

INTERNATIONAL BANKING
IN AN AGE OF TRANSITION

SARA KINSEY AND
LUCY NEWTON

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International Banking in an Age of Transition

Globalisation, Automation,
Banks and their Archives

Edited by

SARA KINSEY and LUCY NEWTON

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Preface

This book contains the papers and comments that were presented at the Symposium in honour of Dr Wilfried Guth, held at Deutsche Bank, Frankfurt am Main on 2 November 1995. We would like to thank the hosts, Deutsche Bank, and Sir Evelyn de Rothschild and Hilmar Kopper for their opening addresses to the morning and afternoon sessions. Additionally, we should also like to thank all the speakers, panellists and the two session chairmen, Dr Wilfried Feldenkirchen and Dr Herman van der Wee. The symposium was also notable for the presentation of the first ever prize for young scholars working in European banking history, which was awarded to Lucy Newton and Boris Barth. We would like to thank the judging panel for all their hard work.

Gratitude must also be extended to Manfred Pohl and everyone at the European Association for Banking History for the organisation of the conference, and the initial rounding-up of the papers. Special thanks are due to Emma Johnston for her continued and invaluable assistance. We are also grateful to a number of people for their support and encouragement: Edwin Green, Rachel Huskinson, Phil Cottrell, Geoff Jones, Tom Bucke and Chris Wright.

Foreword

This volume contains the papers and comments presented at the conference 'The Archives of the Future' and 'Concentration and Internationalisation in banking' in Frankfurt in 1995. This event marked the fifth anniversary of the European Association for Banking History e. V. (hereafter EABH), but also, more importantly, honoured the commitment to the EABH of Dr Wilfried Guth who stepped down from the position of chairman of the association's Board of Patrons in 1995.

In recent decades Europe has been looking towards unification both financially and culturally. Countries of various political and social systems are anticipating a time of closer interaction with their European partners. However, many countries also wish to retain their identities whilst still taking an active part in the European sphere of commerce and exchange. The history of each country is therefore important for their future role in Europe and the banking world as a whole, and the history of banking in each country is inextricably linked with the economic development of that country and its people.

With this background, the idea of founding an organisation which would coordinate different facets of European banking history originated in the mid-1980s. The original sources of this history differ from bank to bank and from country to country, and it became clear that an organisation would benefit bank archivists by providing a tightly knit network which would enable them to exchange ideas and practices. Additionally, historians in the field wished to promote the serious study of banking history in Europe. Both archivists and historians thus took part in the initiative of founding what was to become the EABH. Bankers were also aware of the importance of the historic records of banking and of the value to a bank of establishing and maintaining an archive, and thus its own corporate memory and identity. Bankers, historians and bank archivists of the EABH may have differing roles to play but they all wish to recognise the importance of research in banking history.

In 1988 I approached Wilfried Guth (at this time chairman of Deutsche Bank's Supervisory Board), about a proposal for the planned association for the history of banks, an idea which he greeted with enthusiasm. Having been involved for nearly four decades in the banking profession, his knowledge of this community and his personal judgement were greatly valued by me.

Wilfried Guth has been one of the outstanding bankers of his generation. After only five years in the profession, he had already managed to

make a name for himself when he was elected as the successor to Dr Otmar Emmingers as the West German Executive Director at the International Monetary Fund at the age of 39 in 1959. This rapidly rising career is more impressive when one considers that, having entered military service in 1937, he remained in the German army, was taken prisoner in Stalingrad and not released until 1949. Following this, he studied at the universities of Bonn, Geneva, Heidelberg and the London School of Economics and entered the banking profession in 1953. His first position was with the Bank Deutscher Lander, the predecessor of Deutsche Bundesbank. He was responsible for producing monthly reports for the economics and statistics department; in 1958 he was promoted to head of his department.

After working at the International Monetary Fund, Wilfried Guth returned to Germany to become a member of the Board of Management of the Kreditanstalt für Wiederaufbau in 1962. In this position he concerned himself with the developing countries, the long-term financing of exports and structural policy.

Wilfried Guth reached perhaps the peak of his distinguished career in 1976 when he became co-speaker, along with F. Wilhelm Christians, of Deutsche Bank. During this time, along with his colleagues on the Board of Managing Directors, he led one of the most influential and prominent banks in Germany.

Upon his appointment as co-speaker of Deutsche Bank there was some speculation that he would become a contender for the presidency of the Deutsche Bundesbank. In an interview with *The Times* (May 1976), which named him as the leading currency expert among German bankers, he mentioned that he was also interested in maintaining the means to bring about the goal of European integration and desired 'closer economic and monetary contact ... with countries which do not belong to the currency block'. As co-speaker of Deutsche Bank, the Dusseldorf-based Christians was the dominant figure in the bank's domestic business, and Frankfurt-based Guth generally took charge of its international dealings.

