



Panel report: Délinquance financière et réponses politiques (XIXe-XXe siècles)

Zurich, 5th June 2019, 5th Swiss Congress of Historical Sciences

Convener: Thibaud Giddey

Participants: Geoffroy Legentilhomme / Mikael Wendschlag / Thibaud Giddey

Comments by Isabelle Augsburger-Bucheli

Report by Martin Baur, University of Basel

After briefly presenting the contributors and their papers' titles, **THIBAUD GIDDEY** (Uppsala) explained the concept of white-collar crime. In 1939, Edwin Sutherland described this kind of crime as law breaking at the workplace by «respectable» persons of the upper classes of society. Persons of respectability and high social status were politically and financially more powerful and could escape arrest and conviction. If they were arrested, white-collar offenders were treated in a different way by the justice system. Even though white-collar crime was not a new phenomenon, the paradigmatic shift to study this type of crime started as late as in the 1970s. An analysis of historical cases allowed legal scholars and historians to examine recent trends from a more critical distance. Moreover, the study of white-collar crime could be seen as an interdisciplinary field of research. The three papers focused on different approaches like econometrics, legislative reforms and judicial changes. They had in common the focus on the revelation of fraud, crimes, and immoral business behaviour. The case studies revealed how different business practices changed over time and how a specific kind of delinquency was related to a broader context. The investigations also considered the points of view of the victims.

GEOFFROY LEGENTILHOMME (Geneva) presented an episode in the history of the London Stock Exchange. This was a financial scandal that burst at the height of the sovereign debt mania in 1875, and gave rise to a parliamentary inquiry, the «Select Committee on Loans to Foreign States». The purpose of this Committee was to inquire the suspicious methods used to issue sovereign securi-



ties on behalf of a few small Latin American countries, and the circumstances which led those countries to default on their debts. The conclusion of the report, published in July 1875, was scathing: «In order to induce the public to lend money upon a totally insufficient security, means have been resorted to which, in their nature and object, were flagrantly deceptive.» The paper depicted the episode and explained its origins. On the basis of a detailed study of the Honduras railway projects, it presented the exact nature of the manipulations involved. The presentation highlighted the necessity to understand the parliamentary enquiry with a view to its broader political context: a parliamentary desire to exert greater control over the private and autonomous body of the London Stock Exchange.

MIKAEL WENDSCHLAG (Uppsala) presented the Allmänna savings bank crash from 1929 as the most significant Swedish bank crash. It was caused by financial crimes and led to significant deposit and credibility losses as well as to bank runs and to the resignation of the finance minister. As a result both a stricter supervision and regulation were introduced. Wendschlag suggested that there have been historical «waves» of financial crimes, which can be approached by using the «fraud triangle» consisting of opportunity, financial motive and rationality. In the 1920s, there existed an intense competition for depositors and only weak controls of the savings banks in Sweden. At the same time, more and more workers were organised in unions and a building boom set in in Stockholm and its surroundings. The workers did not trust the commercial banks and therefore tried to establish a national savings bank mainly under the leadership of «the right guy» Gustav Svensson. But this first attempt failed in 1915 due to an act of law which prohibited the establishment of a nationwide savings bank. The second attempt in 1916 was more successful: a group of savings banks were established as well as a national savings bank in Stockholm. They were presented as the banks for the labour movement. In the following years several new banks were established. The bank statutes allowed the transfer of deposits from one bank to another, but the control was in the hands of Svensson and some of his friends in Stockholm. From 1920 to 1922, there was a major financial crisis leading to a slump in the real estate market, which in turn caused a legal reform in 1922. Non-residents were allowed to become members of the board of local savings banks. However, Svensson and his friends remained in control of eight banks, and breakout banks were burdened by old loans to the Svensson companies. In 1929, alarming reports led to secret investigations which found that crimes had been committed possibly already since the establishment of the



banks. It was decided to close eight banks and many persons were charged – among them Gustav Svensson, who was sentenced to 6.5 years of hard labour.

Thibaud Giddey analyzed the institutionalization of the fight against white-collar crime in Switzerland between 1970 and 1990. In this field of research, a shift occurred during the 1970s and 1980s, because economic crimes were becoming a growing social and political issue at that time. In the 1970s, there were increasing concerns at a global level which resulted in the establishment of economic crime as a novel field of research. Dealing with economic offences was difficult for police officers, prosecutors and judges. However, through steps of professionalization and specialization, new judicial responses to economic crime were introduced in Zurich and Geneva. In the presented case of the «Kredit- und Verwaltungsbank Zug (1947–1964)» and the «Hommel-Muñoz case (1965–1978)» senior bank officials were charged with several economic offenses, but the defendants used different legal methods to delay the judicial proceedings. The judiciary was unable to deal with the cases because of the poor information management on economic crime, lack of knowledge and the cantonal and federal authorities blaming each other. In the main financial centres of Zurich and Geneva, the justice systems were differently organized. In Zurich it was more clearly divided into different levels. In contrast, it was more centralized in Geneva. In Zurich, the lay jury was threatened to be abolished as the pressure from civil society was growing. Based on a cantonal popular petition, institutional changes were accepted by the cantonal parliament and the Zurich citizens in a vote in 1977. In Geneva, the staff turnover rate was high as junior prosecutors often left after only a few years in office. In the 1970s and 1980s, there was an increase of investigating judges specialized in financial crimes.

ISABELLE AUGSBURGER-BUCHELI (Neuchâtel) commented that all presentations had provided fresh insights in the topic and had demonstrated that white-collar crime caused many victims and involved many people from all over the world. The field was presented as rather complex and could be investigated from different disciplines. The criminals frequently used delay as a tactic to escape law suits, while judges tried to shorten the time between the crime and the trial. Further research could be directed to the measurements of crime and the different assessments of crime in the past and present.

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Panel overview:

Geoffroy Legentilhomme: The inception of value: Stock market manipulation in the London Stock Exchange (1860 -1875)

Mikael Wendschlag: The 1929 Allmänna savings bank crash and the financial crimes behind it

Thibaud Giddey: The institutionalization of the fight against white-collar crime in Switzerland, 1970-1990

This panel report is part of the infoclio.ch documentation on the 5th Swiss Congress of Historical Sciences: <https://www.infoclio.ch/node/151088>.