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Rainer Fremdling: Nachruf auf Richard H. Tilly

Abhandlungen

Friederike Sattler und Dieter Ziegler: Deutsche Banken auf dem Weg in die zweite Globalisierung / German Banks on the Way to the Second Globalization

Abstract: This article introduces the problematic situation of the great German banks and some non-German banks during the so-called second globalization since the 1970s. It formulates the questions that should be answered in the following contributions, each for a particular bank or group of banks. The most important overarching questions are firstly, to what extent banks were the driving force in the interconnectedness of cross-border money and capital flows and, secondly, to what extent they acted as triggers of the severe financial and/or sovereign debt crises during the last half century.

JEL-Codes: N 20, N 22, N 24, N 84

Keywords: Second Globalisation, Petrodollar recycling, debt crises, Zweite Globalisierung, Schuldenkrisen

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Christopher Kopper: Der Euromarkt und die Internationalisierung der deutschen Banken. Das Beispiel Luxemburg / The Euromarket and the Internationalization of German Banks. The Case of Luxembourg

Abstract: The tax exemption of interest revenues and the high level of professional secrecy were the unique selling points of Luxembourg for the German banking community. From the 1960s to the 1990s, they were the main causes for the rise of Luxembourg to one of the biggest euromarket places. The government of Luxembourg used these institutional factors to foster

and accelerate the economic transformation from an industrial to a post-industrial country. The German banks did not reduce or even discontinue their presence in Luxembourg after the end of tax exemption and strict banking secrecy. Instead, they specialized on syndicated loans, treasury functions and Private Wealth Management for wealthy clients.

JEL-Codes: G 21, G 28, N 24

Keywords: Auslandsbanken, Bundesrepublik Deutschland, Luxemburg, Euromarkt, Steuerfreiheit, Bankgeheimnis, Foreign banks, Federal Republic of Germany, Luxembourg, Euromarket, tax exemption, banking secrecy

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Matthias Kemmerer: A Lost Game of Bank Bargains: West Germany and International Banking Regulation between Bretton Woods and Basel I (1972–1988) / Ein verlorenes Spiel mit den Banken: Die Bundesrepublik und die internationale Bankenregulierung zwischen Bretton Woods und Basel I (1972–1988)

Abstract: Current theories of financial regulation suggest expanding rules-based formal state intervention to promote international banking stability. Such policy solutions should then be global in scope. This article instead argues that principles-based informal co- and self-regulation through domestic (gentlemen's) agreements underpinned West German bank internationalisation until the 1980s. The analytic narrative approach allows the tracing of the social dynamics of the German politics of regulation, drawing on unused primary sources: Coalitions between the German regulating and regulated actors were bolstered by a liberal domestic framework and bespoke national policies. In contrast, regulatory harmonisation through international prudential standards came with high domestic adjustment costs for the German banking sector. Thus, domestic makeshift solutions to deal with and internalise cross-border financial risks proved most workable.

JEL-Codes: G 15, G 18, G 21, G 28, L 51, M 48, N 24, N 40, N 44, N 84

Keywords: Euromarkets, financial regulation and supervision, Deutsche Bundesbank, German banks, global governance, financial trilemma, Euromärkte, Regulierung und Aufsicht, deutsche Banken, finanzielles Trilemma

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Alexander Nützenadel: Risk Management, Expectations and Global Finance. The Case of Deutsche Bank 1970–1990 / Risikomanagement, Erwartungen und globale Finanzen. Der Fall der Deutschen Bank 1970–1990

Abstract: What impact do past experiences have on the expectation formation of banks? This article analyses the risk management of Germany's largest bank during the 1970 and 1980s. In this period, financial deregulation and globalization increased the likelihood of credit defaults and forced banks to implement new strategies of risk assessment. The Herstatt failure of 1974 triggered a series of new regulations, partly based on initiatives of the banks themselves. After the sovereign debt crisis of the 1980s, banks introduced a comprehensive strategy of country-risk assessment. They systematically professionalized their information resources and integrated risk and liability management. Economic forecasting was often based on historical data used for the classification and diversification of risks. However, learning from past experiences had limitations, as recent events were often overrated. This had the effect that the banks' country risk assessment focused mainly on developing countries while the industrial world was not included in the schemes. This might explain why many banks have continually underestimated the financial risks present in developed countries since the 1990s.