Wilfried Guth is greatly respected by many both within and outside the banking community. An indication of this high esteem appeared in an article 'The rise of Deutsche Bank' in the magazine *Institutional Investor* (October 1977): 'While no single individual could be given the credit for Deutsche Bank's emergence as one of the world's great international deal-makers, this highly competitive mountain-climber comes closest to getting the honours.'

In 1980 *Industriemagazin* (December 1980) chose Wilfried Guth as their manager of the year. In 1981, in recognition of the commitment of the co-speakers of the bank, Wilfried Guth and F. Wilhelm Christians

were voted Bankers of the Year by the magazine *Institutional Investor* (August 1981). One prominent London banker spoke of Wilfried Guth in relation to Hermann J. Abs, an enigmatic figure in German banking history, as being 'Abs's bricklayer, the man who laid the foundation and implemented Abs's policy decisions. Guth took the platform that he had helped to construct and built a rocket on it.'

In 1985 Wilfried Guth became chairman of Deutsche Bank's Supervisory Board. He has also held honorary posts with many different business organisations such as Chairman of the Board of Management of the Gesellschaft zur Förderung des Unternehmensnachwuchses. His interest in international economics and currency politics is apparent through his posts on international bodies, for instance, as Chairman of the Stiftungsrat des Japanisch-Deutschem Zentrums Berlin and Board of Trustees. He is also a member of cultural organisations like the Gesellschaft der Freunde der Alten Oper Frankfurt.

Wilfried Guth's experience within the banking world more than qualified him for the position of Chairman of the Board of Patrons of the EABH. With his support the EABH was founded on 29 November 1990 in Frankfurt am Main. Representatives from 23 European banks were present at the inaugural meeting. The principles of the EABH were set down at this meeting: the wish to promote dialogue amongst historians and representatives from banks, to encourage the establishment of archives and to encourage historical research within existing bank archives.

It was not only for his knowledge as a banker that Wilfried Guth was cherished by his associates in the EABH but also for his knowledge acquired from outside the financial world. He himself has said that 'when I have my next life, I would like to be a publisher ... I love books, love language, love people, to discover people'. This was apparent in Wilfried Guth's participation within the EABH; he was not just an honorary figure but someone who became involved in the organisation, took an active interest in its affairs and offered advice on its direction.

Manfred Pohl
Deutsche Bank, Frankfurt am Main

PART I
Bank Archives of the Future

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Bank Archives of the Future: Introduction¹

Sara Kinsey

The end of a century is traditionally a time for predicting the features of the next; the end of a millennium is an opportunity for even wider, and perhaps wilder, prophecies. Pundits who have sought to second-guess the twenty-first century have usually concentrated on the changes that will be wrought on everyday life by the advances in technology. In the field of banking this has led some commentators to claim that the next century will herald the arrival of the 'virtual bank' as branch banking becomes obsolete and armchair banking the norm. Will the twenty-first century also mean the appearance of the 'virtual bank archive'? As people become used to ordering their groceries and running their bank accounts through their home computers, will they also demand that the services of an archive should be accessible from the comfort of their own offices or homes? What will be the impact on archives of new demands and new media and will we need to develop new methodologies and new skills to cope with the new challenges? The contributions in this volume confront the obstacles and opportunities that lie ahead for bank archives and the various authors, being bankers, historians and archivists, demonstrate the differing viewpoints and priorities that each profession brings to the issues.

The three developments that will probably have the greatest effect on banking archives in the near future are the changing formats of records from paper-based to electronic media; the evolution of new delivery channels to transmit information about archives and their whereabouts (and in some cases versions of the archives themselves), in response to user-driven demands; and lastly the continuing drive towards standardisation within the archival profession.

Electronic records

Within the archives profession the debate surrounding the issues of electronic records has given rise to three particular concerns. First, the practically minded have pointed out the dangers inherent in keeping

electronic records: it is impossible to predict with any great certainty how long a floppy disk, CD-ROM or laser disk will remain readable. Moreover, keeping information in a machine-readable format necessarily entails keeping the machine which is able to read it and, with the plethora of software and hardware available, this could result in the archivists' storeroom resembling a retirement home for computers.

Second, the proliferation of non-paper forms of communication, for instance e-mail and voice-mail, poses particular problems for the archivist. Although it is likely that these types of communications may contain information of value to the historian of the future, they are preserved on exactly the kinds of media that are rarely, at present, subject to any records-management policy and therefore will be discarded according to the memory demands of a computer system or the whim of the user. Some historians have already made dire predictions of a 'black hole' appearing in the historical record and archivists are becoming aware of the need to control such situations.

