

The life-cycle of the Andorran banking cluster, 1930-2007

El ciclo de vida del cluster bancario de Andorra, 1930-2007

Marc Galabert Macià
Universitat de Barcelona

Resumen

Este artículo explora los orígenes y el desarrollo del clúster bancario andorrano des de una perspectiva cuantitativa. Gracias a la incorporación de una nueva fuente documental –los datos financieros de Crèdit Andorrà entre 1957 y 1990– esta investigación estima por primera vez el total de depósitos mantenidos en sistema bancario andorrano entre 1931 y 2007. Esta nueva aportación permite analizar las distintas fases del desarrollo bancario del país, así como el papel de las distintas entidades en la configuración del clúster. A su vez, la ponderación de los depósitos bancarios a la economía del Principado posibilita un primer análisis del grado de especialización bancaria que alcanzó Andorra durante la segunda mitad del s. XX.

Palabras clave: Andorra, Clúster, Ciclo de vida, Centro Financiero Offshore.

Códigos JEL: E42, G21, L16, N84

Abstract

This paper focuses on the origins and development of the Andorran banking cluster from a quantitative perspective. Drawing on a new dataset –the financial figures of Crèdit Andorrà between 1957 and 1990– this research presents, for the first time, an estimate of the total deposits held by Andorran banks between 1931 and 2007. This new contribution enables the analysis of the cluster’s life-cycle as well as the role of the different firms in the cluster’s configuration. At the same time, the bank deposit to GDP ratio permits an explorative analysis of the banking specialization reached by Andorra during the second half of the 20th century.

Keywords: Andorra, Cluster, Life-Cycle, Offshore Financial Centre.

JEL Classification: E42, G21, L16, N84

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Marc Galabert Macià^ψ
Universitat de Barcelona

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1. Introduction

In May 2009 Andorra was removed from the tax haven blacklist compiled by the Organization for Economic Co-Operation and Development (OECD) after meeting the transparency and effective exchange of information standards (Granell, 2009, p. 59)¹. However, two years before, on the verge of the Great Recession, the Andorran banking system held within its accounts a deposit volume equivalent to 3.8 times the Andorran GDP. On the whole, the balance sheet managed by Andorran banks exceeded ten times

^ψ Universitat de Barcelona. Departament d'Història Econòmica, Institucions, Política i Economia Mundial. Facultat d'Economia i Empresa. Av. Diagonal 690, 08034 Barcelona (Spain).

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¹ Jurisdictions Committed to Improving Transparency and Establishing Effective Exchange of Information in Tax Matters. Available on: <http://www.oecd.org/countries/monaco/jurisdictionscommittedtoimprovingtransparencyandestablishingeffectiveexchangeofinformationintaxmatters.htm>

the country's GDP. Finance accounted for 20 percent of the Andorran economy.² Together with shopping and tourism, banking was one of the main economic activities during the 20th century (Lluelles, 1991; 2004; 2007). Nevertheless, banking only developed in Andorra in 1930. Considering the above figures, it is clear that during the 20th century the banking industry located in the Principality of Andorra experienced considerable growth which has benefited the national economy as a whole. Notwithstanding the importance of the rapid transformation, very little is known about such a development from a quantitative perspective.

Throughout its history, the Andorran banking system has operated without any monetary authority acting as a central bank, doing so with the free movement of currency, self-regulated banking secrecy —until 1995, when it was legislatively regulated— and without taxes. Only in 2005 following European Union (hereafter EU) directives, the Consell General, the unicameral parliament of Andorra, established a tax on savings income for EU clients. All these factors favoured the creation of a dynamic Offshore Financial Centre (OFC) that attracted mainly Spanish and French capital (Lluelles, 1991; Arasanz, 1986; IMF, 2007). However, self-regulation and confidentiality have historically limited the dissemination of data about the key figures of the sector. This has resulted in a lack of knowledge about the scope of the banking specialization of the Andorran economy.

With the intention to bring some light to this gap, this paper presents, for the first time, an estimate of the deposits collected by all the Andorran banks from their beginnings to the Great Recession. Deposit quantification permits to answer fourth relevant research questions regarding banking in Andorra. First. How much capital the Andorran banking cluster has attracted from its birth to the Great Recession? Second. What were the main driving forces behind development of the cluster? Third. How the firms in the cluster developed? Fourth: On the whole, what was the banking specialization of the Andorran economy?

This research is based on available sources of collection data in general and a new wellspring of banking data in particular: the annual reports of the largest Andorran bank —Crèdit Andorrà— collected from 1957 to 1990. This new data set allows for sufficient data to quantify the evolution of aggregate deposits in Andorran banking. The analysis concludes in 2007. Given the financial crisis that commenced the following year and that international pressure to eliminate bank secrecy continues to create significant changes in the sector, we save further analysis for future research.

Thus far, the study of Andorran banking has had small but valuable contributions. Such research has been based primarily on information from interviews with banking professionals, data for recent periods, or firms' commemorative books (Sogues, 1975; Arasanz, 1986; Lluelles, 1991; García, 2001; Gurdó, 2002; Sáez, 2004;

² Data from the Andorran Department of Statistics. (www.estadistica.ad)

Cabana, 2005). Therefore, the quantitative contribution presented in this article complements the body of work done to date and permits a long-term analysis to yield new findings.

The paper is organized as follows. The Andorran banking system is presented in section 2. In section 3 we present the estimate. This enables us to take a historical approach to economics to analyse the life-cycle dynamics experienced by the cluster. Our aim is to establish what would have been the main reasons for the emergence of a banking cluster with international projection in Andorra, and what constitute the main characteristics of its development stages regarding the Andorran economy. Finally, in section 4 we present an explorative analysis of the market structure evolution and deposit concentration to evaluate the role played by the various firms in the cluster's development.

2. Banking in Andorra

Historical background

Banking appeared in Andorra in 1930 with the establishment of Banc Agrícol i Comercial d'Andorra (hereafter Banc Agrícol) which benefited from exclusive banking rights.³ Its creation was linked to the recently established hydroelectric company (Lluelles 2004, pp. 51-64; Cabana, 2005, pp. 24-25). Four years later, the Catalan savings bank Caixa de Pensions per a la Vellesa i d'Estalvis de Catalunya i Balears (hereafter CVPE) was authorized to open a branch in the country limited to saving accounts.⁴

The outbreak of the Spanish Civil War in 1936 stimulated the flight of Spanish capital to Andorra and spurred the emergence of currency exchange businesses relying on the monies fleeing the conflict (Lluelles, 1991, p. 421). The currency exchange businesses addressed mainly the need of Spanish refugees on their way to France for French francs. In 1938, the rise of foreign exchange businesses forced the Consell General to pass laws against currency speculation to protect the national economy.⁵

Since 1939, the autarkic policy set up by the Spanish Francoist regime spread economic interventionism which triggered the development of multiple black markets

³ Decree of exclusive banking rights, 18 April 1929. (National Archive of Andorra).

⁴ La Caixa de Pensions per a la Vellesa i d'Estalvis de Catalunya i Balears was founded in Barcelona in 1904. In 1990, the firm merged with Caixa d'Estalvis i Mont de Pietat de Barcelona. The resulting savings bank was known as Caixa d'Estalvis i Pensions de Barcelona. In 2011, it became CaixaBank. An economic history of the institution can be found in Nadal & Sudrià (1981).

