bulletin

Newsletter from the EAABH

2/2012

European Association for
Banking and Financial
History e.V.

Dear Colleagues and Friends,

Today we are proud to present the 30th volume of the *EABH bulletin*, our biannual publication, which we started in 1998. I would like to take this moment to thank our editor Damir Jelic for the very successful cooperation ever since 1999. Throughout all these years Dr. Jelic has made considerable effort to collect the various contributions of our members and partners as well as new researchers so that today we can enjoy the wide variety of banking and financial history collated in these 30 volumes. We hope to continue not only this fruitful cooperation, but also to receiving your papers and research material, because it is your contributions that have helped shape the bulletin into the research platform that it has become today.

But 2012 is not only remarkable for the anniversary of the *EABH bulletin*: it has been a historical year for *EABH* on many different levels. After a successful Young Scholars' Workshop in Bordeaux in March 2012, the organisational committee proudly invited three 'newbies' to join our academic forces, presenting their findings at 'Public Policies and the Direction of Financial Flows', *EABH*'s annual conference, which was kindly hosted by the *National Bank of Romania* this year.

On this occasion, the *EABH* community was also delighted to welcome Hugo Bänziger as the new Chairman of the Board of Management, particularly as Hugo Bänziger has been connected with *EABH* ever since its founding days back in 1990. He was joined on the Board of Management by archivist Edwin Green, while Professor Harold James was warmly welcomed as the new Chair of the Academic Council. Both Edwin Green and Harold James have a long and well-established connection to *EABH*.

Accordingly, we are very happy to present Harold James' 'Wrestling with the Angel: Georg Solmssen and Germany' in this edition, an article about the banker whose letters during the times of the Third Reich have been recently published in a corresponding volume. But the devoted reader may also look forward to new research, for example by young scholar Marius-Constantin Apostoaie or Catherine Bregianni who introduces political views and strategies after the 1932 Greek Default. News on archives for this volume are kindly provided by Lorna Williams from the *Bank of England* and Ashok Kapoor presenting the Monetary Museum of the *Reserve Bank of India*.

Last but not least, we are proud to report to our readers on two further *EABH* projects, both of which successfully accomplished in November 2012: First, the conference ***Business in between Cultures – the Development of Islamic Finance***, which took place at the *School for Business and Economics* in Sarajevo, bringing together experts from throughout the world to discuss the historical relevance and future of interest-free banking in context of current financial challenges. Second, we are proud to announce the successful release of our ***Project Archival Legislation for Finance (ALFF) in Europe***, which was officially inaugurated by the first workshop hosted by *Deutsche Bank* on 23 November 2012.

We very much hope that you enjoy reading our 30th bulletin and we look forward to bringing you exciting new research, books and events in 2013.

Merry Christmas and a prosperous and historic 2013 to all of you!

Yours faithfully

Manfred Pohl

Founder & Deputy Chairman

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Wrestling with the Angel: Georg Solmssen and Germany [1]

Georg Solmssen's story offers a unique insight on the tragedy of German Jewish integration. He was a perfect exemplar of one conservative path of assimilation for the German-Jewish commercial elite, and he seemed a classic representative of the small group later dismissed by Chaim Waizmann as "*Kaiserjuden*".[2] He fully embraced a sense of patriotism that he inherited from his family. One of the most powerful reasons for Solmssen for being proud to be German was what he saw as a uniquely German tradition of toleration and assimilation. In consequence, before 1933 he refused to think that Nazi anti-Semitism could be in any way threatening and instead held it to be a mere absurdity; after Hitler's seizure of power, in private letters he was profoundly prescient about how Germans, both Nazis and non-Nazis, would handle the new ideology; but in public he continued to be proudly patriotic. Solmssen also had a powerful and deeply personal way of expressing the predicament of what he saw as a doomed "aristocratic commercial culture."

Head office of Disconto-Gesellschaft in Berlin, Unter den Linden, around 1900

Today Solmssen is perhaps best known as the author of a moving and prophetic letter of 9th April 1933, which is chillingly prescient, not only about the ultimate goals of the Hitler movement, but also about the character of German support for the Nazis. It is now very frequently quoted in accounts of the gathering war against the Jews.

In that letter, addressed to the chairman of the supervisory board of Deutsche Bank und Disconto-Gesellschaft, Franz Urbigm Solmssen wrote: "The exclusion of Jews from state service, which has now been accomplished through legislation, raises the question of what consequences this measure - which was accepted as self-evident by the educated classes - will bring for the private sector. I fear that we are only at the beginning of a conscious and planned development, which is aimed at the indiscriminate economic and moral destruction of all members of the Jewish race living in Germany. The complete passivity of the classes which do not belong to the National Socialist Party, the lack of any feeling of solidarity on the part of those who have up to now worked in business shoulder to shoulder with Jewish colleagues, the ever more evident pressure to draw personal advantages from the free positions created by the purges, the silence about the shame and humiliation imposed on those who although innocent see their honour and existence destroyed from one day to the next: all this is evidence of a position so hopeless that it would be wrong not to confront facts straightforwardly, or to make them appear harmless. In any case, those affected have apparently been abandoned by those who were professionally close to them, and they have the right to think of themselves. They should no longer let the enterprise to which they have devoted their lives determine their actions - unless that enterprise treats them with the same loyalty that it expected of them. Among our colleagues too, the question of solidarity has been raised. My impression was that this suggestion met only a luke-warm response in the board of management (perhaps because of its non-homogenous composition); and that if it were to be realized it would take the form of a gesture rather than complete resistance, and as a result would be doomed to failure. I recognize that in the decisive deliberations, differences will be made between different members of the board of management who happen to be on the list of proscription. But I have the feeling that although I am viewed as someone whose activity is thought of positively, and although I may be honored as the representative of a now seventy year long tradition, I too will be abandoned once my inclusion in a "cleansing action" is demanded by the appropriate outside authorities. [...] [3]

Georg Solmssen came from a notable German-Jewish banking dynasty. Born in Berlin on 7 th August 1869, he was the son of one of the pioneers of German banking. His father Adolph Salomonsohn came from a long line of rabbis. Adolph was born as Abraham Salomonsohn in Inowrocław in the province of Posen in 1831, where his father was a merchant, but he studied in one of the new Prussian reform schools (*Gymnasium)* rather than in a Talmudic school, and went into the state's judicial service rather than into business before becoming a lawyer in Ratibor. David Hansemann, the founder in 1851 of what would become the first of a new model of German universal bank devoted to industrial finance, the Disconto-Gesellschaft, tried repeatedly to bring Salomonsohn into the new bank. Eventually in 1863, after being humiliated by a Prussian judge with a slur about Salomonsohn's family, he agreed, and became a *Syndikus* (or independent manager) of the bank. Hansemann commented that "the state's straitjacket was too confining for you."[4] Three years later, he was given power of attorney (*Prokura*) and in 1869, on the eve of the Franco-Prussian war and of German unification, he became a partner of the bank.

The Disconto-Gesellschaft was a more old-fashioned bank than the great universal banks founded in the 1870s, the Deutsche and the Dresdner. It resembled more a French-style *banque d'affaires*, based on a partnership rather than a board of management, and it also had a strong family element (like the traditional private banking world of the Rothschilds and Bleichröders). Banking in this tradition was a highly personal affair. Adolph was heavily involved in industrial finance, and played a crucial role in the financing of the Gotthard railway and also of the Gelsenkirchen coal company. Although he ceased to be a partner of the bank in 1888, he remained very close to the dynamic general manager of Gelsenkirchen, Emil Kirdorf, a relationship which his son Georg continued. And he remained a member of the Supervisory Board of the Disconto-Gesellschaft. Georg Solmssen later praised the combination of "written-

Adolph Salomonsohn. ©Deutsche Bank AG, Historisches Institut ness" [*Schriftlichkeit*] with the collegial principle, and saw in it the expression of an "aristocratic business culture."[5] Adolph's nephew Arthur Salomonsohn (1859-1930) also came from Inowrocław, and in 1895 became a partner of the Disconto-Gesellschaft. Like his uncle, he also worked particularly with the heavy industry of the Rhine-Ruhr.

Georg Adolf Salomonsohn (Solmssen) followed the same course as his father. He imbibed the traditions of banking with his mother's milk, since his first years were spent in his father's apartment in the Disconto building (until the rebuilding of the bank drove the partners out of the bank headquarters). Eventually Georg studied law and entered the Prussian civil service, which he imagined corresponded best to his own view of life, based as it was on regularity and discipline. For the Prussian administration, he worked on a study of American law relating to building credit (and in particular with the protection of the interests of workers in the case of a builder's bankruptcy), which involved an eighteen month visit to the United States. The project also provided the basis for a doctoral dissertation in law; and Salomonsohn's work influenced Prussian and German legislation on building finance.[6]

Salomonsohn went further on the path to assimilation than his father, who while remaining a Jew had changed his first name to something more German and more Protestant that recalled the seventeenth century Protestant hero Gustavus Adolphus (perhaps coincidentally, Adolph's patron, David Hansemann, also named his son Adolph). On 2nd April 1900, Georg was baptized as a Protestant, and on 10th August of the same year changed his last name from Salomonsohn to Solmssen. Since at this time he also left the civil service and joined the family bank, the Disconto-Gesellschaft, it is probably safe to assume that there was no major friction with his father or cousin about this shift of religious affiliation. In 1907, he married Giulietta ("Etta") Aselmeyer, the daughter of a prosperous Protestant cotton spinner and banker, Karl or Carlo Aselmeyer, who came from a German family that had been in Naples since the Napoleonic period.

Mauerstreet with arch. ©Deutsche Bank AG, Historisches Institut

Georg Solmssen was a very correct man, who came across as "fresh and modern";[7] but he was also a very private man, who at least in his surviving letters (which are not highly personal) and in a large number of public speeches and addresses never spoke about belief. Of course this does not necessarily mean that he had no religious faith, but it does not seem as if either Judaism or Protestantism left a deep mark on him. If any side of Prussian Protestantism had an impact, it was the idea of religion in the service of the state. His deeply engrained work ethic was a fundamentally secularized version of Max Weber's concept of the Protestant drive. The only biblical citation that appears in his published works – or for that matter in his surviving correspondence - is in the introduction to the two volume collection of his essays published in very difficult circumstances, in 1934 under the Nazi dictatorship. It is a verse from the book of Genesis (that was beautifully set to music by Johann Christian and Johann Sebastian Bach, and is the theme of a moving picture by Rembrandt in the Berlin Staatsgalerie), when Jacob says to the mysterious and powerful anonymous figure who has wrestled with him and who turns out to be the angel of God: "I will not let thee go, except thou bless me." The angel then replies: "Thy name shall be called no more Jacob, but Israel: for as a prince hast thou power with God and with men, and hast prevailed." [8] The angel's message is undoubtedly about civic responsibility and patriotism. Solmssen wanted to use this biblical demand for divine blessing as a statement of the individual's relationship not with God but with the Fatherland. "Only following the principle of unconditional loyalty to the Fatherland can give the German the strength to deal with the vicissitudes with which he and his family will have to deal." Solmssen wanted to be blessed by Germany, not by God: and Germany, in the end, rejected him.

By the end of the 1920s, and the time of the merger of Disconto and Deutsche Bank, Solmssen had become the major figure on one side of a debate about how banks should function and how bankers should behave. Two contrasting figures had emerged in the polarized debate about banking practice as the incarnations of different concepts of the proper activity of a banker. Jakob Goldschmidt was the dashing and entrepreneurial figure behind the spectacular expansion of the Darmstädter- und Nationalbank (Danat Bank), and was master of the stock exchange. Goldschmidt believed that his enthusiastic public stances on major political issues enhanced his business reputation. His most important presentation came during a General Meeting of the bank association (Centralverband des deutschen Bank- und Bankiergewerbes) in Cologne in 1928, in which he delivered a flamboyant and persuasive defence of capitalism as a system. Not only did he point out the benefits of horizontal mergers (such as those he had conducted with such brilliance); he claimed that a "ruthlessness intensification of work" was the way of the future. Socialism had failed - and only private initiative could increase prosperity. "The private quest for profit is the main driver of economic activity and will lead with the rise of the individual to a higher stage of development of human cooperation." Germany needed to restore confidence in the private economy so that foreign creditors would lend more. The international economy was a tool which Germans could use to enrich themselves, since "we are dependent on the world's credit."[9]

Goldschmidt and Solmssen are actually business types who would be recognized quite easily at the beginning of the twenty-first century: Goldschmidt the advocate of untrammelled markets, the logic of the stock exchange, and global integration; and Solmssen the advocate of different national traditions of capitalism, or what might now be called the "Rhineland capitalism" model.

Solmssen made little secret of his contempt for Goldschmidt and his methods as nouveau. He too delivered a long and political speech at the 1928 Cologne Bankers' Meeting, but it was about his much more focused concern on ways of improving the supply of credit to German agriculture. In the 1930 bankers' meeting he gave a semi-philosophical overview of the future of globalization: "If the world economy

Arthur Salomonsohn (1859-1931), ©Deutsche Bank AG, Historisches Institut is to survive, it will necessarily need to enter a new era of mutual consideration and of the reconciliation of divergent interests. Such an approach does not necessarily mean the denial of national individuality, and does not mean that the future belongs to a political Esperanto, or that borders produced by historical and racial differences will disappear." [10]

In the aftermath of the banking crisis and the subsequent credit collapse, Germany's economic situation deteriorated further. In the midst of the political radicalization of 1932, the question of the Nazi party's anti-Semitism became terrifyingly acute. Banks were attacked as being Jewish. A list put out by an organization of the chemical industry (*Verein zur Wahrung der Interessen der Chemischen Industrie*) listed banks that were "directed or managed by Jews" included the Disconto-Gesellschaft (but not the Deutsche Bank: they seemed to see the two banks as still separate); while in Hirschberg in Lower Silesia a slide presentation showed the directors of Deutsche Bank including Solmssen and Wassermann, with the heading "How they swindle, how they manipulate."[11]

Georg Solmssen around 1920. ©Deutsche Bank AG, Historisches Institut

Many banks reacted to January 1933 by anticipating party and government measures and started to purge Jewish employees and directors in what has been termed "anticipatory obedience". On 1 April 1933, the political pressure on Jewish bankers, and on banks in general, mounted as a SA-organized boycott of Jewish-owned shops and businesses began. Solmssen's colleagues at Deutsche Bank tried to force him out of the Executive Board. That was the context of the remarkable letter of 9 th April. Even after the extraordinary events of the first week of April, Solmssen apparently was reluctant to draw the full consequences of his criticism of the cowardice of his colleagues in Deutsche Bank, and to make a public statement about the dangers confronting German banking. On the contrary: at a meeting of the executive committee of the Centralverband on 8 April, Solmssen announced rather laconically that "The banking business unconditionally supports the government."[12] It is probable that Solmssen thought that any public controversy with the party or the government would be counter-productive and would only unleash new waves of anti-Semitic outrages.

One part of Solmssen's extraordinary attempt to defend himself against the Nazi onslaught was the publication of a collection of his essays and speeches with the title "Politik und Wirtschaft" (*Politics and Business*). The publisher was the eminent scientific house Duncker & Humblot. Solmssen tried to use this compilation of his political addresses, as well as of his interventions on behalf of agricultural modernization, to show his complete commitment to the national cause. He explained his intentions very clearly in a letter to Urbig: "My goal will be attained if a broad public realizes that there are non-Aryans who day and night knew no other thought than that of Germany, and have tried to serve that ideal even though their most basic right to exist is being attacked." [13]

Solmssen's political plan was underlined in a preface that made much of the new national mood. Solmssen began with a depiction of the political fragmentation and weaknesses of the Weimar Republic. The bourgeoisie had failed, and would be superseded by the "dynamic forces of the nation." There then followed a paean to the National Socialist "revolution" which brought "the unification of the Volk" and which would "require sacrifices of everyone".

On 22nd May 1934, in another passionate and dramatic letter he asked Urbig to be allowed to resign from the Executive Board of Deutsche Bank with effect from the end of that month because he had suffered too much. "The new and ever stronger defamation and economic attack on all so-called non-Aryans, that meets no opposition, has wounded me too deep psychologically for me to be able to carry out the duties of a member of the board of management with pleasure and with the attention needed for a prosperous outcome." [14] Solmssen thus left the executive board of Deutsche Bank.

From his departure in May 1934, Solmssen spent a great deal of his time in Switzerland, both in the Engadin, where he had always liked to vacation, and in Zurich. Eventually, he bought a small farm in Horgen near Zurich, which he used as a demonstration of the practice of some of his theories of agricultural improvement. On 7th August 1934, the German Foreign Exchange Authority (*Reichsstelle für Devisenbewirtschaftung*) allowed Solmssen a dual residency, in Berlin and in Switzerland.

In 1935, Urbig asked him why he did not leave Germany. He wrote another angry and passionate letter: "To act in this way would be to leave the field free to the satisfaction of those who see our presence as a constant rebuke. My wife, my children and I are German. Our Germanness, acquired and tested over generations, can and must not be taken away by anyone." [15]

But extraordinarily, even while he was living mostly in Switzerland, he continued to press policies that would benefit Germany. In the course of a visit to South Africa in early 1936, he conducted high level negotiations, including with General Smuts as well as with mining industrialists, in which he suggested an expansion of trade in which Germany would secure access to raw materials. He was delighted by the positive reception of these ideas by Germans in South Africa, including the German Minister, Emil Wiehl.

In December 1936 he gave an address to the prestigious Royal Institute of International Affairs (Chatham House) in London, in which he underlined Germany's legitimate claim on colonies, as well as setting out the specifics of his plan to increase both British and German trade with South Africa.[16] It was a highly patriotic presentation, which blamed Germany's predicament on the unjust terms of the 1919 peace treaty; but it contained no reference, positive or negative, to Adolf Hitler or the Nazi party.

While Solmssen was negotiating in South Africa, the campaign rolled on to exclude him from more and more of the positions in German business life that he cherished so much. The chief executive of the giant electrical company AEG, Hermann Bücher, let him know that the former German Economics Minister Kurt Schmitt who was to take the chairmanship of the AEG supervisory board had demanded his exclusion from the board of a formerly Jewish-owned business, Ludwig Loewe, which AEG had taken over and on whose board both the former owner and Solmssen were participating. The support of Schacht seemed initially to have brought no result,[17] but eventually Solmssen stayed in his position until 1938.[18]

Solmssen found developments in Germany, but also in his former bank, deeply distasteful. But in the growing political radicalization, the move that stirred him most in 1937 was the decision of Deutsche Bank to drop the name of the Disconto-Gesellschaft and revert to a simple (and more German) name. Solmssen interpreted the move as "burying" his old bank, the Disconto-Gesellschaft, and the better business practice for which it had stood. Again he expressed his profound disenchantment.[19]

Soon after Deutsche Bank formally forgot the Disconto-Gesellschaft, Solmssen's position in the Deutsche Bank became problematic. The difficulties followed largely from new government initiatives associated with the intensification of the Nazi war on the Jews. On 4th January 1938, a decree defined "Jewish business" (for the first time): such a business was in Jewish ownership or was "dominated" by one Jewish partner or member of the executive board, or a quarter of the members of the supervisory board. The Berlin Chamber of Commerce and the Private Banking Group (*Wirtschaftsgruppe Privates Bankgewerbe*) then sent an inquiry (on 24 January 1938) asking whether Deutsche Bank was a "Jewish business". The problem was that at the determining date, 1 January 1938, Georg Solmssen was a member of the supervisory board. Consequently, there were extensive discussions with the Berlin Chamber of Industry and Commerce. Deutsche Bank pointed out that Solmssen had moved abroad in 1937, and had in practice taken no part in the supervisory board, and that it would have been needlessly expensive to hold a special meeting to remove Solmssen. It was this controversy that prompted the final breach between the Deutsche Bank and Solmssen. On 21st February 1938, Urbig told Solmssen that the directors of Deutsche Bank would not support the renewal of his term on the supervisory board. Solmssen again protested against this "scandalous end to a 75 year association of three generations of my family, who have given all their energy and strength and are now wiped away as if they had never been."[20]

Urbig's reply is fascinating. He documents the shared assumption of the two men that all developments since the abdication of the Kaiser – the revolution, the creation of the Weimar Republic, and the Nazi seizure of power – had eroded the old world of the "commercial aristocracy": "We have since 1918 been forced to do many things which according to others was necessary from the point of view of the state, but went against our personal conviction."[21] Eventually, on 15 August 1938, the Berlin Chamber of Industry and Commerce issued the appropriate certification that Deutsche Bank was recognized as a "non-Jewish business in the meaning of the law".[22]

In early 1938, Solmssen's second son Ulrich, who had studied chemistry at MIT already in 1932 and then went on to obtain a PhD and then work at Zurich University, had moved to the United States, where he worked for the Swiss company Hoffman-LaRoche. The ties with Germany were being broken: Georg Solmssen's son Harald (Harold), who had worked for a time in Deutsche Bank, also went to the United States. And in early 1938, Georg Solmssen's Berlin apartment in the Alsenstrasse in Berlin was sequestrated in order to make place for a giant hall designed by Albert Speer: the authorities required that it was cleared by October 1938. At the end of May, the police authorities in Berlin-Steglitz refused to allow Solmssen a foreign visa; and Solmssen now had no alternative except to emigrate and abandon the claim to dual residence. By late 1938, this had become a hugely expensive process, as the German authorities tried to use the economic persecution of Jews as a revenue raising device. Solmssen had to pay 300,000 RM in order to secure the release of his German property (in addition to 730,000 RM *Reichsfluchtsteuer*, the punitive tax on capital export that had been introduced in 1931 but elevated as an instrument of persecution after 1933, and 70,000 *Judenvermögensabgabe*, the levy exacted after the pogrom of November 9/10, 1938).[23] He asked the Deutsche Bank to pay a part through an advance on his salary. In 1939, Arthur Salomonsohn's former property in Inselstrasse 20/22 was taken over from Salomonsohn's sons, who had emigrated to the U.S. by the Zehlendorf tax office as payment for the punitive emigration taxes imposed on Jews, and was taken by the Reich Chancellery with the intention as a residence for Hitler. Hitler's personal doctor, Theodor Morell, bought Georg Solmssen's house at Inselstrasse Nr. 24 after the Deutsche Bank had failed to find an industrialist interested in a purchase of the villa. He insured himself with a declaration that he had not bought the property from a Jew, since it was sold by Solmssen's non-Jewish wife. Propaganda Minister Joseph Goebbels had already taken over Oskar Schlitter's house in the same street in 1936.[24]

The transfer of Solmssen's pension was blocked by the German currency authorities from the beginning of 1940. Solmssen protested frequently, adding to one of his letters a citation from Schacht's replacement as Economics Minister, Walther Funk, from 1930, praising a speech of Solmssen. The German authorities prevaricated until 23rd February 1942, when an arbitration committee provided a final confirmation of the decision to suspend pension payments. Solmssen remained in the semi-rural tranquility of his farm in Horgen, and in August 1944 the parish council voted to accept him and Giulietta as Swiss citizens. In the interim, in 1939, he had also been granted citizenship of Liechtenstein.[25]

Georg Solmssen built his life around a firm belief in some well-established principles that derived from the world of the classical European liberal tradition. He appeared as a relic of the nineteenth century, out of place in both the unscrupulous commercial culture of the 1920s and the intense politicization of life in the 1930s. Property was an intrinsic element in human dignity. And property was threatened not only by state action, but by speculation, corruption, fraud, and bad business practice. He intensely and passionately believed that Germany's political disaster was the result of external circumstances, in particular the Versailles Treaty, but also of the excesses of an immoral commercial culture. His grandchildren remembered the passion of his warnings in the 1950s. It was his sensitivity to the issue of the internal corruption of modern large scale financial institutions that made him so quick to realize what was at stake – and what the likely outcome would be – when the Nazis started their anti-Semitic offensive against German business life. He knew too much about what motivated individual conduct in the business world, and he drew frighteningly realistic and disillusioned conclusions. His strictures about the importance of business morality looked ludicrously anachronistic in the late 1920s and early 1930s, a throwback to the antiquated business culture of the nineteenth century. But maybe, after another financial crisis that had its roots in financial misdemeanor, the reflections of Georg Solmssen are relevant for the twenty-first century.

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Cover of the edition of Georg Solmssen's letters. ©Deutsche Bank AG, Historisches Institut

Endnotes

1 I should like to thank Martin Müller and Jonathan Steinberg as well as the anonymous referees for very helpful comments on this essay.
2 Peter Pulzer, *Jews and the German state : the political history of a minority, 1848-1933*, Oxford: Blackwell, 1992, p. 201. The term *Kaiserjuden* is used rather variously: some consider it a description only of a narrow group of persons such as Albert Ballin, James Simon and Max Warburg who were very close to Wilhelm II and met him regularly on social occasions; others consider a looser and wider group of "second order" *Kaiserjuden*, such as Solmssen and Franz von Mendelssohn, whose relations with the Emperor were much more distant. See Jacob Toury, *Die politischen Orientierungen der Juden in Deutschland; von Jena bis Weimar*, Tübingen: Mohr Siebeck, 1966, p. 239; Werner E. Mosse, "Wilhelm II and the Kaiserjuden," in (eds.) Jehuda Reinharz and Walter Schatzberg, *The Jewish response to German culture : from the enlightenment to the Second World War* , Hanover, NH : Published for Clark University by University Press of New England, 1985, p. 171.
3 Historical Archive Deutsche Bank (HADB), P1/14, Georg Solmssen to Franz Urbig, 9 April 1933; the letter is quoted in Harold James, „Die Deutsche Bank und die Diktatur 1933-1945," in Lothar Gall et al., *Die Deutsche Bank 1870-199*5, Munich: C.H. Beck, 1995, pp. 337-338; Saul Friedländer, *Nazi Germany and the Jews: Vol. I: The Years of Persecution 1933-1939*, New York: Harper Collins, 1997, p. 33; Lothar Gall, *Der Bankier Hermann Josef Abs : eine Biographie*, Munich: C.H. Beck, 2004, p. 38; Martin Münzel, *Die jüdischen Mitglieder der deutschen Wirtschaftselite 1927-1955. Verdrängung – Emigration – Rückkehr*, Paderborn 2006.
4 Georg Solmssen, Beiträge zur Deutschen Politik und Wirtschaft 1930-1933: Gesammelte Aufsätze und Vortrage, Berlin, 1934, p. xlviii.
5 Solmssen, *Beiträge*, p. xxi.
6 See Georg Salomonsohn, Der Gesetzliche Schutz der Bauglàubiger in den Vereinigten Staaten im Nord-Amerika. Ein Beitrag zu den Entwürfen eines Reichsgesetzes betreffend die Sicherung der Bauforderungen und eines Preußischen Ausführungsgesetzes, Berlin: Carl Heymann, 1900.
7 See Felix Pinner, *Deutsche Wirtschaftsführer*, Berlin, 1925, p. 188.
8 Solmssen, *Beiträge,* p. xv; Genesis, Ch. 32, verse 27; see also HADB, P1/14, Georg Solmssen to Friedrich Dreyse, 9 June 1938.
9 Verhandlungen des VII. Allgemeinen Deutschen Bankiertages zu Köln am Rhein am 9., 10., und 11. September 1928, Berlin/Leipzig: de Gruyter, 1928, pp. 135, 141, 146, 149-50.
10 Solmssen, *Beiträge*, Vol. II, p. 520.
11 Werner Mosse, Jews in the German economy : the German-Jewish economic élite 1820-1935, Oxford: Oxford University Press, 1987, p. 331.
12 Bundesarchiv Berlin (BAB), P21665, 8 April 1933 Ausschuss of Centralverband des Deutschen Bank- und Bankiergewerbes; *Bank-Archiv* 32/13, p. 251. See also Keith Ulrich, *Aufstieg und Fall der Privatbankiers: Die wirtschaftliche Bedeutung von 1918 bis 1938*, Frankfurt: Fritz Knapp, 1998, p. 256.
13 HADB, P1/14, 29 December 1933, Georg Solmssen to Franz Urbig,
14 HADB, P1/14, Solmssen to Franz Urbig, 22 May 1934.
15 HADB, NL3/53, Georg Solmssen to Franz Urbig, 17 September 1935.
16 Georg Solmssen, "A Plan for German Industrial Expansion. Address delivered at the Royal Institute of International Affairs on the 17th December, 1936," in: *International Affairs*, Vol. 16. Nr. 2, 1937, S. 222-244. 221-239.
17 HADB, P3455, Aktennotiz Georg Solmssens, 21 July 1936.
18 Peter Hayes, „State Involvement and Corporate Responsibility in the Holocaust," in (eds.) Michael Berenbaum, Abraham J. Peck, *The Holocaust and history: the known, the unknown, the disputed and the reexamined*, Bloomington: Indiana University Press, 1998, pp. 201-201.
19 HADB, NL3/53, Georg Solmssen to Franz Urbig, 02 October 1937.
20 HADB, P1/14, Georg Solmssen to Franz Urbig, 7 March 1938
21 HADB, P1/14, Franz Urbig to Georg Solmssen, 11 March 1938; see also Gerald D. Feldman, "Poltische Kultur und Wirtschaft in der Weimarer Zeit: Unternehmer auf dem Weg in die Katastrophe," in: *Zeitschrift für Unternehmensgeschichte*, 43. Jg., 1998, H. 1, S. 17.
22 BAB, R 8119 F, P24021 15 August 1938, Industrie- und Handelskammer zu Berlin certificate.
23 See Hanspeter Lussy and Rodrigo López, *Liechtensteinische Finanzbeziehungen zur Zeit des Nationalsozialismu*s, Vaduz, Zürich: Chronos, 2005, Vol. 1, p. 188.
24 Christine Fischer-Defoy, "Schwanenwerder im Nationalsozialismus. Ein Inselrundgang," *Aktives Museum: Faschismus und Widerstand Berlin, Mitgliederrundbrief* Nr. 62, Januar 2010, pp. 4-11.
25 Lussy and López, Liechtensteinische Finanzbeziehungen, p.188.

