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bulletin

Newsletter from the EABH

2/2009



European Association for  
Banking and Financial  
History e.V.



Dear Colleagues,

The current financial situation has a tight grip on us.

Understanding the reasons for the financial crisis keeps analysts and experts busy and even the wealthiest nations have had to react to keep their financial systems stable.

In order to understand the current situation it is of utmost importance to analyze the past of banks and financial institutions in the context of the economic history of their country of origin. Experience requires us to rethink issues such as financial strategies and regulation to effectively take advantage of lessons learned from the past.

Little by little it is becoming clearer that the crisis is not short-lived; the losses caused by the credit crunch have a profound effect on the economy as a whole, which is also reflected in the every day work of individual institutions' departments.

Within the scope of this edition's survey the EABH intended to find out how member banks are reacting to this crisis and how it affects the respective archives. The survey enquires about takeovers and mergers and how they affect archives and deal with possible budgetary constraints, best practice during takeovers or mergers, regulation by law and how the loss of valuable archive material can be prevented.

What happens now?

The significance of archives is once again emphasized. The preservation of historically valuable archive material as well as continuing research into banking and financial history are key components of how banks and countries will react in future. In this regard, the work of the Corporate Culture Memory Task Force should be mentioned. The main goal of the Task Force is to safeguard corporate archives and cultural assets before, during and after mergers, acquisitions or corporate liquidations thereby contributing to the preservation of historical and cultural memory, which is after all the basis of our cultural heritage. The coordinators of the Task Force just met in Frankfurt at the end of October in order to discuss and develop common strategies to achieve this goal.

The important developments and historical background of the financial crisis will also be the topic of next year's EABH e.V. Annual Conference, Responding to Crises in the Global Financial Environment - Risk Management and Regulation taking place on 21-22 May 2010 with the kind cooperation of National Bank of Belgium in Brussels.

We are looking forward to welcoming you in Brussels in 2010.

**Manfred Pohl**  
Deputy Chairman

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## EABH survey

*We are in the middle of the global economic crisis. Thanks to many interventions this economic crisis will not cause many bankruptcies and closures of banks, rather many take-overs and mergers within the banking sector. And it could have a significant effect on the preservation of banking archives.*

1. *According to your expectations, to what extent will the economic crisis have an effect on the archives' budgets and what will be the long term effects of the crisis on your archives?*
2. *If you are a commercial bank, what is your practice regarding the archives in the case of a takeover or merger with smaller banks?*
3. *If you are a central bank, what is the practice regarding the archives when banks go bankrupt, close down or are taken over by other banks? Are these problems regulated by law?*
4. *In your opinion, what would be the best practice to prevent the loss of valuable archive material in these turbulent times?*



**Rabobank**

1. Of course our budget has been cut down - not unto the extent that we had to cut on staff but we have less budget for special projects and 'out-of-pocket'-costs. There will always be certain costs that will continue, like hosting and storage. Special projects, for instance digitalizing, will not be continued on the same scale.

2. In our case it is mostly a takeover in another country. In that case we consider them of 'local' interest - the archives should be kept in that country.

In cases of merger or takeover within the Netherlands it depends on whether the other bank or company keeps working under its own label or if it is rebranded and completely involved in our organisation. In the first case the archives should stay with the office of that company - it might happen that we resell the company again (this has happened already several times). In the second case we will try to find a good place

- maybe in the Rabobank historical archives or in a regional or national archive institute.

4. Awareness of both staff and archivists. For the staff it is important they know that they are dealing with matters that are special, different from ordinary times and that the archives formed in these times have special value for both the company and the public in general, for now and in the future. For the archivist it is important to know which departments, staff members etc are dealing with subjects that deal with the crisis, the regulations etc and than start making contact with them to ensure they will keep the documents and transfer those to the archives in due time.

**Jan van der Meer**  
**Rabobank Nederland**

1. Crisis usually brings some short-term limitations: this is true for all departments in all financial institutions. We too experienced some budget constraints and project-postponing, as well as some restrictions in travel expenses, the choice of cheaper record storage solutions etc. Particularly, we experienced the pressure of the logistic services dept, with very short deadlines for transferring both administrative and historical records into outsourced record centres, and also for eliminating backlog records no longer of administrative and historical interest. Now our agenda is full of deadlines, but we think that we have still enough resources at our disposal. Our challenge is to monitor the activities, avoiding the risk of lowering the quality standard.

To face the above mentioned organizational emergencies, much of the higher quality activities (such as professional formation) has been left behind.

After all, even in our case, we can apply the general rule that crisis gives birth to reform: these pressures provide the opportunity of re-thinking professional practices (appraisal, disposal, arrangement and description) and directing the focus towards what is really important.

We are working on establishing new partnerships, cultural alliances with universities, documentation centres, professional archivist societies etc. to create a solidarity network for mutual protection in times of difficulty or for major cultural programmes.

2.1 In our experience, as a witness to a long series of M&A, we have always been aware of the shortage of professional staff. Just the “Banca Commerciale Italiana” was provided with a professional team, so there have never been problems in harmonizing different philosophies and different ways of managing historical archives from separate origins.

The challenge was to benefit from the

professional know-how of internal staff to set up an in-house management of the archives of the major incorporated banks. The three pre-existing banks (Cariplo, Banco Ambrosiano Veneto and BCI) merged into Intesa and now also IMI – Istituto Mobiliare Italiano - historical archives have been included into the Central Group Archives, but with their own individual working plan which must take into account the diverse degrees of physical and intellectual control.

2.2 In our Group today, there is the regional banking network of Intesa Sanpaolo and a significant number of controlled banks (about 20 archives). Some of them date back to XIX century. As for the archives of regional and local banks, the basic principle is keeping archives on their own territories, but steering a unique Group information service (building a unified historical library and a network of contact-persons).

In the short run, Intesa Sanpaolo Group Archives are supporting local managers (like head of general secretariats) in contingencies like:

- carrying on already existing projects (which are being funded with local resources)
- providing professional advice when required
- visiting archival repositories in danger (records evaluation on-site).

In the medium term all these archives need to find a more secure location and management. This is why we encourage local initiatives of archive donations or permanent deposits to local Banking Foundations (or to State and local Archives as an alternative). This is the successful case of Compagnia di San Paolo in Turin which keeps the records of Istituto Bancario di San Paolo in an excellent professional management.

Anyhow, we foresee another long transition phase, in order to identify permanent solutions for all these archives.

3.1. Although we are not a central bank, in our experience some of the former controlled banks were sold to other banking groups. Their

archives had been kept separately from the Central Group Archives: this policy is valid, even more, when the historical brand still exists, so we have no troubles at all.

3.2 From a legal point of view, the archives which receive the declaration of noteworthy historical value are protected by Italian archival law (Code of Cultural Heritage, 2004) but medium and small-size archives are not included in this category.

3.3 We noticed that fine art heritage is frequently mentioned in merging or selling agreements, while our legislation and practice are silent regarding the archives (due also to the difficulty of fixing the value, especially when the archives have been neither concentrated nor processed at all).

4. The presence of an Historical Archives Office in both the organization charts and on the corporate website gives to the whole banking personnel the possibility to ask for advice in case of emergency, delivery and transfer.

Due to the lack of any archive management (paper and electronic records) in the former banks, sometimes the unique way of preventing losses is contacting colleagues personally, i.e. identifying single persons who have been, on their own initiative, record preservers.

Moreover, the archival staff should be proactive by seeking historical advice, and identifying oral testimonies. This skill is an attitude that should be part of the archival staff formation: it also depends on the ability of choosing among the many possible contacts, in the short time available.

The medium-term strategy will be:

Providing a Group policy for careful risk-monitoring, and for records appraisal.

A new retention schedule has been edited by the "Corporate Secretariat" for the management of the Head-Office Archives. It intends to rationalize the current document production, and it could be useful also for identifying older documents

as well that can be entrusted to the Historical Archives.

Cooperating with Human Resources Training Department, including sessions („learning workshops“) in order to motivate local managers (general secretariats of the existing local banks) in taking care of cultural heritage (not only risk-monitoring, but also establishing projects for complete archive rearrangement, production of illustrated archival guides and - last but not least – outreach initiatives). We shall try to prospect the work not as a routine duty, but as a challenging opportunity for increasing trust in customer relations and for enhancing staff cohesion and pride.

Finding help and cooperation (students, PhD thesis, researchers, volunteers, retired staff etc.)

Using all the communication channels available in order to raise awareness of the high value of Group heritage: articles in the house organ, a Newsletter launched this year by the Historical archives, internet website, intranet advertising, periodical cultural events, printing new guides and leaflets, cooperation with the architectural guided tours to the Intesa Sanpaolo historical buildings. The Newsletter, in particular, aims to prove how the archives are being actually exploited by various users and how every single archive can provide very specific, rich, unexpected answers to the historical enquiries.

**Francesca Pino**  
Head of Group Archives

## Individual and anonymous opinions

1. The global economic recession had profound impact on the economy of the Czech Republic because it belongs to one of the most open economies of the European Union and so is highly dependent on the performance of its export industry. The recession of its most important trading partners reduced the demand for Czech products and so caused the problems to the export industry and its suppliers. The problems of Czech export had then important impact on the decline of the GDP and therefore on the income side of the national budget.

For that reason it is highly probable that the economic recession will have impact on the archives in the Czech Republic, because with rising deficit of the national budget the government will have to make plans to cut the national budget. This will then naturally affect the state archives as well; the question is only to what extent because the Czech state archives are facing shortage of financial means in the long run. It's possible to suppose that the shortage will come at the expense of construction of new archival buildings, reconstruction of existing buildings and renovation of their technical equipment.

In a similar position are the archives of private companies because they want now to make as many savings as possible and it is easy to save on the archive as a non-productive part of the company.

3. In the Czech Republic the archive of central bank (Archive of the Czech National Bank) has no power to become involved in the supervision of archives of commercial banks, because in the Czech Republic the Regional State Archives are responsible for the supervision of company records management and archives (including the archives of financial institutions) that fall within the competence of the archival law (Act No. 499/2004 Coll.). The law provides that all entrepreneurs written in the business register have to preserve their

documents and enable the appraisal of them to responsible state archives. The annex to the Act No. 499/2009 Coll. specifies the concrete documents the companies have to preserve.

So in case of liquidation of any financial institution that is written in the business register the locally appropriate Regional State Archive is obliged to take over all its archival documents.

It's necessary to add that the Czech banks were not hit by the current financial crisis and so none of the banks went bankrupt or were forced to merge because Czech banks are well capitalized, are not dependant on external financing and foreign debts, and have a very low share of toxic assets.

4. In my opinion the best way to prevent the loss of archival documents produced by private companies would be the legal obligation for all private companies to offer the documents to the state archives for the appraisal. After the appraisal the state archives should have the opportunity to offer the storage of all archival documents in their repositories in case that the company cannot offer suitable space for their preservation.

In addition, the state archives should keep files of all companies written in the business register of their region and of all their archival documents. The best way to inform the state archives about the newly established or liquidated companies would be to entrust this to commercial courts that maintain the local business registers to inform the archive about the registration or the liquidation of the company.

There remains the open question if the central bank's supervision should not be extended to records management and then archival keeping because the proper records management is the precondition of the prosperous development of each financial company.

**Jakub Kunert**

1. In the short term archives of financial institutions may have some budget and staff cuts and there is a tendency to outsource some tasks or even the archives storage itself. The historical archives will suffer more constraints than the current ones or records management. On the other side document and electronic records management will have more responsibilities, since the supervision authorities and audit companies, be it the central banks or external entities, will demand more attention and efficiency to these two tasks. There are more strict rules - best practices, legal evidence, audit guarantee... if the electronic records once managed and stored in the IT system are to be accepted as a legal document in court. These aspects demand more investment and more prepared staff.

2. In what concerns historical archives, central banks are in a better position to take care of their archives, since they have the other responsibility to preserve and make available their historical documents, be it to internal or external researchers. Commercial banks archives may have more difficult times since bankruptcies, mergers, etc. only affect them, not central banks directly.

3 As far as I know archives from closed banks or merged ones are not covered by central banks responsibilities. At least this is the case in Portugal and I may report that some archives from banks in that situation disappear. In some cases, if there are some good sense, the archives of closed banks are incorporated in the National Archives, but there are no systematic or mandatory incorporations in these situations.

4. Since central banks will keep existing, unless the country is merged with another one. I am in favour that they are convinced to create or sponsor research centers gathering archives from those banks or other financial institutions accepting to deposit their archives in a voluntary

base and from those that have vanished by different reasons. I know this proposal costs a lot of money to work efficiently, but it is a matter of studying an appropriate management and financial model. I am afraid this may be considered as a too much centralised model, but the fact is that if the archives will be destroyed the loss is bigger and even if they are incorporated in the National Archives, I am not sure if in most countries these institutions are prepared to deal with these kind of archives with their specific documents.

*Anonymous author*

1. In the short term, investment might be postponed, especially regarding specialized IT-systems (e.g. replacements, developments, integration into business applications). In addition, regulations regarding financial institutions might be amended, having an effect on document management and archives, reinforcing their function to guarantee internal and external accountability in the long term.

2. Whenever possible, archives of merged banks will be centralised at existing archive locations, respecting the integrity of each acquired archive and its funds.

4. Best practice would include: management attention; communication of internally defined standards; communication of responsibilities of management, process owners, archive owners, document owners and employees; implementation (including training) of user-friendly archiving processes.

*Anonymous author*



1. We expect that the economic crisis will imply recruitment restrictions. We don't expect long term effects on our archive.

2. We are a Central Bank, There is not a specific practice regarding the archives when banks go bankrupt, close down, are taken over by other banks or merge and these problems are not specifically regulated by law.

4. We have already started a project to help private banks to provide access to their historical archival fonds, including those acquired from banks gone bankrupt, closed down, taken over or merged. The first phase of the project has already produced a directory of all XX century private banks including information about bankruptcies, closures, takeovers and mergers. The second phase of the project has already started with the objective of locating the historical archival fonds.

***Anonymous author***

1. The Italian banking and financial system witnessed many mergers and acquisitions in past years (since the Nineties), and those created various problems in the conservation and management of the archives. The recent crisis had very little effect so far on the structure of the system. As far as the effects of the crisis on budgets, it is too early now to assess this point for the whole system.