⁵ Minutes of the Consell General meeting of 22 March 1938. (National Archive of Andorra).

and tax fraud in Spain (Clavera et al., 1973; García-Delgado, 1985; 1987; Viñas et al., 1979; Catalan, 1993; 1995; 2003; Barciela, 1994; Díaz, 1994; Comín, 1994; García-Delgado & Jimenez, 2001). In regards to currency, the Spanish Foreign Currency Institute—in charge of external monetary policy since the end of the civil war—enforced exchange rates and monopolized currency management (Viñas et al., 1979; Serrano & Sanz, 1997; Martínez-Ruiz, 2000; 2003). In order to maintain a strong peseta, devaluation was excluded. The harsh economic post-war conditions and the need for key industrial inputs soon revealed that the peseta exchange rate was overvalued (Eguidazu, 1978; 1984; Viñas et al., 1979; Catalan, 1993; Serrano & Asensio, 1997; Aixalá, 1999; Serrano, 2000). The absence of effective adjustment mechanisms stimulated the emergence of currency black markets which operated at more realistic rates. One of the best-known peseta black markets was based in Tangier (Viñas et al., 1979; Ortínez, 1993; Serrano, 2000; Martínez-Ruiz 2000; 2003; Catalan, 2003; Martín-Aceña & Pons, 2005). Therefore, the existence of fiscal fraud in Spain and the possibility to profit from currency arbitrage would be the main reasons explaining Spanish capital flights to Andorra after the Spanish Civil War.

The neutrality of Andorra during World War II reinforced the attractiveness of the country to import fugitive capital. Benefits from impartiality did not limited to capital inflows. It also accounted for a significant boost to Andorran trade. Transportation of goods through France and Spain coupled with the absence of excise taxes, enabled the country to become an Economic Free Zone in which international imports were re-exported or smuggled to Andorra's two neighbouring markets (Lluelles, 1991, pp. 252-253). This scheme enabled the rise of powerful tourist and trade industries during the second half of the 20th century (Bricall et al., 1975; Lluelles, 1991; 2004; Comàs d'Argemir, 2002; Galabert, 2012).

The increase in commercial activities enabled the emergence of new wealth in the country. Nouveau riche industries took advantage of the currency free trade to increase their profits. Andorran traders resolved post-war monetary restrictions, already functioning in major European States, through the currency black market based in Tangier (Bertin, 1950, p. 27-28). The presence of currency exchange businesses in the country suggests that Andorra would have also acted as a free currency marketplace (Giralt, 1988; Galabert, *pending publication*). The relationship between local currency exchange and trade would have been the key antecedent events to develop a competitive banking cluster in the country. Those, would evidence the presence of spill-over effects arising from interconnected activities and specialized work as the cluster's initial driving forces.

In 1951, the Consell General eliminated the banking monopoly regulation and went on to establish the requirements that had to be met by any firms wishing to enter banking or foreign exchange. The key points of the new framework were the implementation of a tax-free regime for banking and a local capital protection

environment saying that all start-up capital must belong to Andorran citizens.⁶ Later foreign stakes were restricted to a third of the bank's share capital. The new regulation prevented against foreign dominated firms and spurred domestic competition.

Between 1951 and 1957 six new firms entered the banking business (Table 1). The establishment of entrants allowed the cluster to emerge. This emergence was mostly set up by spin-off firms (Galabert, 2014). In this regard, as a typical cluster characteristic, new competitors probably benefited from organizational learning and information from pioneer or former firms when starting up new banks.⁷

The opening of most of these firms coincided in time with the 1956 destabilization of the Spanish balance of payments and the depreciation of the peseta's exchange rate in the free market of Tangier (Pick, 1956; Serrano & Asensio, 1997; Aixalá, 1999; Serrano, 2000; Martín-Aceña & Pons, 2005; Martínez, 2000, 2003). As stated by the Instituto Español de Moneda Extranjera—the Spanish Foreign Currency Institute—the depreciation had an immediate effect in transferring pesetas to Andorra to be exchanged for hard currencies, (Viñas et al., 1979, p. 825). The establishment of most of these firms between 1956 and 1957 suggest that the demand for transferring funds to Andorra would have increased in that period. As a collateral effect, this expanded strawman firms which aimed to help foreign investors to enter the banking market through local trustees. As this was against the banking act passed in 1951, by the end of 1957 the Co-Princes of Andorra, both of whom function as the Heads of State, expressly prohibited any new authorization of additional banks until the profession of banker was regulated.⁸ Competition in the sector was thus limited to the existing firms.

The external convertibility of the major European currencies in 1958 did not harm the free currency competitive advantage of the cluster. As it has occurred against the U.S. dollar since 1945, convertibility only applied to current account movements. Private capital transactions outside the balance of trade were restricted to avoid speculative movements that could damage the stability of pegged exchange rates (Eichengreen, 2000, p. 163; 2007, p. 84). Non-established any legal tender signified the possibility of maintaining multicurrency accounts in the country's banks. Such accounts, along with self-regulated bank secrecy and the absence of any banking tax, constituted the cluster's competitive advantage. In this context, the cluster would have benefited from neighbouring economic or political instability to attract capital inflows. Likewise, high inflation situations or devaluation scenarios would have encouraged fugitive capital flights to Andorra (Lluelles, 1991, p. 425). The placement of these assets in hard currencies would have safeguarded capital inflows from

⁶ Banking Act, 20 July 1951 (Archive of the Consell General of Andorra).

⁷ For spin-off processes, see Klepper (1997).

⁸ Letter from the Chief Magistrates to the Consell General on 2 September 1957. (Archive of the Consell General of Andorra).

monetary turmoil until internal convertibility became widespread (Galabert, *pending publication*). After having met local demand for credit, the remaining funds were mainly transferred to the international market and placed into hard currency securities through foreign correspondent banks (Sogues, 1975, p. 316; Arasan, 1986, p. 99; Lluelles, 1991, p. 439; Cabana, 2005, p. 135). To that end, banks in Andorra acted mainly as universal banks providing all typical banking services (IMF, 2007, p. 12).

Financial regulation.

The Andorran financial industry has been barely supervised during the 20th century (IMF 2007, p. 9). Until 1989, financial regulation addressed mainly the banking business entry requirements. In that sense, we can distinguish three different regulations regarding business participation.

1. Decree of exclusive banking rights. 1929.

The Consell General acted to grant a banking concession to serve local population and immigrants working at the recently established hydroelectric company. The law established a monopolistic market. However, it also gave the entitled bank – Banc Agrícol – the possibility to renounce monopoly in favour of collecting taxes from other future established banks.⁹ In 1934, the Catalan savings bank CVPE opened a branch in the country.

2. Banking Act. 1951.

In 1949, a former shareholder from Banc Agrícol asked the Consell General for a banking licence (Cabana, 2005). After legal disputes between Banc Agrícol, the Consell General and the new applicant, local authorities resolved that the Decree of exclusive banking rights was against the country's general interest. In 1951, the Consell General passed a Banking Act to revoke the 1929 regulation.¹⁰ The new framework established a free tax regime in banking and opened the sector to competition. However, it prohibited foreign firms. To that end, foreign banking shareholdings were limited to a third of the share capital of local banks. This clause —intended to protect local capital from international competition— was also enforced for non-financial firms in the Limited Companies Act from 1940 (Lluelles, 1991, p. 320).¹¹

3. Establishment restriction. 1957.

As banking in Andorra was gaining density under Spanish capital flights and currency turmoil during the 1950s, foreign investors aimed to participate in the

⁹ Decree of exclusive banking rights, 18 April 1929. (National Archive of Andorra).

¹⁰ Banking Act, 20 July 1951. (Archive of the Consell General of Andorra).

¹¹ The fundamentals of the protectionist argument can be found in List (1841). Recently, Chang, has defended protectionist policies as an industrialization tool for developing economies in Chang (2002). Also, Krugman, supported protection in the presence of oligopoly and economies of scale in Krugman (1984, pp. 180-193).

business. In the face of high entry barriers to foreign capital, this incentivized local people to facilitate foreign banking investments through trustees. This strawman strategy, which perverted the local capital protection law was reported by the Co-princes which acted in 1957 to restrict since then new banking establishments in the country (Lluelles, 1991, p. 424).