The Credit Cycle and the Business Cycle: Evidence from Ten States from Europe

This paper deals with an important topic in the current context that is the presence and impact of cyclical behaviour in the economic variables. When referring to business cycles, economists generally describe them as changes in the economic activity that varies from a long term growth trend. Also, some patterns of cyclical nature were identified in the credit growth process, which economists described as cyclical fluctuations (along a timeline) of the bank lending process, i.e. the credit cycle. According to the economic specialised literature, there is a widespread view that credit institutions, through their lending capacity, play a very important role in promoting long-term economic growth. In many papers researchers test for correlation between bank credit and measures of economic activity (which in most cases is the GDP). This research paper aims at performing an econometric analysis of the credit cycle and business cycle on ten economies from Europe, with the purpose of describing their characteristics, understanding their behaviour and the impact of the comovement of these cycles.

1. Introduction

The financial crisis triggered in 2008 brought back to the centre of academic debates (and not only) variables such as monetary aggregates or credit fluctuations and their macroeconomic importance in the amplification, propagation and even generation of severe shocks during calm periods, as well as during times of financial turmoil. Hence, the analysis and understanding of the credit cycle or leverage cycle and its connections with the business cycles is extremely interesting, especially during these times of distress for academic circles as well as for decision makers, who are still striving to find a pertinent answer to the current financial turbulences.

In this context, the study is aimed at performing an econometric analysis of the credit cycle and business cycle from an individual (each cycle taken separately), as well as a comparative (involving both cycles) perspective, with a focus on ten economies from the area of Central, Eastern and South-Eastern Europe, with the purpose of understanding their behaviour and the impact of the interactions between them. In order to achieve this objective, this study is structured into two important parts, thus delineating the two strategic objectives: a) on the one hand, we plan to analyse the short-term (from one trimester to the other) causality relations between the credit cycle and the business cycle in order to understand which cycle influences the other; b) on the other hand, we want to investigate the nature of the relations which appear between the frequency at the level of the business and credit cycles within a bigger time period.

The structure of the study is as follows: chapter 2 captures a brief overview of the economic literature on the main findings on the credit cycle from our point of view, chapter 3 presents the data and methodology used in the study, chapter 4 and 5 presents the results of the empirical study regarding the short-term dynamic interaction and the medium-term relations between the business cycle and the credit cycle and chapter 6 summarises the main findings.

2. A brief literature review

When we speak of a cyclic phenomenon, we usually refer to a sequence of events that repeats in time. As far as business cycles are concerned, they refer to sequences of economic booms and recessions that are specific to the market economy. As for credit cycles, the European Banking Federation describes them as those cyclic fluctuations of bank crediting in time, which may facilitate the accumulation of systemic risks.

The studies focusing on credit cycles managed to sketch some reference models and a couple of them were even centralised in an analysis under the signatures of Aikman, Haldane and Nelson [1]. According to this study, the cyclic nature of financial variables is affected by various microeconomic frictions with unavoidable final consequences on real economy. Based on these frictions, the three economists classify economic cycles [1], delineating them as follows: informational asymmetry between creditors and borrowers with impact on crediting terms ([3], [8]), or the lack of coordination between creditors [6].

Gorton and He [6] argue that the interaction between banks as concerns the intensity of the production of costly information generates endogenous credit cycles. At a macroeconomic level, the relative banking performance of commercial and industrial credits is an autonomous source of macroeconomic fluctuations. Also, it has been observed that relative banking performance is a price-based risk factor for banks, as well as for non-financial firms.

Many of the economic theories that constitute the basis of credit cycles connect this phenomenon with business cycles, which affect world economy. Some economists go even further and argue that the credit cycle is the main factor and the driving force of a business cycle. Amongst them, we should mention the Austrian and post-Keynesian scholars. Mises, one of the most reputed representatives of the Austrian School of economic thought, mentioned that the expansion of credits and deposits without the contribution of savings (fiduciary means), as a result of the fractional reserve coefficient and directed by a central bank, generates a cyclic and uncontrolled growth of the money supply, with direct effect on the business cycle.

The interference between business cycles and credit cycles has been long debated by economists. A theory, known under the name of the Kiyotaki-Moore model, argues that the credit cycle enhances the effects of the business cycle. This theory, proposed by the economists Kiyotaki and Moore [9], relies on the fact that, in many cases, the quantity of money that exists on paper and that the credit markets have to deal with is much bigger than the actual quantity of cash that circulates between businesses and consumers in real life. This amplifies the effects of variations that may be caused by the business cycle.

Another model, developed by Minsky [12], is known as the Hypothesis of Financial Instability. This argues that, in the case of credit cycles, business entrepreneurs find it easier and cheaper to obtain credits when the economy grows. Eventually, they accumulate debts that are much bigger than their profits and this determines them not to take the risk of continuing to invest in capital expenses. This leads to a decrease in the demand for relevant products and services in fields such as constructions and this may, in its turn, lead to turbulences of economic cycles.

After studying the credit cycles and the business cycles in twelve developed economies belonging to the OECD, Haldane [1] notices that a credit cycle has a regularity that is well-defined at an empirical level, has been functioning for over a century now and has been influenced not only by the business cycle, but also by other factors such as financial liberalisation and competition. In addition, its analysis shows that while the amplitude of a credit cycle is twice the amplitude of the GDP, the frequency of the credit cycle is five times bigger than that of the business cycle.

At the same time, there are opinions that a credit cycle has its own relative trajectory, different from that of the business cycle as far as synchronicity and amplitude are concerned.

Actually, the recent financial crisis has shown that the financial system itself is likely to generate instability through the booms of endogenous credits, with direct effects on the business cycle. The relation between the credit cycle and the business cycle has never been so tight before. Its complexity imposes the calibration and implementation of new capital and liquidity requirements.

This study starts from the considerations of the European Banking Federation, mentioned in a study conducted in November 2010 [5] on 11 European states (Great Britain, Finland, France, Germany, Austria, Spain, Ireland, Italy, the Netherlands, Portugal and Greece) plus the United States. According to this study, the credit cycles are generally independent from the business cycles, at least in terms of synchronicity and amplitude. Nevertheless, the amplitude of the credit cycle decreased in most analysed economies from the second half of 1990, thus involving the alignment of monetary creation to the real economy through the crediting process. Our study was conducted on a sample of countries from Central, Eastern and South-Eastern Europe over the period 2002-2012 (10 states) and can be considered a pioneer from a geographic perspective of the data sample and a research work meant to complete and confirm the results obtained by the European Banking Federation's Economic and Monetary Affairs Committee (EMAC).

3. Data and methodology used

In this analysis we have used sets of data with a quarterly frequency of the real GDP and of the total volume of credits given to the non-banking private sector by the credit institutions from the ten countries from Central Europe (Poland, the Czech Republic, Hungary, Slovakia and Slovenia), Eastern Europe (Estonia, Latvia, Lithuania) and South-Eastern Europe (Bulgaria and Romania). The reference period is 2002 (first quarter) – 2012 (first quarter) or 2002:Q1-2012:Q1. We must mention the fact that we did not find data concerning the total volume of credits for all countries involved in the study (see Table 1). As concerns the total volume of credits in each state, this has been updated in order to take into consideration the level of inflation by using the GDP deflator.

Table 1. Data and corresponding sources used in econometric analysis

No.	Country	Acronym	Data series	Period for which we have data	Source
	Central Europe				
1.	Poland	PL	Total amount of credit granted my monetary financial institutions to the private sector (or CR)	2004Q1-2012Q1	ECB, Statistical Data Warehouse; Balance Sheet Items
2.	Czech Republic	CZ		2002Q1-2012Q1	
3.	Hungary	HU		2003Q1-2012Q1	
4.	Slovakia	SK		2006Q1-2012Q1	
5.	Slovenia	SI		2004Q1-2012Q1	
	Eastern Europe				
6.	Estonia	EE	Idem	2008Q1-2012Q1	Idem
7.	Latvia	LV		2003Q1-2012Q1	
8.	Lithuania	LT		2004Q1-2012Q1	
	South-Eastern Europe				
9.	Bulgaria	BG	Idem	2004Q1-2012Q1	Idem
10.	Romania	RO		2004Q1-2012Q1	
11.	All	-	Real GDP (or GDP)	2002Q1-2012Q1	Eurostat
12.	All	-	GDP Deflator (or d)	2002Q1-2012Q1	Eurostat

Before using the data sets in the analysis, we intend to examine their seasonal nature. The graphical representation of the data sets concerning the real GDP shows that seasonality occurs in all states that are the object of this study.

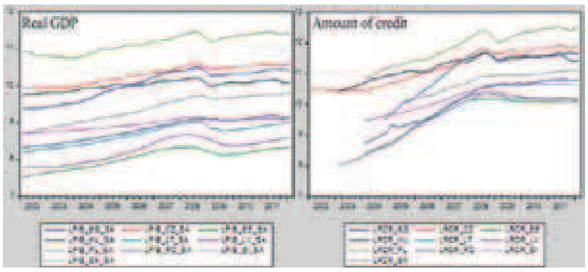
In Annex 1, the figure shows the evolution of the GDP for each quarter (green line) and the average of the observations, also for each quarter (horizontal red line). Significant differences between the quarterly averages can be noticed primarily in Bulgaria, Hungary, Latvia, Romania and Slovenia. In these states, the time set corresponding to the real GDP presents an accentuated seasonality. In the other states (the Czech Republic, Estonia, Lithuania, Poland and Slovakia), the quarterly averages corresponding to the real GDP are in immediate proximity.

As concerns the data set corresponding to the total volume of non-governmental credits, we cannot state that they are of a seasonal nature in any of the analysed states. In order to verify this hypothesis we analysed the graphical representation of the quarterly averages.

According to graphical representations (which for reasons of space we didn't incorporated in this study), we can state with certainty that there are no significant differences between the averages of the observations for each quarter; thus, we can conclude that the data set corresponding to the total volume of credits given by credit institutions to the private sector is not

characterised by seasonality.
Given the fact that the data set corresponding to the real GDP presents a strong seasonal nature, we will deseasonalise the time sets by using a seasonal adjustment methodology also employed by Eurostat (Statistical Office of the European Commission) in its analyses (the Tramo/Seats methodology).

Fig. 1. Dynamics of the logarithmised data set in the ten states



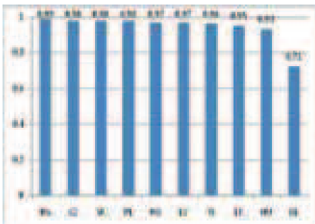
Given the fact that the sets do not present negative (or zero values) and the fact that the econometric analysis is normally conducted with logarithmic sets, we have passed to the logarithmisation of the data sets corresponding to the two variables, facilitating the interpretation of the results. Figure 1 graphically portrays the evolution of these data.

4. Results of the analysis on the short-term dynamic interaction between the business cycle and the credit cycle

In this part of our analysis we will verify whether there is a relation of causality between the credit cycle and the business cycle in the ten states. The analysis will focus especially on the short-term (from one quarter to the other) dynamic interaction between the business cycle and the credit cycle. In other words, we plan to examine whether the short-term turbulences that may occur in the credit cycle and business cycle are related, without taking into consideration the medium-term trend of the two variables (this will be analysed in the second part of the work).

According to EBF [5], which conducted a study on 12 states (UK, Finland, USA, France, Germany, Austria, Spain, Ireland, Italy, the Netherlands, Portugal and Greece), the crediting activity of the banks is generally positively correlated with indicators that describe economic activity, such as the real GDP, when larger time periods are involved. Thus, the hypothesis often mentioned in the literature, according to which the credit institutions play an important role in economy, promoting long-term economic growth, is confirmed. We will continue by analysing whether this hypothesis is also valid for our selected ten states from Central Europe, Eastern Europe and South-Eastern Europe.
As we may notice after a simple analysis of the matrix of correlations between economic growth (given by the real GDP) and credit expansion, their evolution is almost coordinated (the degree of interdependence between the two variables is high). Given the fact that almost all correlation indices (except for that of Estonia, but the results can be distorted by the very reduced time frame of the data set used) have values over 0.9 (see figure 2), we may state that there is a strong connection between the evolution of the business cycle and of the credit cycle on the territory of the analysed states from Central Europe, Eastern Europe and South-Eastern Europe.

Fig. 2. Short-term correlation between the real GDP and credit expansion over the 2002-2012 period



Country	Correlation	Period
Bulgaria	0.989961	2004-2012
Estonia	0.722739	2008-2012
Latvia	0.966787	2003-2012
Lithuania	0.946396	2004-2012
Poland	0.981129	2004-2012
Czech	0.984523	2002-2012
Romania	0.974843	2004-2012
Hungary	0.931175	2003-2012
Slovakia	0.984209	2006-2012
Slovenia	0.959749	2004-2012

We will continue with an analysis of cross-correlations between the two variables: economic growth (lpib_sa) and credit expansion (lrcr). The cross-correlation coefficients (see Annex

2) show the temporal relation between the business cycle and the credit cycle during the reference period 2002-2012.
According to the figures in Annex 2, since the value of the cross-correlation coefficient for lag/lead 0 (first row) is big and positive (over 0.9 and coincides with the previously analysed coefficient of the correlation matrix) for most analysed states (except Estonia), we may state that there is a pro-cyclic movement between the two variables. If this coefficient had been negative (as in the case of Estonia) the movement between the two variables would have been counter-cyclic. As concerns Estonia, since the biggest (absolute) value of the cross-correlation coefficients (of 0.727) is at a number on 4 lags, this means that the GDP variable lags in relation to the variable Credits with four quarters. To conclude, the results of the cross-correlation analysis confirm the high interdependence between the business cycle and the credit cycle in the case of the ten states from Central Europe, Eastern Europe and South-Eastern Europe.
Another analysis that may show us if the causality relations between the two cycles are unidirectional or bidirectional is the Granger analysis of causality. At the same time, we will be able to test whether a certain variable (either economic growth or credit volume) can be treated as endogenous or exogenous. A very important aspect with regard to the Granger test of causality consists in the fact that, if it is applied on non-stationary data sets, the results can be inconclusive (a stochastic process is stationary if its average and covariance are constant in time, which means that they oscillate around a certain value). For these reasons, we determined the level of stationarity by using the Augmented Dickey-Fuller (ADF) [4] [14] and Phillips-Perron (PP) [13] tests for the variables used.
In table 2 we find the results of the ADF test with a constant, and the accuracy of the results was confirmed by the ADF test without a constant and the PP test with a constant and without a constant (for reasons regarding space restrictions, the extended results of the ADF tests without a constant and of the PP tests (with and without a constant) have not presented herein, but they can be put at the reader's disposal at the latter's request).

Table 2. Results of the ADF test (with a constant) concerning the stationarity of the data sets

Variable	Series in levels	Series in the first difference	Series in the second difference	The integration order
LPIB_BG_SA	-1.7445	-2.1482	-11.997***	I(2)
LPIB_CZ_SA	-1.1910	-3.2246**	-5.9677***	I(1)
LPIB_EE_SA	-1.4133	-2.2484	-6.9494***	I(2)
LPIB_HU_SA	-1.8689	-5.5591***	-6.4480***	I(1)
LPIB_LT_SA	-1.4076	-2.1830	-11.615***	I(2)
LPIB_LV_SA	-1.7088	-1.6116	-6.1828***	I(2)
LPIB_PL_SA	-0.9657	-4.4477***	-5.8680***	I(1)
LPIB_RO_SA	-1.7521	-4.0444***	-8.8247***	I(1)
LPIB_SI_SA	-1.8166	-4.2282***	-10.820***	I(1)
LPIB_SK_SA	-2.5514	-3.9346***	-10.204***	I(1)
LRCR_BG	-2.4273	-2.2784	-10.608***	I(2)
LRCR_CZ	-0.5016	-4.5388***	-6.0461***	I(1)
LRCR_EE	-0.7221	-4.0629***	-7.3553***	I(2)
LRCR_HU	-2.7381*	-4.1961***	-6.3510***	I(1)
LRCR_LT	-2.4250	-1.8277	-8.1973***	I(2)
LRCR_LV	-2.5409	-0.6761	-10.007***	I(2)
LRCR_PL	-1.5963	-4.4735***	-5.6473***	I(1)
LRCR_RO	-2.1300	-2.6190*	-5.8549***	I(1)
LRCR_SI	-2.3276	-1.4830	-7.8174***	I(2)
LRCR_SK	-2.6545**	-2.7425**	-8.4342***	I(1)

Note: *, ** and*** denote the significance at levels 10%, 5% and 1%

As we may notice, the data sets have different orders of integration at the level of the states. To conclude, we may say that at a level of relevance of ten per cent, for the two analysed variables, the order of integration is 1 or the set is I(1) for six states (the Czech Republic, Hungary, Poland, Romania, Slovakia and Slovenia), while the order of integration is 2 or the set is I(2) for four states (Bulgaria, Estonia, Latvia and Lithuania).
Given the fact that we are dealing with non-stationary data sets (see table 2), we will use the procedure elaborated by Toda and Yamamoto [15] to test the Granger-type causality. There are, of course, other procedures which can be applied in order to determine the Granger-type causality for I(p) data sets (see, for example [11]). Consequently, the main steps that we will follow for implementing the T-Y procedure are:
1. We will determine the maximum value of the order of integration of all the data sets; in our case, this value is one (1) or two (2);
2. We will establish the VAR models at the level of the raw data sets (between the two variables) and we will determine the maximum value (p) of the lag for each VAR model.

3. We will ensure that all the VAR models are well-specified (accurate), that there is no serial correlation at the level of the residues and that the estimated models are dynamically stable;

4. Subsequently, for the selected VAR models we will add an additional lag (the one identified in stage 1) for each variable in each equation;

5. In the end, we will test the existence of the Granger-type causality. We should also mention the fact that we did not include coefficients for the "extra" lag when we applied the Wald test; the extra lag was used only to fix the asymptote.

Table 3. Test of the Granger-type causality between the economic and crediting activity

Country	type of causal relationship	VAR order	additional lags	Chi-sq
Central Europe				
Poland	Credit ⇒ PIB	2	1	6.746**
Czech	PIB ⇒ Credit Credit ⇒ PIB	2	1	6.329** 4.765*
Hungary	Credit ⇒ PIB	2	1	5.644*
Slovakia	PIB ⇒ Credit	1	1	7.786***
Slovenia	PIB ⇒ Credit	1	1	6.490**
Eastern Europe				
Estonia	PIB ⇒ Credit	1	1	5.284**
Latvia	Credit ⇒ PIB	2	2	16.079***
Lithuania	PIB ⇒ Credit	1	2	7.339***
South-Eastern Europe				
Bulgaria	PIB ⇒ Credit	1	2	2.859*
Romania	Credit ⇒ PIB	1	1	5.821**

Note: *, ** and *** denote the significance at the levels 10%, 5% or 1%.
Credit ⇒ GDP supposes that the historical values (or lags) of the crediting activity contribute to the estimate of the future values of economic activity; *The VAR* order has been selected by using the informational criteria AIC (Akaike), SC (Schwarz) and HQ (Hannan-Quinn), the Schwarz criterion having priority; The additional *lags* represent the number of additional lags taken into consideration for testing the Granger-type causality.

Fig. 3. Graphical representation for the results of the Granger-type causality tests between the business cycle and the credit cycle

Table 3 is just a centralised form of presentation of the results of the tests and analyses conducted using the Granger causality test in Eviews. A graphical form of the relations of interdependence between the two cycles (the business cycle and the credit cycle) for the economies of the ten states from Central Europe, Eastern Europe and South-Eastern Europe is presented in figure 3. Therefore, the credit cycle can be a 'leader', as well as a 'follower' in its relation with the business cycle, outlining thus the complexity of the mechanics of economic development. According to the results corresponding to the Granger tests, we may notice that there is no relation of unidirectional causality (of the Granger type) from the crediting activity towards the economic activity or the other way around in the analysed economies from Central Europe, Eastern Europe and South-Eastern Europe. In addition, even within a group of states belonging to the same geographical area (Central Europe, Eastern Europe and South-Eastern Europe), no relations of causality of the same kind (from the GDP towards the Credit or the other way around) were identified. Another study, the one conducted by the European Banking Federation in 2011, noticed the complete lack of any relation of the type lag-lead between the economic activity and the crediting activity in states such as Italy, Portugal or the Netherlands (for the period 1980-2010).

Returning to the results centralised in table 3, we may notice that in the economies of five states (Slovakia, Slovenia, Estonia, Lithuania, Bulgaria), the real GDP was the variable which influenced in a decisive manner the credit cycle, in the sense that a growth of economic activity was immediately followed (even in the next quarter) by an increase in the volume of credits granted (credit expansion). In the Czech Republic there was even a feedback from the crediting activity for the economic activity. Thus, the economic growth registered at a certain point leads in the next quarter to an expansion of the crediting activity which, in its turn, determines a bigger growth of the real GDP in the near future.

However, relations of unidirectional causality of Granger-type from the crediting activity towards the economic activity were registered in the economies of four states (Poland, Hungary, Latvia and Romania). Unlike the first relation, where the effect of an increase in the real GDP was felt in the volume of credits during the following quarter, this time credit expansion transfers to the real GDP with a lag of two quarters (the effect is not immediate). In these states, the higher level of indebtedness of the banking system boosted the economic activity and the business cycle.

To conclude, the analysis performed on the short-term dynamics (from one quarter to the other) of the relation between the business cycle and the credit cycle in the ten states from Central Europe, Eastern Europe and South-Eastern Europe did not identify a relation of unidirectional causality between the two cycles. This result is in agreement with the findings mentioned in the study conducted by EBF [5] on 11 European states plus the United States. This report showed that, in the case of the economies of Germany, Spain, France, USA, Finland and Ireland, the real GDP is the one which 'guides' the credit cycle; a bidirectional relation between the two cycles was identified in states such as Great Britain and Austria.

The findings obtained are also confirmed by the analysis conducted by Levine and Zervos [10], although they used a cross-sectional approach with regard to the relation between bank crediting and the real GDP on a panel of states (according to this study, the economies with a bigger Credit/GDP ratio tend to be characterised by faster economic growth rhythms in the long run). Obviously, there are also other factors which affect the credit cycle or the business cycle, but studying them is not the key focus of this scientific work.

5. Results of the analysis of the medium-term relations between the business cycle and the credit cycle

This part of the article is aimed at analysing the relations between the frequencies at the level of the business cycle and the credit cycle for each of the ten states from Central Europe, Eastern Europe and South-Eastern Europe. For these purposes, we will extract the cyclic components from the data sets taken into consideration (the real GDP and the total volume of credits given by the banking system to the non-governmental sector) and we will analyse them. The cyclic component of a data set captures oscillations for periods longer than one year at a macroeconomic level and oscillations that last a couple of days at the level of the financial markets.

The most frequently used filters for obtaining the cyclic component from a data set are the Baxter-King [2] filter and the Hodrick-Prescott [7] filter. In our case, we will use, during a first stage, the filter proposed by Baxter and King with a frequency of 0.5 years, that is two quarters (we choose a small number of frequencies due to the reduced temporal character of the data sets). The accuracy of the data will be subsequently verified by using the Hodrick-Prescott filter.

The business cycle from each country is actually the deviation of the real GDP from its long-term trend. The credit gap is quantified in per cents from the total volume of credits given by the banking system. After the extraction of the cyclic component from the economic and crediting activity for each of the ten states by using the Baxter-King (BK) filter with a frequency of two quarters, the data were centralised and their graphical representation is presented in figure 4.

Thus, in figure 4 we may observe the dynamics of the cyclic components from the two analysed variables: the economic activity (represented, in our case, by the real GDP) and the crediting activity (the total volume of credits given by the banking system from each state to the private sector). Consequently, we may identify the two cycles: the business cycle and the credit cycle. The positioning of the business cycle above the line representing the null value (which means that the output gap takes positive values) suggests that the economic activity had a period of sustained growth and exceeded the long-term trend a while ago. Consequently, the economic activity is in a stage of expansion.

On the other hand, the positive values of the credit gap suggest that the crediting activity went through an expansion stage which exceeded its long-term trend; this means that there was an increased availability of credits in the economy. Unlike the business cycle, the credit cycle has a higher volatility in time in most analysed cases (except for Hungary, Slovakia, and Slovenia; for Estonia we do not have enough data with regard to the crediting activity in order to be able to draw a pertinent conclusion). Also, according to figure 5, the credit cycle has a bigger amplitude rate in comparison with the business cycle in all the analysed countries (except for Estonia, for which the data set is much reduced).

