L. Garcia Ruiz, Universidad Complutense de Madrid, *The History of Financial Institutions in the Centenary of Modern Banking in Spain*.
- J. Reis, Instituto de Ciencias Sociais, Lisboa, *Portuguese Banking in the Spanish Mirror: What happened to the History of Portuguese Banks since the 1970's?*

Third session (17:00 – 18:30): **National Experiences: The North of Europe**

- D. Ross, University of Glasgow, *Firms, Markets and Industries: Recent British banking Histories*.
- H. Houtman – De Smedt, University of Antwerp, *Banking Historiography in Belgium*.

Fourth session (18:45 – 20:30): **National Experiences: The North of Europe**

- Ch. Natmessnig – P. Eigner, Institut für Wirtschafts- und Sozialgeschichte, Wien, *Banking History in Austria*.
- M. Lescure, Université de Paris, Nanterre, *Local Banks in French Historiography*.
- R. Tilly, Universität Muenster, *German Banking and its Historiography: A Review of Recent Literature*.

**4 October 2003**

Fifth session (10:00 – 12:00): **International Experiences**

- E. Green, HSBC Holdings PLC, *A New Historiography? The Literature of Banking Archives*.
- J. Carlos Martinez Oliva, Banca d' Italia, *Writing the History of European Economic Cooperation*.
- P. Clement, B.I.S., *Writing the History of the Bank for International Settlements. An Independent Look at the Historical Role of an International Organisation*.

**Concluding Remarks**, Philip L. Cottrell, Leicester University

**New members:**

*Central Bank of Malta*

*C.Hoare & Co*

*Compagnia di San Paolo*

*Czech National Bank*

*San Paolo IMI*

*UniCredito Italiano*

## Playing on the Financial Market

In the old days in Hungary, a group of people gathered at a party and argued for and against the institution of stock exchange. An aristocrat, having lost much money there, advocated its abolishment. Two financial characters, however, listed all the benefits which the stock exchange provided for raising capital, for encouraging investment, for smart people to make money. A gentleman who had been silently listening finally spoke:

"I've listened to you arguing for the past half an hour, but I can't make out what stock exchange really is!"

"Let me explain it to you," one of the financiers volunteered.

"The Exchange is a blessed place where millions are lying on the floor: in gold, in bonds, in readily convertible cash."

"I see," said the gentlemen trying to visualise it all.

"And all you have to do," the financier continued, "is to bend down and reach for it."

"Really?"

"There are hundreds of people crammed on the floor of the exchange and all are trying to bend down and pick up all this money."

"It sounds wonderful," sighed the innocent.

"It is wonderful, but there is one small problem."

"What's that?"

"It's true that all you have to do is bend down and scoop. But when you do, your own wallet usually falls from your pocket and spills everything you've got onto the floor."

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There are countless theories about playing the market, but they all seem to agree on this one point: "People will continue in the future to make the mistakes that they have made in the past."

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One English financier at the turn of the century was so nervous that a concerned friend asked him what the matter was.

"I can't sleep."

"Why not?" the friend asked.

"I'm carrying so much cotton in future contracts that I can't help thinking about it all night. What can I do?"

"Sell down to the sleeping point," the friend advised.

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There is a popular story which explains what really happens on the financial market:

The salesman offers the fisherman a wide variety of ingenious, colourful, and expensive gizmos. The fisherman is unable to choose. He asks:

"Do fish really like this sort of thing?"

To which the salesman replies curtly:

"I don't sell to fish."

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Hetty Green, known as the "Witch of Wall Street", spent most of her life around brokerage offices, and was often asked by all and sundry to give out financial tips. When someone pressed her to suggest where to invest money, Mrs. Green replied:

"The other world."



## Janez Krek

### Promoter of the System of Cooperatives among the Slovenes

The system of cooperatives has a special place in the Slovenian economic history, and this applies in particular to credit cooperatives. This latter type of economic activity was particularly popular among the Slovenes. It was a response to a harsh economic situation which arose as a result of the commercialisation of economy, and which caused economic restructuring and a rapid process of social stratification of the population in the Slovenian territory. A full transition to the economy which uses money as a medium of exchange affected all social strata, but predominantly the most numerous one, i.e. the representatives of the small-business sector - a predominant element of the Slovene economic structure. The only way out of the latent crisis was the adaptation to the given economic system. The only way to impose some order to the process of transition was to find a means that would facilitate the adaptation to the capitalistic economy, and make it possible to avoid social turmoil.