In 1960, all the firms agreed to create the *Associació de Bancs Andorrans* (Andorran Banking Association), hereafter ABA. The new institution had the goal to encourage self-regulation, issue guidelines, defend its members' interests, and boost the corporate image of Andorra's Financial Centre. In 1989 the growing need for public-sector finance led the *Consell General* to lay groundwork for the regulation of the financial system by setting up the *Andorran National Institute of Finance* (whose Catalan acronym is INAF). The mission of the new regulatory body –the country's leading public institution in the financial sector– was to act as a central bank to manage public funds and the public debt. Following the path initiated by the public sector, the ABA signed an agreement in 1990 relating to due diligence measures on the part of Andorran banks and savings institutions. In the document, the maintenance of banking secrecy was self-regulated following the Basel Committee on Banking Regulations criteria on external oversight practices. The agreement aimed to protect Andorra against money laundering and capital of dubious origin.

With the adoption of the Constitution of Andorra in 1993, the country gradually implemented financial regulation. In 1995, the *Consell General* ratified the banking secrecy regulation.¹² In 1996 came into force the Solvency and Liquidity Law and the Capital Law. The later established a minimum capital ratio of 10 percent and a minimum liquidity ratio of 40 percent. The former imposed banks to have a minimum capitalization requirement of 5 thousand million PTA (5 US billion PTA or an equivalent 30 million EUR). In 1997 and 1998 the *Consell General* passed laws governing disciplinary regimes and strictness of professional financial duties (Disciplinary Law), minimum qualification requirements, the need for external audits (Bank Administration Law) and the requirements for the creation of new banking institutions (Creation Law). These new regulations extended foreign ownership in Andorran banks up to a 51 per cent. In 2000, it was approved the Law on International Criminal Cooperation and Combating Money or Valuables Laundering Resulting from International Crime and a common Chart of Accounts Decree which established accounting criteria, principles and definition for the Andorran banking system (IMF, 2002, pp. 11-12; Sansa, 2001, pp. 77-251).

¹² Banking secrecy protection and Money laundering prevention Act, 11 May 1995. (Official Journal of Andorra). Available on: <http://www.consellgeneral.ad/fitxers/documents/lleis-1989-2002/llei-de-proteccio-del-secret-bancari-i-de-prevencio-del-blanqueig-de-diner-o-valors-productes-del-crim.pdf>

Finally, in 2004 the EU in its effort to counter European OFCs grounded regulation on fiscal information exchange on non-resident incomes. However, those EU members holding banking secrecy —mainly Luxembourg, Austria and Belgium— were offered a transitory option —until 2010— to enforce a non-resident savings income tax retention instead of complying with EU regulation. The option was also offered and accepted by some non-EU OFCs in which Andorra is counted (Emerson, 2007, pp. 113). Therefore, since mid 2005 Andorran banks started to collect taxes on savings income gained by European Union account holders under the EU Directive 2003/48 (Granell, 2009, p. 60).

Participants.

Throughout its history, the Andorran banking industry has been clustered by nine local firms. Besides the establishment of Banc Agrícol in 1930 and CPVE in 1934, most of the Andorran banks date from the 1950s. As it has been stated above, in 1949 a former shareholder in Banc Agrícol asked authorisation to open his own bank. The new firm —authorized under the Banking Act from 1951— resulted in the creation of Crèdit Andorrà (Cabana, 2005, p. 51). In 1956 three new banks opened: Banca Mora, which was built from a former currency exchange office, Banca Reig owned by a family related to the country's tobacco industry, and Banca Coma, established by a merchant mainly dedicated to the import-export business (Gurdó, 2002; Cabana, 2005). One year later two more firms were set up. Banca Cassany and Banc Immobiliari i Mercantil. The former was established by a former moneychanger and benefited from technical assistance from the French bank Banque Nationale du Commerce et de l'Industrie, later known as the Banque Nationale de Paris (Cassany, 1999, p. 10; Lluelles, 1991, p. 423). For its part, Banc Immobiliari i Mercantil received foreign assistance from Banco Inmobiliario y Mercantil de Marruecos and Banque Marocaine pour l'expansion économique.¹³

The last bank to enter the Andorran banking market was also the first to leave it. In 1968, the Banc Immobiliari i Mercantil, previously renamed as Societat de Banca Andorrana (Sobanca), faced bankruptcy because of liquidity problems (Galabert, 2014, pp. 18-19). The collapse of the firm pushed the Andorran banking sector into a tight corner due to the country's lack of bankruptcy legislation. In response, the remaining firms stepped forward to honour Sobanca's obligations and liabilities in order to present a sound and reassuring image of the sector (Lluelles 1991, p. 423; 2004, p. 164).

¹³ “Inauguració d'un ‘banc immobiliari i mercantil’”, *L'independant*, 29 Aug. 1957, “En Andorra se abre un nuevo banco”, *Diario de Barcelona*, 1 Sept. 1957, “Apertura bancaria en Andorra”, *El Noticiero Universal*, 3 Sept. 1957. (National Archive of Andorra press clipping).

Table 1
The Andorran banking market

Year	Establishment	Partnerships
1930	Banc Agricol i Comercial d'Andorra	
1934	CPVE	Absorbed by Crèdit Andorrà in 2005
1949	Crèdit Andorrà	Rafael Termes (CEO of Banco Popular since 1967) Banque IndoSuez La Caixa d'Estalvis i Pensions de Barcelona
1956	Banca Reig	
1956	Banca Coma (Banc Internacional since 1970)	Banco de Bilbao Vizcaya Argentaria
1956	Banca Mora	
1957	Banca Cassany (Banca Privada d'Andorra since 1994)	Banque Nationale de Paris Caixa de Catalunya
1957	Banc Immobiliari i Mercantil (Sobanca since 1959)	Banco Inmobiliario y Mercantil de Marruecos Banque Marocaine pour l'expansion économique
1960	Creation of the Andorran Banking Association (ABA)	
1968	Sobanca's failure	
1973	BIBM (Banc Internacional and Banca Mora Merger)	
2000	Banc Sabadell d'Andorra	Owned 51 per cent by Banc Sabadell
2001	Andbank (Banc Agricol and Banca Reig merger)	

Source: Bank opening requests (Archive of the Consell General of Andorra) and National Archive of Andorra press clipping

Although facing high entry barriers, during the 1970s the Andorran financial centre attracted international banks. Foreign capital restrictions led those interested in the Andorran market to the sole option of joining domestic banks. The French Banque IndoSuez joined Crèdit Andorrà (Lluelles, 1991, p. 423). Likewise, one of the bank's early shareholders was the Catalan financier Rafael Termes, who became the CEO of the Spanish Banco Popular in 1967 (Serrano, 1998, p. 124; Tortella, Ortiz-Villajos and García-Ruiz, 2011, p. 168). In 1970, Banco de Bilbao (Banco Bilbao Vizcaya Argentaria since 1999) took a stake in Banca Coma, which was renamed as Banc Internacional. The firm acquired Banca Mora in 1973 to create the Banc Internacional-Banca Mora Group, hereafter BIBM (Gurdó, 2002). In 1986, Banque d'IndoSuez sold its participation in Crèdit Andorrà. It was acquired by La Caixa de Pensions de Barcelona (Lluelles, 1991, p. 434). Their partnership lasted until 2006, when the

Catalan firm totally withdrew from the Andorran market. Crèdit Andorrà bought back the stake after having absorbed the previous year the all the assets the Catalan branch had in the country since 1934. Also in 2006 Banco Bilbao Vizcaya Argentaria (hereafter BBVA) ended its collaboration with BIBM (IMF, 2007, p. 14). The withdrawal of La Caixa de Pensions de Barcelona and BBVA from the Andorran financial centre was suggested by the Spanish central bank which advised Spanish banks to not operate in offshore jurisdictions (Granell, 2009, p. 59). Concerning Banca Cassany, in which Banque Nationale de Paris had an early stake, in 1994 was replaced by Caixa de Catalunya. As a result, the Andorran bank was renamed as Banca Privada d'Andorra (hereafter BPA) (BPA, 2013, p. 20). The Catalan participation in BPA lasted until 2000.¹⁴ Its stake was mainly acquired by J. Henry Schroder Banque (Moskowitz, 2008). The new century brought the Andorran banking market two more movements. In 2000, the Catalan Banc Sabadell founded a firm in Andorra, Banc Sabadell d'Andorra in which the Catalan firm owned 51 per cent. One year later Banc Agrícola and Banca Reig merged to create Andbank (Cabana, 2005, p. 167).

