

Seppo Honkapohja: 1st hundred years of the Bank of Finland

Speech by Mr Seppo Honkapohja, Member of the Board of the Bank of Finland, at the Finnish Economic Association XXXVII Annual Meeting, Helsinki, 12 February 2015.

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The Bank of Finland was established in 1811, by an Imperial Decree of Emperor Alexander I. We are the fourth oldest central bank operating today. Only the Swedish Riksbank, the Bank of England, and Banque de France are older. The Bank of Finland is also more than 100 years older than Finland's political independence, which was achieved only in 1917.

In this speech I will tell you about the first hundred years of the Bank, including its old main building where we have this reception.

The first task of the Bank of Finland was to separate the Finnish financial system from Sweden by issuing (rouble- and kopeck-denominated) notes, and by granting credits to Finnish landowners and merchants. The Bank of Finland was originally established in the city of Turku, in the south-west of Finland, and moved to Helsinki, the new capital of the country, in 1819. Initially the Bank operated out of a house owned by Commercial Counselor Sederholm, and then moved to the Senate House. A purpose-built building was completed on Tallinmaki, Nikolai Street, in 1883. I will shortly tell you more about the main building.

Despite the efforts of the Bank of Finland, Swedish money remained widely used in Finland until 1840, when Finland went on the silver standard (following Russia), and the remaining Swedish paper money was withdrawn from circulation. After this milestone, the notes issued by the Bank of Finland became the dominant means of payment in the country and the circulation was effectively controlled by the Bank of Finland.

Finland obtained its own currency unit, the markka in 1860 – i.e. well before the country became independent. This happened in the aftermath of the Crimean war and the international financial crisis of 1857–58, when the rouble was seriously destabilized and went off the silver standard. In 1865, the head of the financial department of the Finnish senate, J.V. Snellman, obtained from Tsar Alexander II the permission to link the markka to the silver standard independently of the rouble and Finland's monetary system was thus effectively separated from Russia's.

Most European countries moved to the gold standard in the 1870s, and Finland followed suit in 1878. At that point, the gold content of the Finnish markka was defined so that it was exactly equivalent to the French franc. The exchange rate of the markka vis-à-vis the French franc was kept constant for 36 years, from the start in 1878 until the outbreak of the First World War. At the end of this war Finland declared her independence in December 1917, following the October revolution in Russia.

This was a very short version of the Bank's first century. Let me now tell you about the main building.

The Renaissance-style building was designed by German architect Ludwig Bohnstedt, who had also worked as Professor at the Russian Academy of Arts in St Petersburg. He was chosen as architect for the Bank's Head Office in Finland's first ever architectural competition, in 1876.

The cornerstone was laid in 1879. In accordance with tradition, a tin box was hidden beside the cornerstone, containing 10 and 20 markka gold coins, 1 and 2 markka silver coins as well as the history of the founding of the Bank of Finland, written on parchment.

The building was designed with a spacious upper hall, meeting rooms for the directors and other work amenities. Below ground, the bedrock was quarried to provide space for vaults and safety deposit boxes for secure storage. As a detail I may mention that the water closets

installed by the Bank in its Head Office were the first of their kind in Helsinki and aroused a great deal of attention.

In the great Helsinki bombing of February 1944, the Bank's building suffered a direct hit. The bomb destroyed a beautiful arched glass roof that was replaced with a solid one.

The next major renovation was undertaken in the 1960s. In connection with this renovation, a new extension was built onto the main building, design by the architect Harry W. Schreck. The extension itself has been renovated several times, most recently in the early 2000s.

Complete refurbishment of the Main Building was completed in the spring of 2006. The Old Banking Rooms, on the first floor, were refitted with meeting and entertainment facilities. The ground floor and elsewhere were equipped with modern plan offices.