**Dr. Janez Ev. Krek.**  
(1865—1917.)

The system of cooperatives seemed to be, and indeed became, the answer to this situation. It was expected to respond to the basic questions of how to assure the Slovenian small-business sector to become more market-oriented and how to raise the production levels in terms of quantity and quality. These steps would generate greater incomes and higher standard of living for the entire population. The cooperative system, resting on the principles of mutuality, solidarity and self-assistance, had the form of an integral economic system comprising production, sales and supply cooperatives, allowed for an organised performance on the market, and would be financially supported by credit cooperatives.

Out of all forms of cooperatives, it was the credit cooperatives that developed the most, and their importance exceeded by far the importance of other types of cooperatives. At the end of the First World War, there were around 1000 cooperatives on the Slovene territory, almost half of which were credit cooperatives. The population of the area, however, numbered slightly above one million. The main reason behind such a great number of credit cooperatives lay in the importance of the financial resources for the restructuring of the Slovene economic system. This applied in particular to the cumulative capacity of the small-business sector which was rather low. The financial resources were limited and the interest rates were high. Borrowing under such conditions led to the withdrawal of wealth from groups of farmers, craftsmen and tradesmen. Therefore, the credit cooperative system represented an important innovation as it played the role of a financial intermediary for the small-business sector. Through their activities, cooperatives made a great contribution to the lowering of interest rates in the Slovene provinces. Moreover, the innovative role of credit cooperatives played not only eco-

nomic, but also cultural roles, as the Slovene language started to be used as a business language, and these institutions laid the foundation for the Slovene financial and banking terminology. Loans taken with credit cooperatives were cheaper because of two main principles underlying the business of cooperatives, namely self-assistance and mutuality. Business based on self-assistance and mutuality did not support great differences between lending and deposit interest rates. The interest margin was sufficient to cover overheads, and these were also rather low in the cooperatives as they were small-scale institutions.

The first Slovenian credit cooperatives, also called "loan societies", were set up on the basis of Schulze-Delitsch principles, which allowed the establishment with high stakes of financially solid institutions capable of coping with German competition. After 1880 slightly modified principles were applied in Slovenia. Certain legal provisions of 1880 - which offered tax relief to various societies and cooperatives which limited their business to members - introduced several types of stakes to the system of cooperatives, i.e. major and performing stakes. Whilst the former could influence decision-making, the latter could not. This form of cooperative in fact very closely resembled a joint-stock company with common and preferential shares. Such an approach was understandable as in that period the cooperative incentive was limited predominantly to urban centres. Thus at its very beginnings it took into account the economic and social conditions and the prevailing mentality of urban populations, which were also further differentiated in regard to their wealth.

Rural areas, however, were still neglected at that time. It was not until the 1890s that credit cooperatives started to bloom. It coincided with the transposition of the Raiffeisen system to the Slovene soil. At this time Janez Krek entered this story, who contributed enormously to the development of the Slovenian system of cooperatives, in particular as regards their organisation. Janez Krek was born in 1865 and died in 1917. A Catholic priest by occu-

pation, he studied in Vienna like most Slovenes of that time. He was an influential Slovenian politician with a feel for the social component of human life. Within the Hapsburg Monarchy, to which Slovene provinces belonged up to 1918, he was considered an outstanding representative of the new type of "social clergy". Krek was not social theoretician, but rather a practitioner. He based his activities on Christian social teachings, in particular on the Pope's encyclical "Rerum novarum" of 1891. As regards the cooperative movement, Krek strongly supported the Raiffeisen organisational principle. Krek made his first public appearance at the Slovene Catholic Congress in 1892 where he presented a programme which can be summarised thus: not only *caritas* but an organised fight for equality of socially deprived social classes, with an active part played by the clergy.

At Krek's incentive, the cooperative movement was reoriented to rural areas, where there was less wealth differentiation and where people were more inclined to traditionalism and egalitarianism, and at the same time most exposed to the overall commercialisation of economic life. The Raiffeisen system of cooperatives was more suited to such an environment, as it involved a large number of small local cooperatives in which all members of cooperative held equal stakes. Moreover, these stakes were small, so that also the poorest had access to cooperatives. The management received no reimbursement for their work, and cooperatives paid out no profits but reinvested them in a reserve fund that was used for financing projects of common interest. This extremely local orientation of cooperatives also explains the numerical boost of Raiffeisen cooperatives throughout the Slovene territory. Another stimulus to this kind of cooperative system was the Act of 1889, which set out a definition of a cooperative and defined tax relief related to the cooperatives as not paying out profits, but placing them in a reserve fund instead.