Fig. 4. Dynamics of the business cycle and of the credit cycle in the ten states analysed from Central Europe, Eastern Europe and South-Eastern Europe (using the B-K filter)

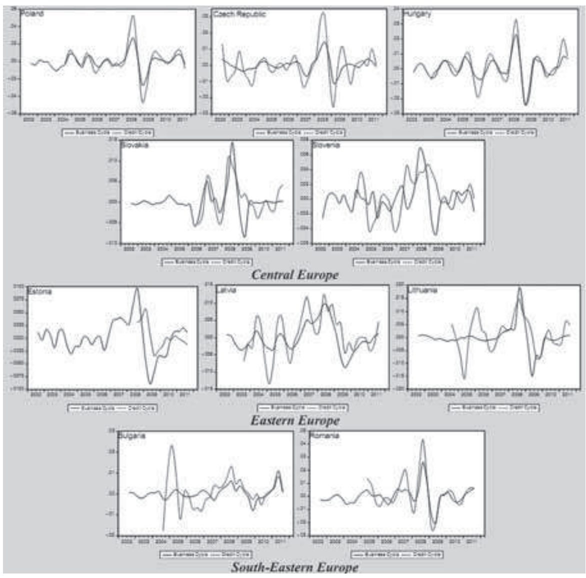
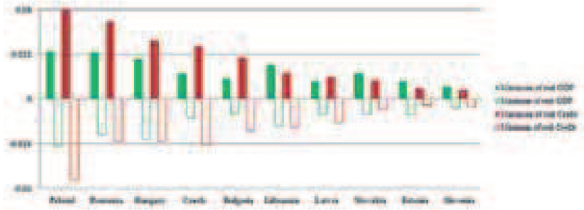
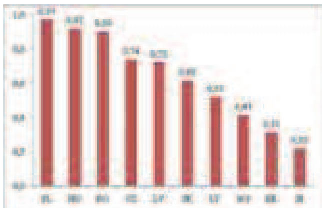


Fig. 5. Extreme values in the amplitude of the business cycle and of the credit cycle in the ten analysed states from Central Europe, Eastern Europe and South-Eastern Europe



In the previous chapter we studied the way in which the two variables are correlated in the short-term; we will continue with the analysis of the matrix of correlations between the two cycles for a longer time period (see Figure 6). We notice the existence of a strong connection (bigger than 0.7) between the two cycles for five countries from the sample, respectively for Poland, Hungary, Romania, the Czech Republic and Latvia; it is worth mentioning that, as concerns these countries, the credit cycle is the one which 'guides' the business cycle in the short-term (according to the results in table 3).

Fig. 6. Correlation of the credit cycle and business cycle over the period 2002-2012



Country	Correlation	Period
Poland	0,9725	2004-2012
Hungary	0,9166	2003-2012
Romania	0,9020	2004-2012
Czech	0,7372	2002-2012
Latvia	0,7226	2003-2012
Slovakia	0,6151	2006-2012
Lithuania	0,5162	2004-2012
Bulgaria	0,4124	2004-2012
Estonia	0,3119	2008-2012
Slovenia	0,2163	2004-2012

In order to verify the accuracy of the data, we used the Hodrick-Prescott (H-P) filter for the extraction of the cyclic component (for reasons of space restriction we didn't incorporated the figure here). According to the graphical representation, the previously mentioned results are confirmed.

To conclude, after conducting this analysis with a focus on the relations between the frequencies at the level of the business cycle and the frequencies at the level of the credit cycle for each of the ten states from Central Europe, Eastern Europe and South-Eastern Europe, we emphasise once again the following aspects: a) sometimes the credit cycle seems to be independent from the business cycle, manifesting an amplitude and a synchronicity that is different from and superior to that of business cycle in all the analysed countries (except for Estonia); b) the volatility of the credit cycle is much bigger than that of the business cycle in most analysed cases (except for Hungary, Slovakia and Slovenia); c) as a whole, the coefficient of the correlation matrix between the two cycles is smaller than the coefficient of short-term frictions; however, in the case of states such as Poland, Hungary or Romania, its quantum suggests that the movement of the two cycles is interdependent (with the credit cycle ‘guiding’ the business cycle).

6. Conclusions

In the first part of our analysis we focused on the short-term relation of causality between the credit cycle and the business cycle in ten states from Central Europe, Eastern Europe and South-Eastern Europe over the period 2002-2012. In other words, we analysed the interferences between the turbulences that occur at the level of the credit cycle and of the business cycle from one quarter to the other, without taking into consideration the medium-term trend of the two variables. The findings have shown us that we cannot speak of a relation of unidirectional causality between the two cycles (not even if we separate them into geographical regions) in the ten states from Central Europe, Eastern Europe and South-Eastern Europe: in the economies of five states (Slovakia, Slovenia, Estonia, Lithuania and Bulgaria), the real GDP was the variable which ‘guided’ the credit cycle, whereas in the case of four other states (Poland, Hungary, Latvia and Romania), Granger-type causality relations were registered from the crediting activity towards the economic activity; in the Czech Republic, there was even a feedback from the crediting activity for the economic activity.

In the second part of the study, we analysed the relations which appear between the frequencies at the level of the business cycle and of the credit cycle for each of the ten states from Central Europe, Eastern Europe and South-Eastern Europe. For these purposes, we extracted and analysed the cyclic components from the data sets taken into consideration (the real GDP and the total volume of credits given by the banking system to the non-governmental sector). The results have shown that sometimes the credit cycle seems to be independent from the business cycle, manifesting an amplitude, a synchronicity and a volatility that is different from and superior to that of business cycle in all the analysed countries (except for Estonia as concerns the amplitude and except for Hungary, Slovakia and Slovenia as concerns the volatility). In the case of states such as Poland and Hungary we may notice a movement in the same rhythm of the two cycles, which may involve an alignment of credit expansion to the needs of the real economy (statement confirmed by the high value of the correlation coefficients from the two countries, of 0.97, respectively 0.92). At the level of the whole data sample, the simple coefficient of correlation between the two analysed cycles is smaller than the coefficient of short-term frictions; in the case of states such as Poland, Hungary or Romania, the Czech Republic and Latvia, the credit cycle is the one which 'guides', within a smaller timeframe, the business cycle.

The results obtained in this analysis are in genere in harmony with the findings of another study conducted by European Banking Federation [5] on 11 European states (Great Britain, Finland, France, Germany, Austria, Spain, Ireland, Italy, the Netherlands, Portugal and Greece) plus the United States and confirm at the same time the results obtained by Levine and Zervos [10].

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After the 1932 Greek Default: Political Views and Strategies in a Period of increasing Economic Protectionism (1932-1936)

I. Crisis as an economic and political challenge
This paper is the preliminary part of a work-in-progress, attempting to recreate a regulatory but not homogeneous field of political perceptions and the applied economic models in Greece as regards the modernising effort undertaken by the elites from the end of the 1920s to the middle of the 1930s. In this non-linear economic surface, the Greek crisis of the early 1930s played a pivotal role as it diversified, and later intensified, the perception of the State's intervention in internal market's regulation.

Grosso mondo, crisis can be seen as a negative economic conjuncture, as a consequent of market deformation and as the chronological point leading to a transition of new forms of economic organisation (Godelier, 1991). As a response to a financial crisis, new investing comportment and strategies have developed, but this is a long term and consequently laborious process (Le Roy Ladurie, 1978, 429). The concept of defining the crisis is referred to as taking a global perception of economic mechanisms, described as an effort to recreate a transnational history. In this framework, national exceptions can be valorised as deformations of the local market or as internal structural failings, but they cannot be considered as singular phenomena by historical (or even economic) research.

In this perspective, the Greek interwar crisis was a regional facet of the Great Depression, developing though special characteristics that corresponded to the peripheral character of the Greek economy and to its position within the capital market. Consequently, the increasing Greek protectionism of the 1930s follows a general European tendency towards centralised politics, after the failure of liberal monetary models (especially after the dissuasion of the Gold-Exchange Standard and the French inability to establish a zone of gold franc), considering the fact that Greece participated in the Gold-Exchange Standard zone since 1928.

The optimist views of the 1920s (James, 1986, 324-328) concerning the possible reduced influence of the State in the economy, the rationalisation of markets and the dynamics of entrepreneurial activity, were not sufficient to block recession as the applied politics focused on monetary stability. This failure was not of course a European exception: in the USA, 'the actions of the Hoover Administration and Congress, which raised taxes in the early 1930s in a futile effort to balance the budget, [but] only reinforced the collapse of private demand' (Eichengreen, 2010, 1). In the second half of 1929, the USA central administration made no effective steps to halt the fall in prices and to stabilise the banking system. No measures to restart investment spending were taken until 1933, when the implementation of the Keynesian New Deal functioned as precursor of the post-war mixed economy.

The current recession in Europe forced historians and economists to analyse, once again, the evolution of the crises of the past. It is certain that this historical elaboration not only has a scientific basis, but is also related to what I would grossly call a psychological aspect: economic recovery is expected, as was the case during the former crises (see White, 1988, p. 235-240). The current representation of the Great Depression creates a feeling of security but also underlines the challenges of the financial reproduction (Samman, forthcoming). On the other hand, as Eichengreen remarks 'the analogy with the Great Depression informed the policy response to the crisis more generally' (Eichengreen, 2012, p. 290). Consequently, it is not inaccurate to express the opinion that the interpretation of the 1930s crisis has also a pragmatic aspect related to the handling of the current situation by the authorities, in Europe and mostly in the USA. Nevertheless, analysing earlier crises cannot formulate a generalised model concerning the evolution of economic and social phenomena, as far as each crisis is different (see Cassis, 2011). The analysis of anterior periods of economic decline can, though, indicate the multiplicity of the directions among which a society can choose so as to assure its continuing existence and development.

Furthermore, historical interpretation associates economic mechanisms with social conjuncture, in other words it describes the evolution of the crises in a dialectic and multidimensional manner, while the mutation of property rights, labour activity and exchange rates under the crisis impact are evaluated. Under this methodological view, material cultural practices are also examined in order to clarify the organisation of the economy and the social relations, as well as the cross points between them. This interpretation is in fact not very far from Keynes' perception that the crises can be further correlated with social and psychological factors, as far as the negative expectations for investments rates are among the recession's characteristics.

In this perspective, an attempted revision of the present economic crisis points primarily to the depression during the last quarter of the nineteenth, not only for its prolonged amplification but also because of the strong implication of the monetary factor: the nineteenth century system of balance, the expansion of entrepreneurial activity, the evolution of the capital market mechanisms (based, of course, on less sophisticated financial instruments) and the stabilisation of international financial centres (see Quennouël-Corre, Cassis, 2011) were created partially and supported by supranational monetary institutions and especially by the gold standard (see Einaudi, 2001). The nineteenth century monetary stability is to be comprehended and explained within the ideological framework of economic liberalism (Flandreau, 2000, 25-27). A not very similar reality seems to be created by the interwar Gold-Exchange Standard, even if the currencies' stabilisation that it secured can be considered as a monetary hegemony (Duménil-Levy, 2011). In its interwar phase, this monetary zone was mostly a presupposition for wider financial transactions resulting in the transformation of London's market to a centre of international reserves (Eichengreen, 1992, 203). As regards the Great Depression's current analysis via the international monetary system's role, it is not irrelevant to mention that the Greeks economists and most of the period's political personnel associated the local crisis with the fluctuation of the Gold-Exchange standard and in general with monetary factors (Brégianni, 2012 b). This opinion is based, of course, on the Greek experience of the crisis, where, as we are going to see, the decrease of gold based exchange's reserves in the central bank led to the abandonment of the Standard.

In fact, major current analysis of the Great Depression presents the decrease of exchange reserves in the central banks and generally the instability of the Gold-Exchange Standard as an important factor of the crisis (Bernake, James, 1991, 35-64), or it focuses on the influence of the banking crisis in its negative evolution (Friedman, Swartz, 1963; cited by Bordo, Erger, Evans, 2000, 1 447). An opinion not really opposite but rather supplementary, relating the Great Depression to structural factors and causes pre-existing 1929 as well as to the consequences of the World War I, was expressed by the Western-European economists of the interwar (Henry, 2000, 27-28). With regards to the Greek economic cycles of the period, the opinion was expressed that World War I created conditions of spontaneous protectionism for the European economies that facilitated the strengthening of the crisis (Bank of Greece, 1932). Of course, the contribution of war conditions to the crisis explosion is underlined by current literature not only in the basis of the early 1920s hyperinflation, but also because of the uncontrolled and antagonistic character of the monetary stabilisation's application (Hautcoeur, 2000). Finally, an interesting point of view is the evaluation of industrial production, which attaints its peak in June 1929, while throughout the following twelve months manufacturing declined globally (Almunia, Bénétrix, Eichengreen, O'Rourke, Rua, 2009; cited by Allen, Moessner, 2010). Furthermore this point of view can be correlated with the industrial overproduction, remarked before the Great Depression and before the current crisis.

The annotation of the crisis in historical perspective leads to an analysis incorporating collective economic processes and institutional aspects, as well as the investigation of ideological differentiation of applied economic politics. In this order of ideas, there is no methodological need to choose between focusing on individuals as economic actors, and focusing on the power of elite groups and communities (Kelly, 2009, 36). Indeed, the market mechanisms cannot be considered as a static parameter of national economies. For this reason the political and scientific discourse regarding development, the representations of financial and monetary mechanisms, the metonymy of the economic activity is to be analysed as well (Brégianni, 2004). Within this perspective, I will try to incorporate in my analysis fragments of the public debate that took place after the interwar Greek default. In a broader outline, the conceptualisation of the crisis' mechanisms could lead to an institutional analysis, focusing on the attempt of legitimating power, in the Weberian sense of this term. Nevertheless, here I will try to formulate a descriptive overview of the national economy's sectors activity based on empirical historical analysis, so as to reconstitute the multiples facets of the interwar period –via the Greek paradigm- and the interaction among the economic components of reality (Keynes, 1936). As an historical positivism, the effort to imprint the evolution of economic and political contemporary opinions regarding the interwar crisis intersects with the applied politics. Although it is clear that political discourse and archival material is the canon of what can be said; a system that regularises the emergence of the verbal conceptions as a real event (Foucault, 1969). Under this perspective, a presupposition of historical analysis is the critical elaboration of the sources; as regards the interpretation of economic field, focusing on the political aspect as well as to the data evidence can clarify the society's prospects challenged by crises and the development of economic structures.

II. Protectionism and centralised strategies after the interwar Greek default

During the first Greek republican regime, the administration of Eleftherios Venizelos between 1928 and 1932 is characterised by political efforts for the modernisation of the national economy and the reform of the Greek banking system. The monetary stabilisation, the reorganisation of the banking sector and the agrarian reform accomplished at the end of the 1920s are the parameters of the State's protectionism and determinate its economic role (Mazower, 1989, p. 237-266), progressively enlarged and transformed to State interventionism during the 1930s under the influence of the Great Depression.

In 1927 the Greek State applied to the League of Nations for a new international loan, in order to finance the re-establishment of the refugees arriving from the former Ottoman Empire and the completion of the agrarian reform. Under the intervention of the League of Nations, which demanded the rationalisation of the Greek financial sector in order to give its accord for the contraction of the new international loan, the Greek State stabilised the national currency, a policy of financial stabilisation was attempted and the Greek banking system was modernised with the foundation of the Bank of Greece as its central axis. The Bank of Greece was granted the exclusive privilege to issue banknotes and the drachma was tied to the gold-exchange standard, a fact which obliged the central Bank to convert its banknotes into gold-based exchange. Under the Gold-Exchange Standard, in May 1928 the Bank of Greece set the British sterling as the foreign exchange, with parity rate 1 sterling to 375 drachmas. As a pre-supposition of modernisation, pegging the drachma to the pound sterling, the Greek State tended to be integrated to an enlarged monetary zone: monetary stabilisation could improve its solvability and ameliorate its position in the international capital market (Brégianni, 2012). On the other hand, the transfer of the western-European monetary rationalisation in Greece led to the creation of new financial institutions (Pepelasis-Minoglou, 1997). In addition, it should be mentioned that the Greek banking modernisation reflects the regulatory role of the specialised –economic and financial- translational committees of the League of Nations (Clavin, 2003, 221), a role that created parallel interventions in other Balkan countries during the same period.

This policy of currency stabilisation ended in April 1932 as the impact of the Great Depression on the Greek economy increased and the government abandoned the gold standard. (Brégianni, 2002 & Brégianni, 2010): Greece's public finances were dealt a strong blow by the detachment of the sterling pound in September 1931, as London was the main source of foreign borrowing that permitted the continued implementation of the public works programme, as well as being a basic export market for Greece. Despite the determination of the Venizelos' administration to pursue the liberal politics of monetary stabilisation, attaching drachma to the USA dollar and legislating a number of measures for the protection of national currency, the important reduction of the foreign exchange reserves at the Bank of Greece and the continuous devaluation of the drachma's value against the dollar on the black market made this target illusionary. The important decrease of the central Bank's reserves, which fell to one third from the stabilisation's period (1928) up to February 1932, was of major importance as the diminution of commercial balance and in general the interruption of capital's input under the crisis circumstances made the cover of national budget's deficit by the BG's exchange reserves obligatory.

By January 1932 the Bank of Greece, via its Economic and Financial Consultants, respectively Kyriakos Varvaressos and M. Finlayson, addressed the Financial Committee of the League of Nations in order to examine the situation of the Bank and to proceed in further collaboration with the Greek side. With the confirmation of the Greek government, the Bank of Greece invited one of the members of the League of Nations Financial Committee in Greece so as to carry out an assessment of the Greek budget and of the central Bank's situation. At the same time, the Greek Government demanded the suspension of the sinking funds of the public debt, internal and external, from the League of Nations for a period of five years. Greece also demanded a grant of a new international loan of 50 million USA dollars, in order to accomplish its public work's programme and more specifically the irrigation projects in Macedonia.

At the end of March 1932, the Financial Committee gave its approval for the suspension of the sinking funds of the public debt, as well as its support for the contraction of a new international loan. This loan was granted under the following conditions: the privatisation of the Greek railways, the reinforcement of Bank of Greece's independent character, the suspension of the public works, the restriction of public expenditure, the restriction and control of the importations in order to avoid capital's outflow for any other purpose than the public debt's service. This last factor was considered as necessary by the League of Nations in order to give its permission for the contraction of a new international loan. According to the report's annotation, the new loan could lead to the continuation of the rural lands irrigation, resulting in the national debt's regular service by means of a national production augmentation. It is obvious that the Financial Committee suggested a programme of national economy shrinkage in order to restore Greece's financial and monetary stabilisation. As a last precondition for its financial support, the League of Nations insisted on the closer cooperation with the Bank of Greece's Financial Consultant and, in addition, to the nomination of a League of Nation's specialised Consultant in the Greek Ministry of Finances, who was going to conduct the government in the domains of financial policy and of national budget. At this point, a failed cycle of negotiations between the Greek government and its creditors and the League of Nations to obtain a new loan began. The League of Nations' terms were rejected by the Venizelos government (and in particular by the Finance Minister, G. Maris) and so, in April of the same year, the League of Nations refused to grant a new loan (Mazower, 1991). On 5 May, 1932, the Greek State declared a moratorium on the country's public debt, while in July the forced conversion of loans contracted in foreign currencies into drachmas was imposed by law. In fact, the Greek case verifies the argument that the League of Nations' ability to affect European monetary cooperation, in the negative conjuncture of the Great Depression, was considerably limited (Schuker, 2003, 49-77 & Bregianni, 2010).

Let's examine some immediate results of the debt's moratorium, on the financial level: in 1931-1932 (i.e. just before the default) the public debt service covered 31.1 per cent of the total State's expenditure while the following year this percentage was decreased to 18.9 per cent with a descending tendency for the following years (Aggelopoulos, 1934, p. 601, Table 1). The Lecturer of Public Finances at the time and later Professor in the Law School of the University of Athens, Aggelos Aggelopoulos, associates the general decline of Greek State's expenditure in the early 1930s with the impact of the Great Depression in Greece, so we can presume that he considered the Greek default a result of the global economic recession. After the default, and up to World War II, the Greek State proceeded to different phases of negotiations with their creditors, concerning the quota of the debt service (Dertilis, 1934, 571). Nevertheless, a priority was the service of the nineteenth century loans contracted in gold exchange and put under the control of the International Financial Committee in 1898, when Greece re-entered the capital market after the earlier State's default in 1893 (Brégianni, 2012b). It is not irrelevant to add here the opinion of Professor in Public Finances at the University of Athens P. B. Dertilis, that the enlarged number of international loans contracted by the Greek State in the 1920s, provoked a fake expansion of demand and of consumption, while the product of the loans was not used for investment purposes but in order to maintain consumption (Dertilis, 1934). According to Dertilis, the negotiations with the State's creditors were an inadequate measure, as long as the adverse conditions of the loans and the fact that Greece had already paid more in interests and capital than the capital it received, rendering the debt odious.

Analysing how the Greek state tried to deal with the effects of the 1932 default, the major issue to be noted is that the State exercises an ever-increasing influence on the national economy. After the moratorium and the abandonment of monetary stabilisation, the State strengthened its entrepreneurial role and turned towards the productive sectors' restructuring (Brégianni, 2002). They aimed to control the national flow of capital and attempted to reconstruct the national market. For instance, during the year of the default, a series of laws defined the prolongation of the public works programme, and more specifically the construction of roads and land irrigation works. It is significant to mention a dateless manuscript note of E. Venizelos where he mentioned the maintenance of public works as a central pillar of its government politics, in spite of an increase to the national debt. In a general perspective, the economic interventions of the State in the 1930s tended to create State monopoles, in the monetary sector, in the stratification of the internal market and in the organisation of foreign trade. The conceptualisation of this type of economic centralisation as nationalist capitalism is not recent in Economic History. Furthermore, the term State's capitalism was in use simultaneously to its application (Steuermann, 1931, 212), so as to describe the central regulation of economic activity.

Let's have a more detailed look at the typology of State intervention and its historical evolution. An index for the reinforcement of the State's role in the regularisation of economy was the foundation of the national Supreme Economic Council in February 1932, the role of which was expected to be the analysis of the national economic activity, the consulting of the Greek government in economic policy's issues, and 'the observation of the cyclic activity of the international economic activity, in the framework of the economies monetary and financial interdependence'.

As the Supreme Economic Council pointed out with regards to the monetary regulation of the crisis, Greece's economic policy bordered on the highest degree of protectionism: over and above the monopolistic management of foreign exchange, the State prohibited the exportation of foreign currencies for the payment of commercial debts contracted abroad and imposed restrictions on the withdrawals from accounts held in Greece. In parallel, the duties levied on imported goods were increased and tariffs were imposed. As it was pointed out not only by the economic literature of the period but also by the relative organs of the League of Nations, the deficit of the commercial balance had significantly contributed to the appearance of the Greek crisis: indeed, this reached 45 per cent for the year 1929 and 40 per cent for 1930. In real terms, this represented a deficit of 6 millions up to 10 million pounds sterling for the years prior to 1932, a situation that could aggravate under the crisis influence (Supreme Economic Council, 1933, 9). To deal with this situation, Greece also concluded bilateral agreements for foreign trade, a fact that, according to the Supreme Economic Council, constituted a generalised practice in Europe and was necessary as a measure for dealing with the crisis.

Moreover, except for the protectionist interventions' legislative framework, it also stressed the creation of various public organisations with an intermediary function between the State and the national production's sectors, many of which specifically concerned support to agriculture. Concerning the agricultural sector in particular, farming and small agricultural holdings had been the object of State protectionism under the administration of the Liberals since 1929. This was due to a sizeable rural population and an effort also expressed on the level of political discourse to forge a social alliance between the bourgeois and rural classes in order to preserve the 'social regime'.

On a political level, the abandonment of monetary stabilisation led to successive governments: finally, in 1933 the Liberals were succeeded to Government by the Popular Party. This political transition did not change the protectionist policy, but even extended it. During the years 1933-1935, the greater part of commercial transactions was carried out on the basis of bilateral agreements, especially after the systematisation of the clearing mechanisms in 1935. The reinforcement of the clearing agreements' system, legislated in July 1935 by the Panagis Tsaldaris government, represents a new, more centralised conception on the State's economic role (Supreme Economic Council, 1936, 67 & Psalidopoulos, 1990, 72-73). For the technocrats in charge of the application of economic policy, such a commercial organisation was indispensable as long as the other Balkan States based the greater part of their exports to bilateral agreements. It is thus evident that interventionist politics created new conditions for the position of Greece and the Balkans in the international capital market. Nevertheless, the trade balance in this year [1935] still represents a deficit of 3.5 billions drachmas (Ergasia, 1936, 227). As the Liberal A. Diomidis, first Governor of the Bank of Greece, underlined independently of a crisis period or the applied politics, in general the Greek exports represented 50 per cent of the imports (Diomidis, 1935, p. 1298), while the greater part of exported products was submitted to elastic demand. A closer relation with Germany was the result of this commercial policy during the years 1932-1935, as long as the total of the bilateral agreements' assets (surpassing 1 billion drachmas) is derived from the German exchange trade (Ergasia, 1936, p. 227). Mostly, the commercial transactions between Germany and Greece involved the exchange of arms for tobacco.

A recovery?

Focusing on the general trends of the period, it should be noted that on the fiscal level the protectionism was followed by the decreasing direct taxation, at a time when import duties were imposed on agricultural and industrial products (Ergasia, 1936b, 152). Efforts towards the stabilisation of the national currency seemed to bear fruit as in 1934 the British pound fell to 543 drachmas, compared to an average annual price of 595 drachmas in 1933. In 1935 the average annual value of the British pound stood lower at 529 drachmas (NBG, 1935 & Mitrofanis, 2011, 479). In 1935, an even greater growth of the Greek economy was observed, almost all of the specific indexes having improved in comparison to 1934 (Supreme Economic Council, 1936). Public revenues rose by 14.7 percent compared to those of 1933, but public expenditure also increased in parallel, a fact proving the State's active entrepreneurial role, centred mainly on the continuation of public works. Thus, the rise in public expenditure for the financial year 1935-1936 represents an increase of around 41 percent compared to that of 1933-1934 (NBG, 1935). As a consequence of the protectionist policy, the monetary masse was increased, while inflationary pressures were remarked. The State's attempt to sustain the internal market was associated with the general growth of credits, especially those allocated by the National Bank: nevertheless, the contracted loans were inferior to the demand. Another parameter that had to be taken into consideration as regards the handling of the crisis was the important decrease of the migratory remittance's inputs (inter alia Supreme Economic Council, 1936, 100).

The general protectionist conditions were thus favourable to the development of the industrial sector (table 2), while the objective was to cover the internal demand in industrial products. In 1935, Greek industry was sufficient to cover 74 per cent of domestic consumption, whereas in 1928 only 58 per cent of the internal demand was covered by Greek industrial goods (National Bank of Greece, 1935). Even if the industrial output presented an increasing tendency during the 1930s, it is well known that Greek industry is mainly associated with the manufacture of agricultural products (Ergasia, 1938). Nevertheless, the remarked industrial development was another factor that diversified the position of Greece in the international market: the industrialisation of peripheral countries provoked the protectionist response of the core as long as Germany, England or Czechoslovakia tried to reinforce their own industrial sectors, using measures such as the stability of their currency and the law cost of labour in order to increase competitiveness (Diomidis, 1935 b). In the conditions formed by the crisis and the consequent closure of the national economies, the stagnation of the merchant marine, which did not achieve in increasing ship ownership, is expected (Ergasia, 1938 p. 1164).

The agricultural domain merits closer attention and even a retrospective approach: during the period under examination Greece was primordially a rural country with over 67 per cent of its population in rural areas, according to the census of 1928 (Alivizatos, 1939, p. 304), while 61.1 per cent of the labour force was occupied in the agricultural domain (Alivizatos, 1939, p. 306). As it has already been noted, the rural sector was the field of protectionist's measures application since 1928, as long as the massive dislocation of the refugees in rural areas and the agrarian reform were a precondition for agrarian change. An effort was made by the Venizelos government in order to increase the capital flow directed to the rural sector, an effort concretised in the foundation of the State's Agricultural Bank of Greece. In the late 1920s, an important extension of cultivated land and an augmentation of the yields took place, while a qualitative reorientation of the Greek agriculture was seen: the statistical data demonstrate a turning point from the cereals monoculture to products destined for the market, like tobacco. On the other hand, traditional commercialised products, like currants, show a serious decrease in production (Bregianni, 2002, 160-161).