3. Evolution of bank deposits as a life-cycle measure

Data and methods

Andorra's Department of Statistics (ADS) started publishing banking data for dates after 1989. Self-regulation and bank secrecy have limited the compilation of data for prior periods. When available, historical data comes mostly from interviews with banking professionals or commemorative books. In 1997 Banca Privada d'Andorra (BPA) started the tradition of publishing an annual socioeconomic yearbook. This publication collects accounting data from the various banks in the country. Additionally, since 2004 the Andorran Banking Association (ABA) distributes an annual publication that specializes in the country's financial system and presents a detailed analysis of the financial position of the sector.

This work brings together the available precedents and incorporates new documentary information, not available until now, from Crèdit Andorrà's annual reports between 1957 and 1990. Given that in the well-documented period of 1989–2007 Crèdit Andorrà served as the industry leader in terms of deposits, the inclusion of the new quantitative source of annual reports becomes crucial to explore the long-term development of Andorran banking. We ultimately present data for eight out of the nine banks that have historically operated in the Andorran market. Data for Banc Agrícola and Banca Reig until 2000 and for Andbank until 2004 comes from Cabana (2005). Data for Andbank between 2005 and 2007 comes from the Andorran Department of Statistics and the BPA socioeconomic yearbooks. Data for the BIBM group until 2002 comes from Gurdó (2002). Since 2003, data for the BIBM group comes from the

¹⁴ "Història d'un Banc" *Diari d'Andorra*, 24 May 2015.

Andorran Department of Statistics and the BPA socioeconomic yearbooks. Data for Crèdit Andorrà have been obtained from the firm's Annual Reports between 1957 and 1990. Since 1990 data for Crèdit Andorrà comes from the Andorran Department of Statistics and the BPA socioeconomic yearbooks. Data for Banca Cassany (Banca Privada d'Andorra since 1994) have been estimated with the available data from the Andorran Department of Statistics and the BPA socioeconomic yearbooks. Data for Banc Sabadell d'Andorra comes from the Andorran Department of Statistics and the BPA socioeconomic yearbooks. Finally, data for Banc Immobiliari i Mercantil d'Andorra (Societat de Banca Andorrana since 1959) have been estimated with the firm's liquidation balance sheet, consulted in the Archive of the Consell General of Andorra. It has not been possible to incorporate data from CPVE, active in the country from 1934 to 2005. Nevertheless, it is known that in 1959 the Catalan branch accumulated 39.6 million pesetas in deposits in Andorra (Nadal & Sudrià, 1981 p. 380). This represents 18.7 percent of the estimate presented here for 1959. By 1973, CPVE's market share in total deposits was estimated to be below four percent (Sogues, 1975, p. 317). As the Catalan branch was only dedicated to saving accounts, it is considered that this omission of data does not entail a significant loss of information in the overall sample.

Table 2
Data sources

Firm	Foundation	Data	Source	Estimates
Banc Agricol	1930	1931-2007	Cabana (2005) - BPA - ABA	-
Banca Reig	1956	1956-2007	Cabana (2005) - BPA - ABA	-
Crèdit Andorrà	1949	1957-2007	Annual reports - BPA - ABA	1949-1956
BIBM*	1956	1962-2007	Gurdó (2002) - BPA - ABA	1956-1961
Banca Cassany /BPA	1957	1989-2007	ADS - BPA - ABA	1957-1988
Sobanca**	1957	1968	Annual report	1957-1967
Banc Sabadell d'Andorra	2000	2000-2007	ADS - BPA - ABA	-
CPVE	1934	1959	Nadal y Sudrià (1981)	-
Andbank	2001	2001-2007	Cabana (2005) - BPA - ABA	-

Source: See text

* BIBM refers to Banc Internacional–Banca Mora. This bank is the result of the merger between Banca Coma and Banca Mora in 1973. Data from those companies have been obtained together.

** Sobanca began as Banc Immobiliari i Mercantil in 1957. In early 1959, it changed its name to Societat de Banca Andorrana, abbreviated as Sobanca.

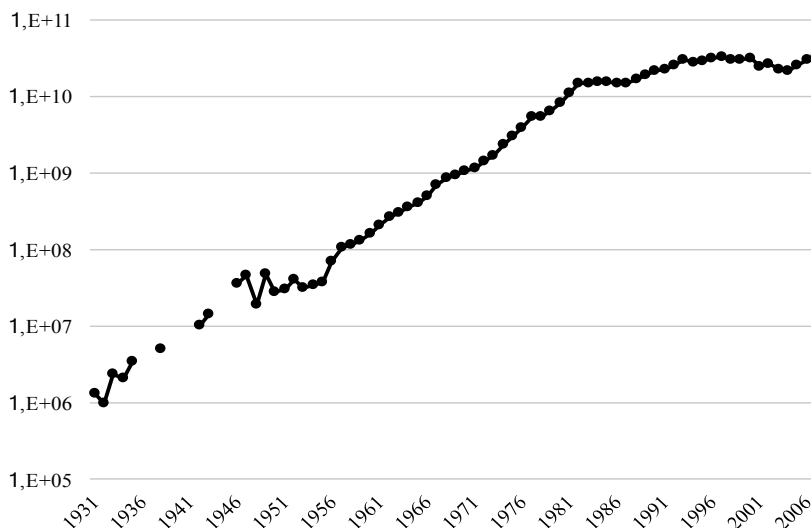
To calculate the estimate, it is assumed that banks, in any years without available data, achieved a growth in deposits equivalent to the average growth of all firms included in the calculation of the aggregate. This may not be the most reasonable

criterion at an individual level. However, it does provide valuable information on the general trend in the sector. In addition, most banks were set up as foreign exchange businesses (Lluelles, 1991, p. 164). As no assurance can be given that they accepted deposits beforehand, we assume that banks began to receive them in the year that they obtained their license. Even with these limitations, and knowing that first approaches to historical magnitudes are always subject to review, the series presented here estimates the total deposits received by Andorran banks from 1931 to 2007. This calculation enables for the first time the exploration of the quantitative evolution of one of the key sectors of the Andorran economy from its beginnings to the Great Recession of 2008. The data sources used in this research can be found in Table 2. Additionally, original data and estimates are available in the appendix.

Historically, Andorra has not had its own currency. Throughout the twentieth century, the country used the French franc and the Spanish peseta, although the latter was more widespread. Given that public budgets were prepared in pesetas, most salaries were paid in pesetas and bank deposit data is reported in pesetas; the use of said currency appears appropriate to explore the country’s banking evolution. Since 1999 the adoption of the euro as the European Union currency implied its use in Andorra. Thus, deposits made between 1999 and 2007 have been converted from euros to pesetas. The estimate is adjusted for inflation using the Spanish price index put forward by Maluquer de Motes (2005).

Figure 1

Estimation of Andorra’s bank deposits, 1931–2007 in constant pesetas from 1950



Source: Own preparation

Evolution

Between 1931 and 2007 deposits held by Andorran banks have multiplied by 25,237 in real values. This means an equivalent annual accumulative rate of 14.71 percent. The different annual growth rates by decades are presented in Table 3. As it can be seen, the main growth decades were 1931–1940 and 1970–1980. This seems consistent with the historical events as the former period includes the Spanish Civil War and the later embraces the oil crisis and the Spanish political transition to democracy. On the contrary, 1990–2000 and 2000–2007 are the decades were deposits showed the lower annual growth rates. Again, this would be congruent with history as it was in these periods were internal convertibility became widespread. Additionally, since 1998 the introduction of the European common currency reduced arbitrage opportunities.