Third, the creation of large volumes of information in an electronic form has made it possible to keep for posterity the kinds of information that hitherto would have been discarded because of the low informational value of each individual record – the importance being in the sum rather than the parts. For instance, many banks now create and use very large databases (VLDBs) which analyse their customers' lifestyles, income and expenditure patterns, and details of individual transactions in order to retain their existing customers and increase the range of products sold to them. The potential of these forms of electronic records for recording new types and volumes of information has long been acknowledged by archivists and historians alike, but the theoretical and practical considerations in transferring such electronic records to the archives have so far postponed any mass accessioning of databases.

How are we to approach these problems, bearing in mind the traditional principles of the archive profession, the new capabilities and technologies at our disposal and the potential demands of our users in the future?

The problem of technological obsolescence is already being tackled by the emergence of platform-independent systems and software, and I suspect that this trend will continue in the next century as more and more countries and individuals will join the information age and their machines will need to talk to each other. It is likely that archivists will have to manage programmes of migration between systems and media, but they can take solace in the fact that they will not be alone in this. Nor is this principle new: archivists have long been transferring records to microfilm or microfiche. Archivists may have to update their own

knowledge along with the formats in their care, but with the right guidance and advice this should not be an insuperable problem.

Electronic records have yet to conquer the world. Piers Cain's chapter in this volume (Chapter 6) illustrates the kinds of information that are being created in banks on new media and that are not as yet subject to any retention rules. To ease the mind of the anxious archivist, he reassures us that at the moment we are in a state of transition from paper media to electronic media. Thus those records that are still perceived to be worthy of permanent preservation are retained on paper, and these are usually exactly the kinds of records that archivists need to transfer to the archives. Studies of modern companies have shown that management information still relies on traditional media, not least because of the requirements in some cases of company law. Campbell-Kelly's study of information within businesses has led him to conclude that there is a pyramidal structure of information, the apex of which is strategic information such as board papers and reports which, he concludes, 'is generally modest in volume, of the highest importance to the business historian and is generally well preserved on paper media ... the impact of electronic media is likely to be slight, since the printed paper form will probably persist into the foreseeable future for both cultural and practical reasons' (Campbell-Kelly, 1993). However, it may be the case that once past the age of transition from paper-based to electronic media, it will be the statutory records that continue to be kept on paper and all others that are kept electronically. For instance at the moment the board minutes of a bank, the corporate backbone of an archive, are governed by company law which states that they must be kept in perpetuity.² In practice, this requires their retention on paper and will continue to do so until the law comes to terms with new media. The board papers, which contain reports and policy recommendations, and which are circulated to the directors before or at the meeting, are not governed by company law. It is not impossible to envisage a time in the future when they are created in a report form on an executive's computer, sent through an intranet (an internal company network) to the company secretary who then distributes them to the directors via e-mail. As a result they may not survive within the bank in a paper format. This is especially worrying; while board minutes have become increasingly formulaic and uninformative during the last hundred years, they may be the only records that are passed to the archives.

Archivists will need to be aware of how the records-keeping practices of their employing organisations are changing. If we assume that the well-organised archivist already has a clear documentation strategy whereby certain series or classes of records are transferred to the archives at specified time intervals, then it will be obvious to them when

those records either appear on different media, or do not appear at all. In these cases the archivist must remember that it is the informational content, not the media, that is important. Where certain records are not earmarked for preservation in the archives it may be the case that the archives will lose out if they are stored electronically. For instance, at present when a director or an executive retires he or she may clear out his/her paper files by sending them to the archives. However, at the moment there is not the same inclination to copy this practice with computer files. They are somehow seen as more private and either deleted or downloaded on to disk and taken away with the individual. Cultural changes within the organisation may be required. The tendency is to associate archives departments with old books, ledgers and paper, and to associate the information technology department with anything regarding computers. Archivists must ensure that this misunderstanding does not prevent them from staking a claim to modern electronic records.

In addition to the kinds of records that archivists have tended to keep (the minutes, accounts, reports, policy documents etc.) there is also the problem of the creation of a new type of record in database form, to which I referred earlier. Historians have pointed out that in addition to the huge quantities of data kept in the database itself, some computer work systems also generate new varieties of information – for instance keeping the records of bank back-office processing will not only preserve the information on customers but will also produce information on the productivity and work flow within the processing area by bank staff. From the archivists' point of view it has been surmised that, as electronic records take up less storage space than traditional paper archives (in theory), they therefore offer greater possibilities for keeping series of records which hitherto were judged too bulky to keep. This is especially true of those series of records where each item possesses small informational content and previous solutions had necessarily involved some kind of sampling technique.