The effort to open up the Greek rural economy was naturally interrupted by the recession. In 1931, the League of Nations documented the progressively negative impact of the Great Depression on the European rural sector (SdN, 1931, 9), while this was mostly expressed by a strong cutting of the agricultural products prices (Institut International d'Agriculture, 1931, 3). In Greece we remark the decrease of agricultural production in terms of volume and value (table 3). This did not only aggravate everyday life in the rural areas, but also had a negative impact on the balance of exterior trade, at a time when the internal demand was reducing. At the same time, according to data from ABG, the cultivation expenses were augmenting, while the monoculture did nothing to assist the rural population to survive. This created an immediate situation for the State's intervention with measures such as taxes relief but the global protection of agricultural economy in the early 1930s is actually a main pillar of centralised economic policy. Resuming the State's regulatory interventions in order to set up agricultural sector's structures, we remark the creation of specialised national institutions for the protection of a number of agricultural products, the agricultural credit's proliferation and the expansion of AGB's network so as to cover the national territory entirely. Agricultural credit, mainly directed through short term loans, helped rural families to survive during this period. Half of rural credits were allocated through agricultural products collateral, a fact that demonstrates the centralised character of agricultural development but also the research of security for banking investments (tables 4, 5). On the other hand, the augmentation of the agricultural production was set up by means of the extension of cultivated lands and the yields amelioration (table 6). In addition to the 'healing' attempts targeted at calming the economic and social situation in the rural areas, this protectionist policy is associated with the general effort to expand the internal production so as to secure the Nation's autonomy in goods vis à vis the instable international market and to reduce the deficit of the trade balance. From all the above we conclude that the agricultural policy of the period tried to direct capital flow to the rural sector and to reorganise the agricultural production henceforth oriented to internal consumption, keeping at the same time the quota of the commercialised products so as to support the equilibrium of trade balance. The development of the internal market was actually a precondition for the 1930s economic policy, as Greece had limited access to international capital after the 1932 default.

In this perspective, two qualitative evolutions can be noted which can elucidate the internal market's functioning: indeed, in 1935 the statistical data demonstrates on the one hand the decrease of official unemployment, which reaches the level of 1930 after an important increase in the maelstrom of the crisis, i.e. the years 1931 and 1932 (Supreme Economic Council, 1936, 103). On the other hand, a slight recovery of the bank deposits is remarked. (Supreme Economic Council, 1936, 83). The general index of economic activity during this period (1932-1935) demonstrates an economic recovery (Supreme Economic Council, 1935, 5, here: table 5).

However, these data have been doubted by recent research due to uncertain statistical methods and the growth of the economic activity after the default of 1932 was largely disputed by recent research in Greek Economic History, while a theoretical basis of this scepticism can be considered the argument that the partial closing of international capital market for Greece during the 1930s and State interventionism afterwards could not have enabled development. Nevertheless, in terms of GBD, the per head represented an overall increase during the examined period, a continuous slow increase after 1920 (Kostelenos, Bitzis, 2008, 6, here: diagram 1). According to macroeconomic research, since the middle of the twentieth century the per head GDP development might suggest a slight cyclical behaviour, approximately a 20-year span for every cycle, while the detected one of 1914-1938 represented an increase (Kostelenos, Bitzis, 2008, 7). When GDP enters in the analysis, we notice fast economic growth after 1930, reaching its highest point in 1938 (Kostelenos, Bitzis, 2008, 6, here: diagram 2).

Consequently, macroeconomic research does not controvert official data; in addition, the different levels of growth represented by the GDP and the GDP per head are also imprinted in the historical reality, as long as social agitation and movements seem to be expanded in Greece during the years 1935-1936. In this order of ideas, the interwar Greek State's large-scale protectionism in the economic field can be characterised as a 'military' interventionism, leading to centralised policies which prevented market openness without nevertheless ameliorating the conditions of every-day life. Indirect and oral sources demonstrate this reality, as long as the absence of any currency issue after 1930 describes the financial disequilibrium and the monetary instability after the detachment from the Gold Exchange Standard (Brégianni, 2011, 309).

III. Political and theoretical aspects of protectionism

It is obvious that the foundations of the centralised economic policy followed by the Popular Party had been already laid by the government of the Liberals, so the change of government did not signal a rupture in the economic policy's main principles. The continuity in the economic policy's implementation is also reflected in the fact that important personalities among the Liberals retained their positions in the administration's central core.

The archival research and the analysis of political discourse allow the formulation of a general hypothesis concerning the adoption of an enlarged form of protectionism by the Liberals: as it is already mentioned, the political circumstances led Venizelos in 1932 to disapprove a Memorandum with its creditors, to declare State default, and to turn to the development of internal productive structures. On the other hand, we have to valorise also the individual factor in the matter of handling the crisis. In spite of the decision-making, collective processes are not out of the question, as at the beginning of the 1930s, the liberal alternative was already weakening in Western Europe. However, based on the study of the Greek example, the scale of protectionism is proved, from the regulatory measures of the early 1930s to a planned economy when the crisis took on a more violent form. Moreover, a distinction between protectionism and economic autarchy must be pointed out: the principle of Nation's economic unity, which requires the utilisation of all national productive forces for its development, can be comprehended as a common base for these systems (Evelpidis, 1938, 193). Nevertheless, protectionism is less expanded in comparison to autarky and it is applied in some economic sectors only, while autarky incorporates the entire economic activity.

As the contradiction between liberalism and protectionism is more than obvious, and as the conservative turn of the interwar Greek Republic can not be dissociated from the application of this specific policy, liberal perceptions emerged in an effort to rationalise the turning point to the economic nationalism [sic]: 'Economic liberalism is the most convenient atmosphere for the Greek genius' declares A. Diomidis, but, he admits 'the present international rule is that the private initiative must be globally yield, in order to be substituted by the collective forms of economic organisation' (Diomidis, 1935). Other alternatives also appeared in the public debate, supporting the important decrease of the public sector and its replacement by private investments (Bernaris, 1936, 101).

It is clear that States' antagonism in the international market forced nations to develop an internal market but also to clarify the characteristics of State's capitalism (Steuermann, 1931, 210). In Germany, this model led to the rationalisation of monopoles and cartels finances, in so far that new international loans were contracted with the foreign capital market. A central policy was applied in order to support German industry: the reinforcement of exportation based on duties imposition, salaries important decrease and high internal prices were among its characteristics (Steuermann, 1931, 211-212). This framework is to be taken into consideration concerning the analysis of the Greek economy during the period under examination, not only because Greece followed the German alternative of State capitalism, but also because the German economic policy alternated the arrangement of the European capital market and the position of the periphery's countries in it. On the other hand, the closer dependence of the Greek economy and trade from Germany after the 1932 default is partially justified by the protectionist policy followed also by the German State and the contraction of bilateral commercial agreements.

It is not dissociate to the purposes of this paper to underline the high-levelled public debate concerning the conditions of development after the 1932 default, a debate framed by the above-mentioned tendencies of the interwar capitalism but also promoting alternatives of economic organisation. It is to be noted that during the 1930s Greek translations of European production on economic and social sciences were published almost simultaneously to the originals. Furthermore, the crisis' conjecture had already stimulated a blossoming of academic economic thought and the development of statistical methods (Kostis, 1986, 20).

In general terms and simplifying the present analysis, we remark that political and social actors implemented various alternatives concerning the crisis interpretation. Even if these led to the 'introversion' of Greek economy, they were not dissimilar to parallel European models. Nevertheless, the concentration of the economy that was chosen as a solution led to political centralisation, as the creation of a new social reality in Europe met with the establishment of authoritarian regimes (Wagner, 2011, 10).

IV. Researcher's perspectives

In the Greek case, the First Hellenic Republic was defeated, resulting in the formation of the Metaxas government following a vote of confidence by Parliament. In August 1936, brandishing the danger of the regime's overthrow, Metaxas imposed a dictatorship: Greek authoritarianism had not only a political substratum, but also an economic content. Even if continuities regarding the earlier economic policies can be located, the planning of the economic activity by the state mechanisms is considered a central pillar of the public policies during the dictatorship. The tendency for Nation's autarky describes a general outline of economic nationalism, mainly characterised by the intensification of the State's economic role, in order to fulfil the objective of commerce balance's equilibrium (Supreme Economic Council, 1936 & Bank of Greece, 1939). These parameters must be comprehended in the framework of an international economic environment of isolated markets, challenged by important difficulties in capital flow and trade transactions.

It is obvious that Greek interwar authoritarianism can be adhered to the analysis of Mediterranean dictatorships of the period, even if there exist enormous dissimilarities among them: as a principle of the New State [Neon Kratos], the target of creating a corporatist State was never achieved. It evokes instead the fascist model. For the Italian Fascist State the corporation as a lateral, linear organisation was the basic economic form, mirroring the structure of the Totalitarian State and being 'incorporated' into the dogma of economic nationalism. Corporatism was a conservative institutional collectivity and it can be considered as a major rival of individual's freedom, not only from an economic but also from a philosophical point of view (von Mises, 2009, 68). This type of ersatz collectivities -in the Greek case expressed mostly by an effort to reorganise the agricultural cooperative movement in a centralised basis (Brégianni, 2007, 327-351)- were used in the planning of a shortage of market equilibrium imposed by the State, resulting in the creation of State monopolies and preventing the markets self-regulation in the Mediterranean area.

In order to connect the analysis of the Greek case with the introductive interpretation of crisis's concept, it is to be noted that the regional economic crisis soon turned into a severe political crisis. Monetary instability forced Greece to abandon the Gold-Exchange Standard at a time of economic liberalism's general weakening in Europe, while international institutions were not capable of supporting monetary and financial cooperation between Nations. The reinforcement of internal productive structures and the progressive centralisation of national economy led to political centralisation, while the dominant ideology promoted protectionism: very soon this turned to the approval –even by the moderate liberals- of the State's interventionist economic role.

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Banca României (The Bank of Romania)
a Project for a Bank of Issue and its Activity as a Commercial Bank
1865 - 1948[1]

The Bank of Romania[2] has played a significant role in the history of the Romanian banking system, as one of the oldest credit institutions originally involved in the business of issuing bank bills. The bank's position was also determined by other particular features, such as: its 100 percent foreign capital, its cooperation with the Romanian government on some major investments aimed at the modernisation of the Romanian economy's infrastructure, the manner in which its business was closed, and the compromise solutions used to keep the employees of Jewish origin during World War II. Bank of Romania is also an interesting case study for the inter-connection between politics and finance in modern Romania.

Establishment

The Bank of Romania's establishment was marked by political and financial interests at a time when the Romanian government was trying to find an immediate solution to the establishment of the national state framework, while also attempting to bridge the economic and social gap in the context of a chronic lack of capital[3]. At the same time, after 1856, the Romanian Principalities became a centre of competition for Prussian, Austrian, English and French capital, including a concession for the establishment of bank of issue[4]. Being confronted with a lack of resources, as well as with the difficulties involved in the negotiation process with the Ottoman Empire and the Guarantor Powers, and with a view to establish the national currency and the first credit institutions, as well as a large loan with foreign bankers[5], in 1863, Prince Alexandru Cuza started the negotiations for the establishment of the Bank of Romania. Such negotiations were conducted with Adolphe de Hertz in Vienna and Henry Alexander Jackson[6] in Bucharest, who on behalf of some French and English bankers[7], proposed to the Government of the Romanian Principalities the establishment of a bank granted with issuing privilege. The bankers represented by the two aforementioned had already had success in South-Eastern Europe, when in 1863, the Imperial Ottoman Bank was established, with monopoly powers in the issuing of banknotes in the Ottoman Empire[8].

Consequently, on 28 June/10 July 1863, the Council of Ministers accepted the granting of provisional concession, which was the subject of a Prince Decree issued on the immediate following day, while the final resolution was adopted only in the autumn of 1865[9], when the Council of Ministers requested the approval of the Prince with regard to the *Concession Act for the establishment of a Discount and Circulation Bank*. Approval was granted on 17/29 October 1865 by Prince Decree, in the absence of the vote given by the Legislative Assemblies. For legality purposes, the *Prince's Message* to the Legislative Assemblies of 5/17 December 1865 also referred to the concession of a discount and circulation bank granted to a 'high profile financial firm' [10]. Despite the critics of the opposition, the response of the two Assemblies to the Prince, dated 16/28 January 1866, approved the *Prince's Message*, which implied acceptance of the concession, and even more, 'both the Senate and the Assembly showed gratitude to Prince Cuza for the concession'[11]. Also, a memo dated 11/23 October 1865 explained the exceptional procedure enforced by the Prince as due to 'the repeated recommendations' and 'insistent requirements of the representative of France'[12].

At the beginning of 1866, both the officials in Bucharest and the representatives of the Bank of Romania were involved in the preparations aimed at starting the bank's operations. On 30 January 1866, the Minister of Finance established the membership of the commission appointed to verify the bank's compliance with the legal regulations, while in February the *Official Gazette* announced that the Bank's offices in Bucharest, Sf. Gheorghe Nou Square, and in Galați, Sf. Nicolae Street were open for business. The Bank's Board of Directors comprised Ion Ghica, who was later on appointed Prime-Minister and resigned from his position in the Board, D.A. Halfon and D. R. Baumgartner. Adolphe de Herz was Director General, while Jack Löbel and H. A. Jackson were running local operations in Bucharest and Galați respectively[13]. In the autumn of 1865, H. A. Jackson was replaced by Jack Löbel, who was also appointed manager of the Imperial Ottoman Bank branch in Bucharest[14].

II. The Loss of Issuing Privileges and the Bank of Romania's Reorganisation

Meanwhile, on 11/23 February 1866, Al. I. Cuza was forced to abdicate, which resulted in resumed protests among political circles and the Romanian media regarding the transfer of issuing rights to a group of foreign bankers. As a result, the Bank of Romania's position was under increasing threat, in the context of accumulating pressures on the Romanian political scene. Between 1866 and 1870, the country was ruled by six different Governments, and financial issues became the pretext for heated debates between the radical and the conservative liberals; such pretexts included the issuing privilege granted to the Bank of Romania. The Dimitrie Ghica Government, which came to power in November 1868, submitted to the Parliament a draft law for the annulment of the concession granted to the Bank of Romania as privileged bank, and proposed an indemnification for the "commissioners" (the beneficiaries of the concession) in the amount of 600,000 lei. The inclusion of this draft law on the agenda of the Assembly of Deputies was featured in the media in a rather unfriendly manner in relation to those who had been granted concession.

The Bank of Romania had its first Bucharest offices in Hillel House, a building which replaced the old Filaret – Colțea Inn, Sf. Gheorghe Square

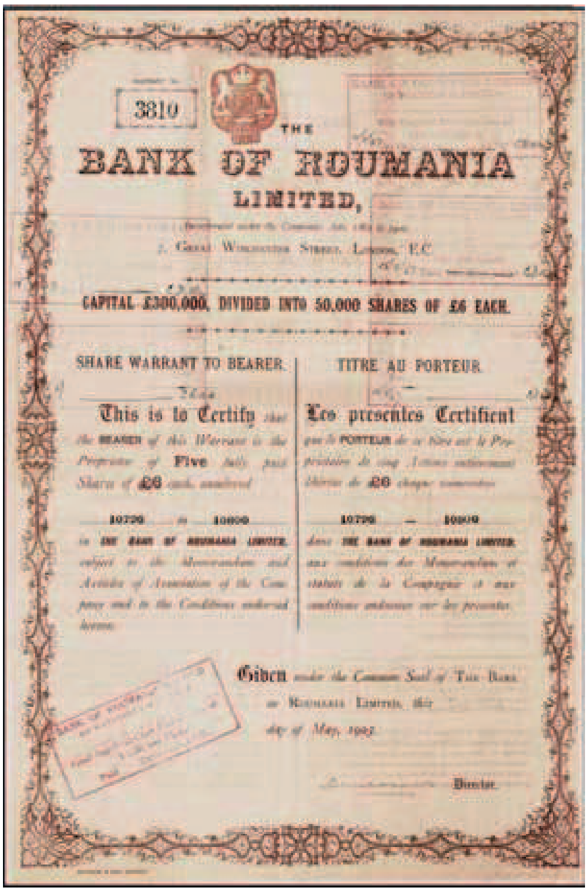
While the draft law was under review by the Finance Commission of the Chamber of Deputies, forces from outside the country started to pressure the Government in Bucharest not to terminate the concession. The most powerful reaction was that of the French Government whose diplomatic official in Bucharest informed the Ministry of Foreign Affairs that he would resort to 'all the legal and judicial means as regards the indemnifications, damages and interests to which the Bank's concessionaries are entitled'[15]. The Finance Commission ruled the concession granted to the Bank of Romania unconstitutional, and recommended that the Chamber of Deputies should pass the Government's *Draft Law,* also making a proposal as regards the changing of the amount of indemnification, i.e. from 600,000 lei to 750,000 lei, 'in order to avoid any legal actions or claims'. Adolphe de Hertz in turn accepted the amount of indemnification 'provided that he was granted approval to continue the Bank's operations as an anonymous private company, under the current name - Banca României (Bank of Romania)'[16]. The Law of 19 June/1 July had two immediate consequences: 1. The allocation of the money by the Ministry of Finance for the settlement of the first of the four indemnification pay-outs due in December 1869; 2. The approval of a new

Bank of Romania Statutes passed by Carol I on 13/25 November 1869[17], the second day after he had returned to Romania from his wedding vacation. The new *Statutes* provided that 'The Bank of Romania seeks to conduct on its own account as well as to the account of other parties', 'both in Romania and abroad, various types of financial, industrial, and commercial operations, including real estate operations, as well as any type of public works'. The structure of English shareholders was the same, while the group of French shareholders included only two persons: Charles Mallet and Casimir Salvador. The French shareholders' withdrawal was stipulated in the preamble to the *Statutes* of 1869. The respective shareholders[18] were replaced by two shareholders from Vienna, namely Charles de Mayer and Count Eugéne Kinsky.

The project, which involved the establishment of the Bank of Romania as bank of issue, faced numerous obstacles caused by domestic and international political circumstances, as well as by the fact that the Romanian economy was at the crossroads between marginal Western European economies and the economy of the Ottoman Empire. But there are more reasons for the failure, besides the aforementioned general considerations: the bankers who were granted the concession presented the surety bond, as stipulated in the normative act, but failed to fulfil their commitments, which also involved the setting-up of initial capital from resources based in London and Paris; the Romanian elite expressed opposition towards the establishment of a foreign-owned bank of issue; although established by English and French investors, the Imperial Ottoman Bank had close links with the Bank of Romania founders, which generated strong feelings of distrust, as the national Romanian state had started its journey to independence, and the establishment of a bank of issue with strong connections with the Ottoman Empire was seen as a trade-off between political dependency on the one hand, and economic and financial dependency on the other. Moreover, the *Law concerning the establishment of a new monetary system and the manufacturing of domestic banknotes and coins* was only passed in May 1867.

III. Examples of business conducted by Bank of Romania

The Bank of Romania had its first Bucharest offices in Hillel House, a building which replaced the old Filaret – Colțea Inn, Sf. Gheorghe Square,[19] at one end of Lipscani Street. Newspapers in Bucharest regularly published Bank of Romania's announcements concerning the meetings of the Steering Committee in London, the calling of the Shareholder's Annual Meeting or the distribution of annual profits. The Bank of Romania no longer held issuing privileges, but in the context of the austerity budgets at the disposal of the Government in Bucharest, it continued its role as a partner for the political decision-makers in the last decades of the

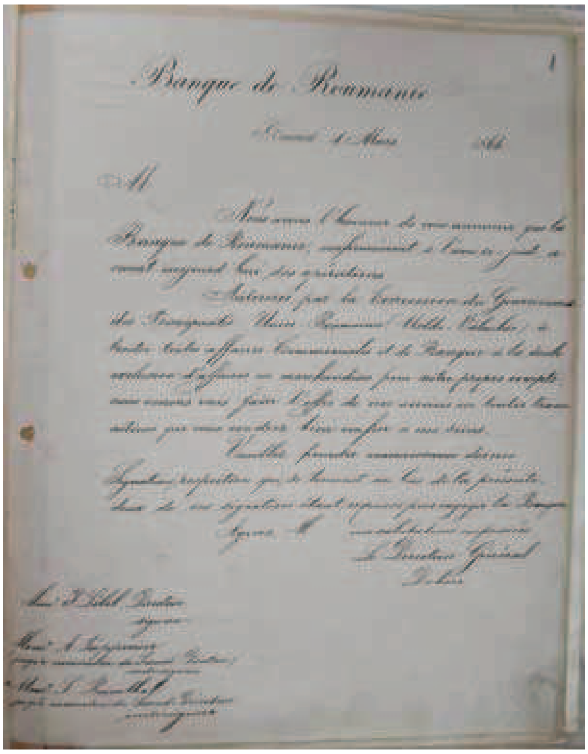


The Bank of Roumania's share

nineteenth century, and was involved, among others, in the construction of the Bucharest – Giurgiu railway[20], the repayment of the loans made by the Romanian Government on the London market[21], the tobacco monopoly (1872 – 1879)[22], and the loan granted to the Ministry of Finance for the establishment of the National Bank of Romania in 1880[23].

IV. From Banca Romaniei (The Bank of Romania) to The Bank of Roumania[24] Ltd.

The licence granted to the Bank of Romania on 13/25 October 1869 stipulated that the bank was due to operate for a period of 35 years. As a consequence, on 31 December 1903, the Bank of Romania was supposed to either cease business or seek another licence for continuation of business. Since the Bank's shareholders had no intention of closing down the bank, but wished to implement some changes in the manner in which the Bank was conducting business, they called an Extraordinary Meeting of Shareholders in London, Winchester House, Old Broad Street, on 12 May 1903. According to the minutes of the Meeting in Old Broad Street, 151 shareholders were present, which accounted for 40,388 shares, i.e. 80 per cent of the Bank's capital. Consequently, the Meeting was declared 'legally convened' and proceeded under the direction of Viscount Duncannon, Chairman of Bank of Romania's Steering Committee in London. John Richard Birdsall Taylor – the Secretary of the Steering Committee – was the secretary of the Shareholders Meeting, while two of the most significant shareholders - Michael Sullivan and Frederic Farrow - were appointed as observers[25].


Banque de Roumanie

The Bank of Romania announces the starting of its activity, 1 March 1866

The Shareholders Meeting decided on the Bank's early dissolution and winding-up, as well as on the transfer of its entire asset base, reserve assets included, to "The Bank of Roumania Ltd.", a company established in London on 17 April 1903[26]. The bank's reorganisation caused the Bank's capital to decrease once more to 300,000 pounds sterling, divided into 50,000 shares of 6 pounds each[27]. Of the aforementioned amount, 260,000 pounds sterling, i.e. 6,500,000 lei at the exchange rate of 25 lei per pound sterling were allocated to the Bucharest branch. The fact that most of the Bank's capital was geared towards the Bucharest branch shows the importance of this in the overall business conducted by the Bank.

V. The Bank of Roumania Limited

The systematisation of the city of Bucharest and the construction of the large boulevard which makes the connection between the northern and the southern part of the city has left Bank of Roumania Ltd. without its office, which was relocated to 11 Calea Victoriei. In 1915, Victor Slăvescu claimed that Bank of Roumania was among the largest eight banks in Romania[28]. His claim is supported by Bank of Roumania's share in the National Bank of Romania's equity (i.e. 2,473). Bank of Roumania continued its operations in Bucharest during World War I, despite German occupation. Even more, Bank of Roumania director Al. Lucasiewicz attended the 9/22 December 1916 meeting of the banks which were still active in Bucharest; the meeting was organised at the NBR premises with the objective to protest against 'the unjustified depreciation of /…/ the leu against the other currencies for which a fixed exchange rate was set by the Higher Command of the Imperial Occupation Armies'[29].

In the period between the two world wars, Bank of Roumania Ltd. established the Romanian company "Merces" and participated in the founding of the Mortgage Institute, where the Bank held 5,000 shares amounting to 5 million lei[30]. After the Great Depression, Bank of Roumania Ltd. was subject to a review conducted by the High Banking Council, in accordance with the criteria set out in the *Law concerning the regulation and organisation of the banking trade* (8 May 1934)[31]. This normative act stipulated that the banks incorporated as anonymous companies must hold capital in the minimum amount of 40 billion lei, while Bank of Roumania's capital was only 6.5 million lei, the equivalent of 260,000 pounds sterling at the exchange rate of 1903. Having regard to its history and the well-established relations with the international financial environment, Bank of Roumania Ltd. was licensed by the High Banking Council on 7 November 1934, but had to comply with the aforementioned legal provisions within five years[32].

In the period between the two world wars, Bank of Roumania's head office in London was represented, among others, by Sir Herbert Alexander Lawrence (1861-1943), President of Bank of Roumania, of Glyn, Mills&Co – the merchant bank, the Anglo-International Bank and the Imperial Ottoman Bank[33]; lt. col. Sir Albert G. Stern, who was also director of Midland Bank and the Imperial Ottoman Bank; Viscount George Joachim Goschen (1866-1952), Member of the British Parliament, Governor in India, director of the merchant bank Goschens & Cunliffe in the City of London and the Imperial Ottoman Bank[34].

During the best part of the interwar period, the Bank carried out profitable business, but, starting in 1937, the Bank reported losses as a result of increasing uncollectible accounts receivable. The Bank's head office covered the losses, but the imminence of war and the inability to keep in touch with the London office rendered this practice impossible. As a result, National Bank of Romania examiners' reports showed that in 1943 Bank of Roumania was on the verge of bankruptcy. But the High Banking Council chose not to declare the bank's state of insolvency, as such decision might have been seen as inappropriate, considering the fact that the bank was one of the oldest banking institutions in Romania, unable at the time to raise finance from the head office in London; moreover, the allies - including Great Britain - were then in a more favourable position than their opponents. In addition, the stability of the Romanian financial market was at stake, and the winding-up of such a significant banking institution would have caused panic among savers, as well as lack of confidence in the system.

The bank managed to recover as the war came to an end, and the head office in London was able to resume support; even the inflation rate at the time acted as a driver of financial rebound for the Bank. Romania's political and economic situation, together with the manner in which the monetary reform of August 1947 was conducted caused Bank of Roumania Limited Board of Directors to convene in London on 10 December 1947 to decide the cessation of business in Romania and the closing down of the branch in Bucharest as of 1 January 1948, while also mandating Arthur E. Salay and Theodor T. Maniu for the purposes thereof. The Bank's liabilities to its creditors were settled, less the liabilities denominated in foreign currencies and old lei, as such amounts were frozen at the time; the respective liabilities would be settled after Banca Chrissoveloni - as agent of Bank of Roumania head office in London – released the corresponding amounts[35].

Thus, after 82 years, Bank of Romania put an end to its business in Romania. Withdrawal of British capital from Romania meant the end of an era characterised by the country's (financial) orientation towards Western Europe.

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Nadia Manea
National Bank of Romania

Endnotes

1 The paper presents the views of the authors, without involving or engaging the National Bank of Romania

2 Mention should be made that Bank of Romania is different from the National Bank of Romania. The National Bank of Romania was established in 1880 and is the central bank of Romania.

3 *Cf*. Bogdan Murgescu, *România şi Europa. Acumularea decalajelor economice (1500 – 2010)*, Iaşi, Polirom, 2010, p. 103 – 150, 194 – 204.

4 Costin C. Kiriţescu, *Sistemul bănesc al leului şi precursorii lui*, Bucureşti, Editura Enciclopedică, 1997, vol. I, p. 264-265.

5 Constantin I. Băicoianu, *Istoria politicei noastre monetare şi a Băncii Naţionale*, Bucureşti, Cartea Românească, vol. I, partea I, 1932, p. 311; Victor Slăvescu, *Finanţele României sub Cuza Vodă*, Bucureşti, Editura Fundaţiei Culturale Magazin Istoric, vol. 3, 2003, p. 294 – 296, 330.