Table 3
Bank deposit real cumulative annual growth rates by decades, 1931-2007

Decades	Annual growth rate	Decades	Annual growth rate
1931-1940	20.9	1970-1980	22.82
1940-1950	14.61	1980-1990	10.04
1950-1960	19.25	1990-2000	4.00
1960-1970	20.42	2000-2007	0.58

Source: Own preparation

Although dividing the series in decades yields interesting results about the bank deposit evolution in Andorra, it also may hide significant trend changes. Thus, the examination of the long-term inflections revealed in figure 1 would allow a more accurate analysis of the cluster's different life stages. Figures of this evolution are presented in table 4. According with the different inflections, the banking deposit evolution in Andorra underwent through four stages. This suggest that the banking industry in Andorra was subject to life-cycle effects. As much research on economic agglomeration suggest, industrial districts and clusters undergo different stages of development: from birth through emergence, take-off, maturity, and eventually decline or renaissance (Klepper, 2010; Wolter, 2003; Maskell & Kebir, 2005; Maggioni, 2005; Bergman, 2006; 2008; Menzel & Fornahl, 2007). However, these stages are not a necessary condition. Not all clusters take-off. Some of them fail to develop a sustainable competitive advantage. Additionally, not all phases are equal for every cluster. The life-cycle driving forces arise from different structural and dynamic components within the cluster (Popp & Wilson, 1998, p. 54). All these drivers are shaped by a given historical context which can hardly be reproduced in other cases. In our case, the historical approach to economics enables to identify the key factors we

believe have played a decisive role in shaping the life-cycle of the Andorran banking cluster.

Table 4
Real cumulative annual growth rates of bank deposits in Andorra

Period	Average annual Growth
1931-1947	24.9
1947-1957	8.9
1957-1982	21.7
1982-2007	3.3

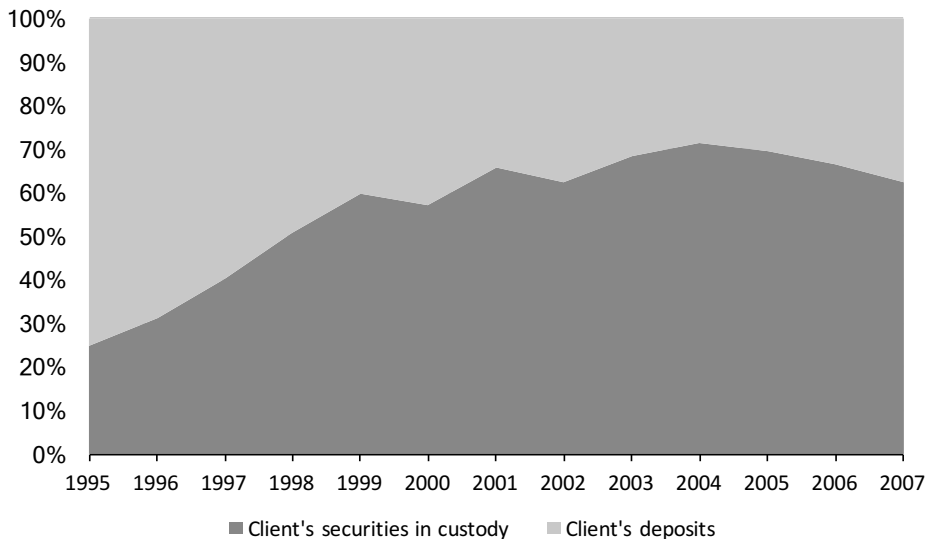
Source: Own preparation

Despite the missing data at the beginning of the sample (figure 1), from 1931 to 1947 we can appreciate that deposits grew at a rapid but erratic pace. To that end, the Spanish Civil War and World War II had a significant impact in attracting capital inflows to Andorra. This stage, shaped by the existence of currency exchange businesses and new established traders can be identified as the antecedent phase of the cluster where the different players started to interact in a shared business environment. Between 1947 and 1957 growth slackened significantly compared to the previous period. This stage would be showing the evaporation of the benefits from neutrality during the warlike years. However, it was also the phase where most banks were created. Therefore, we believe that this period embodies the cluster's emergence.

From 1957 onwards, one can observe a new stage of sustained growth which lasted for 25 years. In this stage, the cluster would have developed its main competitive advantages to expand. According to historical events, this was the time where the cluster set up the Andorran Banking Association as the main cluster's institution. Also in this period, international firms entered the cluster. As stated by professor Michael Porter, attraction of new participants is one of the main characteristics of cluster development (Porter, 1998, pp. 248-298). In the Andorran case, the attraction of new applicants in the presence of high entry barriers would stand as an evidence of the cluster's strength. During the 1970s, the Andorran banking cluster would have taken advantage of international economic and political instability. The collapse of the Bretton Woods system in 1971, the oil price shock in 1973, the subsequent stagflation crisis, and Spain's transition to democracy after Franco's death in 1975 probably strengthened the country's attractiveness as a safe haven. In the case of Spain, high tax evasion, rising inflation and the use of the peseta as an accommodative policy tool in the Spanish recession (1973–1984) served as major incentives to transfer capital to Andorra. In fact, from the first oil shock in 1973 to the Spanish Moncloa agreements in 1977, deposits in Andorran banks reached an average annual growth of 33.5 percent. The comparison of this rate to that from the whole 1957–1982 period suggests the high capital attraction capacity of the Andorran banking sector during episodes of economic turmoil.

Finally, the period 1982-2007 shows that the deposit growth rate eased back significantly with respect to previous periods. That seems to indicate that the forces that once fuelled the cluster's competitive advantage started to lose steam. If this was so, this would mean that the banking business in Andorra entered since early 1980s in a maturity stage. While this seems clear looking at the deposits growth rate, it is also true that this path hid a movement towards off-balance sheet operations (Sáez, 2004, p. 399; IMF, 2007, p. 6).

Figure 2
Distribution of resources in Andorran banks, 1995–2007



Source: Data for Client's securities in custody comes from Sáez (2004) between 1995 and 2003.

From 2004 onwards data comes from the Andorran Statistics Department. Deposit data comes from figure 1.

In that sense, figure 2 shows that between 1995 and 2007, deposits lost their top position to operations involving clients' securities in custody. While asset management accounted for roughly 22 percent of total funds in 1995, it was practically equal to deposits by 1998 and by the early years of the new century it stood solidly in the region of 60 percent. Thus, in the course of fifteen years, Andorra's banking model, which had emerged from the historical shock of the Spanish Civil War and World War II, had lost its majority position and turned the focus of its specialization towards private banking, wealth management, and off-balance-sheet operations.

Another important issue explaining the deceleration in the deposit growth rate at the end of the period may be related to the EU savings income tax enforced in 2005. The application of this new tax had an immediate effect in relocating bank deposits to non-taxed life insurance companies, mainly controlled by banks (Emerson, 2007, p. 68). The 2007 International Monetary Fund review of the Andorran financial system reported that life insurance gross premiums in 2005 multiplied by 28 regarding figures from previous years (IMF, 2007, p. 16-17). These two last evidences would suggest that rather than losing steam, the Andorran banking cluster was evolving towards new core activities.