2. So far, each banking group behaved in an ad hoc way in this field: concentration of the archives in a single entity, continuance of several poles...

3 and 4. Concerning the whole system, the ideal solution to this problem would be the issuance of guidelines on what to do in case of merger and acquisition: some kind of self-regulation by the banks, to be added to the State laws on cultural heritage (as Pino already mentioned, the declaration of noteworthy historical value is a form of legal protection which is in principle independent on who owns the archive). The Bank of Italy has no power in this field, but it will try to convince the banking community to this effect. In theory, the solution proposed by Jacob Kunert of the Czech Republic could be effective, but the problem with it is that the State does not have storage space and personnel to keep, safeguard, manage the archives of private companies (at least in the Italian case, but I do not think that we are alone in this).

***Alfredo Gigliobianco***  
***Sergio Cardarelli***

## Microfinance in Senegal: a booming sector, tormented by many difficulties

*This article discusses the emergence conditions of financial services in West Africa and specially in Senegal which raising the questions of territory meshing, the full significance and the durability of its institutions. To begin with, we'll describe the historical context, the sector; and finally the issues associated with the microfinance in Senegal.*

The African financial systems are characterized by an imperfection of information; a segmentation of the credit and saving's network due to economic and social positions, to political belongings, and geographical position (urban and rural area). Liberalization has questioned certain foundations of the economy formerly in the State's hands; it has given way to private initiatives and the emergence of a new semi-formal or intermediary sector aside from the formal or informal sector<sup>1</sup>. These sub-sectors emerged organically differentiated through by their customers' level against the poverty line and their access to finance, rather than any organisational level segmentation.

Senegal is located in the West African's area; its population is around 12 millions inhabitants; 58.5% of them live in the rural regions and 50.8% are defined as poor on the national poverty line. The gross domestic product of Senegal is about 515 CFA<sup>2</sup> per inhabitant.



This country takes up nearly 21% of the microcredit activity of the West African Economic and Monetary Union (UEMOA)<sup>3</sup>. Since 2000, the microfinance has evolved quicker than the banking sector, it in terms of clientele (OCDE, 2005). In 2006, the microfinancing services reached nearly 1 million beneficiaries. The microfinancing development is supported by the State, the Financial Bakers, NGO and the local and associative organizations and the beneficiaries.

After more than 40 years of experience, the microfinancing initiatives have made remarkable advancements , in terms of saving and financial services' quality, credit and transfer of funds and in impact. Nevertheless, the sector's dynamism hides deep difficulties. In this article, we'll discuss three essential points: the national territory meshing, the institutions' durability. and their full significance in the struggle against poverty.

### *Emergence of decentralized financial services: historical prospecting*

After Independence in 1960 development of rural economical financing began in West Africa, with a credit approach similar to that developed in France, through a support system of the production and subventions of equipments and intrants. The main institution interceding in the financing of agricultural activities was the National Savings Bank of Agricultural Credit (CNCAS) created by the public powers in 1987, while other banks hesitated due to the level of risk and uncertainties linked to agricultural financing and the deficit of material guarantee from small rural producers.

At the end of the eighties, the commercial banks and Senegal's development banks had been hit by an unprecedented crisis which resulted in the liquidation of 6 out of 15 banks. In 1989, on an "en-cours" of 165 millions FCFA of credits, around 65% of them represent irrecoverable credence<sup>4</sup>. The more solvent banks opened their capital to foreign banks notably French ones. Development pole has registered many more bankruptcies, causing greater pressure in the access of financing for the poor.

The 1989's banking reform caused the reduction of the State's influence over the financing and microfinance development (first generation of microfinance institutions), with its goal of substituting the public financing model. The earliest microfinance institutions, which had been set up with the help of the State, ended in massive failure. The reasons behind these failures are linked to the maladjustment of models financially depending on subventions,

the inability of the leaders to create efficient mechanisms allowing them to collect domestic saving and repayments of the funds lent, and a lack of appropriation of the beneficiaries.

The finance sector segmented, resulting in three sub-sectors emerging. These differentiated themselves through the typical customers' level against the poverty line and their access to finance, rather than any organisational level segmentation<sup>5</sup>. Theoretically, we consider that the banking sector, under condition of financial result, aims predominately at a highly solvent clientele who presents material guarantees (healthy firms, populations with salaried jobs or profitable business, etc...). The intermediary sector is interested in populations where there is production activities, while the informal finance sector grows faster in the segment where the poor population is target. Schematically, we can represent this situation by the figure below, which also shows the interconnection.

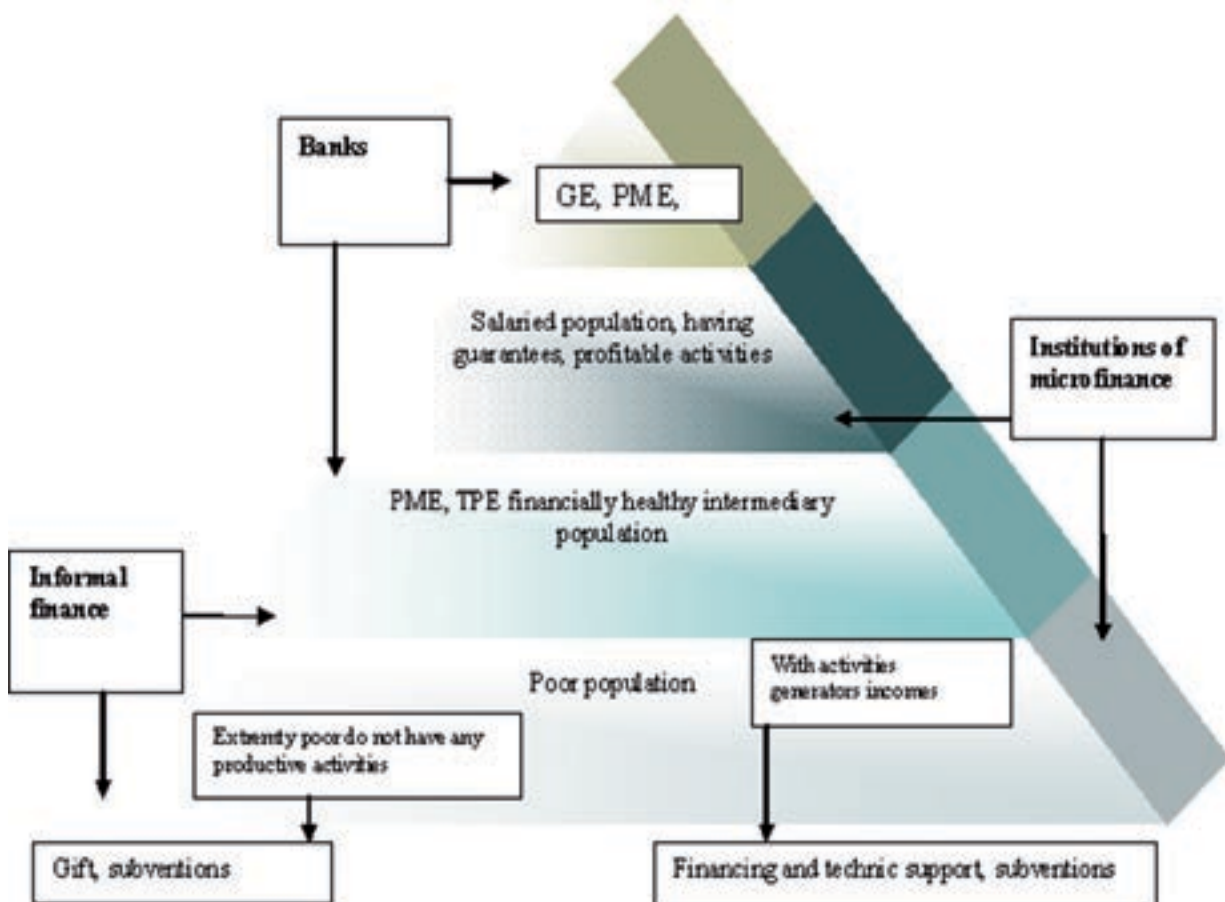


Diagram : segmentation and targeting of the financial sub-sectors.

*Panorama of the microfinance sector in Senegal*

In the end of the nineties, a generation of decentralized financial services was born with the goal of overcoming poverty particularly in the financial services. These financial services are governed by a support project, focusing on the mutuals and cooperations of saving and credit (Parmec) in 1995, supported itself by the Caisses Desjardins (Canada), and which defines the whole prescriptions norms and legal obligations. In Senegal, the law 95-03 of January 05, 1995 and its application decree number 1106-97 of November 11, 1997 is applied to saving and credit mutualists and cooperatives' institutions practicing their activities in the territory and institutions signatories of conventions – 5 years renewable executives. The Cell AT/CPEC linked to the Finances and Economic Department for the supervision and the control of the sector. After 2000, a ministry for the microfinance has been created to assure the promotion through a national direction of the microfinance and some conexed funds.

The microfinance's institutions give an alternative source of financing of economical activities noticeably in rural area. These systems are based on the articulation of three logics : (i) a social logic which consists of financing that level of the population that does not have access to banks' financing, (ii) a logic of collective action because these systems integrate the beneficiaries and the local organizations and (iii) a financial logic that consists of assuring the profitability and the perenity of their services and on financing their growth. The problem is to then conciliate economic and social impact and the control of the financial activity.

In 1996, 99 decentralized financial services responded to the needs of 79.590 beneficiaries made of women, men and groupings. In 2006, more than 700 decentralized financial services reached nearly 800.000 beneficiaries by injecting more than 100 billions FCFA (so around 152 millions euro) in terms of lending financed by

a domestic saving of around 114 millions euro and subventions (Economic and Finances Ministry, Cell AT/CPEC, 2008). Compared with the potential societariat, the results are far below the objectives considering that 50,8% of the Senegalese population is poor. For the beneficiaries, around half is considered as poor, the rest are located in the intermediary segment. Compared to financing the economy, the institutions of microfinance do not play an important part comparative of the commercial banks (around 10%).

The microfinance's institutions in Senegal are mainly in the mutualist form or cooperative with two particularities : (i) development supported in urban area to the detriment of the rural area and (ii) the concentration of the market in the hands of seven biggest network which are CMS, ACEP, UM-PAMECAS, UMECU, REMECU and RECEC which gathers more than 250 decentralized financial services and in 2005, they collected 90% of the saving and 78% of the loans (Microfinance ministry, 2005). In contrast, the free and small microfinance institutions are characterized by a weak financial autonomy and massive failures when these are being institutionalized and becoming autonomous.

*Constraints and challenges: territory meshing, durability and social impact*

In spite of the joints' efforts of the Government and the Bankers for a national territory's meshing, the financing of the rural economy is continuing to take negligible place in the microfinance sector. The strong concentration of the microfinance institution in urban areas (Dakar, Thies, kaolack notably) brings about the marginalisation of the rural area. This is explained by the fact that industrial activity (more than 70% in the capital Dakar) and administrative activity is concentrated in the urban areas. As a consequence, the clientele is salaried representing less risks than the small poor farmers who are employed in family agricultural activity that is not very developed.

The success of a few initiatives resulted in the creation of a big network which actually competes with the commercial banks in certain segments of clientele. Many failures have been registered; in rural areas, very few isolated initiatives have succeeded. Beyond the durability, the social timelessness is also an important stake for the perpetuated financial structures, that is to say the putting into practice of the social mission in the duration. The microfinance institutions realize that the products and services must be created according to the needs of the affected customers more and more.

The microfinance institutions had particular problems securing re-financing funds after their institutionalization and autonomisation. On this point, partnerships between banks and microfinance institutions not only provide interesting perspectives but can raise the attractiveness of these institutions to private and banking funds. For microfinance institutions, this partnership can reinforce opportunities of re-financing and, as for the banks, it will allow them to widen their market position in the context of stronger interbank competition. Areas of priority to improve decentralised financial services' efficiency in Senegal are; the conception of services that are adapted to small firms' investments, services for the poor populations of rural and suburban areas, and a better financing of agricultural activities.

### *Conclusion*

Set out briefly in this article were the microfinance sector, its specifics in Senegal and the questions these raise. With regards to territory meshing, the big networks, which have acquired a certain financial institutional soundness, concentrate their activity mainly in urban and suburban areas that offer more growth opportunities and a clientele that provides material guarantees. Compared with services targeting the poor, these impact only a small porportion of the population if we take into account firstly the total clientele that represents less than 20% of the

poor in the country and secondly that among this clientele nearly half is positioned in the intermediary segment, An enquiry of the BCEAO concluded that the microfinance institutions in rural locations have more impact ont he poor. In the present context, the isolated and rural initiatives suffer a financial and institutional fragility that limits their effect on targeting the poor.

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### Endnotes

- <sup>1</sup> Hugon, 1996.
- <sup>2</sup> 1 euro = 655, 95 F CFA.
- <sup>3</sup> The Monetary and Economic of West African Union (UMOA) covers an area of 3,466,000 km<sup>2</sup> comprising eight countries, Benin, Burkina, Côte d'Ivoire, Guinea Bissau, Mali, Niger, Senegal and Togo.
- <sup>4</sup> Banque de France, 1999.
- <sup>5</sup> Hugon, 1996.

## Interbank Networks in Pre-war Japan

It is my great pleasure to present the profile of myself and my research in the EABH bulletin. I have been working on economic history research since the 1980s, when I was a graduate school student. My basic research interest is in the role of institutions and organizations in economic development and their changes over time. This research interest was fostered through interaction with a number of researchers, especially colleagues at the University of Tokyo, to which I am now affiliated and Stanford University, where I worked as a visiting faculty. I appreciate the atmosphere of the Faculty of Economics at our university where I can frankly discuss research issues not only with economic historians but also with colleagues of various fields, including theoretical economics, applied economics and econometrics, who are active in the international research frontiers. At the same time, I have learned the significance of institutions and organizations and the framework to analyze them from the researchers at Stanford, in particular from Professor Masahiko Aoki and Professor Avner Greif.