The tendency of setting up small credit (known also as "rajfaznovke") and other cooperatives under the influence of the Catholic circles was extremely prolific, and in the period from 1882 to 1905 alone, as many as 481 cooperatives were set up. This number rose to 682 just before the outbreak of the First World War. As it would be difficult for them to exist on their own, the multitude of small cooperatives had to merge. In line with the centralist concept, this led to the formation of a cooperative union joining and coordinating the work of individual cooperatives. This was particularly common in the case of credit cooperatives. The union played the role of a "head office", with disposable funds circulating among all credit institutions throughout the Slovene territory. Krek headed the Union from 1895 to his death, and he was at the same time for many years also one of the vice presidents of the General Union of Agricultural Cooperatives in Austria.

"Krek's" cooperative movement significantly contributed to partial stabilisation of the Slovene agriculture, with credit cooperatives alleviating difficult circumstances in the Slovene rural areas. By collecting many small savings - which other institutions failed to do - the credit cooperatives accumulated a large amount of funds. Indeed, they succeeded in accumulating by far the most household savings in the Slovene regions. Further, the loans based on these funds not only abolished usury - typical of Slovene rural areas in the preceding periods - but also provided farmers with the necessary investments for the modernisation of production. In addition to credit cooperatives, there were also commodity cooperatives, which allowed savings on the purchase side and greater earnings on the sales side.

Under Krek's influence, the Slovenian Catholic clergy also became closely involved in the work of cooperatives. Often it was the clergy, in addition to teachers, who were the only educated people in rural areas able to manage the cooperatives. Being aware of the advantages and constraints of the

engagement of the clergy, Krek constantly promoted and supported training and specific education of cooperative managers. As the scope of business grew, it was of vital importance to provide for adequately and specifically educated cooperative managers. At Krek's incentive, a Cooperative School was set up in Ljubljana in 1908, the first of this kind in Austria and second in Europe, after the Darmstadt School.

Relatively soon Krek became aware that classical banking would have to be introduced in addition to credit cooperatives. With the growth of business, the cooperative system became overly restricting. Therefore he launched efforts to set up a bank in the form of joint-stock company with the cooperatives union and individual credit cooperatives holding a majority stake in it. He did not live up to see the realisation of this incentive but his associates and successors carried it through three years after his death in entirely different political and economic circumstances.

**Zarko Lazarevic**

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***Ljubljana***

### A small man's banknote



Around the middle of the 19th Century Sisak was a developing market-place town and an important communications intersection. The Sava and Kupa rivers divided Sisak into two towns: civic and military. There were no bridges over the rivers, so that all transport took place with boats or ferries for carriages and larger transports.

The main Sisak ferry driver of the time was Grga Klobucar. He charged a fourth of a *krajcar* for each passenger he transported over the river Kupa. Everything went well until 1848 when revolutions started in Vienna, Hungary and Lombardy, which had an adverse effect on Austria. Among other things, metal coins started to disappear from common usage, even the smallest copper denominations amounting to one, half and quarter *krajcer*.

The small coin crisis hit the Sisak transporter Grga Klobucar too because he did not know how to charge for his service and how to give change to customers. Due to the lack of small coins he decided to print his own money, and was granted permission to do so from the magistrate of the market. The money was printed in 1849 with the dimensions 85x49 millimetres and bore this text:

*The undersigned will accept this note in lieu of a quarter silver krajcer for the transport in Sisak, and exchange four notes for one silver krajcer.*

*Sisak, 1<sup>st</sup> April 1849,*

*G. Klobucar*

It seems that many merchants, factory owners and entrepreneurs in Austria issued their own notes at this time, but the most frequently used denominations were of 1, 2, 3, 5, 6, 10 and 20 *krajcer*, and the nominal value of a quarter silver *krajcer* appeared only on the Sisak note of the ferry driver Grga Klobucar. It is of no doubt that the note is extremely rare and literature mentions two copies, with serial numbers 75 and 130.



**Miroslav Matovina**