Banking specialization

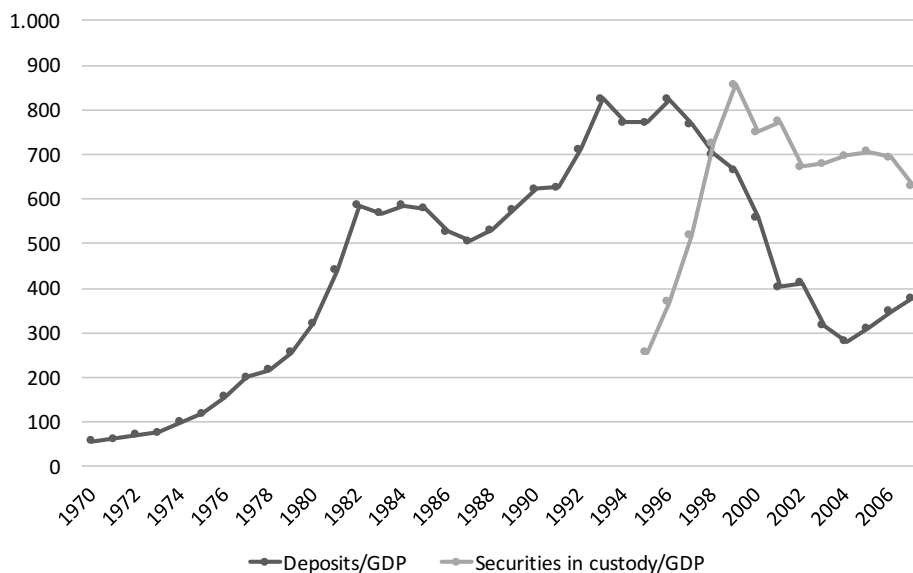
The historical contribution of the banking industry in Andorra is not easy to assess both from a domestic or international outlook. It is not until 2002 that Andorra introduced an official GDP estimate.¹⁵ Despite of that, the World Bank has its own estimation for the Andorran GDP starting in 1970.¹⁶ Before that date, it is not possible yet to analyse trends. To analyse the banking contribution to the Andorran economy, figure 3 plots the deposits to GDP ratio from 1970 to 2007. As the World Bank presents Andorran GDP data in U.S. dollars, deposit figures, prepared in pesetas in figure 1, have been transformed into U.S. dollars using the World Bank exchange rate data.¹⁷ According to this data, the Andorran economy experienced a significant banking specialization during the 1970s. While in 1970 bank deposits represented 58.25 percent of the Andorran economy, in 1982 the ratio reached 586.06 percent. This means that in less than two decades, bank deposits in Andorra went from representing half the economy to account for about six times the country's domestic product. Nevertheless, banking specialization in Andorra continued during the 1980s. Bank deposits to GDP achieved their maximum value in 1993 where they accounted for 824.91 per cent. From that date onwards, the ratio started to decrease to enter in 2004 in the region of the 280 per cent. Finally, in 2007 the figure hovered until 379.30 percent of the country's economy.

¹⁵ Andorran Department of Statistics. *Gross Domestic Product Methodology* (2014). Available on www.estadistica.ad

¹⁶ Global Financial Development Database. Available on <http://data.worldbank.org/data-catalog/global-financial-development> Data Code: NY.GDP.MKTP.CD

¹⁷ World Bank. Official exchange rate (LCU per US\$, period average) Data Code: PA.NUS.FCRF

Figure 3
Bank deposits to GDP and securities in custody to GDP in Andorra, 1970–2007
(in percentage)



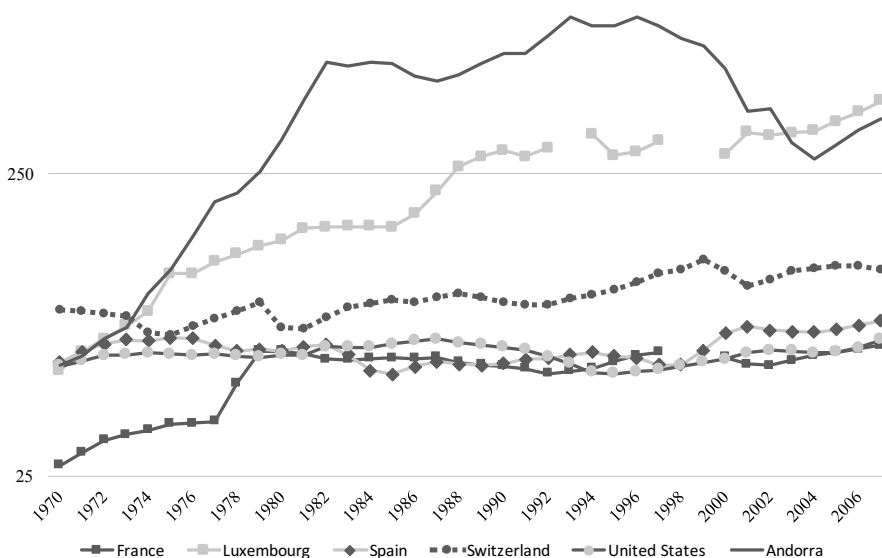
Source: Deposits data comes from figure 1. Securities in custody data comes from Sáez (2004) between 1995 and 2003. From 2004 onwards data comes from the Andorran Statistics Department. GDP data comes from the Global Financial Development Database. Available on <http://data.worldbank.org/data-catalog/global-financial-development> Data Code: NY.GDP.MKTP.CD

The inverted U-shape shown by the bank deposits to GDP ratio in Andorra could support different hypothesis. On the one hand, by only taking into account these figures, one could not deny that the observed falling trend since 1996 could respond to GDP growth in other industries. On the other hand, as it has been stated before, in the late 1990s the Andorran banking system started a significant shift towards off-balance sheet operations. This new banking orientation can be observed once again when comparing the importance of asset management operations to GDP (figure 3). While third-parties' securities in custody accounted for a 255 percent of the Andorran economy in 1995, they reached 857.62 percent only four years later. The fast substitution process from client's deposits to a more sophisticate custody investment portfolio could have obeyed to preventive movements to reallocate funds away from the coming EU savings income tax. Likewise, it could also have been a response to the low interest rates environment imposed by the coming of the European common currency. On the whole, the Andorran banking system experienced some mutation in its core activities during the last years of the 20th century. Nevertheless, the banking

specialization of the Andorran economy remained. Taking into account deposits and securities in custody, the banking business in Andorra in 2007 was ten times higher than GDP.

From an international point of view, the Andorran economy shows a historical specialization in attracting bank deposits. Figure 4 adds the evolution of bank deposits to GDP for some selected countries. The figure includes data for France and Spain as the Andorran neighbouring countries, the United States as the more developed economy in the world during the 20th century, and Luxembourg and Switzerland as the main OFCs in Europe. Data have been taken from the Global Financial Development Database (GFDD) prepared by Cihák, Demirgüç-Kunt, Feyen and Levine (2012) on the behalf of the World Bank.¹⁸ As data from other significant European OFCs, such as Liechtenstein, Monaco, Gibraltar or Isle of Man are not collected by the GFDD, there are therefore not included in the comparison.

Figure 4
Bank deposits to GDP in selected countries, 1970–2007 (in percentage)



Source: Andorran bank deposit data comes from figure 1. Andorran GDP data comes from the Global Financial Development Database. Available on <http://data.worldbank.org/data-catalog/global-financial-development>. Data Code: NY.GDP.MKTP.CD. Data for France, Spain, The United States, Luxembourg and Switzerland come from the Global Financial

¹⁸ The database is available on <http://data.worldbank.org/data-catalog/global-financial-development>
Data Code: GFDD.OI.02

Development Database. Available on <http://data.worldbank.org/data-catalog/global-financial-development>. Data Code: GFDD.OI.02

From a historical perspective, between 1970 and 2007, the bank deposits to GDP ratio in developed industrial countries like France, Spain or the United States, stood in the region of 60 percent. The comparison with the OFCs included in the sample reveals their capital inflow capacity. On average, Andorra, Switzerland and Luxembourg presented together a bank deposit to GDP ratio two times higher the volume of its economy. However, important differences are observed among the last three countries. While bank deposits over GDP in Andorra reached an average 443.08 percent, the same figure was halved in Luxembourg (226.36 percent) and accounted for 98,55 percent in Switzerland. This data shows the international specialization of Andorra in attracting bank deposits that, on the whole, represented an average of more than four times the country's economy. Nevertheless, this result has to be read with care. On the one hand, lower ratios do not necessarily imply lower bank deposit figures. Rather than this, they might be showing higher economic diversification. On the other hand, not all capital attracted by the two other OFCs had to be placed in deposits. Thus, at this moment, while we can affirm that the Andorran economy showed banking specialization during the second half of the 20th century, more data would be necessary to assess the historical volume of the Andorran OFC internationally.