One of the topics of my research is networks in the financial system, focusing on prewar Japan. Prewar Japan is an attractive field for investigating the structure and implications of financial networks. First, there were numerous banks, which had relationships with other banks and industrial firms to various extents. Indeed, at the beginning of the twentieth century, there were more than 2,000 banks. Second, we can identify bank-firm connections as well as bank-bank connections by looking at director interlocking. For that purpose, we compiled a list of directors and auditors which covers wide-ranging banks and firms, from directories of banks and firms published by a credit bureau (hereafter I use the word director in the sense of director and auditor for simplicity). Third, financial data of the all banks and most large industrial companies



are available. And finally, comprehensive data on entries, exits, mergers of banks are also available. Integrating those data, we can figure out the networks between the banking sector and the industrial sector as well as those within the banking sector, and explore their implications. Let me summarize my articles that are based on the above data.

Okazaki, Sawada and Yokoyama (2005) measured the extent of director interlocking between banks and industrial firms, and investigated its implications on bank performance. The data point is the year 1926, just before the most serious financial crisis in Japanese financial history, which occurred in 1927. In this paper, we first compiled a list of bank directors from a directory of banks and firms published by a credit bureau, and then from the same source we collected the information on the names of industrial firms for which those directors worked at the same time. The list we compiled includes the directors of 1007 banks out of the total 1420 banks in 1926.

Looking at the data, we found that with respect to 836 banks (83.0% of the total observations), at least one director worked for industrial firms. In other words, the connections between banks and industrial firms through director interlocking were really pervasive in prewar Japan. Readers who are familiar with the financial system in postwar Japan may suppose that those directors were dispatched from banks to monitor industrial firms, as "main banks" in postwar Japan do. However, this was basically not the case in prewar Japan. Most of those interlocked directors were large investors who invested both in the

financial sector and the industrial sector. They held positions of directors at banks and industrial firms as common large shareholders.

We then investigated the implications of director interlocking on bank performance. In the Japanese context, there has been a conventional view that close bank-firm connection was the basic source of the financial instability especially after the First World War. This view can be found in many contemporary articles and reports, and after the Second World War, it was stressed in a classic book on the Japanese financial history (Kato 1957). However, no quantitative evidence had been indicated. It was because the data on bank-firm connections had not been available.

What we did is to make bank-firm connection variables and to regress bank performance on those variables as well as control variables. In the baseline regression we used a log of the number of interlocks as a connection variable. Here, the number of interlocks refers to the total number of director positions held by directors of a bank at industrial firms. For example, if a director of a bank had director positions at two industrial firms, we count the number of interlocks as two. The regression result indicated that the number of interlocks gave a significantly negative impact on profitability of a bank, which is robust if we use alternative bank-firm connection variables. In addition, we examined the effect of director interlocking on bank runs and bank closures. It was found that director interlocking increased the probability of run and closure under the financial crisis in 1927. These results suggest that interlocked directors exploited banks for the interests of industrial firms. We have plenty of descriptive evidences that in prewar Japan a director of a bank exploited the bank through having it give unsound loans to the industrial firms they directed. And this is what happens in present developing countries (LaPorta et al. 2003)

Given the result of Okazaki, Sawada and Yokoyama (2005), the next question is how this

relationship between banks and firms changed or didn't change over time. Given the present "related lending" problem, this question has great relevancy. Okazaki, Sawada and Wang (2007) addressed this question. In this paper, we expanded the data set of bank directors used in Okazaki, Sawada and Yokoyama (2005) to include two additional data points, 1931 and 1936. 1931 is the year when the Japanese economy was in the bottom of the Great Depression, while 1936 is the year when the economy reached the peak of expansion. In the context of the financial history, the 10-year period from 1926 to 1936 was an epoch. In 1927 a serious financial crisis took place, as mentioned above, and in that year the Bank Law was legislated, substituting the Bank Act of 1890. The Bank Law imposed a minimum capital requirement, which almost 60% of banks did not meet when the Law was enacted. Those banks were de facto forced to merge with other banks or to be dissolved, as the Ministry of Finance did not approve those banks increasing capital by themselves. As a result, out of 1420 banks at the end of 1926, 680 banks merged with other banks and 413 banks were dissolved by the end of 1936. Exploring the implication of this structural change in the banking industry on the peculiar feature of bank-firm relationship is the main focus of Okazaki, Sawada and Wang (2007).

A remarkable finding is that the extent of director interlocking between banks and firms was very stable in this 10 year period. While the percentage of banks with at least one director who also had director positions at industrial firms was 83.0% in 1926, it was 81.9% and 82.6% in 1931 and 1936, respectively. This is surprising stability, given the structural change in the banking industry. On the other hand, if we focused on the effect of director interlocking, another aspect appeared. As found in Okazaki, Sawada and Yokoyama (2005), director interlocking with industrial firms gave a negative impact on bank profitability in 1926. In 1931, it still gave a negative impact, but the

magnitude of the impact was smaller. And in 1936, the negative impact was not only even smaller than in 1931, but also its statistical significance was marginal. In other words, while director interlocking between banks and firms did not decline quantitatively, its quality was improved.

Okazaki, Sawada and Wang (2007) further investigated the channel through which this quality change occurred. We focused on bank mergers. As mentioned above, this period was characterized by a large bank merger wave. Given the merger wave, we compared changes in the effect of interlocking between the banks that experienced mergers from 1926 to 1931 and the other banks. With respect to the former group, it was confirmed that the negative effect of interlocking on bank profitability significantly declined. On the other hand, with respect to the latter group, no significant change in the effect of director interlocking was observed. This result suggests that bank mergers were a channel for the quality change in director interlocking after 1926, which in turn has a significant implication for understanding how institutions evolved over time.

The above two articles deal with connections between the banking sector and the industrial sector. On the other hand, I am now working on research on connections within the banking sector. The preliminary results are reported in the working paper, Okazaki and Sawada (2008). This research is motivated by the literature on networks in finance focusing on their implications on financial contagions, such as Allen and Gale (2000a), Frexias, Parigi and Rochet (2000), and Boissay (2006). Using the dataset of directors in prewar Japan, we explored the effects of networks in the banking sector on the stability of the financial system.

First, we looked at the structure of networks in the banking sector in 1926, just before the financial crisis in 1927, using the dataset of bank directors. The observations of banks are the same as those in Okazaki,

Sawada and Yokoyama (2005), that is 1007 banks out of the total 1420 banks. It is found that 587 banks (58.3 % of the total observations) had at least one director who had a director position in other banks. It implies that networks of banks through director interlocking were extensive in prewar Japan.

We can characterize the structure of the networks sector referring to the framework of network analysis. One possible structure is core-periphery structure or star-structure, namely the structure where many periphery banks are connected to small number of core banks. If we define a bank that had connections with four or more banks as a core bank, there were 81 core banks. And if we define a bank that had a connection with a core bank but was not a core itself as a periphery bank, there were 142 periphery banks. The fact that the ratio of the number of periphery banks to that of core banks was not so high, implies that the structure of the network was not a simple core-periphery type. The structure of networks can be characterized from a geographic standpoint as well. That is, a bank with a network can be classified as either one connected only with banks in the same prefecture or as one connected with at least one bank in another prefecture. It was found that the number of the former banks was 402 out of the total 587 banks with networks. In this sense, the majority of networks were intra-regional in this period.

We tried to see the effect of a network by regressing bank performance (ROE and survivability) on a variable capturing a network and controls. As a network variable we used a dummy variable which equals 1, if a bank had at least one connected bank, and 0, otherwise. It was found that the coefficient of the network variable was not significant. On the other hand, if we took into account the quality of a network, different results were obtained. In order to capture the quality of a network, we calculated the weighted average of ROE of the connected banks, and interacted the weighted average



with the network dummy. Adding this interaction term to the explanatory variables, we found that its coefficient was positive and significant. A similar result was obtained if we focused on survivability of a bank as a dependent variable. These results imply that what mattered for the bank's performance was not a network itself, but its quality, namely the average quality of the banks in the network. If a network had good quality, it enhanced the performance of the bank connected to it.

The three articles I have just summarized are part of my broader research on institutions and organizations in historical perspectives. Let me present them very briefly. In the context of the financial system, Okazaki (2007) investigated the role of the Bank of Japan (BOJ), the central bank, as the lender of last resort. As mentioned above, the financial system in Japan became unstable in the 1920s. In this circumstance, BOJ selectively gave LLR loans to those banks which were illiquid but not insolvent, and thereby mitigated the instability of financial system, avoiding moral hazard. This was achieved by limiting the candidates for LLR loans to the banks which had transaction relationships with BOJ and whose information to evaluate solvency was accumulated at BOJ. Besides the LLR loans from BOJ, the government took a policy to promote bank mergers to stabilize the financial system. Okazaki and Sawada (2007) examined the effects of the bank merger promotion policy in the 1920s. It was found that mergers promoted by the policy had a positive impact on deposit growth of the banks participating in the mergers, and in that sense the merger promotion policy contributed to stabilizing the financial system. On the other hand, the policy promoted mergers had a negative impact on profitability, which suggests the burden of organizational costs.

As indicated in the above papers, the banking system did not always work well in prewar Japan. What supported the industrial development through corporate finance was mainly the stock market in prewar Japan. In

other words, the financial system in prewar Japan was market-oriented, whereas the postwar Japanese financial system is characterized as bank-oriented in the sense of Allen and Gale (2000 b). This view was stressed in Okazaki (1993) and Okazaki and Okuno-Fujiwara (1999). Indeed, the scale of the stock market relative to GNP was much larger in Japan than in U.S. in the 1930s (Hamao, Hoshi and Okazaki 2009). Development of the stock market was supported by a well-functioning system of corporate governance. In most large companies, boards of directors were composed of large shareholders representing the interests of investors. At the same time, discipline from the market worked through hostile takeovers (Okazaki 1999a). Zaibatsu, namely large business groups with holding companies on the top of the hierarchical organization, were key players in the corporate governance in prewar Japan. It is remarkable that zaibatsu not only systematically governed the firms within each group, it also disciplined firms outside it through playing the role of a potential and actual take over raider. In this sense, zaibatsu were an institutional and organizational basis for the stock market in prewar Japan, especially after the First World War, when corporate governance by individual shareholders became challenged due to the limit of capabilities (Okazaki 2001).

The transition from a market-oriented financial system to a bank-oriented financial system took place during the Second World War (Okazaki 1999b). In this period, the government heavily intervened with the economy including the financial and corporate system. As the government restricted shareholders' right to control firms, the stock market stagnated. Then, in order to supply fund to munitions firms, bank loans were rapidly expanded under the government intervention. Meanwhile, private institutions and organizations developed to cope with the expansion of fund flow intermediated by banks.

It is remarkable that along with the

change in the financial and corporate system, the employment system also changed during the Second World War (Okazaki 2006). In prewar Japan, labor unions were not legally protected and only a very small fraction of workers were organized in them. However, during the war, due to the government intervention, a committee of an employer and employees (sanpo unit) was organized in each establishment of a firm, and around 70% of the total industrial workers were organized in those committees. One of the functions of the committee was resolving grievances of employees. In other words, a "voice" mechanism for employees was built in the economic system. It was found that a sanpo unit had the effect of reducing labor disputes and enhancing productivity.

Those changes in the financial, corporate and employment system indicate that a systemic transformation of institutions and organizations took place in Japan during the Second World War (Okazaki and Okuno-Fujiwara 1999). Interestingly, the institutions and organizations that emerged during the war came to be the basis of the economic system in postwar Japan. I consider that this Japanese experience has a profound implication for understanding how institutions and organizations evolve over time.

So far, I have described the outline of my papers on financial networks and related broader researches. Most recently, I am working on a project using spatial data. We have compiled the comprehensive location data of industrial plants and banks to explore the implications of the geographic relationship of industrial and financial activities.

The preliminary results were presented at the World Economic History Congress at Utrecht University and the European Historical Economics Society Conference at Graduate Institute of International and Development Studies in 2009. I am expecting this project will be fruitful and linked with our researches on financial networks.

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## Checks in the Russian financial practice

*Within this article it is proposed that the conditions of the practice and the appearance of the circulation of checks in Russia define the relations between the economical situation and the intensivity of the checks circulation.*

### *Appearance of the checks: their characteristics as securities*

The predecessors of checks were known already before Christ in ancient Greece and Egypt. In fact, all kinds of securities of payment through money appeared together with the money itself. In the contemporary way of thinking checks represent securities that have been issued exclusively by bank organisations.

The first checks appeared in the 18th Century. There are different opinions about the origin of the term "check". Many associate it with the french word „eshecs“-chess. Chessboards used to be placed near the entrance to the beerhouse, where people could play chess. Boards like that were used in the money calculations and that is how the expression «to check an account» appeared (to calculate the check).

According to the second version, the practice of putting in the control numbers (a check) on the financial documents introduced the notion of "check".

Wide distribution of checks in different

countries occurred in the 19th Century (image 1). Illustrations of the text are checks from the collection of the author of this article.

In royal Russia those banks working with checks, were creating independently, special booklets in the form of a brochure containing approximately 25 to 50 pages. Each page in the check-book consisted of two parts: the check and the coupon and they had the same number (image 2).

A check filled in brought to the bank by the person who receives a check, and a coupon with all the information about the check (date, name and the amount) is being left with the depositor. The person giving a check and paying was responsible for the correct completion of the check and the amount of cash on their account as the payment using checks was equivalent to the cash payment.

As a rule, checks were valuable five days after they had been issued through term for the checks used for payment in another town was doubled.

Each check was signed by depositor and a copy



Image 1. Merchants' Bank. Check of 1500 USD. USA (1865.).

Image 2. Russian bank for the foreign commerce (check dating from the beginning of the 20th Century).



of his signature was kept in the bank. In case of doubt, the bank was authorised to slow down the payment or even to refuse the person who received the check. Besides the check-book, a bank used to give the depositor a so-called „calculation book“ in which all the receipts and all the payments relative to the current account were marked.

In royal Russia there was no special law on checks but in an urgent situation the articles of the valuable papers law were applied.

In general, the conversion of checks in the country developed slowly because the money

turnover was not developed and that the majority of inhabitants were almost illiterate.