6 See note 7 below.

7 In London: Guillaum Richard Dracke, Jaques Alexander, Pascoé du Pré Grenfel, Lord Hobart, Lachlan Makintosch Rate, Barron Herman Stern; In Paris: Vincent Buffarini, Frederic Grienninger, Charles Mallet, Isac Pereire, Casimir Salvador, Henri Hortinguer.

8 Edhem Eldem, *A History of the Ottoman Bank*, Istanbul, 1999, p. 463-464, 82-87. The bank was established in 1856 under the name of Ottoman Bank, and also had two branches in the Romanian Principalities: in Galaţi (1856) and Bucharest (1861), the latter headed by H. A. Jackson, one of Adolphe de Hertz's first business partners.

9 Meanwhile, one of the concession holders - H. A. Jackson – was replaced by Jaques Löbel, who was appointed manager of the Imperial Ottoman Bank branch in Bucharest.

10 V. Slăvescu, *op. cit*., vol. 3, p. 220-221.

11 C.I. Băicoianu, *op. cit*., vol. I, p. II, p. 696; G.Zane, *Studii,* Bucureşti, Editura Eminescu, 1980, p. 248.

12 Victor Slăvescu, *op. cit.,* vol. 3, p. 149-150.

13 *Ibidem,* p. 208-209.

14 *Ibidem,* p. 189-190.

15 C.I. Băicoianu, *op. cit*., I, II, p. 696.

16 *Ibidem*, p. 697.

17 "Monitorul Officiale al României", 6/18 September 1869 and 25 November/7 December 1869.

18 Vincent Buffarini, Frederic Grienninger, Henri Hottinguer, Isaac Pereire.

19 G.I. Ionescu-Gion, *Istoria Bucurescilor,* Iaşi, Editura Tehnopress, 2003, p. 488.

20 "Monitorul. Dziar Oficiale al României", Sunday, 15/27 June 1869, p. 644; Thursday, 19 June/1 July1869, p. 1; Friday, 20 June/2 July 1869.

21 "Monitorul Officiale al României", Wednesday, 2/15 December 1869, p. 1.

22 "Curierul financiar", 8/20 June 1880, year VII, no. 24.

23 NBR Archive (ABNR), Secretariat, File 2/1880 – 1881, f. 34 – 34v, 35 – 36.

24 The Bank of *Roumania* Limited is the name mentioned in all the bank's documents of incorporation.

25 *Report on the Extraordinary Meeting of Bank of Romania's Shareholders*, Bucharest, 1918 p. 11, 9.

26 National Archives of Romania (ANR), Bucharest Office, *Bank of Romania Fonds*, File no. 3/1903 – 1948, f. 4.

27 "*The Bank of Roumania, Limited*", Bucharest, Artele grafice Socec & Co., 1907, p. 5.

28 Victor I. Slăvescu, *Marile bănci comerciale din România,* Bucureşti, Institutul de Arte Grafice Universalia Iancu Ionescu , 1915, p. 3.

29 C.I. Băicoianu, *op. cit*., vol. III, p. 232; C. Păunescu, M. Tone, N. Manea, *Istoria Băncii Naţionale a României în date*, vol. II, p. 151, 219.

30 ABNR, Discount Division, File 24/1940-1945, f. 805-806.

31 *Law concerning the regulation and organisation of the banking trade of 8 Mai 1934*, in the "Official Gazette", no. 105 of 8 May 1934.

32 ABNR, *High Banking Council Fonds*, File no. 787.

33 Percy Arnold, *Bancherii din Londra*, Atelierele grafice Socec &Co, S.A., Bucureşti, p. 71-72; Sir Herbert Alexander Lawrence was an active participant in the war in South Africa as well as in World War I, as Commander in Chief of the British Forces in France.

34 *Ibidem,* p. 102, 53; ABNR, *High Banking Council Fonds*, File no. 787.

35 ABNR, *High Banking Council Fonds*, File no. 787.

New Dimensions of Micro Finance under NGOs to ensure Sustainable Development through Corporate Social Responsibility under Millennium Development Goals of the UN

Corporate Social Responsibility (CSR) came into prominence in the mid-1980s.This means business would, among other things, ensure responsibility for its likely influence on stakeholders, environment and the community at large. It is a proactive approach to bring in holistic growth by containing the ill effects on environment on the one hand and bringing in a new deal in relation to mother earth vis a vis consumers, employees, environment, business profit and the like, on the other. The whole issue is examined with the help of some empirical data collected from a randomly selected international sample study of seven countries, spread over three continents. The major hypothesis of the empirical study was to ascertain whether CSR of businesses adequately empower NGOs with micro finance. The general perception of CSR is to plough back part of the profits of companies and businesses for sustainable development oriented activities.

Conscious efforts are required to select only those NGOs with impeccable integrity, to channel the CSR funds for redeployment. These NGOs must have undergone both financial and social audit. NGOs which resort to strong arm tactics in effecting recovery may be discriminated against in channeling the CSR funds. NGOs are to be assessed periodically to review their credibility. MFIs are to be subjected to strict and close scrutiny for human rights violations related to micro credit loan processing, sanction, disbursal and recovery.

Basically good governance is the key word, preamble and post-script for CSR. The starting point for any meaningful policy intervention aimed at the poor is that micro studies are required to theorise and conceptualise many a hunch and that is possible, among others by engaging focus group discussions on an on going basis. Researchers are challenged the world over and particularly in Asia, Africa and Latin America to take up the CSR-NGO-Micro-credit-theme as the prime theme of investigation during the first half of the 21st century.

Introduction:

It is amazing to note that the literature on corporate social responsibility (CSR), micro finance and NGOs abounds. The advent of the term CSR can be traced back to the 1970s, but it became prominent after the mid 1980s. It is also known by different names like corporate responsibility, corporate conscience, corporate social performance and the like. CSR means that businesses would monitor and ensure its support to rules and regulations of the land where it operates, maintain ethical standards and the norms of consciousness. This means among others, businesses to ensure responsibility for its likely influence on stakeholders, environment, and the community at large. It is a proactive approach to bring in holistic growth by containing the ill effects on environment on the one hand, and bringing in a new deal in relation to mother earth vis a vis consumers, employees, environment, business profits, etc.

The theme of CSR is much debated and criticised the world over. Proponents of CSR argue that there is a very strong case for CSR. Critics argue that CSR distracts from the fundamental economic role of businesses. Many a critic argues that it is nothing more than superficial window dressing. Another argument is that it is an attempt to pre-empt the role of governments as a watchdog over powerful multinational corporations. However, Corporate Social Responsibility has been redefined throughout the years. Therefore, the theme deserves a great deal of thought in its approach and handling. The views of the corporate executives on NGOs and the deployment of micro credit through them are very important. However, at least five per cent of the sample was corporate executives as respondents of the field study and to that extent the study has covered that lacuna, though not fully.

Hypothesis:

The major hypothesis of the empirical study was to ascertain whether CSR of businesses adequately empower NGOs with micro finance for ensuring sustainable development.

Micro Finance & Macro Challenges:

Any discussion on the captioned theme becomes meaningful only if micro finance is touched upon at least thematically. As such, an effort is made in the following section to familiarise the readers with MFIs and the challenges of micro finance globally and in the Indian context. It is worth recalling that there is greater awareness at the international level after the demise of the Lehman Brothers that the poor are better credit risks than the high flyers. This is one of the attractions of micro finance - the lending of tiny sums to those who are at the bottom of the economic pyramid. The sums involved may be around as little as USD 50. They range from farmers in rural areas, to shop keepers, artisans as well as very small businesses. The beauty is that MFIs reach those areas through NGOs where banks shy away from on account of connectivity problems, high risk and transaction costs. There is a word of caution that too much commercialism may ruin micro finance.

Taking a clue from the foregoing warning, it may be worth recalling the recent developments in the Indian micro finance market. With an estimated USD 6000million lent to some 27 million active borrowers, the Indian micro finance business has entered the mainstream. It is no more a fringe financial activity by any imagination, calling for acts of good governance in place. MFIs have been very active even in the remotest villages of some the selected south Indian states of India. Their slogan reads, ‘we are the last mile connectivity in rural finance’ and they are considered to be an amazing instrument of financial inclusion of the marginalised and hitherto neglected by the organised banking system of the country. Default by a single borrower impairs the eligibility of the group to receive further credit was a great repayment ensuring factor as well as proper end use of credit. Here come two questions. One is the adequacy of the loan in relation to the purpose of the loan. The other question relate to the credit absorption capacity of the borrower in relation to the marketing arrangements of the marketable surpluses of the borrower. There is a danger of multiple borrowings from different MFIs and even village money lenders in the absence of principles of good governance in operation. Another related issue may be of transparency in the operations of the MFIs particularly pertaining to the interest regime. It is not long ago that in any discussion on inclusion, at least considering the short term, profitability and social justice could not co–exist unless conscious policy interventions are affected by fiscal and monetary policy makers. It must be remembered that for financial inclusion, adequate preparations are required both at the beneficiary and policy makers levels, so that the erstwhile bitter experiences of the chaotic rush for receiving the payments of wages of NREGP at the bank branches are not repeated! It is worth recalling that micro finance has rapidly grown in many countries in the recent past. There are some 30 million clients of MFIs in India (as of 2010). India is one of the biggest markets of micro finance in the world today. But in India a new breed of MFIs has come to stay namely pro- profit micro finance lenders. They have annoyed both the NGO sector and the government alike. In Andhra Pradesh state of India, with the largest number of micro finance borrowers, local politicians have halted the MFIs through an executive order of the government. It is a truism that the poor often use micro loans to pay off far more expensive loans contracted from village money lenders. In Bangladesh the MFIs can charge only a maximum of 27 per cent as annual interest on micro loans. It seems the Indian authorities are also planning to cap micro finance interest rates. It may be worthwhile to permit MFIs to take deposits and to augment the introduction of the proposed unique identity number (UIN) (Aadhaar) to all as it may help to track the clients overall indebtedness, credit histories, etc. among other things.

This introduction provides a glimpse into micro finance and its current challenges. It is now time to get back to the main hypothesis of the present paper and its detailed analysis.

Sources of Data & Methodology:

Having seen the advent and background of CSR, the whole issue is examined with the help of some empirical data collected from a randomly selected international sample study of seven countries, spread over three continents. It was designed in such a way that both developed and developing countries are represented in the sample along with a mix of large and small economies. Data were collected on a pre-structured questionnaire electronically. Though it was expected that some 300 respondents would provide data, only 100 respondents returned filled in questionnaires. The sample respondents were well educated and had adequate exposure to CSR related subjects to comment on it. Some of them were really practitioners of CSR themselves. Most of the respondents were personally known to the authors, owing to their professional erstwhile interactions with them.

The countries covered for the field work included Australia, UK and Italy as representatives of the developed world. The developing economies constituted India, Bahrain, Qatar and Afghanistan. The selection of these countries was mostly on account of the personal familiarity of the authors with the respondents. Nearly 10 sample respondents had returned the filled questionnaires form each of these countries. In addition, around 30 who filled in questionnaires came from other countries like Pakistan, Bangladesh, Nepal, Sri Lanka, PNG, Singapore, Philippines, etc. But the number of such questionnaires was less than five from any one country. For the purpose of data collection, the calendar year 2009- 2010, (July 2009 to June 2010) was considered as the study period, while field work was done during July, August, and September 2010.

Limitations of the Study:

The major limitation of the study is that the sample is only 100 respondents. For a study of a global nature, seeking to come out with policy implications, this is a major limitation. Again, there were no face to face interviews with the respondents and as such the body language communications and observation techniques could not be profitably made use of. Respondents, it is assumed, would be on the same wave length as the interviewer even in an online survey. In fact, it is not always correct to assume so.

Findings & Data Analysis:

Table 1 shows the details of respondents, country wise distribution.

Country	Respondents
India	10
Afghanistan	10
Australia	10
UK	10
Italy	10
Bahrain	10
Qatar	10
Others	30

As the above table is self explanatory, the following table examines the literacy details of the sample respondents.

Table 2 - Level of Literacy of the respondents

Undergraduates	14
Graduates	55
Post Graduates	31

Nearly 86 per cent of the sample was highly educated respondents. They were reasonably well informed about CSR. Besides, they were competent to comment on CSR. Some of them were even representing business houses themselves and had practiced CSR.

Table 3 shows the details of age distribution of the sample.

Age Group	Respondents
Less than 40 years	Nil
40 to 60 years	61
Above 60 years	39

It can be seen from the above table that the sample had nearly 40 per cent of the respondents are classified as senior citizens. They were all mature people capable of assessing the field realities.

Table 4 shows the details of the annual average income of the sample in U.S. dollars.

Av Income	Respondents
Less than 2000	Nil
2001 to 20,000	67
Above 20,000	33

While some 33 per cent of the sample had reported an average annual income of more than USD 20,000, 67 per cent earned less than USD 20,000. In the international context of both developed and developing economies, this average income is a clear indication of the financial standing of the respondents.

Table 5 shows the perception of the respondents about CSR. It was asked what they understand by CSR. The summary is presented in the table below.

Table 5

Corporate entities ploughing a part of their profits back into sustainable development activities of the community	73 %
Organisations sharing their profit with the poor	20 %
Businesses helping society with funding	7 %

It is very clearly brought into sharp focus by an overwhelming majority of the respondents that their perception of CSR is to plough back part of the profits of companies and businesses for sustainable development oriented activities of the community.

Another attempt was made to ascertain as to which would be the appropriate agency to channel the CSR funds. The summary findings are tabulated and presented in table 6.

Table 6 - Agency to channel CSR Funds: NGOs

Good to channel through NGOs	93
Not good to have NGOs	7

It is worthwhile to mention that a clear choice was offered to the respondents among NGOs, community organisations, local self government organisations, churches, temples and such other religious organisations. But the response was confined mostly to NGOs. It is worth recalling that nearly 93 per cent of the respondents favoured NGOs as the right vehicle to channel CSR funds on account of their grass root level connections and transparency in their approach and outlook. Of course, they were very vocal in their views about cowboy NGOs. They were voting only for NGOs which are above board and run on professional lines with credibility.

A question was asked about the desirability of NGOs taking up micro finance activities on a larger scale, using CSR funds. In fact, there are some misgivings in the minds of many people. The results are presented in Table 7.

Table 7: NGOs to take up Micro Finance activities:

Agreeable	90
Disagreeable	7
Indifferent	3

It can be seen from the table above that an overwhelming majority of the sample had opined that NGOs may take up micro finance activities by making use of CSR related funds for ensuring sustainable development in the community around them. Again, it is a qualifying clause that it must be woven around those NGOs which have track operational record.

As a logical corollary to the foregoing discussion, the cost effectiveness of NGOs in relation to micro finance was discussed with the sample respondents. The results are presented in Table 8.

Table 8: Micro Finance & NGOs: Cost Effectiveness:

Cost effective	97 %
Ineffective	3%

It is evident from the foregoing table that around 97 per cent of the sample respondents had voted in favour of cost effectiveness of micro finance operations by NGOs. May be the wisdom coming from the field is worth experimenting with, considering both location and regional refinements. It offers new challenges for policy makers and researchers around the globe.
Asked about recovery performance as experienced by NGOs with regard to micro finance, the following table presents the field realities across the sample countries.

Table 9: Recovery Performance of NGOs in relation to Micro Finance:

Ensure better recovery	67 %
Does not make any difference	33%

The better recovery performance of NGOs in relation to micro finance at 67 percent cannot be taken as a major suggestive indication. It may be noted that nearly 33 per cent of the respondents opined that NGOs do not make any difference with regard to recovery of micro finance activities. However human rights violations related to MFIs must be the topic of debate and research as many a MFI is not for profit alone any more.

Another hypothesis tested in the study was that micro finance may be disbursed through self help groups (SHGs). Again this was a debatable subject. The results are tabulated and presented in Table 10.

Table 10: Micro Finance to be disbursed through SHGs:

Only through SHGs	63 %
Through others	37%

It may be noted that while 63 per cent of the sample respondents had favoured the exclusiveness of SHGs in indulging in the micro finance domain, some 33 per cent had voted for other agencies to do this job. This means no exclusiveness was voted for any one agency. Again, this may be a worthy topic for future researchers to be taken up.

While responding to micro finance through the NGOs, the voice of the respondents was more discernible. Table 11 shows the details.

Table11. Deployment of CSR related funds by NGOs:

Better to opt for NGOs	85 %
Look for other agencies	15 %

Respondents from almost all countries had favoured the micro finance lending through NOGs. It may be worthwhile experimenting with this approach to prove or disprove it on a larger scale by innovative CSR oriented businesses.

Respondents were asked about their views regarding wider coverage in terms of deployment of funds of CSR through the medium of NGOs. The results are presented in Table 12.

Table 12: Wider coverage of CSR related funds through NGOs:

Required	100
Not necessary	Nil

It is interesting to note that all the respondents opined that wider coverage of CSR related fund deployment may be done only through NGOs. Whenever qualified and competent NGOs are not available, the corporate bodies in question may identify other organisations or do the job themselves. Obviously it is an excellent policy indication for those who are the movers and shakers of policy domain in the developing world and that too, particularly, in the context of the Millennium Development Goals of the United Nations.

How to empower NGOs through CSR related activities?

Much depends on our perception. It was pointed out by many a respondent from the developing countries that a lack of training is a major stumbling block withholding the NGOs from putting up a good performance. In order to overcome this inadequacy in training in financial management, targeted training programmes may be imparted. The local communities and NGOs are to be empowered by undertaking study tours. This would initiate them to several new things. According to conventional wisdom, it is said that seeing is believing. NGOs are to be trained on an ongoing basis, particularly with targeted training inside NGOs. The starting point is to empower the NGOs themselves. This is imperative for any activity to be undertaken by NGOs. As already mentioned elsewhere in this paper, select only those NGOs with impeccable integrity to channel the CSR funds for redeployment. Again, the selected NGOs must have undergone both financial and social audit and must be like role models.

It was suggested that NGOs must be strengthened with professional staff and competent advisors. It was felt that only those NGOs with sound monitoring and evaluation systems may be selected for channeling the CSR funds for redeployment.

NGOs which resort to strong arm tactics in effecting recovery may be discriminated against in channeling the CSR funds. In fact, intimidating methods in recovering dues of loans or outstanding amounts must be done away with. MFIs are to be subjected to strict and close scrutiny for human rights violations related to micro credit loan processing, sanction, disbursal and recovery.

NGOs are to be assessed periodically to review their credibility and to ascertain whether they function as friend, philosopher and guide to their stakeholders and SHGs.

There is another dimension to the whole issue in the context of leading the war on poverty. The very exclusion of small and marginal farmers from the benefits of mainstream development due to the lack of credit to buy critical inputs would pose a moot question in terms of equity too. It is common knowledge that the burden of indebtedness is very high in rural India and the rural poor are exploited by all, including the micro credit institutions. Farmer suicides are mostly attributed to the lack of formal credit at reasonable cost. Production oriented SHGs will become sustainable only with assured backward linkages and credit and forward linkages with markets. It is to be understood that the rationale for micro credit is to strengthen the livelihood security of the poorer sections of the society who live below poverty line. Again, its impact may be measured in terms of the poverty reduction. It is high time that banks and corporations should lead the war on poverty, the former by its mandate and the latter governed by the CSR considerations.

Policy Implications

It may be clearly understood that the corporate bodies owe certain duties to the community and should be transparently responsible to them and to the society at large. First and foremost among them is strict compliance with laws of the land in relation to pollution, health, environment and concern for the society. This is all the more essential in the prevailing socio-economic milieu where the corporate bodies in several countries indulge in polluting the rivers and other water bodies including aquifers. It is high time to have an inclusive growth approach, rather than following an undeclared anti-social and anti-people approach on the one hand and a proclaimed CSR creed on the other. Corporate bodies everywhere, namely in production, trading, banking, etc., should not be doing any unethical operations for amassing instant profits by exploitations and manipulations. Basically good governance is the key word, preamble and post-script for CSR.

It should be obvious that this paper is not an attempt to debate the pros and cons of CSR, but rather looks into CSR as and when it appears in the form of resources for redeployment. As such it examines the desirability of channeling CSR recourses through NGOs and dedicating it under the header of micro finance.

It is very clearly brought into sharp focus by an overwhelming majority of the respondents that their perception of CSR is to plough back part of the profits of companies and businesses for sustainable development oriented activities. It is worth recalling that 93 per cent of the respondents had favored NGOs as the right vehicle to channel CSR funds on account of their grass root level connections and transparency in their approach and outlook. Of course, they were very vocal in their views about cowboy NGOs as well. They were voting only for NGOs which were above board and run on professional lines with credibility. An overwhelming majority had opined that NGOs may take up micro finance activities by making use of CSR related funds for ensuring sustainable development in the community around them.

97 per cent of the sample respondents had voted in favour of cost effectiveness of micro finance operations by NGOs. There appears to be a good case for experimenting with the wisdom coming from the field, including both location and regional refinements. The labeling of the extent of recovery performance of NGOs in relation to micro finance at 67 per cent as a 'better recovery' should not be taken as a major suggestive policy indication. It may be noted that 33 per cent of the respondents opined that NGOs do not make any difference with regard to recovery of micro finance activities. In contrast, the recovery performance of micro finance institutions in Bangladesh at 95 per cent is laudable and even worth studying. MFIs are to be subjected to strict and close scrutiny for human rights violations related to micro credit loan processing, sanction, disbursal and recovery.

But one important factor affecting the loan utilisation and resultant repayment is the general inequalities and asymmetries that are prevailing in the economy. Income inequality is the major factor to be reckoned with. It is a sad commentary of our developmental dynamics that those with resources are included and those without resources are excluded. In fact the policy thrust must be one of integrated and inclusive approach towards planning and development. The starting point for any meaningful policy intervention aimed at the poor is that micro studies are required to theorise and conceptualise many a hunch and that is possible, among others by engaging focus group discussions on an on going basis.

It is interesting to note that all the respondents opined that wider coverage of CSR related funds deployment may be done only through NGOs. Obviously it is an excellent policy indication for those who are the movers and shakers of policy domain in the developing world, particularly in the context of the Millennium Development Goals of the United Nations.

The starting point is to empower the NGOs themselves. As already mentioned elsewhere in this paper, select only those NGOs with impeccable integrity to channel the CSR funds for redeployment. Again the selected NGOs must have undergone both financial and social audit and must be role models.

It was suggested that NGOs must be strengthened with professional staff and competent advisors. It was felt that only those NGOs with sound monitoring and evaluation systems may be selected for channeling the CSR funds for redeployment.

NGOs which resort to strong arm tactics in effecting recovery may be discriminated against in channeling the CSR funds. In fact, intimidating methods in recovering dues of loans or outstanding amounts must be done away with.

NGOs are to be assessed periodically to review their credibility and to ascertain whether they function as friend, philosopher and guide to their stake holders and SHGs.

Researchers are challenged the world over and particularly in Asia, Africa and Latin America to take up the CSR-NGO-Micro-credit-theme as the prime theme of investigation during the first half of the 21st century. It may be noted that out of the eight MDGs at least eradication of poverty and hunger is directly related to the theme of this paper. Gender equality and women employment under the banner of SHGs and NGOs in relation to micro finance do find a prominent place in the modes operandi of the achievement of the MDGs of the UN. The future beckons, shall we falter?

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Islamic Finance from Local Initiatives to a Global Market Player: Can It Bridge the East and the West?

The global financial crisis (GFC) of 2008-2009 raised many issues about the global financial infrastructure and its sustainability. Minsky's claims – largely ignored up until recently – that stability breeds instability and that a system dominated by interest-based debt contracts is inherently unstable, also known as the 'financial instability hypothesis', are gaining more supporters every day.

On the other hand, the Islamic finance industry that stands against interest (riba) and other harmful activities such as gambling (maysir), extensive uncertainty (gharar), pornography, etc. seemed to be somehow more resilient to the crisis. It is believed that core principles of Islamic finance that stress more the link between finance and the real economy make it more stable and, according to some authors, a viable alternative to the current global financial system.

Hence, it is not a surprise that Islamic finance attracted a lot of attention in recent years. For example, the Vatican has called for reliance upon Islamic finance principles in financial dealings. Similarly, during protests organised by the 'Occupy Wall Street' movement that started outside the New York Stock Exchange one could find a slogan that appeared on a protestor's placard saying 'Let's bank the Muslim way'. All this indicates the growing importance of Islamic finance globally.

In this short essay an attempt is made to briefly discuss the historical development of Islamic finance and to show whether it can play a bigger role in the global financial system.

What is Islamic finance?

Islamic finance broadly refers to financial activities that are guided by teachings of Shari'ah (Islamic law). Literally, Shari'ah means a path to a watering-place, a clear path to be followed. This led to its use for the path which the believer has to tread in order to obtain guidance in this world and deliverance in the next.

The primary sources of Shari'ah are the Holy Qur'an and the Sunnah, a term used to refer to whatever was reported that the Prophet Muhammad (peace and blessings be upon him) said, did, or gave his tacit approval. These two are followed by the consensus of the jurists (ijma') and analogy (qiyas). Shari'ah strictly prohibits the payment and receipt of interest. However, describing the IFS simply as 'interest-free' does not reflect a true and holistic picture of the system. Islam in general and Islamic finance in particular, strives for preservation of property rights, emphasising ethical standards, sharing of risks, and promoting social justice. Moreover, not only must investment activities be in line with the ethical principles of the Shari'ah, they should also take into consideration public interests (masalih pl. of maslahah).

A Short history of Islamic finance

Principles of Islamic finance have been practiced in the Muslim world throughout the ages. In fact, certain principles and practices that are used in Islamic finance today have been practiced by Arabs even before the advent of Islam. At that time, Makkah and the Arabian Peninsula were well known for their trading activities. The Prophet Muhammad (peace be upon him) was himself a very successful trader on behalf of Khadijah who later became his wife. With the advent of Islam, the Prophet Muhammad (peace be upon him) reviewed and revised these trading activities and addressed them in one of the following three ways:

i) Principles of investment, business entrepreneurship and exchange that were not in conflict with teachings of Islam, the Prophet Muhammad (peace be upon him) confirmed and approved. Musharakah (partnership), mudarabah (silent partnership), salam (advance payment) – among others – belong to this group.

ii) Principles that were not in line with principles of Islam, Muhammad (peace be upon him) forbade and he suppressed their practice. Among other things, he abolished the practice of interest-based (riba) funding.

iii) Finally, there were principles that had attributes of the above two groups. In this case, the Prophet Muhammad (peace be upon him) would remove the prohibited elements (if possible) and such purified principles were allowed to be used.

During the twenty-three years of revelation, the Prophet Muhammad (peace be upon him) explained to his companions basic principles about economy and finance. Shortly after his arrival to Medina, he established a market where Muslims were allowed to trade according to specific rules laid down for those who wished to participate in this market. Among other things, he forbade any kind of taxes for entering/exiting the market; goods of traders from other regions who came to the market to trade were protected; a right to a certain place in the market were determined based on first-come-first-served basis; etc. In short, he explained everything that was necessary for the efficient functioning of markets.

Thus, the Muslim community from the very beginning has established its economic and financial relations in the way that they were in line with Islamic teachings. Mobilisation of funds was done in a way to avoid the prohibition of interest (riba), namely through musharakah and mudarabah. The spread of Islam to other parts of the world and continuous trading of Muslims with other regions, primarily Europe, has led to the spread of these models of financing and trading to those regions as well. A large number of studies point to the fact that principles of partnership and sharing of profit and risk were those that dominated the Mediterranean and Europe for many years. What mudarabah has been for Muslims was commenda for Western Europe. According to some historians, the contribution of commendas to the industrial development of the Ruhr valley in Germany and the construction of railroads in Europe is particularly strong. In fact, there is a consensus among medieval historians that commenda was the main instrument in and greatly contributed to the rapid development of trade and investment, and ultimately to economic change and growth in Europe.