4. Market structure and cluster typology

After having analysed the main developmental stages of the Andorran banking cluster, we will now focus on the market structure evolution in this section. Our main goal here is to use the previous deposit data to make an initial investigation into the role played by the various firms in the configuration of the cluster.

Scholars of industrial organization have drawn the conclusion that the geographical concentration of companies in districts or clusters fosters the appearance of competitive advantages. Alfred Marshall cultivated the roots of such an idea. While studying the British industry in the late 19th century, he observed that knowledge spillovers, subsidiary industries, and specialized labour composed the main advantages of concentration (Marshall, 1890, p. 271). However, literature on economic agglomeration still holds opposing views regarding company size in the creation of competitive advantage.

Proponents of small-scale businesses take inspiration from the development of neo-Marshallian districts in the so-called *Terza Italia*. During the stagflation crisis, authors like Giacomo Becattini, Sebastiano Brusco, and Fabio Sforzi observed that Italian geographically-concentrated industries shared two additional advantages to those proposed initially by Marshall (Brusco, 1982; Becattini, 1987; Sforzi, 2009). They stressed that a large number of small firms made the Marshallian district highly

dynamic and flexible and better able to adapt to demand and to manage the use of workforce. They also argued that the drawbacks of a small scale could be outweighed by the value of cooperation when creating business networks or local institutions that provide long term profits. On the other hand, some authors see a source of competitive advantage in the capabilities of large companies. This view underscores that the success of the U.S. and Germany during the Second Industrial Revolution exploited economies of scale generated by clusters in which large businesses were predominant (Chandler, 1977; Landes, 1988; Markusen, 1996). Along the same lines, tertiary clusters such as the high-tech industry in Silicon Valley or the film industry in Hollywood are led by large firms (Porter, 1998, p. 78). In light of economies of scale, large-scale defenders also emphasize firm strategy, organizational learning, management capabilities, and process improvement as major sources of internal economies in large companies.

Despite the many different approaches that can be used when analysing firm size, our perspective in this study is one of competitive advantage. Therefore, we will use deposit market share in the various Andorran banks to proxy their capital attraction capacity. If deposits are concentrated in only a few banks, we will conclude that the cluster was ruled by large companies. If deposits are equally distributed among all banks, we will consider that size did not matter in the cluster. In addition to analysing each firm's market share, we will also take into account the Gini coefficient to track cluster concentration on the long run. A Gini coefficient over 0.5 will be indicative of a hierarchical structure in the cluster. If the Gini coefficient goes below 0.5, we will identify a medium-sized company cluster. As competition in banking was restricted in 1957, we will plot the Gini coefficient from that date until 2007. This will allow us to analyse whether there have been significant changes in deposit concentration in the development of the Andorran banking cluster typology. It will then be possible to take a first look at the relationship between life-cycle stages and cluster configuration in Andorran banking.

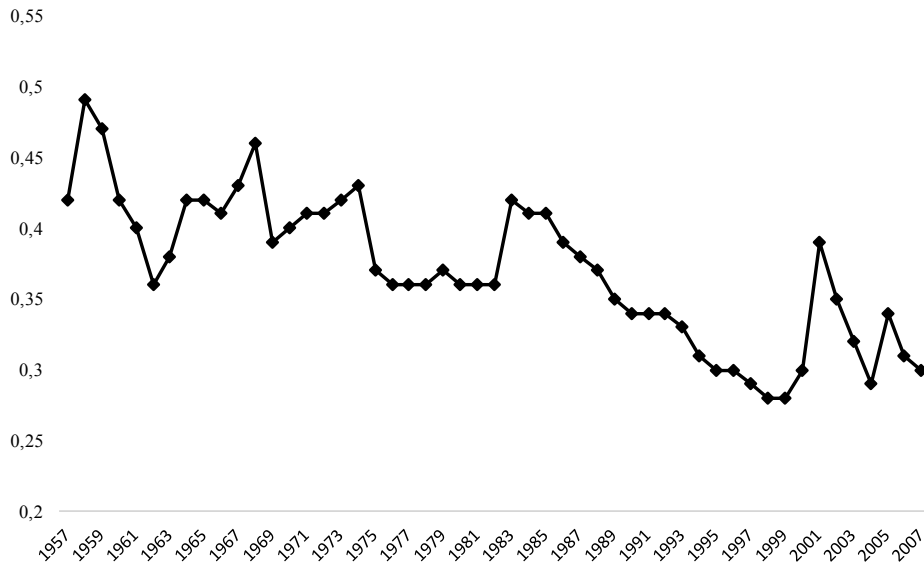
Table 5
Deposit market share in Andorran banks, 1957–2007 (in percentage)

Year	Banc Agrícola	Banca Reig	BIB M	Crédit Andorrà	Cassany - BPA	So banca	BSA	And bank
1957	30,6	7,7	17.8	36.2	5.2	2.6	-	-
1967	17,6	5,7	29.2	38.0	6.3	3.1	-	-
1977	25,8	1,5	33.6	32.6	6.5	-	-	-
1987	16,3	5,0	39.3	32.9	6.5	-	-	-
1997	18,0	15,5	26.6	35.5	4.4	-	-	-
2001	-	-	29.6	42.2	9.8	-	2.8	15.5
2007	-	-	26.2	36.1	12.4	-	5.4	20.0

Source: Own preparation

The market share analysis in Table 5 shows that between 1957 and 2007 the cluster resulted in two major banks (Crèdit Andorrà and BIBM), one medium-sized bank (Banc Agrícol, which has been Andbank since 2001), and two or three smaller ones (Banca Cassany, Banca Reig, Sobanca, and Banc Sabadell d'Andorra depending on the date). This suggests that the cluster was an oligopoly dominated by two banks that together accounted for an average 65.5 percent of all the attracted deposits. Nevertheless, the Gini coefficient reveals low inequality, and thus, low concentration among the Andorran banks. Throughout the period, we find Gini coefficients below 0.5, ranging from 0.49 in 1958 to 0.28 in 1999. One can observe the concentration effect arising from the Banc Agrícol and Banca Reig merger in 2001. That year the Gini Coefficient rose to 0.39 while the year before stood at 0.3. Similarly, one can observe a momentary concentration increase in 1968 during Sobanca's bail out. The Banc Internacional and Banca Mora merger to create the BIBM group in 1973, however, cannot be clearly observed. As commented above, this is because data from those banks were obtained together as data from the BIBM group. Regarding life-cycle stage differences, we observe a light concentration increase in 1983 that does not seem to affect the whole period concentration trend.

Figure 5
Evolution of the deposit concentration in Andorran banks, 1957–2007.
Gini Coefficient



Source: Own preparation

At first glance, the Gini coefficient seems contradictory to the market share analysis. However, we believe that this result should be related to the sample size. As the larger banks account for nearly half of the sample, the similitude among their market shares would be concealing the existing distance between big and small banks. If so, this would indicate that big firms were relevant in the cluster.

Two more interesting issues can be pointed out from this analysis. First, the bigger banks appear to have been Crèdit Andorrà and BIBM. This can be explained through foreign capital shareholding. In such a case, those banks would have benefited from the experience, skills, and managerial knowledge contributed by their foreign partners. Moreover, local banks may have also benefited from their partner's client base to attract capital to themselves. The domestic capital protection that led foreign partners to join local firms instead of competing with them would stand as a successful policy which empowered Andorran banks to grow sufficiently to compete in the international market. Finally, the observed differences in size may imply banking specialization among the firms in the cluster. However, more data and further research will be needed to answer this question.