*Use of checks in the conditions of the economical crisis*

In times of crisis it is quite typical to see a sharp increase in the turnover of checks as well as other money substitutes due to the lack of money in the system. Therefore the revolutionary events of the 20s of the last century led to the violation of the money turnover in the country, specially in its provinces.

Russia had 180 million inhabitants versus 1,6



Image 3. Check guaranteed by the National Bank (Ekaterinodar).

Image 4. Soviet Union Bank of external commerce bank. Traveller's check.



billion roubles; 8,8 money units per person. As a comparison: in Germany this indicator was 49 money units per person and in France it was 120 money units per person.

Receiving the necessary funds for normal functioning of a financial system from a National bank was not an option thus the regional government started to think about the possibility of issuing a money surrogate in the form of the hard guaranteed (accepted) checks of private banks.

Financial experts define the accepted check as a check that has bank approval guaranteeing the

transfer of the money to the account of a person that should receive that amount of money.

During the Civil war the checks were issued on the forms of the National bank and their guarantees were the current accounts of the commercial banks.

A national bank always gave its mark as a sign of the reliability of those checks as money documents.

While carrying out operations with the hard, guaranteed checks, the amount on them was copied from the current account of the credit bank and the checks replaced agreed payment.



Image 5. Soviet union bank of external commerce. Cruise check.

Usually the accepted checks were for enterprises or private persons within the town in order to pay for services or goods. Nevertheless, many checks were accepted as a way of payment also out of the city (Armavirsk checks, for example). The list of banks that actively participated in the check turnovers include Commercial bank of Volga-Kam region, Bank of Russia and Asia, Russian bank for the foreign trade, Commercial bank from Azov and Don, United bank and so on.

Between 1917 and 1919, the number of checks issued as money signs of different enterprises with the mark of the National Bank of the Russian Federation was limited. The guarantee of the National Bank was provided on 8 checks of enterprises in Ekaterinburg, 12 in Amavir, 18 in Habarovsk and in Vladikavkaz to more than 100. In Ekaterinburg, more than 400 owners of current accounts among which were also private persons were given such checks.

The term within which the hard checks were supposed to be turned over and the amount was not defined and was different for each case.

The banknotes of the issued checks had different meanings: from 5 to 3000 roubles in Harabovsk; from 1 to 50 roubles in the credit bank enterprice of Krasnojarsk and Enisesk; from 50 to 500 roubles in Ekaterinodar and from 3 to 500 roubles in Armavir etc.

The term of turnovers of checks during the revolution age also varied. In Ekaterinodar three months and the six months checks were issued. The checks that were valuable for such a long time were characteristic for the Armavir, Bladivostok, Stavropol and other towns. After the expiration of that term, checks were bought and cancelled by the bank. The sign of cancellation was put on the check (a round or oval oblong hole) always on the place where there was a signature of the bank or an expiration date (image 3).

In many cases the checks issued had a short term- only 10 days (Blagobesensk, Patigorsk and others). On some of the checks, for example on the Tomsk department of a National bank, the term was not shown.

#### *Circulation of checks in the conditions of the socialist economy*

In the Soviet Union the circulation of checks had a specific character. The classical way of using the checks was seen in the checks of the National bank of Soviet Union whereby enterprises were allowed to take a certain amount of money from their accounts. Severe currency politics, and limitation in the exchange and in the export of currency led to the development of the traveller's check (image 4).



Image 6. Bnespositolg. Check to the amount of 10 roubles.

There were also checks set aside to be used in payment of goods and services on the soviet ships during international cruising. This kind of „cruise“ check was issued by a Soviet Union Bank for external commerce. An example of an issue from 1985 is shown in image 5.

The citizens of the Soviet Union and the socialist countries could acquire those checks, paying with soviet roubles. But the amount of a check was not to exceed 50 roubles per person. Anyone could return the non-used check and get their money back.

Besides the checks used in travelling abroad, in the Soviet Union there were also so-called check- surrogates, whose issue was conditioned by a lack of money and not by a lack of goods. Those checks were used to pay imported goods in specialised shops. An example is the check of Bnespositolg (issue 1976, image 6).

#### *A surge in the active use of checks at the end of the 20th Century*

In Russian history, the theory that the substitution of money was once again gaining in popularity was confirmed in the 1990's with the crisis of the loan system. At that time, the volume of money in Russia was approximately 13% of GNP, which is not sufficient for the normal functioning of an economy. This situation provoked the growth of barter operations, growth of valuable paper, and an appearance of different money surrogates. Therefore in 1991, in a letter of authorisation dated 4th April reference No. 01/2a-106 from the National production department (that produces the state sign of the Ministry of Finance of the Soviet Union) permission was given to print checks named Ural franks (image 7).

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Image 7. Brotherhood «Ural market». Check for goods and for payment on 1000 roubles. (So-called ural franks).

### The Mansutti Foundation in Milan

The history of Italian libraries goes back to the time of the ancient Romans, developing through the Middle Ages with collections in monasteries and cathedrals. Important milestones of a later period include the opening of some of the greatest European libraries in the 16th and 17th centuries, for example the Laurentian Library in Florence, the Library of St Mark's in Venice, the Vatican Library in Rome, and the Ambrosiana Library in Milan, founded by Cardinal Federico Borromeo.

Libraries then multiplied with a distribution that reflected the different historical events shaping each Italian state. If we look at Lombardy for example we can see how a well-structured and complex network of libraries gradually came into being, with different characteristics in terms of their size and nature. So today in Milan, a city which from the Napoleonic period onwards is distinguished for its thriving economy and its cultural and intellectual life, library provision is

extremely varied, being made up of the great Braidense National Library, the University Libraries, the Public Libraries and also the historical specialist libraries, such as the Ambrosiana Library founded in 1603.

But that is not all, for Milan, thanks to its entrepreneurial capacity, has benefited from a solid tradition of cultural patronage which over the years has encouraged families, scholars, collectors and bibliophiles to donate and bequeath a rich heritage of books and archives.

In this spirit, in 1996, with the publication of the catalogue *Quaderni di sicurtà, documenti di storia dell'assicurazione* (Milan, Antea), Francesco Mansutti's private library was opened to the public, in order to popularise the history of insurance, documented – from its origins to the present day – from an economic, legal, technical and social point of view.

A specialist insurance broker, Mansutti explains that his passion for collecting books on this





topic stems from “being the son of an insurer, and hence possessing a DNA propitious to developing an omnivorous curiosity about the history of the profession.” And so the search for the real history of insurance, backed up by written evidence, became his criterion for the choice of every purchase he made; perhaps also to record the enterprise of the great merchants of the Middle Ages, who invented and were the first to practise insurance – the well-known Francesco Datini of Prato, for example, a businessman and at the same time a banker who noted in his books – his *quaderni di sicurtà* – the essential elements of the insurance contracts that he was continuously drawing up.

As the years went, by the library consolidated its mission and in 2004, with the donation of the entire collection, Mansutti set up the Foundation which bears his name: a cultural institution which has become a reference point for analysis and research on this subject, both in Italy and abroad.

Having obtained legal status from Lombardy Region, the Mansutti Foundation, at its Milan

headquarters in Via Albricci 8, at present offers the public a library of some five thousand volumes, more than 2,500 historic insurance policies, 270 posters by insurance companies and a collection of 435 Italian fire marks (see the website: [www. bibliotecamansutti.it](http://www.bibliotecamansutti.it) for the services the Foundation provides).

All collections have a clear objective, but this becomes even more binding in the case of specialist libraries; here the cultural choice is a priority because it defines the intellectual environment in which the institution must carry out its daily work and it determines not only its acquisition policy but also the profile of its readers, the type of services it offers and its management and cooperation strategies.

This is the real reason behind the success of the Mansutti Foundation, the only one of its kind. Its clarity and choice of subject have constituted the homogeneous character which has inspired the selection of its materials, so closely intertwined with the vicissitudes of the world of insurance, from its origins till 1942, the year in which the old commercial code was abolished in Italy and



the insurance contract was given a new, modern structure.



### The Books

The Foundation owns a rich patrimony of books which, consistent with the interdisciplinary nature of the subject of insurance, refer to different fields of knowledge. From the first treatises on insurance, to the texts on economics and the history of commerce (which was prevalently linked to maritime trading), to the studies on the theory of probability and actuarial science, and even works on canon law, these are the main areas covered in the historic section of the library. Then – coming closer to our day and age, when on the threshold of the 18th Century the industrial revolution began and the first insurance companies were set up – the library's panorama widens further: from simple advertising leaflets to the large commemorative volumes published by the insurance companies themselves, which, in tracing their history, offer

a rich source of information on the development of insurance all over the world.

Among all these works, some are of particular note for their importance, old books whose rarity and value are underlined by the fact that only a few copies are preserved in Italian libraries.

First of all, the *Tractatus de assecurationibus* by the Portuguese Pietro Santerna, the first treatise on the subject, published in Latin in 1552, in which the author clearly sets out the fundamental principle on which the insurance contract is based: good faith. The work came out in Venice along with a powerful study, the *De mercatura* of 1553 by Benvenuto Stracca, in which he elaborates for the first time a text of commercial law. The success of Santerna's work, of which the Foundation has numerous successive editions, is to be attributed above all to the fact that two more centuries were to pass before another treatise on insurance saw the light in Italy. The great *Trattato delle assicurazioni marittime* by Ascanio Baldasseroni was published in three volumes in Florence in 1786 and reprinted in five tomes in 1804. It is a work of prime importance in which the insurance contract is studied with reference





to the laws and customs of all the principal European market places.

It is now agreed by all scholars that the insurance contract originated in the first decades of the fourteenth century in the Italian maritime cities – Pisa, Genoa and Venice – which, to safeguard their trading activities, passed laws and statutes and set up courts of justice in the interests of both the insured and the insurers. The pages handed down to us are, even today, essential for the study of the historical and juridical evolution of this contract. For example, the *Decisiones Rotae Genuae de mercatura*, which contains 251 sentences of the Civil Rota of Genoa, one of the most important legal bodies in Europe, and two legislative texts on maritime customs: the *Tabula de Amalphi* and the *Consolato del mare*. The latter is the most important document for the history of maritime

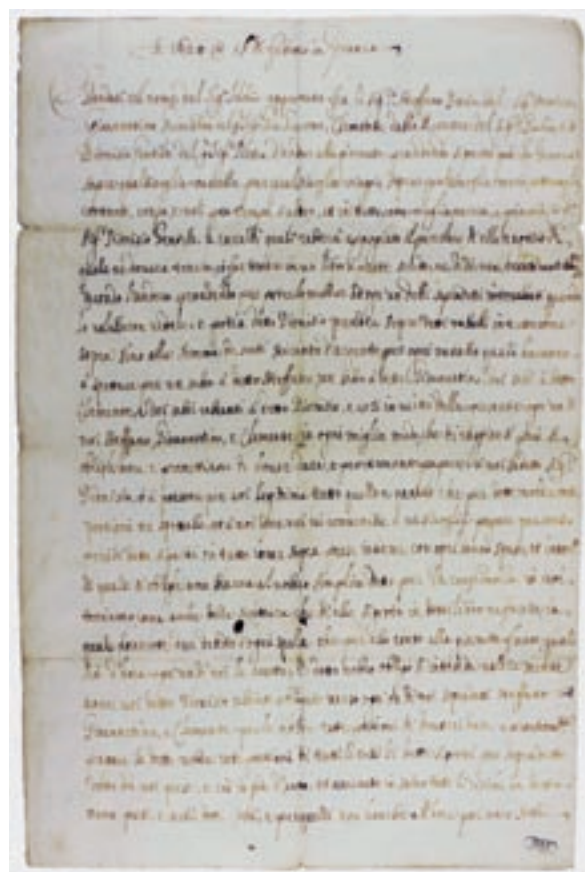
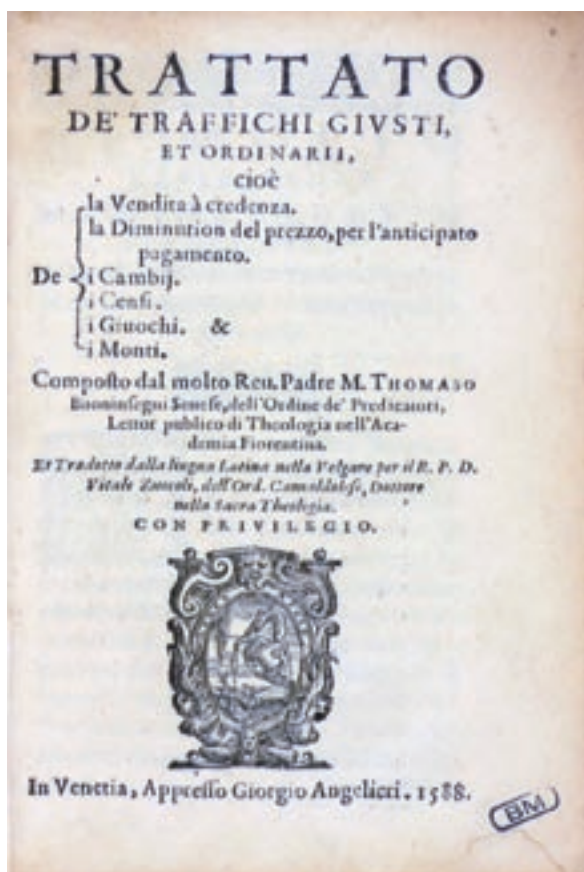
commercial law and was continuously reprinted. The Foundation has the second edition (1549) by Giovanni Battista Pederzano and the 1564 edition by Francesco Lorenzini, both printed in Venice. Another historical document is the Codice per la veneta mercantile marina, one of the first examples of a modern code with an organic fusion of the different laws on shipping, on which the greatness of "La Serenissima" - the Venetian Republic - was built.

On the history of the insurance contract, the studies on the theory of probability and actuarial science must also be mentioned, because they are represented in the library by fundamental works such as Jacques Bernoulli's *Ars conjectandi*, published in Latin in 1713, in which the author presents his theorem known as the law of large numbers, and the *Dottrina degli azzardi*, the Italian translation of the Frenchman Abraham De Moivre's *Annuities on Lives*. De Moivre became one of the pioneers and creators of modern insurance by applying Bernoulli's theorem to the calculation of insurance annuities.