Modern history of Islamic finance

The term 'Islamic financial system' is relatively new and was coined only in the mid-1980s. The development of modern Islamic economics and finance as separate disciplines, the way we know them today, has a very short history, indeed. Nevertheless, since its inception some forty years ago, and especially in the last decade, the Islamic finance industry has evolved into a respectable and essential part of the international financial system. As a result, principles of Islamic finance are now implemented throughout the Muslim world and even some Western countries that have recognised the benefits of Islamic finance work hard on its promotion and implementation in the domestic market and beyond.

The emergence and development of the modern Islamic finance industry is nothing but a continuation of what the Prophet (peace be upon him) began with the Muslims in Medina 1400 years ago. Of course, modern banking and finance is very much different from the environment and institutions that existed at that. However, the principles that the Islamic finance industry is using today are very much the same, with additional adjustments to market needs and circumstances.

Nevertheless, it was only in the mid-nineteenth century that serious attempts were made to develop the Islamic financial system. Back then some Muslims and even some Muslim countries tried to resist the conventional banking and finance that largely dominated across the Muslim world. Literature points out three main factors that contributed to this development. First, the rise in oil prices after 1974 brought about a huge wealth to a large number of Arab and Muslim countries, which further led to increased economic activity and investments. At the same time, Muslims wanted their investments to comply with the principles of Shari'ah: avoiding interest and interest-based institutions. Second, a large number of Muslims was not satisfied with the financial system in their countries. They did not want to place their money in banks that were pro-Western and openly advocated interest-based activities. Third, a number of Muslim countries got their independence from colonial powers in the second half of the nineteenth century. The independence started industrialisation and development of those economies. Individuals, and the society at large, wanted to get rid of all forms of dependency on the Western way of life and believed that the best way for that was to get back to Islamic values and traditions.

In essence, however, all these factors indicate what may be called 'a market failure' of the existing conventional financial system that was not able to meet the needs of a large number of people who wanted to align their finance needs with teachings and principles of Islam. As a result, Islamic financial institutions started to emerge with an objective to meet these unmet needs accordingly.

[illegible]	– Integration of Islamic financial services in the mainstream financial markets – International Islamic Liquidity Management Corporation (Malaysia) 2010 – International Islamic Centre of Reconciliation & Arbitration 2005 – International Islamic Rating Agency (Bahrain) 2005 – International Islamic Financial Market (Bahrain) 2002 – Islamic Financial Services Board (Malaysia) 2002 – Liquidity Management Centre (Bahrain) 2002	– Advanced treasury services – Balance sheet management – Innovation, asset management
[illegible]	– A global phenomenon – Islamic banking & finance in Europe – Emergence of centres of excellence like Bahrain and Malaysia – Bank Muamalat Malaysia Berhad 1999 – The Accounting and Auditing Organisation for Islamic Financial Institutions (Bahrain) (AAOIFI) 1994 – Islamic Inter-banks Money Market (Malaysia) 1994 – Islamic Bank of Brunei 1993	– Equity Funds – Leasing – Islamic securitisation
[illegible]	– ANZ Global Islamic Finance (UK) 1989 – First Crescent Modaraba (Pakistan) 1987 – Turkey Islamic Bank 1986 – West Sudan Islamic Bank (Sudan) 1985 – Al-Baraka Turkish Finance House (Turkey) 1985 – Faisal Finance Institution (Turkey) 1985 – Al-Ameen Islamic & Financial Investment Corp. Ltd (India) 1985 – Al Rajhi Bank (Saudi Arabia) 1985 – Mauritania Islamic Bank 1985 – Iraq Islamic Bank 1985 – Beit Ettamwil Saudi Tounsi (Tunis) 1984 – Dar al Mal Islamic Trust (Switzerland) 1984 – Islamic Bank International (Denmark) 1983 – Tadamon Islamic Bank (Sudan) 1983 – Bank Islam (Malaysia) 1983 – Islamic Bank Bangladesh (1983) – Saudi Philippine Islamic Development Bank (Saudi Arabia) 1982 – Faisal Islamic Bank Kibris (North Cyprus, Turkey) 1982 – Al-Baraka Group (various countries) 1982 onwards – Qatar Islamic Bank 1982 – Islamic International Bank for Investment and Development (Egypt) 1981 – Islamic Investment House (Jordan) 1981 – Bahrain Islamic Bank 1981 – Bahrain Islamic Investment Company 1981 – International Islamic Bank of Investment & Development (Luxembourg) 1980 – Abu Dhabi Islamic Bank 1980	– Property finance and syndication – Islamic Insurance (Takaful)
[illegible]	– Jordan Islamic Bank (Jordan) 1978 – Jordan Financial and Investment Bank 1978 – Islamic Banking System International Holding (Luxembourg) 1978 – Islamic Investment Company (UAE) 1978 – Kuwait Finance House 1977 – Faisal Islamic Bank (Sudan) 1977 – Faisal Islamic Bank (Egypt) 1976 – Dubai Islamic Bank (UAE) 1975 – Islamic Development Bank (Saudi Arabia) 1975 – Philippine Amanah Bank (Philippines) 1973 – Nasser Social Bank (Egypt) 1971	– Commercial banking
[illegible]	– Lembaga Tabung Haji Malaysia 1969* – Muslim Pilgrim's Savings Corporation (Malaysia) 1963 – Mit Ghamr (Egypt) 1963	– Primarily retail banking

Table 1: Historical Development of Islamic Banking and Finance

In any case, theories about the Islamic financial system started much earlier than the first Islamic bank was established. Some studies indicate that this topic was discussed at the beginning of nineteenth century. Although Islamic financial instruments were used throughout the ages, the first experiments with Islamic banks came much later, in the 1960s and 1970s. Some studies showed that the first Muslim-owned banks were established in the 1920s and 1930s. However, these banks adopted practices similar to conventional banks. Later on, in the 1940s and the 1950s, Malaysia and Pakistan initiated several experiments with small Islamic banks.

Mit Ghamr Local Savings Bank, established by Ahmad El Najjar in Egypt in 1963, is considered the first Islamic bank. Following the success of Mit Ghamr, in 1967 the Nasir Social Bank was established and it was the first social bank operating in line with Shari'ah principles.

Similarly, in 1963 the Government of Malaysia established Muslim Pilgrim's Savings Corporation that represented the first Islamic financial institution in Malaysia. Later, in 1969, Pilgrims Management Fund Board, better known as 'Tabung Haji' or 'Pilgrims Fund' was established as a result of the merger between the Pilgrims Affairs Department and the Muslim Pilgrims Savings Corporation. The objective of this institution was to help Malaysian Muslims save money for their pilgrimage.

Then in 1973, during the Conference of Finance Ministers of Muslim Countries held in Jeddah, the idea of establishing an international Islamic financial institution was born. This came to be known as the Islamic Development Bank that was formally opened in 1975.

At the same time, a group of Muslim businessmen started an initiative for the establishment of an Islamic bank in United Arab Emirates. It resulted in the establishment of Dubai Islamic Bank in 1975. After these initial steps and pioneering institutions, the world witnessed a growing number of Islamic financial institutions being created all over the world. Table 1 above shows briefly the historical development of Islamic banking and finance.

Consequently, Islamic finance today attracts both Muslim and non-Muslim market participants. The worldwide market for Shari'ah-compliant Islamic financial services, as measured by Shari'ah-compliant assets, is estimated to be more than $1,130 billion. According to London-based UK Islamic Finance Secretariat (UKIFS), Shari'ah-compliant assets grew by 21 per cent at end-2010 to $1,130bn from $933bn in 2009. UKIFS also expect assets to grow even further in the coming years reaching 2 trillion by 2017. Many reports indicate the growth of the Islamic finance industry to be at the range between 15-20 per cent per annum — a growth rate that far exceeds that of the conventional financial industry.

According to Islamic Banker, a leading magazine for Islamic finance, there are two models of Islamic finance today. First, there is a systematic approach to Islamic finance as implemented by Malaysia and its dual-banking model. In this model, conventional and Islamic finance operate side-by-side with separate (yet similar) rules and regulations governing them.

Second, there is the 'ad hoc approach' in which Islamic Banker claims 'where neither the government nor the regulator even acknowledge the need for a stand-alone Islamic banking and regulatory framework, let alone enabling laws'.

Islamic finance as a bridge between the East and the West

The growth of the Islamic finance industry is an indisputable fact, especially after the global market crash of 2008-2009. While Islamic finance is seen as a bright star in this chaos, Islam, as a religion, is very much associated with negative connotations. Ever since the publication of Samuel P. Huntington's book 'The Clash of Civilizations', especially after the tragic event of 9/11, Islam and Muslims have been portrayed as 'bad boys' by western media.

This, so called, 'clash of civilizations' (or cultures, as some authors call it) is not a new phenomenon. It has been there since the advent of Islam. Nevertheless, no other institution, save for Islamic finance, has managed to entrench itself into the western world in the modern times. Indeed, Islamic finance has made its inroads into the western countries for quite some time and it is there to stay.

The question to ask here is: Can Islamic finance bridge the gap between the East and the West? Can it bridge these two cultures, civilizations? In my humble opinion, there is no straight answer to this question. Anyway, I will try to explain this briefly.

Well, on one side, the Islamic finance industry has already bridged the two worlds simply by its existence in various western countries. However, the fact is that the main motivation for western countries interest in Islamic finance is due to economic reasons. They recognise the growing potentials of the Islamic finance industry and see it as an alternative source of funding for their economies. This said, once these sources dry up, the West will move on, looking for other avenues.

On the other side, however, Islamic finance did not bring about a wider acceptance of Islam and Muslims. What is lacking, so far, is the political will and appreciation of the culture that the Islamic finance brings. In other words, Islamic finance did not help much in removing biases and prejudices about the Islam and Muslims. In fact, one could argue that today there is a wider gap between the two as the world is witnessing a growing Islamophobia.

"Islam is unfortunately sometimes negatively portrayed. The global geopolitical context has something to do with that suspicion: by favouring clichés, widening misunderstandings and exacerbating tensions. Fortunately, given the worldwide explosive growth of Islamic finance, it could also significantly contribute to cross-cultural communication and brotherhood between people", Djibril Seck in Islamic Finance News magazine.

This brings us to one of the major problems of today's world which is a lack of proper education and/or rather misinformation and negligence. While Islamic finance, due to financial and economic consideration, can grow in the western countries, the segregation of the people based on their religion is still evident in most western countries. This needs to be changed for mutual benefit.

Djibril also pointed out that, "While cultural differences tend too often to alter into an intolerant and murderous extremism, Islamic finance may offer the opportunity to restate and explain an ethical identity, freed from any specific cultural and religious context, be it European, western or eastern. Different cultures may then meet together on the same banking project, a source of global growth and harmony for humanity who would be then able to effectively manage the redistribution of wealth and regulate fears, resentments and extremism. Islamic finance might contribute to an ethical reorganisation of capital flow globally."

Conclusion

In conclusion, the Islamic finance industry, as briefly pointed out in this short article, is the brightest thing that has happened to the Muslim world in the modern history. It is growing enormously and steadily, attracting more and more attention from all over the world.

This successful story can inspire a better understanding between religions, cultures and civilizations. In short, it is believed that Islamic finance can play an important and a more active role in bridging the East and the West by being a channel for transmitting cultural values and contributing to overall cultural awareness. In order for this to succeed, due attention needs to be given to properly educate and inform the public with regard to the main principles that Islam in general and Islamic finance in particular stands for. The author strongly believes that this article will positively contribute to this honourable goal by shedding some lights on the fast developing industry, Islamic finance, and destroying prejudices about it.

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The views and opinions expressed in this article are those of the author and do not necessarily reflect the official policy or position of, and should not be attributed to INCEIF or any other institution.

The Bank of England Archive:
Our Online Adventure

For the first time this summer, researchers from around the world were able to search the Bank of England's Archive catalogue online. Over 56,000 entries are currently available, describing records dating from before the Bank's inception in 1694 (the oldest record is dated 1516) up to recent times.

The records reflect all aspects of the history of the Bank and its work, from the expected: the Bank's development as a central Bank, its intervention in historical banking crises, the decision to come off the gold standard, and the creation and operation of monetary policy; to the surprising: tales of pirates, desperate appeals from convicted forgers awaiting the death sentence, letters from Titanic survivors; and a somewhat unbelievable discovery of 'the Philosopher's Stone':

> *Eric Dutt, an Anglo Indian resident in Switzerland, contacted Harry Arthur Siepmann in 1933 claiming to have discovered a process (whose inspiration seems to have been Rutherford's early work on the atom) whereby tungsten and boron could be transmuted to gold. The process was, of course, bogus, but the implications for the gold market had it been genuine seemed so devastating that knowledge of it was confined to a narrow circle at the top of the Bank.*
>
> G1/363 Governor's File: Eric E. Dutt's Discovery of the Philosopher's Stone (22 June 1935 - 6 September 1946).

E8-31 The Old Lady

The records also represent the broader history of the nation and the world. Key political events are interwoven in the everyday functioning of the Bank, for example the Gordon Riots of 1780:

That at the time of the Riots which happened in this City in the Month of June last the Governor and the Company of the Bank of England took possession of the parish Church of St Christopher le Stocks, and introduced a Military Force into the same for the security of the Bank..

M5/748 Committee for Building – Minutes (23 March 1764 - 5 April 1803). Entry dated 28 March 1781 referring to the use of the neighbouring church by participants in the anti-Catholic Gordon Riots of 1780.

E8/31 The Old Lady (September 1928). A cartoon by James Gilray dated 1787 poking fun at the aggressive attitude of the Bank military guard. The military guard were provided for the Bank at night as a result of the Gordon Riots. Many complaints were made to the City Corporation and in 1787 the Lord Mayor requested the Secretary for War to direct the guard to march in single file to avoid obstructing the public.

Social developments are evident throughout the records too, for example the progression of women in the Bank. For the first one hundred and fifty years of its history, the Bank was entirely male. From 1849 women were employed as cleaners but it was not until 1893 that the Bank employed women as clerks, in this instance to sort and list returned notes. Janet Hogarth (later Courtney), with her first class degree from Oxford University, was the first Superintendent of the new department of women clerks:

When I first went to the Bank of England in 1894,...women in ordinary Banks were unheard of, and their introduction into the Bank of England , of all places, caused a mild sensation, not to mention a series of tiresome jokes about "old" and "young" ladies of Threadneedle Street. How tired one got of trying to smile at them!'

M5/474 Extracts from the Autobiography of Janet Elizabeth Courtney (1894 - 1896).

And of course, the two World Wars saw women for the first time taking on the same roles as men:

It is suggested that these women have shown that they possess much greater ability than that which the Bank formerly required from them and it is placed on record that they have enjoyed the opportunity created by circumstances to prove their worth and undertake work of a responsible character. As a result they would welcome some means whereby they could continue the full use of their talents in the future.

E31/1 Women Staff: General Papers (October 1918 – September 1963). Extract from a memorandum on the future of the permanent women staff in the Accountant's Department, December 1943.

The catalogue is not just a search of records though, it includes a new feature called the Name search: a facility enabling users to search biographies of senior staff and departments of the Bank, and other related organisations. Each name entry is linked to relevant catalogue

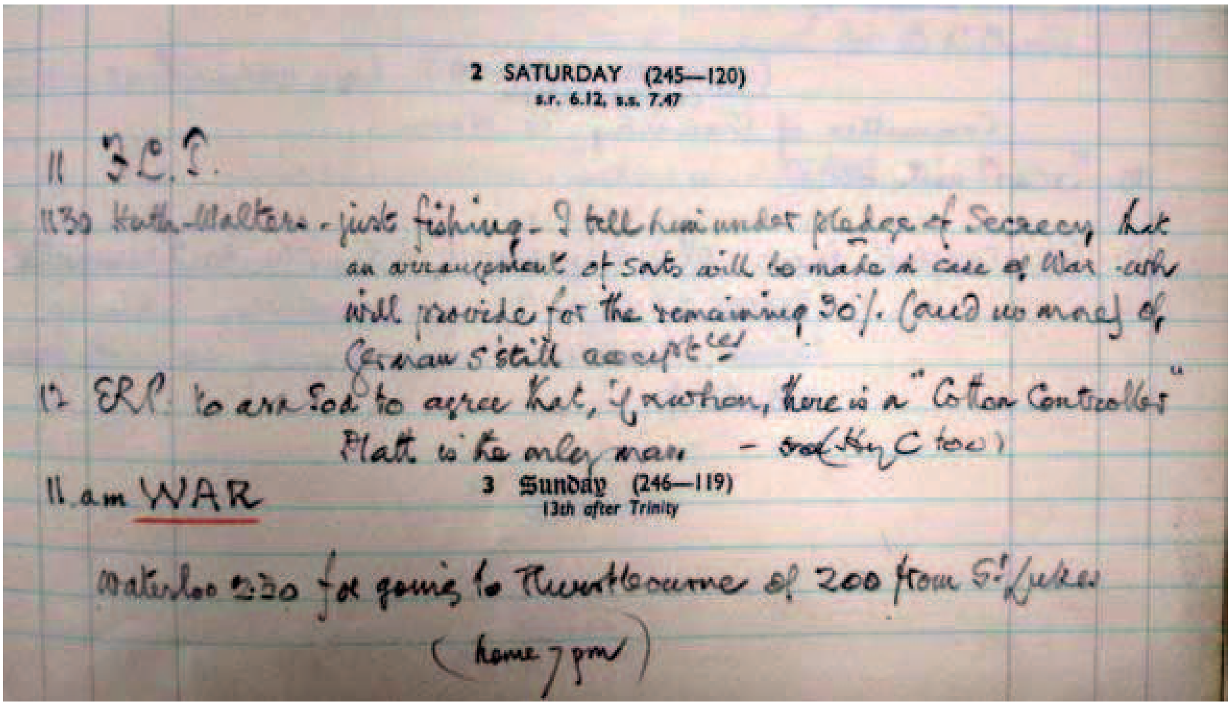
4A156-1 Recruitment Brochure (iii)

entries, giving more focussed searching, and contextual information at the touch of a button. For example, if 'Bank of England' is typed in the Name search box, biographies of all of the departments of the Bank, from 1694 to the present, are returned. These entries can be navigated to build up an understanding of the administrative history of the Bank. If a key Bank role such as 'Governor' or 'Chief Cashier' is typed in the same box, biographies of individuals who have held these posts are returned. These can be explored by date or alphabetically by surname to learn about some of the characters who have been associated with the Bank, including one time Governor and inventor of an award winning automatic weighing machine for sovereigns, William Cotton, and Wind in the Willows author, Kenneth Grahame.

For the first time too, as part of a programme of digitisation, researchers can access selected archives online, including the entire series of Montagu Norman's diaries dating from 1913 to 1944. Montagu Norman was Governor of the Bank from 1920 until 1944, the longest period of any Governor, and was a central figure in the development of modern central banking. Norman was instrumental in rebuilding the international monetary system after the First World War and was closely associated with the creation of the Bank for International Settlements and the League of Nations. Under Norman the Bank became actively involved in supporting British industry through the promotion of rationalisation schemes and through the establishment of the Securities Management Trust and the Banker's Industrial Development Company. During his period of office the Exchange Equalisation Account was established, Britain returned and subsequently came off the gold standard, and up to and during the Second World War Norman made significant contributions to the operation of monetary and financial policy. Although the diaries largely record Norman's daily working routine, they do also give an insight into his fascinating and often controversial character and into key moments in economic history.

ADM34/28 – Diary of Montagu Collet Norman (1939). Entry on the declaration of war on Germany by France and Britain, September 1939.

The Norman diaries are the first in a series of



2 SATURDAY (245—120)
s.r. 6.12, s.s. 7.47

11 B.E.T.

1130 Keith-Walters - just fishing - I tell him under pledge of Secrecy that an arrangement of sats will be made in case of War which will provide for the remaining 30% (and no more) of German's still accepted

12 ERP to arrange to agree that, if & when, there is a "Cotton Controller" Platt is the only man - (and Ky C too)

11 am WAR

3 Sunday (246—119)
13th after Trinity

Waterloo 3.30 for going to Thwaites of 200 from St Lukes

(home 7 pm)

ADM34-28 Montagu Norman Diary - War

archive records that the Bank intends to publish online. It is hoped that in the near future early issues of key Bank publications, the Court of Directors' minutes (1694-1911), and two official but unpublished histories of the Bank during both World Wars, will be added to the online digital content. The publication of the Court of Directors' minutes is especially exciting for researchers because they record the decision-making of the Bank at the highest level and from its very beginnings. In the Bank's early days as a private institution though, the issues it dealt with were quite different to those of today:

> *Mr Governor acquainted the court that Mr Jones having made complaint to him of Thomas Dowdeswell one of the servants of the Bank for coming last Monday into the Office disordered with liquor and neglected coming the next day; that he now suspended him for the same.*
>
> G4/17 Court of Directors' Minutes (10 December 1741 - 28 March 1751). Entry dated 26 March 1747.

Publishing the catalogue and digitised records online was no small undertaking for the Bank Archive. We are a small team, comprising three archivists and an historian. Alongside supporting internal business needs, including the appraisal and cataloguing of Bank records and managing the care of the existing 4 kilometres of records, we also run a busy search room and enquiry service. There is not much time for extra projects, not least projects that require expertise beyond those of even the modern 'jack of all trades' archivist. But, enthusiastic about improving access to the archives, we took on the challenge.

We had identified the need for an online catalogue: researchers could only access the catalogue by visiting the Archive and as a result we were frequently answering enquiries about the records we held and researchers were spending the first part of their visit identifying relevant records. There was also an evident and growing expectation that archive catalogues should be available online, and that they should be accessible globally and 24 hours a day; an expectation some other archive services were meeting. We too wanted to meet these current research demands. Additionally we saw an opportunity to make this a dynamic resource that could link to more context (the Name search feature), and a resource that could reach out to new users (through web search engines).

We had also assessed the risks: the extra research demand that the catalogue might generate for a small team; and the reputational risks for possible errors, mistakes and omissions in the published data or if the technology was inefficient, or worse, did not work! The benefits far outweighed the risks, so in February 2010 the decision was taken to put the catalogue online.

The online catalogue seemed relatively straightforward: the entire Bank archive was already electronically catalogued using the software, Axiell Calm, and since 2003 the open records had been available to search in the reading room using Calm's public access module, Dserve. It appeared to be a simple case of publishing this existing catalogue online, but over two years on and after several hurdles and headaches, we realised this was not so.

The immediate problem was that Dserve was to be replaced with a new public access module called CalmView, so there was design and configuration that we had not accounted for and that was beyond our own technical abilities. We soon had to call on the skills of the Bank's IT department, slotting our project in amongst higher profile work with inevitable delays. Security is also a concern when publishing online so in-depth risk assessments had to be undertaken and new processes developed to ensure the catalogue's publication was secure. There was conformity with the Bank's website style and content to consider, which involved the Web Team's input and advice.

We initially tried to manage the project within the Archive, but it became so complex, involving so many people and specialist skills, that a project manager was appointed. We remained heavily involved at each stage and in each process, advising on archive considerations such as explanatory text and how the information should be searched and displayed, but having a project manager enabled us to focus on editing and developing the content of the catalogue, including adding the new names database. The catalogue was successfully launched on 6 June 2012 (http://www.bankofengland.co.uk/CalmView/).

The digitisation of paper records was an entirely new avenue for the Archive and indeed the Bank. The benefits were similar to those of the online catalogue: increased access to the selected records and meeting researchers' expectations of how information is disseminated to them. Likewise the risks were small and predominantly reputational: the risks of inadequate images or the technology not working. Unlike the online catalogue though, digitisation introduced a whole new workflow for the Archive to manage, that of taking photographs of whole series of records and then processing these images.

Archive services have for a long time been publishing online galleries of images, but few have done it on the scale of entire files or indeed series, which cannot be treated in quite the same way as a smaller number of single photographs of items: they can take up significantly more memory and are navigated by users in a different way (via groups of images not a single thumbnail). Where large scale digitisation has been done particularly effectively is by external organisations such as Ancestry or Find my Past who have successfully digitised series such as the official Censuses. A number of archive services are using such organisations to publish their records online because the equipment, specialist staff, and server space are all included, but whilst we sought external advice and some expertise, the project was done internally, with the advantage of remaining in full control, but the disadvantage of more time and effort on our part and learning on the job.

A significant amount of time was saved by employing a professional digitisation team to photograph the records. This still involved the selection of material, the compilation of detailed instructions, and for those records sent off site, the packing and transporting of material. For the more valuable records, the digitisation took place on-site, which had the additional benefit of saving us the packing and transporting work. As an example it took two professionals just over two weeks to take about 50,000 images of the Court of Directors' minutes. We did not consider doing the photography ourselves as it would have been difficult to do alongside our daily work, we would have had to hire equipment to ensure the same quality of result, and it would have taken us much longer.

When the images were returned, we assessed what needed to be done to publish them. A balance was required between the quality of the images for research use and restrictions on the size of the images due to limited server space (it should not be under-estimated how much space images take up on a server and it is very important to clarify exactly what size and quality is needed at the photography stage). For ease of use, we grouped images together into one PDF, so for the Montagu Norman diaries, we grouped the images by month. This in itself was time consuming (the diaries alone contain about 3,400 images). Each group then needed to be compressed in size, have metadata (title, date, keywords) and security-settings added, and additional search metadata added when it was uploaded to the Bank's web content management system. In the case of printed material, we also had the images converted into machine-encoded text using optical character recognition (OCR) so that the text was searchable. This work was far more labour intensive than we had anticipated, but having determined this, we decided to publish the digitised images in stages and to employ temporary data-entry staff. The Montagu Norman diaries were published online on 7 September 2012 and it is planned that the remainder of the images will be on the website by February 2013.

In conclusion, both the publication of the Archive catalogue and digitised records were challenging projects: they involved many different activities, a variety of skills and people, and time consuming work, and therefore needed careful management. But such projects were new to the Archive team and many lessons have been learnt. Most importantly, as a result of everyone's efforts, we have successfully created secure, efficient, and informative resources. These will help both our existing researchers and new users, ultimately giving an opportunity for new and exciting discoveries in the Bank of England Archive.

The catalogue is available at
http://www.bankofengland.co.uk/CalmView/

The digital content is available at
http://www.bankofengland.co.uk/about/Pages/history/archive/digitalimages.aspx

Lorna Williams
Bank of England

Manuscript editions of staff magazine that contains a mixture of fictional short stories; essays on banking; travel reports; memoirs; drawings (both black and white and colour) and editorial notes. (1884-1885)
Started up by the Bank's 'Pen and Pencil Club' (the aim of which was to promote literature and art), the first edition of 'Our Magazine' appeared in May 1884. With financial support from the Bank's 'Library and Literary Association', 'Our Magazine' was produced by and for staff of the Bank of England. The first five editions of the magazine were produced in manuscript format; it was the aim of the magazine's editorial board to raise reader-subscription levels in order to produce future editions in printed format and achieve financial self-sufficiency. From volume six onwards the magazine was published under the new title of 'The Bank Magazine' (unfortunately, no copies of The Bank Magazine are held by the Archive).

Monetary Museum of the Reserve Bank of India

The Reserve Bank of India, established on 1 April 1935, is the Central Bank of the country. In its capacity as the Central Bank it is custodian of the country's monetary heritage. To save and preserve the monetary heritage from being irretrievably lost to posterity and as part of the Reserve Bank of India's education and outreach programme for the common man, especially school and college students, RBI conceived the monetary museum. The first of its kind in India, monetary museum was inaugurated by Dr. A.J.P. Abdul Kalam, President of India in 2004. The monetary museum traces the history of money as it evolved from barter system to e-money.