JEL-Codes: F 65, G 15, G 17, G 32, N 2

Keywords: Risk management, financial markets, banks, expectations, historical experience, Risikomanagement, Finanzmärkte, Banken, Erwartungen, historische Erfahrungen

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Friederike Sattler: Neuer Aufbruch ins globale Bankgeschäft: Die Personal- und Steuerungsprobleme der Deutschen Bank beim Einstieg ins internationale Investmentbanking / New Ventures into Global Banking: Deutsche Bank's Staffing and Governance Problems when Entering International Investment Banking

Abstract: The article examines the genesis, perception and handling of the staffing and governance problems of Deutsche Bank, which stemmed from its entry into international

investment banking in the mid-1980s and which have remained virulent into the bank's recent past. Why was it not possible to prevent the blatant, extremely costly and permanently reputation-damaging breaches of rules by many investment bankers in this business area? An important explanatory factor seems to be the only half-hearted adherence to the concept of a global universal bank with integrated investment banking, while investment banking – which expanded strongly through the acquisitions of Morgan Grenfell (1989) and Bankers Trust (1998) – was de facto granted extensive autonomy within the group and a continuous but not precisely recorded transfer of resources by the parent company.

JEL-Codes: N 20, N 22, N 24, N 84

Keywords: Deutsche Bank, Investmentbanking, Alfred Herrhausen, Deutsche Bank Capital Markets, Morgan Grenfell, Bankers Trust, Vergütungssysteme, Personal- und Steuerungsprobleme, Investment Banking, Renumeration Systems, Staffing and Governance Problems

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Stephan Paul und Fabian Schmitz: Zwang zur Internationalisierung – Auf- und Ausbau des Investment Bankings der Commerzbank in den 1980er und 1990er Jahren / Compulsion to Internationalize – Development and Expansion of Commerzbank's Investment Banking in the 1980s and 1990s

Abstract: In the 1980s, Commerzbank was increasingly forced to become much more international if it wanted to be perceived as a relevant player in the field of investment banking, which was considered particularly attractive. This article focuses on the bank's initially cautious, then strongly accelerated turn toward this new field of business – especially in the form of asset management – and the opportunities it opened up as well as the resulting burdens.

JEL-Codes: N 24, F 21, G 21, G 24

Keywords: Investment Banking, Internationalisierung, Commerzbank, Privatbank, Asset Management, Wertpapiere, Bankengeschichte, Securities, Banking History

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Carlo Edoardo Altamura: Commercial Banking from Oil Crisis to Debt Crisis: The Case of Lloyds Bank / Geschäftsbanken von der Ölkrise zur Schuldenkrise: Der Fall der Lloyds Bank

Abstract: In January 1998, the British weekly *The Economist* called the British bank Lloyds a “money machine”. Such an outcome was far from inevitable for a bank that had been one of the hardest hit victims of the 1982 sovereign debt crisis, when most developing countries found themselves unable to repay debts accumulated over the course of the 1970s. Having overextended itself in the developing world, it took Lloyds more than a decade to return to profitability. This result was the consequence of a complete transformation of the bank’s business and management model. Branches and international loans were side-lined, as was the investment banking business, deciding to focus its activities on domestic banking. The article analyses the reasons behind the transformation of Lloyds Bank from a national bank to an international power in the 1970s and, therefore, the reverse process between the 1980s and 1990s following the sovereign debt crisis. Thanks to the examination of archival documents recently opened for consultation, the article sheds new light on various issues analysed from banking and business history, in particular on how risk is calculated, how innovative decisions are made in a context of crisis and on the role of managers in shaping and changing the culture of these institutions.

JEL-Codes: F 34, G 01, G 21

Keywords: Multinational banking, oil crisis, debt crisis, internationalization, Multinationale Banken, Ölkrise, Schuldenkrise, Internationalisierung

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Sebastian Alvarez: Latin American Banks and Euromarkets: A View on the Process of Early Bank Globalization from the Periphery / Lateinamerikanische Banken und Euromärkte: Ein Blick auf den Prozess der frühen Bankenglobalisierung aus der Peripherie

Abstract: Global banks and interconnected national banking sectors have been a main characteristic of the modern international financial systems over the last half century. After a sluggish wake up in the early postwar years, international banking took off in the 1970s as the Euromarkets gained traction and strongly developed in the lead up to the international debt crisis of 1982. This article examines the birth of bank globalization in Latin America, a region of the developing world at the centre of global finance and Euromarket developments during this period. It shows that, like their counterparts in industrial countries, leading banking institutions from the region also went international, expanding their presence overseas and their participation in the Euromarkets. The world leading financial centres of London and New York were the main destinations, but they also settled in offshore centres in the Caribbean and other US financial districts from where they conducted international business on their own or in collaboration with other banks. The presence in Germany along with the joint business between Latin American and German banks in the Euromarkets are explored as well. While assessing the extent and scope of early Latin American bank globalization for the first time, the article also provides insights on the evolution and changing nature of this process over the following period.