Finally, the problem of usury cannot be forgotten; it was of great topical interest in the Middle Ages as new forms of contract became widespread, including insurance, where interest on the money invested took on a particular relevance for the Church which had an intransigent position on this. Many men of religion took an interest in the problem, among whom were St. Bernardino of Siena, who wrote at the end of the 15th Century his *Tractatus de contractibus et usuris* of which the Foundation has a membranaceous manuscript in clear cursive script.

Other significant works include the *Manuale de confessori* by the Spaniard Martin de Azpilcueta, addressed to the clergy and considered, from its first edition in 1569 onwards, a flower in a spiritual garland. The library's 1584 Italian translation, for which the famous Giolito de' Ferrari family of printers received the privilege of printing from Pope Gregory XIII, is embellished with the printers' stamp of a phoenix turning towards the sun.

Azpilcueta's work finds its response in the Siena



preacher and canonist Tommaso Buoninsegni's *Trattato de traffichi giusti*, published in Italian in 1588. Buoninsegni was a public reader of theology at the Florence Accademia, who, after writing various essays on the subject of trade, closes his book declaring that insurance is in itself just and fair, maintaining that not even gambling is a sin, because relying on luck means trusting in divine providence.

*The Insurance Policies*

The archives of insurance, like those of banks, contain documentation that goes far back and consequently a wealth of information. This material, which complements the collection of books in the Foundation, is a most interesting component because for centuries it has represented the authentic and concrete expression of the history of insurance.

The reason is that, from the beginnings of the insurance contract until the codification of the institution and the structuring of the insurance market in the 15th and 16th Centuries, leading to the birth of the first insurance companies in

the 18th Century, merchants and then Italian and foreign businesses produced copious documentation for carrying out their activities: policies, letters, ledgers, registers, notebooks and memoranda, all of which are primary and direct sources, of essential importance for the study of the development of modern economics.

These sources are of a great variety but provide reliable evidence of economic facts, unlike indirect sources such as notarial, legal or literary ones, which instead allow us to trace the facts themselves in an indirect and reflective way.

Let us consider for example a private agreement for the foundation of a Genoa *Compagnia di negozio di sigurtà* in 1620, a cash book of the Nuovi assicuratori di Livorno, and all those merchants' registers (the *quaderni di sicurtà*) in which the basic elements of every insurance operation were noted down, both when a merchant had his goods insured by others and when, as an insurer he undertook those risks that only in the 18th Century began to be assumed by insurance companies as such.



Finally, the insurance policies, of which the Mansutti Foundation has a specific collection of old documents from 34 different countries.

These document the historical, social and economic evolution of the insurance market, and show the purposes and practical use for which they were produced because, in essence, it is in the normal contractual practice of the policies that insurance found its real and sole validation and the means for development.

For this reason the forms of standard policies are usually attached as an appendage to maritime ordinances and municipal statutes that prescribed their faithful reproduction in practical use. Initially handwritten on a large sheet of paper, then on a printed page with the content of the contract typeset and only the name of the insured, the ship, and a description of the goods filled in by hand.

From the 14<sup>th</sup> Century and until the middle of the 16<sup>th</sup> Century the supremacy of the Italian maritime republics was indisputable. Only from the 17<sup>th</sup> Century, after geographical discoveries had opened trans-oceanic routes to sailors,

did new maritime powers get the upper hand: France, Holland and England.

Among the oldest policies there is one stipulated in Venice. It is 9<sup>th</sup> February, 1564, and two underwriters of the Compagnia seconda dei XVII assicuratori (Nicolò Pasqualigo and Zaccaria Scaramella) underwrite an insurance in favour of Messer Anzolo Sanson and his companions for "raisins and other merchandise", transported on board the Fedriga, against fire and any other kind of accident. The ship could load its cargo at Candia (today the island of Crete, then dominated by Venice) and unload in various places towards England and Zeeland (the Netherlands). The policy, entirely handwritten, ends at the bottom with the words "To the name of God", an invocation used at the time, in the hope of obtaining the necessary divine protection in the face of risk, but which also shows the sense of fear that every voyage involved.

In the course of the centuries, other branches of insurance developed, such as fire insurance and life insurance, all descendents of the original concept of marine insurance. The Foundation's



collection documents the historical steps in this development. With the first Tontine Royale in 1653, the so-called tontines became widespread in France, created in order to increase the state's revenues with the proceeds from the public sale of life annuities. They took their name from their inventor, the Neapolitan Lorenzo Tonti, who paved the way for life insurance. The oldest in our archives is dated 14<sup>th</sup> May 1706, stipulated in Paris before the King's advising notaries. Then from the 18th Century onwards, with the establishment of insurance companies, policies underwent a change in appearance and were embellished with engravings on the paper heading, as if to anticipate the contents through pictures. The most striking illustrations are those concerning fire insurance. In particular, those by one of the first English companies, the Sun Fire Office, founded in 1710, show a picture telling a story: on the right a man carries on his back a bag with his valuables saved from a fire, while on his left a fireman welcomes him and points out the Sun, the symbol of the company, standing out in the centre of the scene surmounted by a fire engine.

This is the beginning of the creation of a rich iconography from which companies took their inspiration to model a language of advertising that people could understand. Examples are the handshake, a symbol of solidarity and mutual aid, of the English company called Hand-in-Hand Fire & Life Insurance, the dog in the Portuguese policies of the Fidelidade as a metaphor of fidelity, or the rhetorical personifications of Justice and Providence, or even the depiction of the Eternal by the "La Paterna" company, in whose policies God the Father is caught up in the immensity of the sky among the clouds, His arms open wide to protect mankind. We are clearly aware that these documents, in expressing the contents and aims of insurance, reveal on the one hand, the signs of industrial progress, and on the other, those of classical traditions – all however focusing on the value of future well-being.

**Marina Bonomelli**  
**Responsabile della Fondazione Mansutti**



## Business Communication in the Mansutti Foundation posters

One of the special treasures of the Mansutti Foundation is the 280-strong collection of insurance posters.

The collection, in its variety and comprehensiveness, represents an alternative and most effective way of approaching the world of insurance and learning about the history of insurance companies, through the graphic arts.

The posters have the incisiveness and immediacy of images and are the fruit of the encounter between the world of the suppliers of goods or services and the world of design, starting around the middle of the 19th Century and lasting for another hundred years. It brought into being a flourishing of poster art, which frequently reached a high artistic level.

It is in those decades that the poster finds its own identity and its definitive form, detaching itself decisively from the world of art, in the classical sense. In this context, posters represent an

excellent means of communication for an insurance company, allowing them to inform the public and convince them of the advantages to be had from being insured.

Through the forcefulness of figurative language, the insurance companies communicate their advertising message which must be immediately understandable and accessible, especially for a largely unsophisticated public; it must not be forgotten, in fact, that in the 19<sup>th</sup> Century the potential customers that insurance companies were addressing were, by and large, the often semi-literate peasant class.

The concept of insurance is substantiated in a picture and communicates through it, and the language used must necessarily be that of the customer. This is why the history of posters from the 19th Century starts out and develops in the social fabric.

The relationship between the customer and





the insurance company has an emotional component, and so the company is always in search of a suitable visual language, where pictures have an emotional impact. Hence two dominant themes emerge: the desire to reassure and protect on one hand and the desire to warn about risks on the other. The poster by Adolfo Busi, made for F.A.T.A. (Fondo Assicurativo Tra Agricoltori) in 1955, expresses this concept in an extraordinarily effective way: over corn fields threatened by rain the warning of the bells rings out : “Be insured!”

The codes of communication – whatever approach or type of language is used – remain in any case anchored to the need to emphasise man’s social and ethical values: in particular the family dimension, centred above all on the reassuring image of motherhood, although sometimes entire families are represented (as for example in the beautiful poster of the Swiss company La Genevoise). Health and protection of children is another theme that is highlighted. The predominance of female figures is another striking aspect: woman is often the protagonist

and acquires a strong social value because she embodies family values and is the symbol of prosperity. A smiling peasant woman in a corn field is depicted by Busi, Ballerio and Boccasile, as well as by Dudovich, first in a floreal Art Deco style which was characteristic of the Twenties and then in a more mature social realist style in the Thirties (the poster of the Assicurazioni Generali showing a smiling young peasant woman with a sheaf of corn in her arms is dated 1938).

On a parallel plane to the context of the family we have the world of work, which, as has been mentioned, has connotations particularly of a rural setting; in fact, looking at the posters in the Mansutti Foundation, it becomes clear that rural scenes are most frequently represented: cornfields, wheat sheaves, lively, smiling peasant girls, muscular sowers at work, or, as in the poster for the Compagnia di Assicurazione di Milano, luxuriant and colourful pomegranates, the universal symbol of fertility. Alongside this kind of late 19<sup>th</sup> Century realism there are also references to the past and, especially in Italian



posters, to the glorious Ancient Roman epoch, with the appearance of Emperors, classical-style statues, soldiers naked to the waist with mighty helmets and shields. In some cases the classical hero is embodied by a man of the times (in various INA posters of the Fascist period the figure of Benito Mussolini frequently appears). The rural theme – as well as coming closer to the customer – effectively expresses the potential for fertility and growth implied by the gesture of sowing or by nature itself; it all goes to symbolise the success of investing in insurance. Particularly significant is the poster made for the Dutch company Utrecht, where in the foreground a man is shown intent on planting a shrub, while in the background his family gather fruit from a laden tree.

The message has a double effect: to intimidate and to show the potential customer the best way of preserving the “fruits” obtained through hard work, emphasising the greatness, competence and solidity of the company, values which in this clever strategy, which today we would define

as “marketing”, are summed up in a single symbol. Just think of the lion of St Mark of the Assicurazioni Generali, the historical symbol of Venice and at the same time an icon of strength and dignity, or the phoenix of the same company, the mythological bird that is reborn from its own ashes.

Initially the tendency is to warn customers, centering communication on the ominous effects of risk, as for example in the poster of the Compagnia Toro (Compagnia Anonima d’Assicurazione di Torino), made around 1934 by Osvaldo Ballerio, where a young peasant couple in the middle of a cornfield flee from an oncoming thunderstorm; the woman holds a child in her arms and the caption below stands out: “Farmers: insure yourselves against hail damage”.

But as time passes the codes of communication turn more frequently to a more frivolous and engaging language; this becomes evident at the end of the Second World War, a tragic historical event which marks a turning point in the codes





## The Bulgarian National Bank and its role in Communist-Style Economy 1945–1989

As the World War II ended, leaving a legacy of high inflation and large trade deficits, Bulgaria began slipping under Communist rule. The first step in resolving problems was to issue domestic bonds to soak up some accumulated liquidity. Yet, in 1946 and 1947 government continued covering budget deficits by direct issuing, and banknote circulation almost ignored the bonds. Any external stabilisation of the lev was also impossible since foreign currency reserves were extremely limited.

The next move entailed conducting a snap 1947 monetary reform, which directly sequestered large savings. The result was a five-fold reduction in monetary circulation and a purge of old banknotes and wartime Treasury bonds used as money. A coupon system also helped balance monetary supply and demand.

A financial system based on central planning

took its ultimate shape between 1947 and 1951. The BNB became thoroughly politicised and imbued with ideology. A political purge took place in the Bank. Its management changed, former executives being arraigned before the People's Court in 1945. The major charges, while ideologically motivated, did address the genuine ills of monetary policy immediately before the War and during it.

Meanwhile, the new authorities conducted policies identical to those they professed to abhor, even on a larger scale. After the 9th September 1944 coup d'état and the entry of Bulgaria into the war against Germany, the Bank advanced the Soviet occupying authorities an uncovered issue to the extent of tens billions of lev. Government spending and issuing went out of control. The position with regard to cover was little different: one of the first (unpromulgated)



*The BNB building, 10 September 1944.*

measures of the new government in late September “temporarily” discontinued entering the cover ratio in the balance sheet, with the Law amended retrospectively in 1945 to allow the BNB to lend to government for the war effort. All the same, for a certain period the BNB emitted critical signals as regards economic policy. Despite being under political control, the Bank sent unambiguous messages about the harm done by the cabinet’s direct payments to the Allied Control Commission. The BNB Governing Council periodically issued timorous (yet “ultimate”) counsel that this practice must stop and using various pretexts refused to lift

banking secrecy to reveal its officers’ political affiliations.

The 1947 nationalisation marked the apogee of a lengthy process of nationalising banking while retaining Bulgaria’s traditional cooperative banks. Nationalisation did not change the foreign exchange regime radically. Clearing continued to govern settlements (in dollars until the late Forties), while strict exchange controls dated as far back as 1931.

The main changes to the monetary system entailed new central bank functions amid a completely government-run economy. They were set out in 1951 by creating a classical single-tier



*The change of currency, 1962.*

banking system in which the BNB played the role of the sole or “monobank,” concentrating within itself both issuing and credit. The Bank was now drafted into socialist construction. It introduced blanket payment controls and commenced working towards credit and cash plans. The period saw the entrenchment of a dual-circuit payments system, with entirely distinct “cash” and “non-cash” circuits. A major BNB task was to cut payments to a minimum and absorb remaining banks. Popular banks and credit cooperatives were closed. All this followed the Soviet model and established complete government monopoly in banking, where intercorporate credit was banned.

The sectors whose cashflows were to be least controllable and which – because of this – were destined to form “shadow economy,” became clear as early as the Fifties: farming, construction, and services. The BNB balance sheet changed substantially. The Bank became the repository of free cash from the entire economy and the state budget, allowing it to extend massive short-term

loans. By the early Sixties, investment financing was provided by the budget and by the specially established bank providing long-term credit to government enterprises. The Bank’s status also changed under the complete sovereignty of the Ministry of Finance and the cabinet; despite numerous reorganisations in these years, the BNB never acted independently, instead fulfilling instructions by the authorities which settled all key matters.