Monetary Museum has a rich collection of coins, notes, promissory notes, cancelled securities, bills of exchange and artefacts. The museum brings out the great numismatic history associated with India through a time line extending to the ancient times, dynasties, foreign rulers, princely states and Republic of India. The story of money comes alive in the monetary museum and an insight is provided into how the shape, size, design and metal of currencies changed from barter system to plastic money of present times. Money is an intrinsic component of the cultural heritage of the country. India was one of the earliest issuer of coins in the world. The Museum has representative collection of over 10,000 exhibits of Indian coinage, paper currency, financial instruments and curiosities. Given the vast canvas, over 1,500 exhibits on display provide a ringside view of the birth of currencies, their growth and emergence in modern times.

Antique coins

The Museum is divided into the following six sections:

Section One - Concepts, Curiosities and Idea of Money:

This Section provides general information on the concept of money, its definition and traces the evolution of money from barter system.

Antique coins

India is one of the earliest money issuers in the world. Few countries rival India in the sheer diversity of its coinage, be it minting techniques, motifs, sizes, shapes and metal used. Historically these coins help us in documenting the political and economic changes which occurred in the country. Foreign coins found in the country shed light on India’s trade relations during ancient, medieval and pre-colonial period. On display are items which were used like commodity money including cowri shells, Neolithic stones and axes, silver bar, knife and beads. The earliest types of coins pertaining to 6th century BC displayed are punched marked having different figures and symbols. Coins having different shapes like circular, triangular, rectangle, square and hexagonal are exhibited. Coins

Indo-Greek coin

were made from different metal and alloys like gold, silver, alloy, nickel etc. The nomenclatures used for coins in different parts of the country were pies, anna, pice, dhinglo, escudo, kon, mohur, suvarna and tanka.

Section Two - Indian Coinage:

This is the biggest section of the museum and the coins displayed here have been divided into ancient, medieval, colonial period and modern India. There is a timeline which provides information on hundreds of kings, empires, dynasties that ruled the country and issued different kind of coins.

The coins displayed start from 6th century BC to the present times. Important coins in this section are of the Kurus of Kolhapur (1st century BC), Indo-Greek and Kushan period, the Muryas, gold coins issued by the Gupta rulers, early medieval coins issued by the kings of Rashtrakutas, Chalukyas and Pandyas (6th century AD to 14th century AD).

Coins of Sultnate period (13th-15th century AD) of the Emperors like Sikander Lodhi, Muhammad bin Tuglaq, Allaudin Khilji are also on display.

Among the Mughal coins (16th-18th century AD) the standard silver coin issued by Sher Shah Suri (1538-45) and the gold mohur issued by Jalaluddin Akbar (1556-1605) are specimens of innovative techniques issued in minting coins.

It is interesting to note that during the British rule in India there were 565 princely states and they issued their own coins. The prominent states were Baroda, Gwalior, Hyderabad, Jaipur, Jind, Patiala and Travancore and they issued coins of rich variety, different motifs, shapes and designs. Besides, the Portuguese, the Dutch, the Danish, the French and the East India Company issued their own coins which are grouped under Indo-European coinage. The post-independence coins of India followed the British denomination system which was in vogue and continued till 1957 when the decimal system was introduced.

Section 3: Coins to Bank Notes

The journey from coins to paper money reveals how society started accepting the token money in lieu of money in terms of value of the metal and how the concept of 'Promise to Pay' originated. In this connection, it would be interesting to mention that the first experiment in symbolic currency was made in India in 1330 AD when Muhammed bin Tuglaq, Emperor of India introduced symbolic currency by proclaiming that bronze coins would have value of silver coins. However, his experiment was a great failure.

Section 4: Paper Money

This section displays the slow and gradual but certain transition from coins to Bank Notes. The Issue of paper money in India dates back to the late eighteenth century when the private banks started issuing currency notes. Among the earliest to issue notes were the Bank of Hindostan (1770-1832), the General Bank of Bengal and Behar (1773-75), and three Presidency Banks i.e. Bank of Bengal (1806.1921), Bank of Bombay (1840-1921) and Bank of Madras (1843-1921). These three Presidency Banks were

Silver Rupiah of Sher Shah Suri and Gold Mohur of Akbar

Note issued by Bank of Hindostan

later merged to form the Imperial Bank of India in 1921 and are now known as the State Bank of India.

The currency notes of the private banks and three Presidency Banks are displayed in the museum. This period was one of intense political turmoil and uncertainty in the wake of the collapse of the Mughal Empire and advent of the colonial powers. The changed power structure, the upheavals, wars, and the colonial inroads led to the eclipse of ingenious bankers as large finances moved from their hands to the Agency Houses who enjoyed state patronage. Many Agency Houses established banks. Official patronage and the acceptance of notes in payment of revenue was a very important factor in determining circulation of bank notes. The

Note Issued by Bank of Bengal

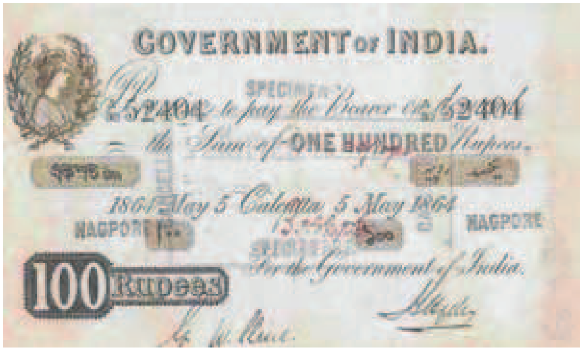
A Bank of Madras Note depicting Thomas Munroe

Note Issued by The Bank of Bombay featuring Mount. Stuart Elphinstone and John Malcolm

banks established by the Government Charters had the privilege of issuing bank notes for circulation within their region.

The currency notes issued by the Government of India under monopoly were granted under the Paper Currency Act 1861 and were followed by currency notes issued by the Reserve Bank of India since 1935 in accordance with the Reserve Bank of India Act, 1934.

One can discern how the design of currency notes have changed over the years - to capture the essence of history, incorporation of security feature, to portray symbols of national



Portrait of Queen Victoria - First Note issued by Government of India (1861)

Note of King George V Series (1923)

First Bank Note Issued by The Reserve Bank of India in 1938

Indo-French Note

sovereignty and to reflect the country's social and economic development. The British India currency notes of the denominations of Rupees 10, 50, 100 and 1,000 are on display. Reserve Bank of India issued first currency notes under King Portrait Series in 1938. After India got independence in 1947, the portrait of King of England was replaced with the Lion Capitol of the Ashoka Pillar and the first currency note was issued in 1949. Subsequently, currency notes featuring fauna motifs, industrialisation, Parliament Building, agricultural progress, Himalaya and Mahatma Gandhi series were introduced. Besides, the currency notes issued by the Indo-European and Princely States are also on display.

Section 5: Know Your Currency

Keeping in mind the increasing instances of frauds and circulation of counterfeit currency notes, this section educates visitors on the security features of the currency. In addition, awareness is created about how the currency is managed in India and the journey of notes and coins from their birth to destruction. The museum also has a screen for trading in foreign exchange, commodities and shares. Visitors can not only see exchange rates of various currencies but can also take imaginary positions in currency to buy and sell them. Besides, kiosks placed in the museum provide information with entertainment. Students can learn features of currency and other important information about currency while playing games. On leaving, they can pick up brochures and posters on coins, postcards, the Story of Money in India and signatures of Governors of the Reserve Bank of India. The museum also organises Quiz Contest for school children to create awareness about the rich monetary heritage of the country. The winners are given mementos and participation certificate.

Mahatma Gandhi Series (2005)

Section 6: RBI and You

This section provides information on the functions of the Reserve Bank of India, its role in the growth and stability of the Indian economy and how it touches the life of common man. Portraits of the Governors of the Reserve Bank of India and their tenure have also been displayed.

The Monetary Museum is a treasure trove of information on the evolution of money and the role played by the Reserve Bank of India in the sphere of supervision and regulation of banking system, formulation of monetary policy keeping in view the interests of commerce and industry and safe and secure banking in the country.

The Monetary Museum is open to the public from Tuesday to Sunday from 10:45 to 17:15, located at Amar Building, adjoining RBI Main Building, Fort, Mumbai 400001.

Ashok Kapoor
Former Chief Archivist
Reserve Bank of India Archives
Pune (India)

Kress Collection
Harvard Business School

The Kress Collection of Business and Economics is recognised as one of the premier rare book collections in the world. Formed by the collecting efforts of H.S. Foxwell, lecturer and teacher of political economy and a book collector of economic literature, it was acquired by the Harvard Business School by the generous donation of Claude Washington Kress, businessman and philanthropist. Included are rare books, pamphlets, broadsides, manuscripts, and prints, ranging from the fifteenth through the twentieth centuries. Researchers will find not only the great classics of economic thought but also an extensive selection of ephemeral material that provides a historical context for the growth and dissemination of ideas.

Among the collection's traditional strengths are the history of political economy, economic philosophy, business theory, commerce, finance, taxation, money and banking, trades and manufactures, agriculture, transportation, labor, and socialism. In addition, new directions in research continue to bring to light valuable resources for an expanding range of disciplines, including the history of technology, philosophy, African-American studies, gender studies, history of science, and social and cultural history.

There are several special collections within the Kress Collection:

Bancroft Collection

Focuses on the speculation mania, particularly the South Sea Bubble, that swept England and the Continent around 1720.

The Bancroft Collection was assembled by Hugh Bancroft, Harvard University alumnus and former president of Dow, Jones & Co., in the early part of the twentieth century, and gen-

Eight of diamonds, South Sea bubble playing cards. London : Printed for Carington Bowles, 1721.

The bubblers medley, or A sketch of the times : being Europe's memorial for the year 1720 ... [no. 1]. [Later state.] London : Printed for Carington Bowles, no. 69 in St. Pauls Church Yard, [1720]

erously given to the Harvard Business School by Mrs. Hugh Bancroft in 1935.
Bancroft's interest in the South Sea Bubble and the speculative mania that swept England and the Continent in the early part of the eighteenth century led to the development of the largest of the four great collections on the subject in the world. The other noteworthy collections are located at the British Library, the Seligman Collection at Columbia University, and the Goldsmiths' Library at the University of London. The Bancroft Collection includes books, broadsides, pamphlets, Parliamentary documents, manuscripts, and ephemera.

Bleichroeder Print Collection

Extensive grouping of prints from the sixteenth to the nineteenth centuries on the subjects of money, banking, and financial history.
The Bleichroeder Collection was given to the Kress Library of Business and Economics in 1975 by the New York banking firm of Arnhold and S. Bleichroeder, Inc. It was generously presented in memory of Frederick H. Brunner, a member of the firm, who formed much of the collection. Mr. Brunner's love of banking history led him to acquire prints on all aspects of money's influence on mankind.
There are over one thousand woodcuts, engravings, etchings, and lithographs in the Bleichroeder Collection, from the sixteenth to the nineteenth century. It has been divided into the following general categories: views of stock exchanges, banks, mints, and treasuries; portraits of bankers, statesmen, and financiers; political and personal satires; national finance and taxation; images of money-lenders, avarice, corruption, poverty, charity, and anti-Semitism; and speculation and credit. Many prominent artists also are represented in the collection, including Breughel, Goltzius, Rembrandt, Hogarth, and Gillray.

Vanderblue Memorial Collection of Smithiana

One of the most comprehensive collections in the world of works by and about Adam Smith.

Willem Isaakz Swanenburgh. [Allegory of wealth and luxury]. [Netherlands]: Willem Isaakz Swanenburgh, 1611.(olvwork308267)

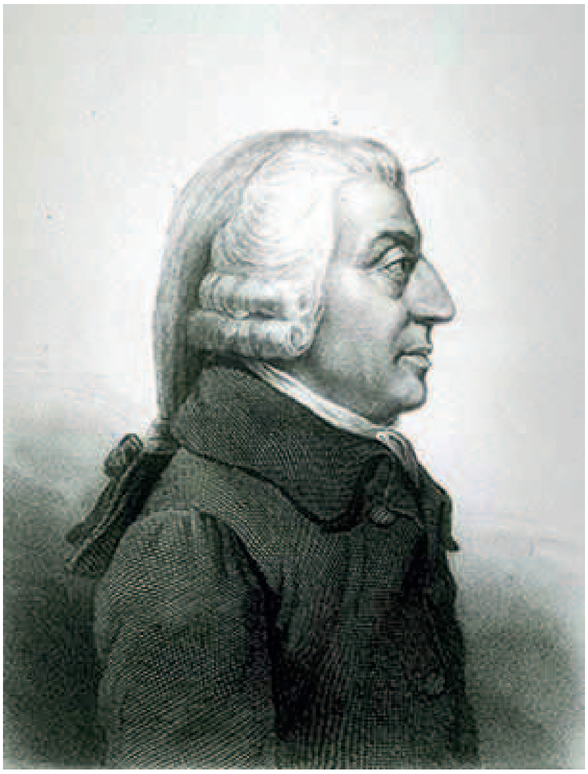
Robert Brichet, after Joseph Franz von Goez. Le Financier. [Augsburg], 1784. (olvwork308311)

The collection amassed by former Harvard Business School professor Homer B. Vanderblue reflects his passion for the work of Adam Smith. Vanderblue began collecting in the mid-1920s and actively sought out works by and about Smith, with a special focus on The Wealth of Nations. He generously presented his collection to the Harvard Business School in 1939 in memory of his father, Frank J. Vanderblue. In addition to his role as a professor at Harvard Business School, Homer Vanderblue also served as Honorary Curator of Early Economic Literature in the Baker Library.

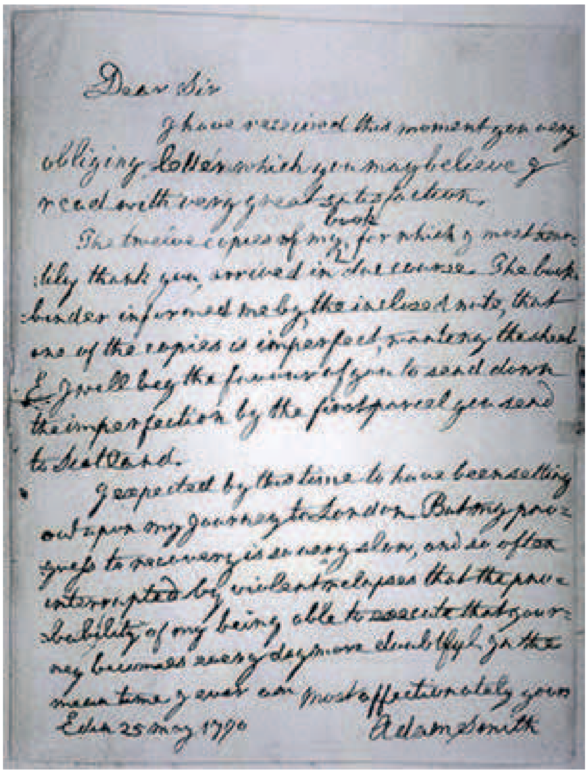
Included in the gift were books, manuscript letters of Smith, and several volumes from Smith's own library. In addition to the gift of his rare book collection, Mr. Vanderblue also provided a financial gift, the income from which could be used to purchase additional Adam Smith items and books of the period when Smith was a leading figure. The Baker Library has built on this remarkable foundation over the years, bringing together one of the most comprehensive collections of the works of Adam Smith in the world. The Historical Collections Department maintains its commitment to developing this collection and continues to actively acquire related materials.

H.S. Foxwell Papers

A collection of H.S. Foxwell's personal papers, containing incoming correspondence, the bulk of which dates from 1898 to 1899, outgoing letters, writings, memorials and obituaries, and photographs.



Portrait of Adam Smith



Dear Sir

I have received this moment your very obliging letter which you may believe I read with very great satisfaction.

The twelve copies of my book for which I most heartily thank you, arrived in due course. The book binder informed me by the inclosed note, that one of the copies is imperfect, wanting the sheet E. I will beg the favour of you to send down the imperfection by the first parcel you send to Scotland.

I expected by this time to have been setting out upon my journey to London. But my progress to recovery is so very slow, and so often interrupted by violent relapses that the probability of my being able to execute that journey becomes every day more doubtful. In the mean time I ever am most affectionately yours

Edin 25 May 1790 Adam Smith

Autograph letter from Adam Smith to bookseller Thomas Cadell, Edinburgh, May 25, 1790.

The Rothschilds in France in the 19th Century
from November 20, 2012 to February 10, 2013
Richelieu / Mansart Gallery

In 1812, James de Rothschild is twenty when he arrives in Paris. He rapidly becomes one the protagonists in the world of the high finance made up of famous families of bankers. They come from all parts of Europe and are going to play a major part in the Industrial Revolution. Discovering the destiny of the Rothschild family is an opportunity to observe the first part of the 19th century, its history from the First Empire to the beginning of the Republic… Who are these businessmen who get involved in industry, raw materials, transport? Who are these aesthetes who encourage the development of a rich artistic life? Who are these ‘philanthropists’ who support medical research or promote a vision of town planning based on hygiene theories?

James de Rothschild - Painting by Paul Flandrin in the manner of Hippolyte Flandrin, 1864 -
© Private collection

The destiny of James de Rothschild and his brothers allows visitors to discover the world of the enlightened high finance.

James has been put at the center of the display. As a counterpoint, two other families are presented, the Pereire brothers’ family and the Camondo brothers’. They were rivals of the Rothschild family involved in banking and industrial activities - railway network [Chemins de Fer du Nord company in Boulogne-sur-mer, development of the line Paris-Orléans, Paris-Lyon-Méditerranée (PLM)], exploitation of minerals and metals, urbanization of Paris, philanthropic activities (Rothschild hospital), development of the tourist industry (creation of the city of Arcachon), investment in famous vineyards (Château Lafite, Château Palmer). But these rivals were alike in their society ‘habitus’ and way of life: private mansions and castles, collections of works of art, activities as patrons in French institutions (musée du Louvre, Bibliothèque nationale de France, musée national de la Renaissance, Arts décoratifs, musée Nissim de Camondo…). These great bankers marked their time but were also sources of inspiration for masters of literature such as Stendhal, Balzac or Zola.

Presented in the outstanding Mansart gallery of the Richelieu library, the exhibition proposes to discover a wide variety of paintings, objets d’art, books, illustrations, photographs, documents from archives and collections of the Rothschild family, from the BnF and from several French institutions.

The Archives of the Casa di San Giorgio of Genoa (1407-1805)

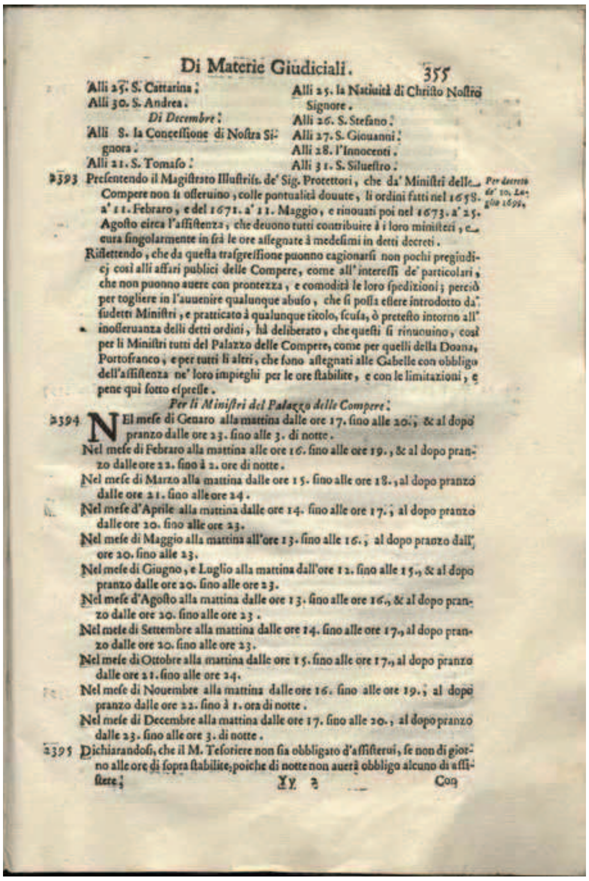
I am pleased to inform you that the archives of the “Casa di San Giorgio” have been catalogued and their inventory is now freely available on internet (www.lacasadisangiorgio.it).

The “Casa delle compere e dei banchi di San Giorgio” was established in Genoa to manage the public debt in the interest of its creditors and in 1408 it opened a public bank very different from any other financial institution of the time, included the famous Medici bank and the Taula de canvi de Barcelona.

Given the operations it performed, the volume of capital involved and the abundance of documentary proofs, the House of Saint George can be regarded, both in Italy and Europe, as the first modern bank for deposits, transfers and credit, as well as the first embryo of central bank (Kindleberger, Braudel).

The life of the Genoese state and large portions of international commerce and finance in the late middle ages and modern times are documented in its archives, numbering 40.219 records (mostly account books). The records’ catalogue, begun in 1983, has been just completed and it is available to scholars and history students.

Giuseppe Felloni
Professor emeritus of the university of Genoa



Di Materie Giudiciali. 355

Alli 25. S. Cattarina.
Alli 30. S. Andrea.
Di Decembre.
Alli 8. la Concettione di Nostra Signora.
Alli 21. S. Tomaso.
Alli 25. la Natiuità di Christo Nostro Signore.
Alli 26. S. Stefano.
Alli 27. S. Giouanni.
Alli 28. l'Innocenti.
Alli 31. S. Siluestro.

2393 Presentendo il Magistrato Illustriss. de' Sig. Protettori, che da' Ministri delle Compere non si osseruino, colle pontualità douute, li ordini fatti nel 1658. a' 11. Febraro, e del 1671. a' 11. Maggio, e rinouati poi nel 1673. a' 25. Agosto circa l'assistenza, che deuono tutti contribuire à i loro ministeri, e cura singolarmente in frà le ore assegnate à medesimi in detti decreti. *Per decreto de' 10. Luglio 1699.*

Riflettendo, che da questa trasgressione puonno cagionarsi non pochi pregiudicij così alli affari publici delle Compere, come all' interessi de' particolari, che non puonno auere con prontezza, e comodità le loro speditioni; perciò per togliere in l'auuenire qualunque abuso, che si possa essere introdotto da' sudetti Ministri, e pratticato à qualunque titolo, scusa, ò pretesto intorno all' inosseruanza delli detti ordini, hà deliberato, che questi si rinuouino, così per li Ministri tutti del Palazzo delle Compere, come per quelli della Doana, Portofranco, e per tutti li altri, che sono assegnati alle Gabelle con obbligo dell'assistenza ne' loro impieghi per le ore stabilite, e con le limitazioni, e pene qui sotto espresse.

Per li Ministri del Palazzo delle Compere.

2394 Nel mese di Genaro alla mattina dalle ore 17. fino alle 20., & al dopo pranzo dalle ore 23. fino alle 3. di notte.

Nel mese di Febraro alla mattina alle ore 16. fino alle ore 19., & al dopo pranzo dalle ore 22. fino à 2. ore di notte.

Nel mese di Marzo alla mattina dalle ore 15. fino alle ore 18., al dopo pranzo dalle ore 21. fino alle ore 24.

Nel mese d'Aprile alla mattina dalle ore 14. fino alle ore 17., al dopo pranzo dalle ore 20. fino alle ore 23.

Nel mese di Maggio alla mattina all'ore 13. fino alle 16., al dopo pranzo dall'ore 20. fino alle 23.

Nel mese di Giugno, e Luglio alla mattina dall'ore 12. fino alle 15., & al dopo pranzo dalle ore 20. fino alle ore 23.

Nel mese d'Agosto alla mattina dalle ore 13. fino alle ore 16., & al dopo pranzo dalle ore 20. fino alle ore 23.

Nel mese di Settembre alla mattina dalle ore 14. fino alle ore 17., al dopo pranzo dalle ore 20. fino alle ore 23.

Nel mese di Ottobre alla mattina dalle ore 15. fino alle ore 17., al dopo pranzo dalle ore 21. fino alle ore 24.

Nel mese di Nouembre alla mattina dalle ore 16. fino alle ore 19., al dopo pranzo dalle ore 22. fino à 1. ora di notte.

Nel mese di Decembre alla mattina dalle ore 17. fino alle 20., al dopo pranzo dalle 23. fino alle ore 3. di notte.

2395 Dichiarandosi, che il M. Tesoriere non sia obbligato d'assisterui, se non di giorno alle ore di sopra stabilite, poiche di notte non auerà obbligo alcuno di assistere.

Yy 2 Con

Festività e orari di lavoro nella quarta edizione delle leggi di San Giorgio (1720).

Frontespizio della seconda edizione delle leggi di San Giorgio (1634)

Woven in – 125 Years of Deutsche Bank in Latin America

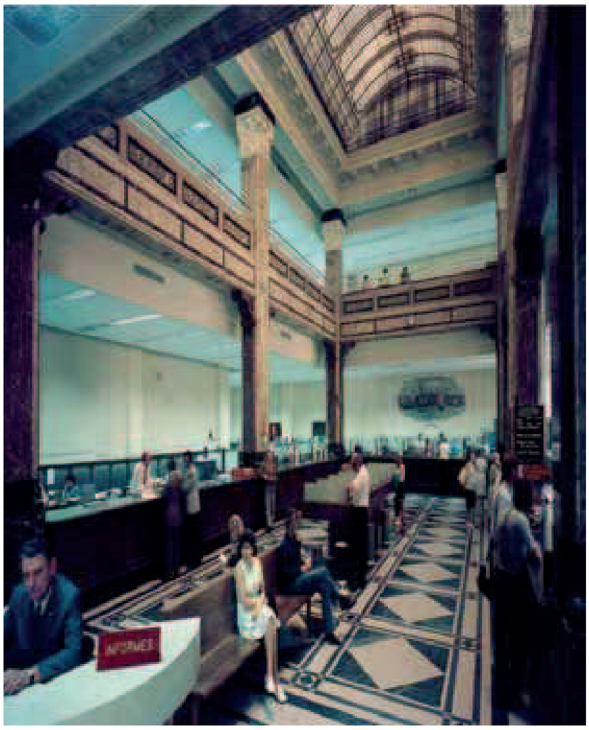
125 years ago, Deutsche Bank's first Latin American offices opened for business in the Argentine capital, Buenos Aires. Banco Alemán Transatlántico was the name of the Deutsche Bank subsidiary founded especially to direct operations in the region. Back then, the Bank's major business lines were international trade finance as well as debt issuance and project finance. In the following years the Bank opened branches in other Latin American countries. The branch established in Rio de Janeiro in 1911 became one of the most important.

During the Second World War the Bank's business ties with Latin America were completely severed. In the 1950s the Bank returned to Latin America beginning with representative offices. The reopening of Banco Alemán Transatlántico's traditional headquarters in Buenos Aires was celebrated in 1960. A branch in Brazil followed only a few years later. When Deutsche Bank began to strongly expand its international business, Banco Alemán Transatlántico was fully amalgamated into the Bank. Since 1978 the bank's Latin American branches have been operating under the name Deutsche Bank.

1997 saw a strategic realignment of the Bank's Latin American franchise. Since then Deutsche Bank has specialised in the region on institutional clients and investment banking. Latin America's economies have also made significant progress over the past few years. Their growth potential is extremely promising, providing attractive opportunities for Deutsche Bank to further expand its operations in the region. Based on this outlook, Latin America was given the status of an independently managed region within Deutsche Bank's management structure in May 2011. Today, Deutsche Bank is represented in Argentina, Brazil, Chile, Mexico and Peru.

On the occasion of the anniversary in Latin America the Historical Association of Deutsche Bank has published an illustrated history on the bank's past and presence in Latin America, which shows how closely Deutsche Bank is interwoven with the region.