JEL-Codes: F 34, G 21, N 26, N 86

Keywords: bank globalization, financial integration, international banking, Euromarkets, Latin America, debt crisis, Bankenglobalisierung, Finanzintegration, internationales Bankwesen, Euromärkte, Lateinamerika, Schuldenkrise

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Fei He: From the Berlin Wall to the Great Wall: Payment Transactions and Financing of Business between West Germany and Communist China, 1949 to 1972 / Von der Berliner Mauer zur Großen Mauer: Zahlungsverkehr und Finanzierung von Geschäften zwischen der Bundesrepublik Deutschland und der Volksrepublik China 1949 bis 1972

Abstract: Over two decades from 1949 until the resumption of the diplomatic relations between these two countries in 1972, West German companies never gave up on the Chinese market despite substantial difficulties caused by Cold War frictions. This paper exams the payment transactions and terms of credits for financing industrial projects between the PRC and West German companies.

JEL-Codes: N 15, N 25, N 45

Keywords: Kalter Krieg, Wirtschaftsbeziehungen zur VR China, Bankengeschichte, Zahlungsbedingungen, Kreditaufnahme, Cold war, economic relations between PRC and FRG, banking history, terms of payment, business credit

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Yi Liu: Banking in Globalisation: Commerzbank in the New Economic Course of the People's Republic of China and the Role of Hong Kong / Banken in der Globalisierung: Die Commerzbank im neuen Wirtschaftskurs der Volksrepublik China und die Rolle Hongkongs

Abstract: Since the open-up policy at the end of the 1970s, China – the largest single market in Asia – received growing attention from foreign investors and banks. However, the fragile domestic market and undeveloped financial system in China did not allow a rapid inflow of foreign banks, given that the foreign banks could exert suppression on the domestic banks. As a result, it took several years for most foreign banks to gain a foothold in mainland China. This article demonstrates how Commerzbank – one of the German *Big Three* – entered the Chinese market in the 1980s by establishing a branch in Hong Kong and opening a representative office in Beijing. On the basis of archival evidence and other contemporary sources, the case of China provides one slice of the history of Commerzbank's expansion and illustrates how it coped with the surge of internationalisation in the 1980s.

JEL-Codes: N 20, N 24, N 25

Keywords: Globalisation, West German bank, Commerzbank, Bank of China, Hong Kong, People's Republic of China, Globalisierung, westdeutsche Banken, Volksrepublik China

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Forschungs- und Literaturberichte

Nancy Bodden: Lockvogelangebote und Rabattschlachten: Der Bierverkauf des Lebensmitteleinzelhandels in den 1970er und 1980er Jahren / Loss-Leader Offers and Discount Battles: Beer Sales in Food Retailing in the 1970s and 1980s

Abstract: Previously undiscovered market studies show that the sale of beer as a loss-leader offer was already used as a competitive tool in food retailing in the 1970s and became an important feature of aggressive competition among retailers in the 1980s. The article illustrates the specific assortment and pricing policies in beer retailing and makes clear that increasing beer sales at low dumping prices led to profit losses for the stores. This highlights another facet in the development of the West German mass consumer society and the structural change in food retailing: the hallmarks of the growth and concentration process were not only the procurement and financing advantages of the large retailers, but also loss-leader offers and price undercutting in certain product groups, of which beer was demonstrably one.

JEL-Codes: N 34, N 74

Keywords: Massenkongsumgesellschaft, Lockvogelangebote, Lebensmitteleinzelhandel, Preiswettbewerb, Brauindustrie, Konzentrationswettbewerb, Sortiments- und Preispolitik, mass consumption society, retail prices, retailing, price competition, concentration, brewing industry, loss-leader offers

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Avni Önder Hanedar: War, Risk, and Gold: The Turkish War of Independence and Ottoman Empire / Krieg, Risiko und Gold: Der Türkische Unabhängigkeitskrieg und das Osmanische Reich

Abstract: After the end of the First World War in November 1918, the Allies were involved in a military campaign in the Ottoman lands, leading to a national resistance by Turks that would end in 1923. It is relevant to provide actual information on the outcomes of the Turkish War of Independence, since it was a long-lived event that paved the way for further problems on the belligerents' economies. Using unique data for the value of the gold from 1919 to 1925 at the İstanbul bourse, our analysis complements the historical arguments as historians may find political risks difficult to quantify. We observe that in 1921 the Turkish victories created expectations on the part of traders that the war could end soon, as is manifested in exchange rate fluctuations. The Turkish economy would have experienced higher financial instability with the Allies' occupation and resistance in 1920, creating a lower chance to return the pre-war gold content of the belligerents' currencies.

JEL-Codes: G 1, N 25, N 45

Keywords: The First World War, the Turkish War of Independence, the occupation, the İstanbul bourse, foreign exchange trading, structural breaks, Erster Weltkrieg, Türkischer Unabhängigkeitskrieg, Istanbuler Börse, Devisenhandel, Strukturbrüche

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