The BNB participated both in the process of formulating State plans and in their implementation. In practice, the Bank acted as a Plan regulator alongside the state planning authorities and the Ministry of Finance. It drew up its own plans and balances (a lending plan, a cash plan, a balance of cash proceeds and spending), gave opinions about plans and balances by Ministries, on the overall finance plan, the state budget, the foreign currency plan, the import and export plan, the balance of payments plan and capital investment plan, and assessed draft plans by individual and holding



*The greeting of the General secretary of the Central Committee of the Communist Party of the Soviet Union Leonid Brezhnev in Bulgaria, 1973.*

enterprises.

In drafting and implementing plans the BNB applied specific quasi-tools on “banking and lending,” yet in practice it acted as a government body, rather than a genuine banking institution. Despite numerous “reforms” of “the economic mechanism,” genuine reform was impossible under the system in place. Market signals were not expressed in pricing: prices were rather planning and accounting indicators. Interest levied by the BNB on deposits and loans was set administratively in a tariff approved by the Council of Ministers.

A significant peculiarity of central planning was low amortisation rates which formed an artificial budget spending source, though hampering the normal physical depreciation of fixed capital.

The relatively low fixed prices of what was termed “rear-guard commodities” (power, metals, yarns, cellulose, foundry castings, and the like) artificially cut manufacturing costs, concealing the extent of low profitability, and creating chronic deficits.

Regulated price rises, which affected not only new deliveries but also stocks, were a peculiar feature of economic life. Instead of enterprise revenues growing after such rises, the state budget seized and spent this extra resource for its own needs.

The first banking reform of 1951 was accompanied by a debt rescheduling calculated as bait to attract “volunteers” into the new cooperative farms. The following year saw a second monetary reform, entailing the de facto



*The General secretary of the Central Committee of the Bulgarian Communist Party Todor Zhivkov on his visit to Lybia in 1984.*

expropriation of large deposits, pegging the lev to the rouble, and formally pegging the lev to gold at the cover ratio of the rouble. This formal “gold standard” had no bearing on the two currencies’ convertibility. The system did not have one set rate, but rather a complex set of diverse rates expressing preferences for various sectors, enterprises, or payment types.

In the late Fifties, the BNB made timid attempts to instigate a review of the world prices and rates of exchange set by the Council for Mutual Economic Assistance, raising an issue which was to become basic in future CMEA discourse. Then, and later, the Bank was in fact calling for lev devaluation. Payments between communist countries were effected via a closed system of multilateral payments in transferable roubles to a 1953 agreement which came into force only after the establishment of the International Bank for Economic Cooperation in 1963, the year after the third monetary reform which saw a change of the lev/rouble rate and an increase in gold cover. Ultimately, the transferable rouble failed to rise above the status of an accounting unit and become a genuine international currency.

#### *The change of currency, 1962*

The possibilities of the communist monetary system depleted rapidly and by the late Fifties, the lack of potential for growth under this economic model became clear. Balance of payments difficulties and piecemeal change attempts in other Communist Bloc countries led, in the mid-Sixties, to the first wave of reform. The declared aim was to cap direct budget lending to enterprises, yet it continued apace. The very structure of the BNB shows that the major sources of credit resource were The State Savings Bank (i.e. household savings), The State Insurance Institution and The Bulgarian Foreign Trade Bank. In its role as creditor the BNB was not even a commercial bank, its peculiar status letting it obtain credit resource on a monopoly basis, rather than commercially. At the same time, its investment functions turned

it into a more-or-less technical supervision office. The lack of commercial credit criteria led to the wholesale scattering of money, apparent through chronic unfinished construction projects and other manifestations of enigmatic monetary disproportions. “Capital investment limits” underspends boosted “excess funds”; payroll funds (which suffered constant deficits) were persistently in debt. Differential interest rates helped the Bank neutralise imbalances.

A short-lived attempt to mimic a two-tier banking system was made in the late Sixties, but it was unviable. The experiment saw runaway rises in enterprise defaults by the mid-Seventies, lending to which grew much faster than their fixed capital.

A new attempt to divine a road to two-tier banking was made in 1980 with the establishment of Mineralbank, initially an investment tool and subsequently a tool to bypass Plan limits for small and medium enterprises.

The economic environment – mostly the positive balance of payments accrued from re-exports of Soviet oil – permitted a consumer credit expansion in the early Eighties as a means of reducing social tension. Balance of payments deficits began after 1985, accompanied by new economic overheating and engendering a new and unprecedented automatic lending to industry.

The large-scale reorganisation of banking in 1987 marked a successive attempt to arrive at two-tier banking and inject competition into the model. The BNB was stated to be the central bank, while seven specialist sectoral banks were to conduct investment lending. In mid-1989 they decoupled from their sectors, becoming universal. The BNB and major companies from the specialist sectors served by these banks held equity in them. In late 1989 the 114 branches of the BNB became 60 more public equity banks. Fixed prices and artificial exchange rates were retained, as were the lack of interbank and foreign currency markets, while the state



remained the sole proprietor. This turned the banks into sources of gross internal lending and into generators of future bad debt, while the BNB remained entirely at the government's behest. The so-called "soft budgetary restrictions" (i.e. the automatic lending at the heart of the fusion between planned economy issuing and lending) inevitably and gradually eroded the system, engendering foreign trade imbalances at each of the ever-greater number of interfaces between the national and world economies. As distinct from a market economy, however, the communist system featured the runaway growth of such imbalances since it lacked genuine monetary sensors. This gradually turned the foreign trade sector into the mechanism which caused the collapse of communism.

In the regime's final stage, the authorities attempted to harness credit through regulators mimicking those of two-tier banking systems, such as the 1986 adoption of a base-interest rate for the five-year plan ahead. The period also saw direct and constantly fluctuating lev and foreign currency credit caps. All the same, the monobank system continued generating bad debt, budget and quasi-budget deficit and foreign indebtedness. As early as late 1986, BNB management was clear that Bulgaria was marching into insolvency and sent signals of this in written opinions, reports, and analyses.

Under communism, Bulgaria underwent several debt crises. The first one was in the early Sixties, when the nation faced the dangerous growth of mostly short-term debt, coupled with an impossibility of financing it in convertible currency. The reasons for this crisis (and future ones), lay in economic overheating due to rapid growth, a failure to balance hard currency proceeds from imports with exports and hence a balance of payments deficit, low competitiveness, and a dearth of export opportunities. The first attempts to tackle the crisis were traditional: administrative constraints, import and consumption restrictions, gratuitous export drives. These were followed by an untraditional solution: an attempt to "liquidate"

debts in non-convertible currencies involving the pledging of the nation's reserves to reschedule obligations to Soviet banks operating in the West (the Moscow Narodny Bank in London and the Eurobank in Paris). The government involved the bizarre move of selling Bulgaria's gold reserves which had been pledged against loans. The reserve itself was moved to Moscow in 1959 (under the pretext that the BNB Building would not survive a nuclear strike) and was sold off on the open market in 1962 and 1964 to meet scheduled repayments to Soviet banks in Paris and London. The operation was conducted in deep secrecy, with even instructions to bookkeepers issued verbally. A new gold reserve began to be accumulated afterwards, with the BNB drawing limited funds against security from the Basel Bank for International Settlements. Another rather idiosyncratic (to say the least) solution touted at the time by the national leadership was for Bulgaria to renounce its sovereignty and become a Soviet republic.

The second debt crisis erupted in 1977 and 1978. Its resolution lay in the USSR's agreement to allow Bulgaria to re-export crude oil products on international markets at world prices. This overcame the nation's hazardous accumulated short-term debt by political means, the debt being significantly cut by the 1979 to 1984 period and Bulgaria boasting a positive balance of payments.

The third debt crisis in the Eighties coincided with the collapse of the world communist system and the loss of support from the disintegrating USSR. The crisis had external and domestic drivers. Among the former were Bulgaria's huge claims on insolvent Third World debtors who halted debt service, US dollar devaluation, and the overvalued West German mark after 1985. Domestic drivers included the political push to growth in an economy, which had insufficient export potential to service foreign obligations, and the traditional artificially high lev rate without which the Bulgarian economy, ever

more dependent on Western markets, could not function.

The monobank covered the internal dimension of the planned economy's standing debt by directly monetising ever more of it in the late Eighties. At BNB insistence, in 1989 government obligations to the Bank were formally inventoried, documented, and rescheduled, thus in effect recognising the government insolvent as regards domestic government debt. The authorities were in a vicious circle: each export contraction cut growth and engendered a new round of political and economic problems. Yet, only deepening foreign trade imbalances could postpone the political ruin of the leadership.

The economic leitmotif of the Eighties (for a while masked by Soviet oil re-exports) was the curtailment of foreign currency revenue and the growth of foreign currency spending. The accumulation of a passive balance of payments in convertible currency after 1985 rapidly drew the nation into a debt spiral. Efforts to cut domestic demand and imports failed to achieve a turn-around for reasons which were both political (i.e., systemic) and structural. At the regime's end, bad debt became so extreme it smothered the entire economy.

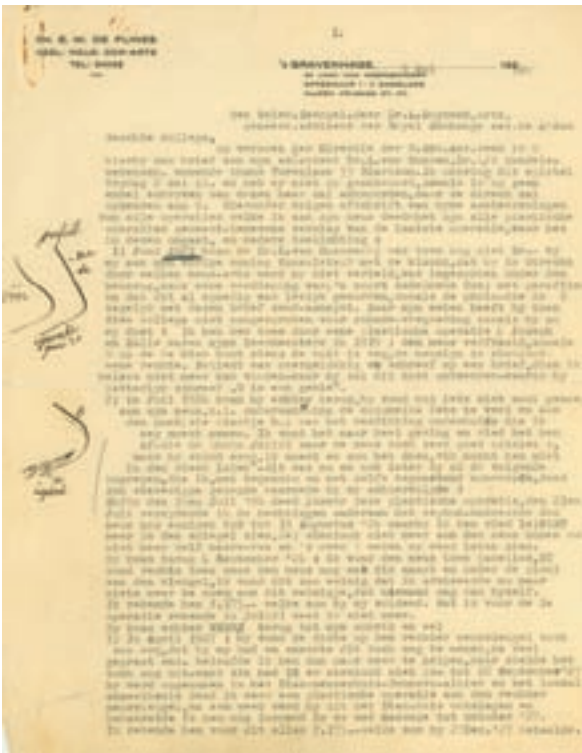
***Lucy Dimova***  
**Head of Publications Division**  
**Bulgarian National Bank**

## An insurance archive in close-up

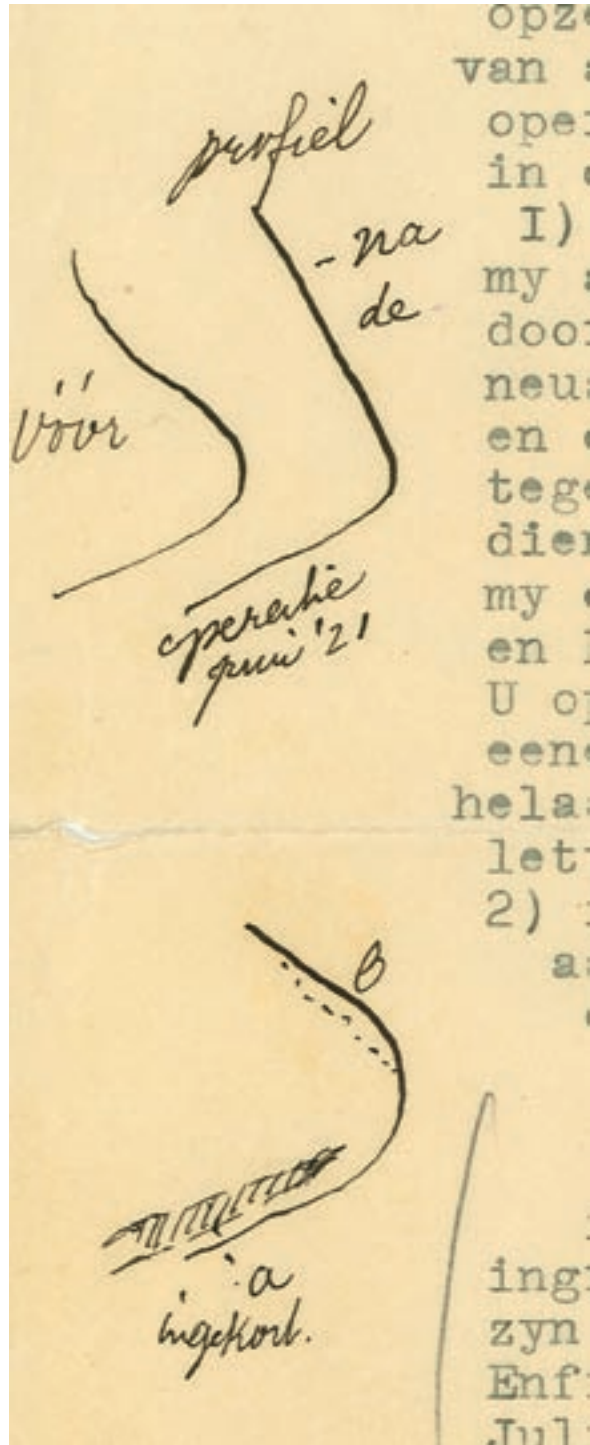
The Historical Archive of ING manages archives of various legal predecessors, including banks and insurers. The current insurance company Nationale-Nederlanden, born in 1963 from a merger between general insurer De Nederlanden van 1845 and life insurer Nationale Levensverzekering-Bank, has a long history of taking over smaller insurance companies. One of these was Fatum Ongevallen Verzekering-maatschappij, set up in 1899 and acquired in 1917. Fatum was a miscellaneous insurance company with activities including liability, sickness and car insurance.

Fatum's archive includes 94 dossiers which the organisation formerly designated as 'Historical Archive - General'. At the time, these dossiers were kept by Fatum's legal department for jurisprudence purposes and were "never to be destroyed". The dossiers concern liability insurance claims that were taken to court because the organisation refused to pay out. When the

court case ended, the dossier was added to this Historical Archive (HA) and then chronologically ordered and numbered from HA 2 to HA 102 (several numbers are missing). The oldest dates from 1907, the youngest from 1969. Most were



Letter 1930, HA Fatum, nr. 18.