Book cover



Banco Alemn TransatIntico main banking hall in Buenos Aires in 1973

The book Woven in - 125 Years of Deutsche Bank in Latin America, Munich: Piper, 2012, 191 pp., ca. 150 images, multilingual English/Spanish/Portuguese, can be ordered via the Historical Association of Deutsche Bank: http://www.bankgeschichte.de/en/content/775.html
It costs EUR 10.00.

Main banking hall at the new premises of Banco Alem_o Transatlantico in Rio de Janeiro in 1926

From 1896 to 1924, Banco Alemn Transatlntico was located in the former building of Carabassa Bank

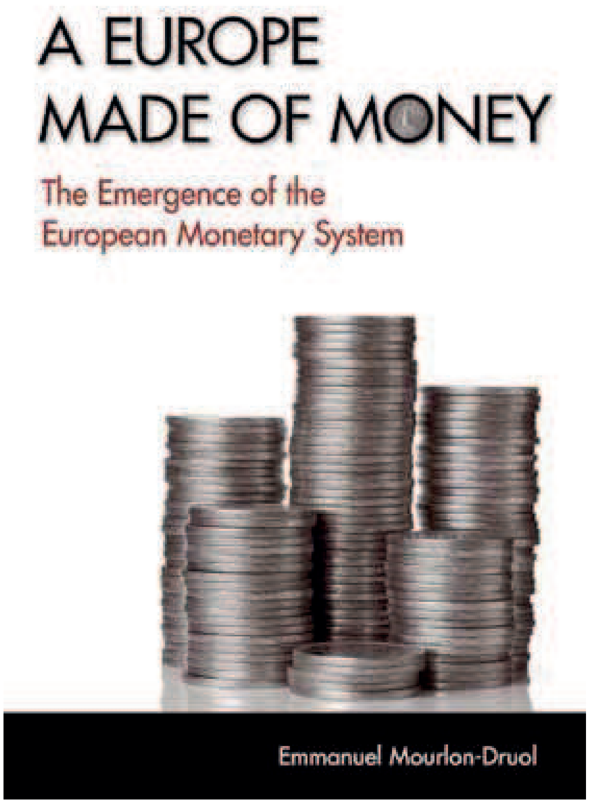
A Europe Made of Money
The Emergence of the European Monetary System
Emmanuel Mourlon-Druol

A Europe Made of Money is a new history of the making of the European Monetary System (EMS), based on extensive archive research. Emmanuel Mourlon-Druol highlights two long-term processes in the monetary and economic negotiations in the decade leading up to the founding of the EMS in 1979. The first is a transnational learning process involving a powerful, networked European monetary elite that shaped a habit of cooperation among technocrats. The second stresses the importance of the European Council, which held regular meetings between heads of government beginning in 1974, giving EEC legitimacy to monetary initiatives that had previously involved semisecret and bilateral negotiations. The interaction of these two features changed the EMS from a fairly trivial piece of administrative business to a tremendously important political agreement.
The inception of the EMS was greeted as one of the landmark achievements of regional cooperation, a major leap forward in the creation of a unified Europe. Yet Mourlon-Druol's account stresses that the EMS is much more than a success story of financial cooperation. The technical suggestions made by its architects reveal how state elites conceptualised the larger project of integration. And their monetary policy became a marker for the conception of European identity. The unveiling of the EMS, Mourlon-Druol concludes, represented the convergence of material interests and symbolic, identity-based concerns.

EMMANUEL MOURLON-DRUOL is Research Associate in the Department of Economic and Social History, University of Glasgow, and Associate in the Transatlantic Programme of the IDEAS Centre, London School of Economics.

"In *A Europe Made of Money*, Emmanuel Mourlon-Druol explains the origins of European monetary co-operation and the challenges to the wider processes of European integration posed by the global economic transformation of the 1970s. This book is contemporary international history at its very best and provides necessary background for understanding today's travails in the Eurozone."
O. A. WESTAD,

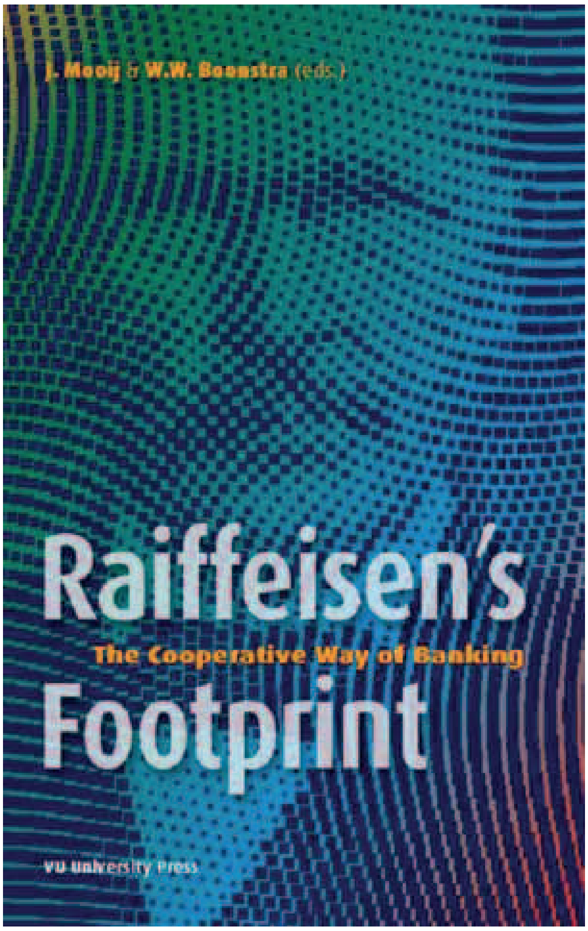
"Emmanuel Mourlon-Druol has written an exemplary work of historical research: elegant, clear, empirically strong, and theoretically challenging, both to historians and political scientists. Essential reading for all specialists of European integration and highly recommended to anyone wishing to fully understand the current Euro-crisis."
YOUSSEF CASSIS,



Raiffeisen's Footprint, The Cooperative Way of Banking
Edited by J. Mooij and W.W. Boonstra
VU University Press, 310 pages.

Cooperative banks are an important force in retail banking. Almost every European country has one or more large cooperative banks. Generally speaking, cooperative banks have weathered the current financial crisis relatively well. In most countries, they did not need government support, their losses were comparatively small and they are seen as safe havens by clients and markets alike. It is not a new phenomenon, as earlier crises show similar patterns. These recent developments however have resulted in renewed interest in cooperative banking. The cooperative business model has been neglected during the last decades, as demonstrated by Panu Kalmi in his 2007 article "The disappearance of Cooperatives from Economics Textbooks" published in the Journal of Economics. In general, more or less the same conclusions apply for the historical dimension of cooperative banking one might add.

Raiffeisen's Footprint; the Cooperative Way of Banking, edited by Joke Mooij and Wim Boonstra, meets this renewed interest. It also fills a gap in the academic banking literature. Except for the British mutual banks many of the discussed cooperative banks are based on the ideas of Friedrich Wilhelm Raiffeisen (1818-1888), a social driven German mayor. In 1864, Raiffeisen founded the Heddesdorfer Darlehnskassenverein in Germany, in fact the first rural credit union based upon his own ideas. It became the model for many cooperative banks from the late nineteenth century onwards. The fifteen contributions in this volume (for more details, see contents below) illustrate that despite their common origins cooperative banking systems show a lot of variation across countries and over time.



To understand the characteristics of cooperative banking, the volume contains reflections on the cooperative business model and the governance structures of cooperative banks in general. One of the rather unique features of Raiffeisen's Footprint is the combination of the work of economists and historians resulting in chapters based on economic data analysis of recent developments and well as historical studies. The volume deals with the experiences of cooperative banks during the series of financial crises that started in 2007, but also includes a series of studies dealing with earlier crises in Austria, France, Germany and the Netherlands and with the Scandinavian crisis of the early 1990s. Together they provide a good overview of the role cooperative banks play in the various national banking systems. Contrary to what most economic textbooks have suggested to date, the financial industry is much more diverse and complex, both in the past and the present.

Business in-between Cultures – the Development of Islamic Finance

Sarajevo
For a conference titled ‘Business between Cultures: The Development of Islamic Finance’, I think Sarajevo was an excellent choice. The historical city is located at the crossroads for two main religions, and three main faiths; Islam and Orthodox and Catholic Christianity and is a melting pot of the west and the east. Today Sarajevo is an ailing city, trying to recover from the biter experiences of the recent past and is in need of development.
Although I am a relatively newcomer in Islamic finance conferences, it was almost impossible for me to notice a significant difference from the usual conferences. In an ordinary Islamic finance conference, the participants are usually of the Muslim background, and in most of the cases are based in the countries with significant Islamic finance industry. However, this time the participants were a much diverse group, coming from different background and scientific disciplines. And I believe these characteristics were the main reason for the multidisci0plinary and multicultural contexts of the presentations and the discussions.

Conference Day 1
The conference was organised in the form of five presentation sessions, supported by two discussion sessions and a keynote address. While all sessions had a specific theme, which is discussed from various angles by the presenters; the discussions were free flowing. I also need to note that both approaches resulted in questions and answer sessions followed by discussions during the coffee breaks, all of which were very open-minded.
The opening speeches were more ceremonial and formed the official welcome for the conference. Fikret Hadzic was the first, representing our host Sarajevo Business School, and he was followed by Kemal Kozaric from Central Bank of Bosnia-Herzegovina and Damir Jelic, representing our other hosts EABH e.V.
The opening speeches were followed by the keynote address from Mehmet Asutay. In his presentation, Asutay reminded the audience the moral economy foundations of the Islamic economic thought, which eventually has given birth to the Islamic finance industry, but has not yet fulfilled its original promises of human and socio-economic development.The first session of the conference focused on the past and present of interest free banking. Eleonora Blasi has provided a historical review of Islamic economy; Mehmet Asutay has discussed the place of Islamic finance in secular environments and the evolution of the legal and governance frames to co-existance; Fikret Hadzic and Velid Efendic have discussed the development of interest free banking in Bosnia and Herzegovina. The session concluded by Kabir Hasan, who

Audience

Fikret Hadžić (School of Economics and Business Sarajevo) - Opening Ceremony discussed the global financial crisis and the possible solution that can be offered as a solution through the means of Islamic finance.

The second session was the start of the multicultural aspect of the ethical finance and its reflection on Islamic finance. Rebecca Schonenbach presented the history and working principles of ethical and church banks and provided a comparative analysis of these with Islamic banking in Germany. Damir Jelic discussed the importance of business mindedness and long-term objectives in order to achieve success for interest-free banking and argued that Islamic banking has the necessary elements for success. These were followed by Nathan Marcus, who added another dimension to the multicultural theme of the conference, and discussed the ethics of interest from Judaism perspective. Coupled with Rebecca's presentation, it was interesting to see a common theme among the Abrahamic religions underlining the dangers of creating money without the means of production. This multicultural dimension was further enhanced by Valentino Cattelan. In his presentation, Valentino has discussed the possible contributions of Islamic finance through the means of property rights and development issues. His presentation has provided an outcome supporting Mehmet Asutay's argument of co-existence, resulting in a 'plural capitalism'. The final paper of the session was presented by ErcumentAksak, who has discussed the validity of the ideals behind the emergence of Islamic finance and whether the current situation has been successful in fulfilling them. This joint paper with Mehmet Asutay has drawn a picture that reminded the participants that there are still a lot to do in order to achieve success for Islamic finance.

Mehmet Asutay (Durham University)

The third session focused on the position of Islamic finance in modern financial markets. Amer Bukvic discussed the current situation through a case study example of Bosna Bank International, and underlined the successes and difficulties his organisation has faced through the years. The two following presentations were inteneted to be on the standardisation of Shari'ah issues in Islamic finance. Unfortunately as a result of the network connection problems, the attendants couldn't healthily receive the presentation of Abulazeem Abozaid. However, this gap was successfully filled by a very intriguing presentation by Ahmad Alkhamees, who discussed the standardising Shari'ah scholars' views in Islamic finance industry through both historical and legal methodological perspectives. The final presentation of the session was by Renaud Foucart, who in his joint paper with Eddy Fang, presented a novel perspective of Islamic finance. In this paper, using a set of primary data, Eddy and Renaud discussed Islamic finance through the eyes of Western financial industry professionals. It was interesting to see, despite the increasing knowledge and awareness about Islamic finance from Western perspective, actually this awareness and knowledge can be very diverse and in some cases suggesting opposing views.

The final session of the day was a roundtable discussion about the future prospects of Islamic finance. Following an introduction by Alam Haneef, discussants Mehmet Asutay, Amer Bukvic, Valentino Cattelan and Damir Jelic shared their views on the future prospects of Islamic finance; the opportunities and threats lying ahead.

Conference Day 2

The conference continued in the second day with the fourth session discussing the new trajectories of Islamic finance. This time the focus was on the geographical expansion of Islamic finance, and the presenters provided information about the activities of Islamic finance in different countries through different stages of development. Andrei Juravliov discussed the viability and impediments for Islamic finance during its introduction stage to Russian markets. His data and findings were precious giving a detailed snap shot of introduction of Islamic finance to a country which is not predominantly Muslim. His results suggested that there are still a lot to be done to achieve success and growth in a multicultural environment for Islamic finance. The second presentation of the session was by Ayhan Keser, who discussed the development of Islamic banking industry in Turkey. In his presentation, Ayhan provided a historical overview of the development of the Islamic banking industry and the current situation, using both industry statistics and the review of the regulatory frame in Turkey. The final paper of the session was by Aaron Pitluck. Aaron used the evidence from the Malaysian experience and combined this to the arguments on 'multi-culturality', 'coexistence' and 'plurality' which have been constantly discussed from the beginning of the conference. His ideas using sociological elements, empirical evidence and the possible outcomes were thought provoking and suggestive for future cooperation among cultures.

In the fifth and the final session of the conference, presenters discussed various issues regarding the legal and regulatory aspects of Islamic finance. Gabriella Gimigliano in her paper discussed two main issues. First, how the Italian legal framework affects the market entry decisions of Islamic banks to Italian market; and second, where the Shari'ah supervisory board mechanisms of Islamic banks fit in within this kind of a legal framework. It was interesting to see a paper discussing the Shari'ah board mechanism from a western perspective, which was also providing essential criticism to enable Islamic banks enter into new markets. Haider Ala Hamoudi, in the second paper of the session discussed the investor decision making process with the availability of both conventional and Islamic financial options. Haidar argued, with the increasing use of Islamic finance facilities, especially after the Arab Spring, there will be more opportunities of "reverse Shari'ah arbitrage" and investors will be more willing to engage in this kind of arbitrage opportunities. However, he notes, this concentration on opportunities will inevitably thrust demand for more profit and loss and risk sharing aspects of Islamic finance further into background. This presentation was followed by Nick Foster. In his joint paper with Simon Archer, Nick investigated various aspects of the law of Islamic finance from the law methodology point of view and argued that the legal roots of Islamic finance has developed out of the boundaries of a legal system and has an independent characteristic. The final paper of the session was presented by Rudiger Litten, discussing the regulatory environment for Islamic banks in Germany. Like Gabriela, Rudiger also discussed about the place of Islamic banks in the banking system, and how they can be placed within a different legal frame. He also provided a detailed review of German financial supervisory system, how Islamic banks fit into this system and the taxation issues regarding Islamic banks in Germany, and two other major European Union economies, UK and France.

Following the presentations on the regulatory issues regarding Islamic finance in various legal environments, the final panel discussion continued the discussion from where was left at the end of the previous session. Alberto Guiseope Brugnoni, Haider Ala Hamoudi and Rüdiger Litten with moderator Mehmet Asutay discussed about the future prospects of Islamic fiannce in the European regulatory environment, the possible opportunities, both for the markets and the Islamic finance institutions, and possible shortcomings. The discussion in general was a very good exercise for summing up the specific cases discussed in the previous session.

Mehmet Asutay made the final presentation with concluding remarks. He summarised a review of the presentations, underlined the general issues discussed and drew specific attention. It was quite clear at the moment that, there will be a need for many more of the similar conferences, gatherings and discussions. Mehmet also announced the good news about establishing a new initiative for Islamic finance in Bosnia and Herzegovina. I am sure; there will be intensified efforts for development of Islamic finance research in Sarajevo, and there will be many more opportunities to visit this beautiful city once again.

Final Thoughts

This conference was one of the most diverse experiences on Islamic finance I have ever witnessed. With speakers and audience coming from diverse backgrounds, academic disciplines and various experiences, the conference has become worthy of all the efforts and travel. I would like to thank all of the participants, who have given me many new ideas to investigate for my research projects, and opportunities to collaborate in the future. I also need to mention the organisation committee and their efforts once again. They have made an otherwise exhausting and dry organisation an experience to remember fondly in the years to come. Thank you once again.

Ercument Aksak
Durham University

On my way back from Sarajevo, I read the following story in a Belgian newspaper: “Brussels Region Minister touring the Gulf countries to advertise Brussels as European Capital of Islamic Finance”. The minister claims he wants to build legislation able to attract sovereign funds following Islamic principles. The day after, the usual pamphleteers (Belgian MPs) were arguing in the same newspaper about whether this was another attempt from “Radical Muslims” willing to impose sharia in the country. This is most of what politics in the West has to say about Islamic finance. Western financial actors are much more pragmatics than politicians towards this issue (see our forthcoming contribution in the proceedings of the conference). When it goes about the practical implementation of Islamic Finance, the real world is much more relevant than a hypothetical “financial clash of civilization”. But, beyond the general principles, their understanding of what the application of Islamic principles to the economy should be is still stammering. In Sarajevo, I learned how passionate and timely this debate is for the actual actors of Sharia-compliant finance. Everyone observes a momentum: something is happening. But interpretations diverge and there is nothing such as a general agreement on what Islamic Finance is and should be. The debate is the same everywhere in the world and is not related to a specific religious belief: is there room for ethics in finance, or should we talk more about ethics in the economy? Is finance, per se unethical, or is it possible to make finance moral? Instead of moralization, should we not talk about regulation of finance, and keep the moral principles for the economy, and not the financial mechanisms? The only difference may be the meaning people put on the words “ethical” and “moral” … This is the kind of things I heard in Sarajevo. So far away from politicians of my own country playing with the same fears again and again…

Renaud Foucart
University of Oxford

Archival Legislation for Finance (ALFF) in Europe
First Workshop

The past 23 November 2013, several members and friends of the European Association for Banking and Financial History (EABH) e.V. gather together for the First Workshop on Archival Legislation for Finance (ALFF) in Europe. This Fist Workshop allowed us to store a large amount of new information regarding Archival and Records Management Legislation. Within this document we would like to present some of the general results.

Initially, we would like to briefly reminding the general goal of the First Workshop, which we consider necessary to elaborate an accurate summary.

The objective of the past workshop was to understand current regulation for archives and records management within European financial institutions. We have aimed to discover how this regulation has been applied in practice (in private and public financial institutions), to have a better perception of the European current status of laws, to find the difficulties within the regulation, as well as its positive aspects, and to know how the archival and records legislation works in Europe.

Once a general view of archives and records management is established, financial institutions will be able to determine which regulation shall be preserved, and in what aspects financial institutions cannot be flexible or accept further limitations regarding the preservation of documents.

Angela Campana (EABH eV) presenting the conclusions of the 1st ALFF Workshop

With the participation of experts from nine different countries, we can present the first conclusions as a result of this Workshop from a particular legal perspective. In short: all presentations acknowledged a strong difference between subjects, countries and financial institutions.

For presenting the conclusions, it will be also convenient to divide the subject in Archival legislation, on the one hand, and Records Management regulation, on the other.

Further, we need to consider the differences between countries and to separate institutions. It has been found, that legislation in countries which had more strict governments in their past, have a similar regulatory treatment for public and private financial institutions. In most of the cases this is based on the argument of the economical function of financial institutions and the protection of the public interest.

And then there are countries with a more liberal background, which separate public and private financial institutions, in where still public institutions are strongly regulated, but within the private sector the historical relevance of documents is to be defined by the financial entity it self's and they are only limited by general laws and their own internal codes or procedures.

After taking this under consideration, I will shortly present the remarks from our joint workshop:

Regarding archival legislation, meaning, the legislation for preservation of documents that are not considered records any longer, or whose value is historical instead of legal or economical for the institution, we can state the following:

- Archival aspects are normally contained not only in archival law, but also in cultural heritage laws. In some cases, regarding private financial institutions, they are also preserved in their internal codes or manuals.

- Most of archives are protected for their Historical Value. However, the term Historical Value is not defined by law in most of the countries. Subsequently, the term still needs to be clarified by administrative authorities or by the Financial Institutions. For instance, in certain countries these definitions often are shaped by the national archives or the minister of culture. In some other cases, the meaning of this word is contained in the law, but it is so broad that they ease several interpretations.

To have this concept so open can be either beneficial, if authorities are flexible, which implies that you can either keep or throw away documents based on the grey areas of the law; or highly inconvenient, if you are under the surveillance of a strict supervisory authority, in which fines or even criminal sanctions may apply.

- The retention periods are usually large. However, the moment in which these documents can be available for public consultation or access vary from 30 to 100 years depending on the content of the document (personal data or government information), the country (as we said before) and the kind of financial institution (public or private).

ALFF Workshop participants

- In most of the countries only fines are imposed rarely the penalty is related with criminal felonies.

On the other side, we have records management legislation, which is law that applies for current records or documents that have present legal or economical value for the Financial Institution.

The law on these matters has been generous. Records legislation in Europe can only be defined as variable, it changes from country to country, from codices to codices (statutes), and from internal regulation to internal regulation. Therefore, each document, within each statute, within each country has its own retention period and its own legal, administrative or criminal consequences.

However, a compilation on these records management matters needs to be made, to have a better understanding of the numerous legal frameworks and anticipate changes in regulation. On this regards, a consultation guideline with all countries regulation has been designed as part of the (ALFF) in Europe Project and the EABH e.V. expects to have this finished by 2013.

To come slowly to a close, there are several differences to be concealed within Europe. We are working on the compilation of all of them, in order to facilitate the work of archivists, lawyers, and historians within financial institutions and of the Financial Institutions itself. We hope to complete this assemblage with information collected at the successful workshop that took place on 23 November 2012, a questionnaire (that will clarify how archives and records management work in practice) and a future workshop in 2013, to elaborate on these matters within the whole European community.

Born this Way: Business Archives and the Digital Record
Business Archives Council Conference 2012

The theme of the 2012 BAC conference was digital records – both those which are born digital, and those which have been digitised. The topic was chosen following feedback from BAC members and attendees at previous conferences, many of whom had expressed the need for discussion around the issue. The conference was hosted by the Baring Archive at ING's offices on London Wall and was well attended by archivists and records managers from both the private and public sectors – over 100 delegates in all.

In the course of the day, six speakers gave thirty minute presentations on themes around the subject. Session one was entitled 'Digital Demystification' and included a discussion on the impact of digital material within one's organisation. This discussion generated feedback which enabled data to be compiled and presented during the panel session later in the afternoon. The first session also included a talk from William Kilbride, Executive Director of the Digital Preservation Coalition. Kilbride stressed that in the future, problems will mainly be around the large volume of digital records rather than obsolescence, along with expansion in complexity and also growth in user expectation for digital material. Session two was entitled 'Sharing Knowledge: widening our professional outlook' and included presentations from David Hill, manager of archives, information and records at the Bank of England, and Simon Rooks, multi-media archivist at the BBC. Hill talked about born digital records from a records management perspective, using the example of the system currently in place at the Bank of England and posed the question as to whether it was appropriate to leave the management of this digital material to the end user. Rooks talked about the long journey towards the archiving of multi-media material at the BBC, which is in the process of developing its digital archive, in order to preserve the huge amounts of photo, sound, television, written, web, music and also gramophone material in its possession.

Session three in the afternoon focussed on two case studies on digital delivery. Vicky Stretch, archivist at National Rail, spoke about the value of the Network Rail Virtual Archive, and how this has been useful for internal communications, marketing and generating positive publicity for the Company. Clara Harrow, archivist from The Baring Archive, spoke about Baring's 'risk and rewards' educational resource which was created by digitising some of the financial records from the Baring Archive collections. Vanessa Winstone, one of our bursary delegates, was especially interested in this project for schools, bringing to life the sometimes dry topic of commercial and government loans. Finally, session four, 'Taking stock and moving forward', featured a talk by Oliver Morley, Chief Executive and Keeper at The National Archives, on a pragmatic approach to digital records and the need to be build systems for digital records based on the expectations of future use. The session ended with a lively panel discussion on the future implications for the management of digital records in the business archive environment, with questions and comments from the audience. There was also a chance to look at a summary of the information and comments from feedback forms collected after the morning's discussion session. The conference was then bought to a close, with some delegates staying on for John Orbell's demonstration of the new Business History Explorer, an online bibliography of histories of UK businesses, available on a three year subscription.

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Bank turns vaults into art museum

Milan - Italy's biggest retail bank has turned its historic headquarters in Milan's central La Scala square into a majestic modern art museum displaying Italian post-war works from the likes of Lucio Fontana and Renato Guttuso. Palazzo Beltrami, a superb Milanese building which blends Neoclassical style with eclectic features, was built in 1911 as a prestigious new head office for Banca Commerciale Italiana, now part of domestic bank giant IntesaSanpaolo. Nearly 200 works of art, all from IntesaSanpaolo's huge art collection, are on display as of this week in the same early 20th century halls where clerk desks and cash counters stood for 100 years.

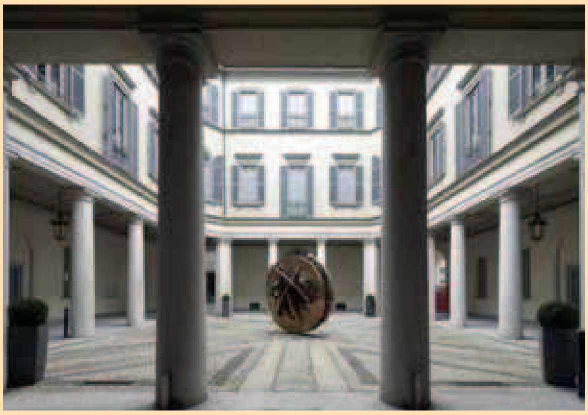
Even the bank's restored vaults will be turned into exhibit halls, hosting a rotating selection of paintings and sculptures. “The main bank hall is now the key museum hall,” said architect Michele De Lucchi, who directed the project. “We have left portions of the original cash counters, that are now an integral part of the exhibition space.”

The newly inaugurated Cantiere del '900 exhibition is part of a broader museum complex called Gallerie d'Italia that belongs to IntesaSanpaolo and is set across from famed opera theatre La Scala and by the elegant shopping street Via Manzoni. From Informalism to Pop Art, the collection aims to represent all the leading artistic movements from the 1950s to the 1990s. It is entirely made up of Italian works, many from the Lombardy region where Milan is based. A whole section is dedicated to the emblematic Fontana, known for his Spatial Concept series, monochromatic paintings and other works with deliberate holes or slashes in them. Other masterpieces include abstract paintings from Emilio Vedova, one of the most important Italian painters of the post-War era, collages from Alberto Burri or works by MAC (concrete art) movement founder Bruno Munari.

“For Italian banks, even the smaller ones, it has been a tradition to collect art and documents from their local area,” said Giovanni Bazoli, Supervisory Board Chairman of IntesaSanpaolo. “These masterpieces were however enjoyed by just a few people. I had two works of Umberto Boccioni in my office, that are now on public display.”

The modern art collection complements a selection of works from the 19th century also from the bank that opened to the public last year and is hosted in the adjacent Palazzo Anguissola and Palazzo Brentani.

Lisa Jucca



Palazzo Anguissola, the octagonal courtyard

Palazzo Beltrami, the main bank hall