But just because we now have the capability to keep these records, does this mean that we should? The practical difficulties are many. These types of databases create, modify and destroy data each day. If the archives were to keep a copy of all versions of the system they would soon swamp the archive. Additionally, these systems, especially those used by banks, will hold confidential material on customers. Many countries now have in place legislation designed to protect an individual's right to see all information kept about them on computer systems. In Britain at present this takes the form of the Data Protection Act which states that every detail kept on computer on an individual must be for a stated and registered purpose and that the people who can

access and use this information must also be stated and registered. Bank departments may be very reluctant to hand over to the archives records and/or databases which they have created and which are covered by such legislation. They will be concerned that they will be used for non-registered purposes by non-registered users, i.e. for historical research by archivists and historians.

Issues such as these have prompted some archivists to suggest that they should be involved with the creation of such records from the very beginning of their lives – ‘the archivist will have to be an instigator of records creation rather than just a selector or custodian of records’ (Higgs, 1992). In reality, however, enthusing non-archivists with this concept is not the easiest task. In banks it is even more difficult, given the cautious nature of these institutions, evolved from years of looking after other people’s money. In practice, archivists of the future will need to cooperate with record-creating departments within their employing banks, and especially with their information technology departments, to discover what is practical and to resolve such issues.

When archivists discuss the issues of electronic records they must not forget the need to document the changes that the use of such systems has made to banking.³ The introduction of new data processing techniques in the back office, of computerised information and management systems within bank offices and branches, and the advent of electronic forms of cash and smart cards, will all have their place in banking history. Archivists must always have an eye to what they consider will be potential research topics in the future and the impact of information technology will no doubt be a subject for much study. Historians will want to know how systems were designed and by whom, how they were introduced and when, what they were intended to do, who used them, how they saved money and time, improved margins and profitability and many other such questions. Jürgen Rebouillon’s chapter in this volume (Chapter 4) touches on these questions and archivists can be sure that this will be a ‘growth area’ in years to come.

Delivery channels

There is no doubt that the users of the future will expect the more modern sections of the archive to be kept in electronic formats. One historian has written, ‘the proportion of records reaching archives that are computerised will soon expand ... dramatically. The truth is that we are not looking at a trickle but a tidal wave that will reach our shores very soon’ (Zweig, 1993). In some cases historians have already begun to speculate on the kinds of research that will be possible in the future –

'the potential for retaining huge quantities of communications and records suggest[s] opportunities which even the historian of the nineteenth century can never have' (Morris, 1993). Not only will users be expecting to use electronic records, but they will be expecting to use them via electronic delivery channels. Library catalogues have been mounted and searchable on the Internet for some time now, and many academics have been accustomed to searching for information in this way. Demand for a similar service for archives on the Internet already exists and can be expected to grow. In October 1995 the National Register of Archives in Britain became searchable via the Internet and by January 1996 their site had registered around 14 000 visitors.⁴ A sample of European banking historians was recently asked if they would like bank archive catalogues to be available via the Internet: 100 per cent of respondents replied positively. In contrast, a simultaneous survey carried out on bank archivists discovered that none of those questioned had placed any of their finding aids on the Internet and only one had plans to do so (Kinsey and Newton, 1997). In Britain, at the time of writing, only one bank archive, that of the Bank of England, has a page on the Internet. In Europe many banks have used historical information and illustrations from the archives to enhance their company's Internet pages, but very few actually have detailed information on the work and holdings of the archives on the Internet.⁵ However, the experience of North America, where use of the Internet is much more widespread and more accepted within business, suggests that this situation will change by the next century. Australian archivists have led the way in unifying information about all their archive repositories on one site, which contains links to each individual archive site, and these already include Australian bank archives. Perhaps the greatest advantage of the Internet will be the ease with which information, previously dispersed and time-consuming to collect, can now be gathered.

The ultimate progression of this trend is, of course, scanning either actual documents or transcripts of them into the computer and making them available via the Internet so that researchers can download at their end and study the documents at their leisure, without having to come to the archives in person. One historian has written recently of his vision of electronic archives 'which will allow us to download facsimiles of documents directly to the computers in our offices ... furthermore, archives will be able to change the texts: embedded interpretations or provenances will lie under specific words or phrases creating links with other documents, in the same or other archives' (Bradley, 1997). This has obvious advantages for the researcher in saving the time and money needed to travel to the archives – this is especially pertinent in the case of the archives of multinational and international companies which will