Cut out form letter 1930, HA Fatum nr. 18.

long-drawn-out cases, with some taking twenty years or more to resolve. Alongside the HA number, the dossiers also have their original policy number.

The inventory of this archive (stretching to about 2.5 metres) lists the cases under the legal department's original titles. Examples are "Permanent Invalidity (Simulation?)", "Murder under Christmas Tree. Shot Dead", "Wrong Injection?" and "Burnt by smoking in bed". All evocatively convey the nature of the dossier's content: culpable (car) accidents, suicides, fraud and medical blunders.

One dossier concerns an accident during a flying demonstration in 1928 where a plane crashed into the audience, killing four people. The company refused to pay out and it was left to the court to identify the guilty party.

The archive also contains several cases of fraud. Some went to extreme lengths to get their hands on the insurance money, such as a man who



claimed to be right-handed and cutting off his own finger. In this case, drawings proved that the claimant was left-handed, but had nevertheless severed his left thumb with his right hand.

Doctors were held liable for medical blunders, such as leaving a drainage tube in a lung after the operation. Other medical errors included an incorrect diagnosis, a wrong injection and a long-running case of a plastic surgeon who gave a patient nine nose jobs, against the will of the surgeon. The dossier contains photos before and



Photo before the operation, June 1921, HA Fatum nr. 18.



Photo after the operation, July 1921, HA Fatum nr. 18.

after the treatment as well as drawings that were submitted in evidence. When the nose failed to heal properly, the patient sued the surgeon for the costs which he, in desperation, had incurred for treatment abroad.

There is also an alleged case of 'crime passionnel', a tangled affair involving a woman's ex-lover being shot dead by her ex-husband (now reunited with his wife) "under the Christmas tree' on Christmas Day. But suspicions were raised when the woman tried post-haste to collect her ex-lover's life insurance money. No stone was left unturned to establish the truth and the court finally threw out her claim. In another murder in the family sphere, a man had his wife drowned only a few months after taking out insurance on her life. All of these are tragic cases, causing lots of suffering to no avail because the insurance company ultimately refused to pay out.

The dossiers consist of various documents. The first is usually the form describing the nature of the claim. Then comes the inspector's report and, where relevant, the report from a medical adviser or other expert. Sometimes witness statements, photos or drawings of the scene of the crime or accident are also added. And finally, of course, there is the legal correspondence about the court proceedings and the court's verdict after years of legal wrangling.

Very often, general and life insurance dossiers are not kept. This archive is an exception because of its value as a source of jurisprudence for the organisation. Consequently, it remains to this day a mine of information for researchers interested in cases involving medical errors and fraud.

***Ingrid Elferink***  
**Historical Archive ING**

## An exhibition on insurance in the Ottoman Empire at the Ottoman Bank Museum

In order to build public interest in the insurance tradition in Turkey, the **Ottoman Bank Museum** has organized an exhibition for Allianz Insurance Plc., which highlights the development of insurance in the 19th Century Ottoman Empire. Titled **What Hurts the Purse Hurts the Soul: Insurance in the Ottoman Empire with Documents** from the Collection of David Kohen, the show will run from 28th January to 15th March, 2009. Prof. Edhem Eldem acted as consultant for the exhibition, which was curated by Assist. Prof. Murat Koraltürk with the assistance of Fatih Kahya and designed by Bülent Erkmen.

Realized through the initiative and support of Allianz and based in large part on the private collection meticulously assembled by David M. Kohen, who was in the insurance business for many years, the exhibition draws on policies, maps and fire marks from the Ottoman period to offer visitors a voyage into the past. Thanks to a heterogeneous population structure encompassing a great variety of religions and cultures, the Ottoman Empire provides a perfect setting for a sociological analysis of the insurance industry whose evolution the exhibition traces as a parallel process to the history of world civilization.

To quote David M. Kohen, whose family has been in the insurance business for four generations now, "Being a collector does not only imply the acquisition and accumulation of objects, it expresses a deeply-felt emotion and passion. It is an art, not a science. A large part is based on experience and knowledge, the rest depends on intuition, taste and chance." **What Hurts the Purse Hurts the Soul: Insurance in the Ottoman Empire with Documents** from the Collection of David Kohen features 33 policies, 15 maps and 21 fire marks from Kohen's collection and is complemented by an illustrated catalogue published under the same name.



**“What hurts the purse, hurts the soul”**

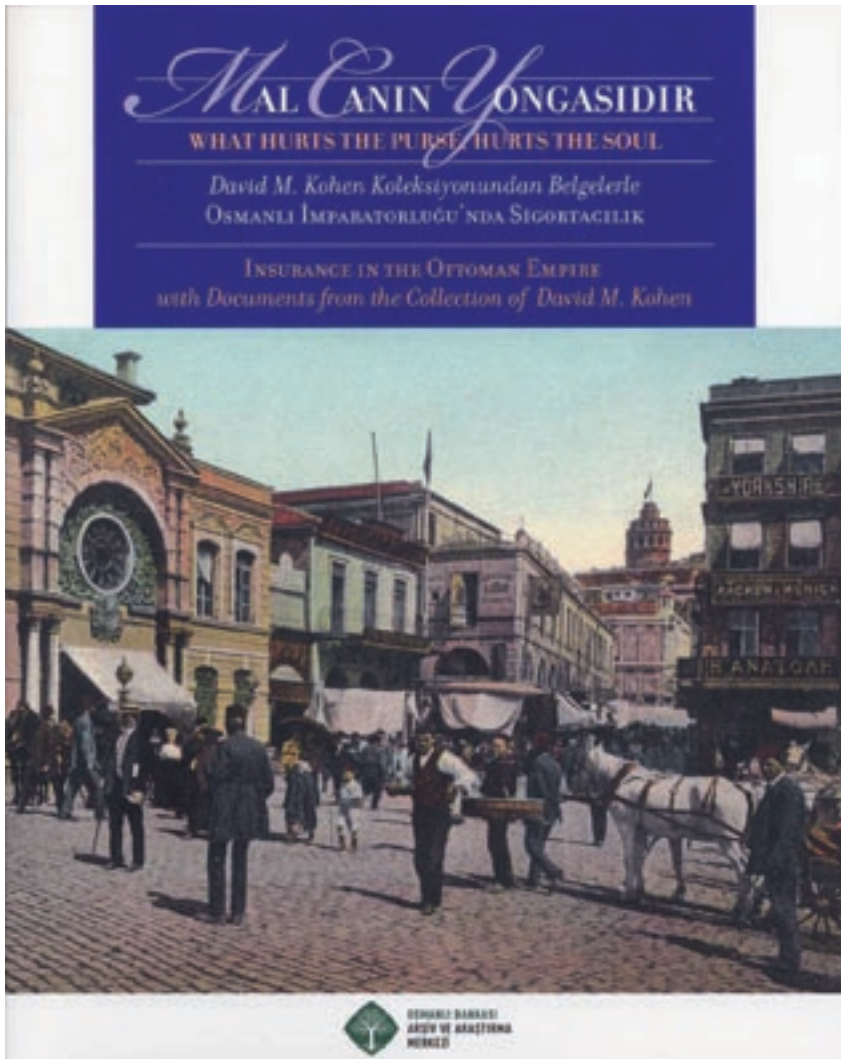
**Insurance in the Ottoman Empire with documents from the collection of David M. Kohen**

Research and Texts: Murat Koraltürk & Fatih Kahya

İstanbul, January 2009

Insurance emerged with the growth of maritime commerce and the concurrent increase in risks when people began to feel the need to protect their goods and their lives against unexpected events. In the Ottoman Empire, insurance entered via commerce in the Mediterranean and with the rapid growth of trade in the mid-19th century, the leading insurance companies of the West began to offer their services on Ottoman soil. The new sector, which first flourished as a protective measure against the dangers of trade and especially those of maritime transportation,

soon began to provide indemnity against fire, another major risk of the times. This was followed by the development of more specific areas such as life and accident insurance. This catalog accompanies the exhibition “What Hurts the Purse, Hurts the Soul: Insurance in the Ottoman Empire with Documents from the Collection of David M. Kohen,” which aims to shed light on the development of insurance in Ottoman times with documents and objects drawn in great part from the private collection of David M. Kohen.



## Exhibition of Slovenian numismatic treasures

The National Museum of Slovenia, which was founded by the Carniola State Parliament on the 15th October 1821, is the oldest Slovenian museum institution. Its six departments collect, document, preserve and investigate the mobile cultural heritage of Slovenia and present it to the public. One of the most important departments of National Museum is the Numismatic Cabinet.

The Numismatic Cabinet is the central institution of its kind in Slovenia. From the very foundation of the museum it has systematically acquired and studied numismatic and other artefacts pertaining the monetary, financial, and banking history of the Slovenian lands. The collection today contains around 90,000 objects (coins, banknotes, and other financial instruments, as well as medals and counterfeits). The collection has been overseen by a specialist curator since 1948. The Numismatic Cabinet has been an independent department of the National Museum of Slovenia from 1964.

In the hall of the Bank of Slovenia it is possible to see the exhibition "Zakladi Numizmatičnega kabineta" (Numismatic cabinet's treasures), which was prepared by the Numismatic Cabinet. A treasure does not necessarily mean a pot filled with gold coins and other precious stones and gems. A treasure is also a cultivated piece of bronze, which at first looks like an ordinary piece of stone, or a small and tiny Celtic coin, which is very difficult to recognize with the naked eye. These objects are treasures for Slovenia, because they are defining and explaining the history of a country and also of a region. However among these objects, there are a lot of treasures in the common sense of the word. There are quite a lot of golden coins from the 4th Century, which were found during several excavations in Ljubljana (the capital of Slovenia), and they acquaint us with Roman Emona (the name of Ljubljana in the period of Roman Empire). From Slovenia's point of view there is a well

known silver coin of Jurij Wagen of Bogenšperk (the count of the central Slovenian region) and this coin was for centuries known only from Valvasor's book "Slava vojvodine Kranjske" (The Glory of the Duchy of Carniola). The exhibition also displays minting tools of Slovenian tolar coins. The tolar was took Slovenian currency between 1992 and 2007 when the Republic of Slovenia joined the Monetary Union and took on the Euro.

Simultaneously the National Museum of Slovenia is having an exhibition of Primož Trubar. He was a leader of the Slovenian protestant movement in the 16th Century, and also a great cultural reformer and a major figure in Slovenia's cultural history. He wrote the first printed books in the Slovenian language and helped to formulate and establish a literary Slovene and Slovenian language. In 2008 the Bank of Slovenia issued a commemorative coin to mark the 500<sup>th</sup> anniversary of his birth.

***Pulec Damjan***

**Analyst in the Cash Department**

***Janez Krevs***

**Adviser to the Governor**



## Award of Designated Status to The Baring Archive



The Baring Archive, which documents the history of Barings from its establishment in 1762 to its acquisition by ING in 1995, has been awarded Designated Status by the Museums, Libraries and Archives Council (MLA).

MLA's Designation Scheme identifies the pre-eminent collections of national and international importance held in England's non-national museums, libraries and archives, based on their quality and significance. These inspiring collections represent a vital part of England's national cultural and artistic heritage. The Scheme was launched in 1997 and around 125 collections held in museums, libraries and archives have been Designated. The Baring Archive is the first collection related to financial history to be Designated.

The Baring Archive includes an almost complete accounting record from the 1760s onwards. Other highlights of the collection include correspondence relating to the Louisiana Purchase (1803-4) and the French reparation loans (1817-8), and portraits by artists such as Gilbert Stuart and Sir Thomas Lawrence.

The Baring Archive is open to researchers three days a week by appointment only.

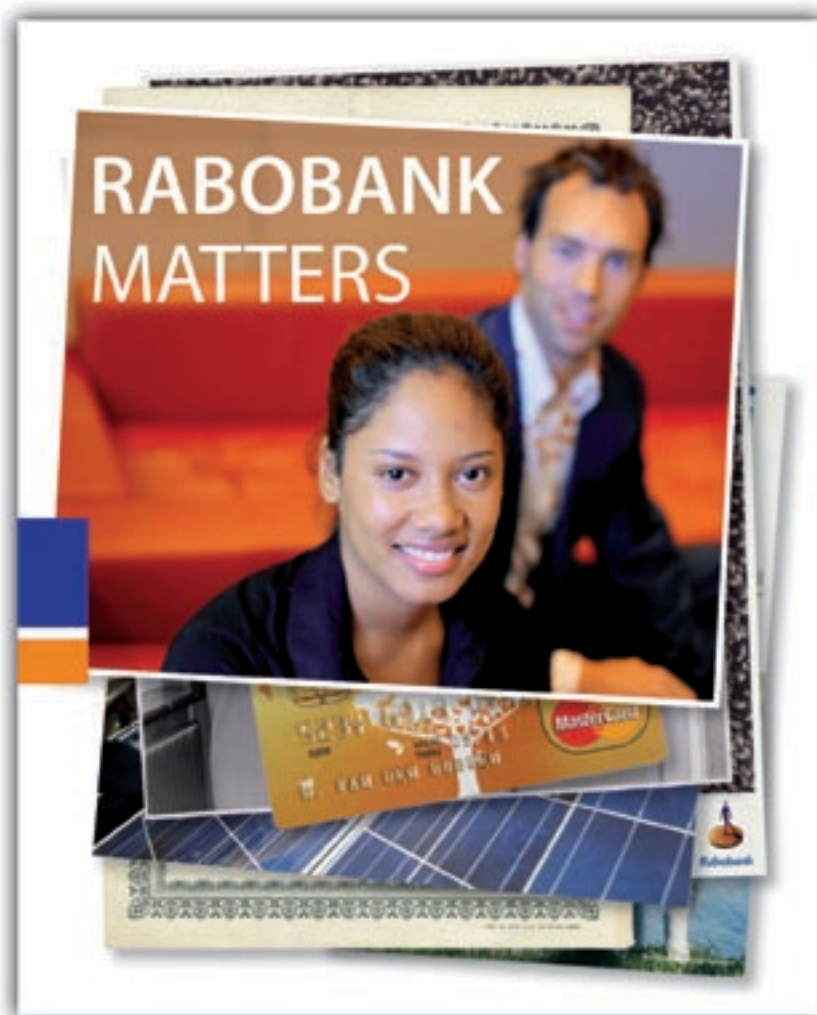
For more information about The Baring Archive or to make an appointment, please visit [www.baringarchive.org.uk](http://www.baringarchive.org.uk), email [baringarchive@uk.ing.com](mailto:baringarchive@uk.ing.com) or call +44 20 7767 6021/6721.

***Moira Lovegrove***  
**Archivist**

## Rabobank Matters

Rabobank has published a new book entitled Rabobank Matters which portrays the Rabobank Group's cooperative character and agricultural roots, as well as how the bank operates, both nationally and internationally.

This nicely illustrated paperback is aimed at a wide audience and explains how Rabobank, despite its position as an innovative market leader, remains 'the local bank' to its customers. The book tells the story about the founding of Rabobank, its cooperative nature, governance and organisational structure. It also covers other topics such as various developments of financial services, the bank's capital structure, solidarity schemes and Corporate Social Responsibility. The final chapter 'Across the border' presents an overview of Rabobank's international activities. In the 1980s and 1990s Rabobank expanded its business outside the Netherlands by establishing international offices and via its subsidiaries. The growth of Rabobank's international business increased rapidly since 2002, thanks to the implementation of new strategies in international retail banking, international direct banking and Rabobank Development. The above mentioned activities also increased Rabobank's brand awareness worldwide, complementing its ambition to be the 'number one global food and agribusiness bank in the world'.



Joke Mooij (ed.)  
Rabobank Matters  
Rabobank Nederland  
Utrecht 2009  
182 pages  
Illustrated in Colour.

## The South-Eastern European Monetary History Network (SEEMHN)

The South-Eastern European Monetary History Network (SEEMHN) is a community of financial historians, economists and statisticians, established in April 2006 at the initiative of the Bulgarian National Bank and the Bank of Greece. Its objective is to spread knowledge on the economic history of the region as an integral part of the European experience. The Network focuses particularly on financial, monetary and banking history and brings together economists and historians.

SEEMHN organizes annual conferences held by central banks in the region. The First Annual Conference was in Sofia in 2006 at the premises of the Bulgarian National Bank (BNB) and all presented papers were published in a conference proceedings' volume entitled "Monetary and Financial Policies in South-Eastern Europe" edited by Prof. Sevket Pamuk and Roumen Avramov. The Second Annual Conference was held by the Oesterreichische Nationalbank (OeNB) in Vienna in 2007 under the topic "Exchange Rate Regime Experience in Southeastern Europe in the 19th and 20th Centuries". The Third Annual Conference was organized by the Bank of Greece (BoG) in Athens in 2008. It was dedicated to Banking and Finance in South-Eastern Europe: Lessons of Historical Experience. Prof. Michael Bordo delivered the key note speech on Growing up to Financial Stability. All academic standard presentations were published as BoG Working Papers. The Fourth Annual Conference was held in 2009 in Belgrade by the National Bank of Serbia (NBS). The topic of the conference was "Economic and Financial Stability in Southeastern Europe in a Historical and Comparative Perspective" and the conference proceedings' volume is forthcoming by the end of 2009.

In 2009 the SEEMHN organized a session at the XV World Economic History Congress in Utrecht, the Netherlands. The session was dedicated to the Economic and Monetary History of 19-20 Centuries' South-East Europe and was co-organized by Prof. Sevket Pamuk, Prof. Alice Teichova, Prof. Michael Palairat and Sophia Lazaretou.

Additionally, the SEEMHN Data Collection Task Force is aiming to establish a historical data base with 19th and 20th century financial and monetary data for countries in the region. The first set of data was published as an annex to the 2007 conference proceedings, released by the OeNB (2008, Workshops, no 13). Another set of high frequency monetary indicators by WW- I was also published as a BoG Working Paper No. 94 in February 2009.

The Fifth SEEMHN conference is going to be held on 16th April, 2010 in Istanbul by the Central Bank of the Republic of Turkey. The topic of the conference is "Monetary Policy during Economic Crises: a Comparative and Historical Perspective" and Prof. Barry Eichengreen will deliver the key-note speech. Interested researchers are welcome to submit papers or extended proposals to Yuksel Gormez ([yuksel.gormez@tcmb.gov.tr](mailto:yuksel.gormez@tcmb.gov.tr)) no later than 29 January 2010. Selected papers will be published in the Conference proceedings' volume, co-edited by Prof. Sevket Pamuk.

Looking forward to meeting you in Istanbul,

**Kalina Dimitrova**  
**SEEMHN Coordinator**  
**Bulgarian National Bank**

**Responding to Crises in a Global Financial Environment. Risk Management and Regulation.**  
**EABH Annual Conference**  
**21-22 May 2010, Brussels, Belgium**

Responding to Crises in a Global Financial Environment. Risk Management and Regulation. The history of banking, and of the finance and insurance industries, has been punctuated by recurring episodes of crisis, be it at the micro- (company) or macro- (national) level. Often such crises have triggered changes in the risk management models and practices applied in the financial sector, as well as in the regulatory framework in which this sector operates. Thus, it can be said that the way in which banks, financial holdings and insurance companies, but also regulators and policymakers, have responded to crises has, to a large extent, shaped the historical development and future outlook of these institutions and of the global financial system in general. The Conference will explore the historical evolution of risk management and regulation in the finance and insurance industry, and the impact banking and financial crises have had on this evolution, both in a European and global context.

**Friday, 21st May 2010**

**Welcome Address**

Member of the Board of National Bank of Belgium  
 Member of the Board of EABH e.V.  
 Key Note Speech: Lord Adair Turner, Financial Services Authority

**Panel Discussion**

Moderator: to be announced  
 Ben Bernanke, Federal Reserve \*  
 Ana Patricia Botín, Banesto  
 Paul De Grauwe, University of Leuven  
 Emil Paulis, DG Market  
 William White, former Bank for International Settlements

**Session 1: What Happens When Financial Innovation Outpaces Regulation**

Chairman: to be announced

*Title to be announced*

Niall Ferguson, Harvard University, Cambridge

*Regulatory Arbitrage and Re-regulation in International Banking: Lessons from Recent History for the Future*

Christos V. Gortsos, Panteion University of Athens

*Title to be announced*

Speaker to be determined

**Session 2: Global Financial Flows and Regulation**

Chairman: to be announced

*Title to be announced*

Marc Flandreau, Institut d'Etudes Politiques de Paris

*Regulatory Response to the "Roots of all Evil": The Re-Shaping of the Bank-Industry-Financial Market Interlock in the US Glass-Steagall and the 1936 Italian Banking Acts*

Claire Giordano, Banca d'Italia, Rome

*Integration of Banking Markets*

*An Insurmountable Challenge to Modern Trade Policy?*

Welf Werner, Jacobs University, Bremen

**Panel Discussion: Crises and the Financial Sector: Lessons from the Past and Present**

The discussion may cover, among others, the following topics:

Does the history of financial crises hold useful lessons that may help resolve the current crisis and prevent future crises?

Is the recent crisis (since 2007) part of a long historical cycle in the development of the financial sector, and in particular of the perennial swings between interventionism/laissez-faire and regulation/deregulation? If so, what does this tell us for the near future (likely direction and challenges of financial sector development over the next decade)?

To what extent did the globalisation of the recent decades have an impact upon the depth of the crisis and to what extent has it an impact upon the national remedies to solve the crisis?

To what extent can globalisation help in organizing measures to prevent the financial speculation and excesses of the early 2000's and how can such measures be implemented in an environment of sovereign national states and open market economies?

**Saturday, 22nd May 2010**

**Session 3: Risk Management**

Chairman: to be announced

*Cooperative Banking in the Netherlands and Crises in the Pre-World War II-Period*

Joke Mooij, Rabobank Nederland, Utrecht

*Reinsurance in Crisis: How Swiss Re Overcame the Great Depression of the 1930s*

Tobias Straumann, University of Zurich

*Title to be announced*

Speaker to be determined

**Session 4: How does Crisis Impact on Archives**

Chairman: to be announced

*Title to be announced*

Edwin Green, Business Archives Council

Speaker to be determined

Speaker to be determined

Concluding Remarks

Philip L. Cottrell, University of Leicester

\*invited



The National Bank of Belgium is the country's central bank. It was established in 1850. Since 1999 and the advent of the single currency it has been part of the Eurosystem, which acts as the central bank of the euro area. The Treaty establishing the European Community assigned to it the primary objective of ensuring price stability in the euro area. It performs that task by implementing monetary policy, which thus promotes growth and employment. The Governor of the Bank participates in the meetings of the ECB Governing Council, which takes decisions on monetary policy. The National Bank devotes a great deal of expertise to the preparation and implementation of those decisions. The National Bank shares with the other central banks of the Eurosystem the right to issue eurobanknotes. It is also responsible for placing banknotes and coins in circulation, their withdrawal from circulation and quality monitoring in Belgium. Like most other central banks, the National Bank of Belgium has also been entrusted with specific national tasks unconnected with its participation in the Eurosystem. These represent a substantial



part of its activities and occupy a considerable proportion of its staff. It manages several payment systems, publishes a large number of analyses and studies covering both the economy in general and certain specific sectors, and compiles and analyses most of Belgium's economic and financial statistics. In addition, the National Bank runs the Central Balance Sheet Office, where all enterprises file their annual accounts, and two central credit registers: the Central Office for Credits to Individuals is the one most familiar to the public. The majority of these tasks are entrusted to the Bank by law. Apart from monetary stability, the maintenance of an efficient, high-quality financial system is a key objective for any modern central bank. The National Bank oversees the smooth operation of the financial system as a whole, and that of the payment and securities settlement systems in particular.



**The History of Insurance: Perspectives and Research Sources**

Friday, 20 November 2009

Welcoming Address

Pedro Pais de Vasconcelos, Universidade de Lisboa

Manfred Pohl, EABH e.V., Frankfurt am Main

Market and Product History

Welf Werner, Jacobs University, Bremen

Early History of Insurance in Portugal

Ruy de Carvalho, Honorary President, Portuguese Insurers Association, Lisbon

Discovering the Shattered Markets – Estimating Value of Nationalized Insurance Markets

Adrian Jitschin, Philipps-University, Marburg

Q & A Session

Company History

Francesco Mansutti, Mansutti Foundation, Milan

An Unusually Interesting Thing - Bringing Corporate History to Life

David Carter, Prudential plc, London

The Gold of the Strategic Decisions in the Case of a Spanish Firm

Leonardo Caruana de las Cagigas, Universidad CEU-San Pablo, Madrid

Q & A Session

Events and Challenges History

Niels-Viggo Haueter, Swiss Re, Zurich

Coping with Crises: The “Rhineland Group” from Inflation to the Great Depression 1921-1931

Achim Korres, AXA Konzern, Cologne

From Wood to Stone: The Risk Management of Swiss Re in the Sundsvall Fire 1888

Eleonora Rohland, Institute for Advanced Study in the Humanity, Essen

Q & A Session

Concluding Remarks

Welf Werner, Jacobs University, Bremen

**EABH Symposium for New Scholars  
17-18 March 2010, Swiss Re, Zurich**

The European Association for Banking and Financial History wishes to initiate a series of symposia for new and younger scholars (within 5 years of PhD) in the fields of monetary and financial history. With the very generous support of Swiss Re, the first of these symposia will be held in Zurich, in March 2010.

Topics to be covered include:

- the causes and consequences of crises – financial, economic or natural – for insurance companies, banks, regulators etc.
- the emergence and development of insurance and other financial markets and institutions
- the role of insurance or other forms of finance in fostering economic/industrial growth
- financial innovation and technological innovation across the range of financial institutions
- the role of supervision and regulation in shaping insurance, financial and monetary markets and institutions.

More information will be available soon.

**EABH News Service for EABH Members**

Your history is our business!

NEWS SERVICE: Send us your news and announcements about your institution's events, publications and other relevant information that we will publish on the news page of the EABH website.

Make your news available to an interested community of bankers, archivists and historians!

We would be delighted to receive your announcements concerning your archives, specific projects, new exhibitions and book publications, new website launches or events such as anniversaries or conferences.

Simply send your news and announcements to [announcements@bankinghistory.de](mailto:announcements@bankinghistory.de).

**Wilfried Guth \***

\*8.7.1919 Erlangen, +15.5.2009 Königstein

As successor of Hermann J. Abs, Wilfried Guth was Spokesman of the Board of Deutsche Bank between 1976 and 1985 and remained at the Bank until 1990 as Chairman of the Supervisory Board. As a renowned expert on monetary issue he was very active in the field of monetary policy and interstate economic relations.

Wilfried Guth was one of the co-founders of the European Association for Banking and Financial History e.V. (EABH). The EABH would like to convey its heartfelt condolences.

## How companies can profit from their past???

How many times have you been frustrated because your management does not have the time, will, money or understanding for some fascinating, creative, interesting and important project you had in mind? Or, how many people do you know that have a similar problem? Well, if you are coming regularly to the EABH conferences, at least you do not feel lonely. Finally having somebody to talk to is important but most of the year you are not just lonely but more often really alone.

What is the basis of this problem? Too often we do not understand how our directors and managers think. Who has the time and desire to read banking history books of 300 pages? Your director is maybe proud that some important and famous professors use your archives, but do you know how many important people they meet every day? Archivists often talk about soulless management which does not care about culture, heritage, past etc, but only about general business. Those "awful people" think about profit, business, politics etc. But it is their job. And maybe we just do not understand that the problem is not "them" but our lack of understanding of the bank. Banks are serious institutions that make a profit by taking care of other people's money. And if we want to send the right message to our managers, instead of doing numerous favours, writing speeches for directors, losing time on endless games and networking we just have to explain to our directors one very simple fact - past is profitable.

This year Reis Roowaan wrote a small booklet titled "A Business Case for Business History - how companies can profit from their past". It is a short (90 pages), simply written, very clear, well structured book with good and numerous illustrations. It looks like the short textbook written for the business managers. And I am sure that any director could read it within one or two lunch breaks.

The book costs €19,50 and is published by Boom, Amsterdam. We warmly advice you to get one book, read it and then order another ten or twenty and find a way to get your directors to read it. After that your life will be easier.