5. Conclusions

The estimation of deposits presented in this paper shows that banking in Andorra experienced a significant growth during the period under consideration. Free movement of currencies, the absence of taxes, and bank secrecy seem to have been crucial in attracting capital from neighbouring countries.

The historical approach to bank deposit life-cycle reveals four different stages of development. The Spanish Civil War and World War II stimulated the creation of new currency exchange firms that handled capital seeking refuge in the country. Conflicts served to provide the initial perturbation for the appearance of a specialized industry in currency exchange in a banking monopoly environment. At the close of World War II, growth opportunities spurred the emergence of new wealth that encouraged the sector openness in 1951. Thus, a banking cluster emerged and benefited from Spanish autarkic restrictions to attract capital. However, the sector did not completely become receptive. Foreign stakes in Andorran banks were restricted to one third of the share capital in order to defend domestic capital from international competition.

In 1957, Andorra's banking cluster embarked on a period of growth. The free movement of currencies proved to be one of its main competitive advantages. In 1958, the convertibility of the leading currencies for business operations did not eliminate the possibility of transferring capital to Andorra and placing it into the international

market. The country's lack of its own currency exempted it from the regulation of the International Monetary System, which made current account convertibility widespread.

In the mid-eighties, the growth of third-party resources decelerated in light of the challenge posed by the gradual liberalization of international capital and Spain's entry into the European Economic Community. The maturity of the business model animated Andorra's banking firms to take a more active part in the management of their clients' wealth. The early 21st century witnessed the consolidation of private banking as the sector's core business.

The valuation of bank deposits to the country's GDP evidences that during the second half of the 20th century the Andorran economy experienced a remarkable banking specialization. While deposit attraction does not account for all capital inflows in OFCs, the Andorran figures would stand as an evidence that banking in Andorra become internationally competitive regarding the country's economy.

Between 1957 and 2007, the relative weight of each firm with respect to total deposits shows that the cluster, once formed, was dominated by two firms that held more than 60 percent of all deposits. This suggests that, in the case of Andorra, the advantages of geographical concentration would have enabled the emergence of internal economies in leading firms. Further work should take up this hypothesis as a starting point to explore the relationship between firm behaviour and market structure in the sector. The project would be valuable not only for economic history but also for policy design considerations with respect to answer how bank concentration and impediments to competition created a conduct-performance environment in the long run.

Consulted archives

Arxiu Nacional d'Andorra – National Archive of Andorra.

Arxiu del Consell General d'Andorra – Archive of the Consell General of Andorra.

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Appendix 1A
Deposits in the Andorran banking system by firm, 1931-2007. Nominal peseta

Year	Banc Agricol	Banca Reig	BIBM	Crèdit Andorrà
1931	252.000			
1932	186.000			
1933	438.000			
1934	405.000			
1935	665.000			
1936	n.a.			
1937	n.a.			
1938	1.228.000			
1939	n.a.			
1940	n.a.			
1941	n.a.			
1942	4.805.000			
1943	6.617.000			
1944	n.a.			
1945	n.a.			
1946	24.304.000			
1947	36.778.000			
1948	16.079.000			
1949	28.821.000			14.000.314*
1950	18.999.000			9.229.103*
1951	22.818.000			11.084.250*
1952	28.832.000			14.005.658*
1953	23.330.000			11.332.963*
1954	25.192.000			12.237.463*
1955	29.186.000			14.177.620*
1956	36.766.000	12.637.000	11.807.466*	23.998.388*
1957	44.518.000	11.197.000	25.895.021*	52.631.000
1958	50.964.000	4.555.000	31.695.146*	77.095.000
1959	52.913.000	11.062.000	37.851.147*	94.396.000
1960	82.312.000	21.704.000	48.406.237*	98.518.000
1961	100.157.000	37.240.000	61.678.552*	120.669.000
1962	134.188.000	50.520.000	105.000.000	149.617.000
1963	121.871.000	53.152.000	155.500.000	205.303.000
1964	148.282.000	46.178.000	200.100.000	286.704.000
1965	170.213.000	60.251.000	268.900.000	363.674.000

The life-cycle of the Andorran banking cluster 1930-2007

1966	221.226.000	83.125.000	362.200.000	454.154.000
1967	323.755.000	105.136.000	536.800.000	697.946.000
1968	434.453.000	93.668.000	657.300.000	993.582.000
1969	574.701.000	96.074.000	615.500.000	1.166.832.000
1970	676.192.000	122.958.000	749.100.000	1.432.228.000
1971	746.120.000	114.403.000	957.600.000	1.691.451.000
1972	1.044.361.000	162.104.000	1.283.900.000	2.280.309.000
1973	1.231.171.000	179.923.000	1.803.500.000	2.984.861.000
1974	1.608.668.000	176.457.000	4.222.600.000	3.856.045.000
1975	3.799.040.000	269.595.000	5.642.000.000	5.070.353.000
1976	6.318.674.000	351.087.000	8.301.500.000	7.667.713.000
1977	10.795.444.000	611.600.000	14.041.700.000	13.639.256.000
1978	13.149.666.000	883.744.000	17.307.700.000	16.514.369.873
1979	18.049.020.000	1.042.956.000	24.774.100.000	22.066.787.000
1980	27.214.354.000	2.114.675.000	37.251.600.000	29.848.749.899
1981	42.115.878.000	3.476.433.000	58.975.500.000	43.271.782.696
1982	63.880.804.000	6.098.855.000	92.118.400.000	64.305.054.737
1983	42.322.000.000	9.480.000.000	117.331.600.000	80.688.883.670
1984	50.278.000.000	12.253.000.000	134.961.600.000	93.111.896.924
1985	54.889.000.000	13.785.000.000	144.936.300.000	104.932.023.392
1986	55.593.000.000	16.287.000.000	145.899.700.000	114.552.280.002
1987	62.398.000.000	19.079.000.000	150.240.300.000	125.918.279.425
1988	74.333.000.000	24.054.000.000	171.967.100.000	146.992.254.503
1989	91.557.000.000	36.559.000.000	204.742.100.000	176.050.420.292
1990	110.437.000.000	55.497.000.000	241.238.100.000	207.006.598.166
1991	124.210.000.000	70.174.000.000	277.028.000.000	212.243.662.099
1992	148.539.000.000	91.649.000.000	327.193.000.000	268.841.216.045
1993	182.899.000.000	116.484.000.000	386.600.000.000	318.995.826.543
1994	183.119.000.000	128.573.000.000	337.984.000.000	351.005.398.163
1995	204.390.000.000	134.158.000.000	388.131.000.000	346.266.645.018
1996	221.038.000.000	180.000.000.000	379.828.000.000	434.788.278.129
1997	239.117.000.000	206.000.000.000	353.566.000.000	472.566.976.486
1998	222.542.000.000	231.500.000.000	289.749.000.000	465.471.272.474
1999	184.189.000.000	277.500.000.000	303.574.000.000	451.552.306.552
2000	166.837.000.000	301.590.000.000	310.799.000.000	545.355.986.359
2001			327.407.500.000	467.064.223.753
2002			396.669.548.352	437.856.722.153
2003			342.067.153.890	389.517.752.292
2004			318.433.520.064	358.281.802.362

2005	356.712.449.610	523.447.194.666
2006	456.059.533.578	578.334.608.346
2007	483.528.364.704	666.697.054.980

Sources:

Data for Banc Agricol and Banca Reig until 2000 and for Andbank until 2004 comes from Cabana (2005). Data for Andbank between 2005 and 2007 comes from the Andorran Department of Statistics and the BPA socioeconomic yearbooks.

Data for the BIBM group until 2002 comes from Gurdó (2002). Since 2003, data for the BIBM group comes from the Andorran Department of Statistics and the BPA socioeconomic yearbooks.

Data for Crèdit Andorrà have been obtained from the firm's Annual Reports between 1957 and 1990. Since 1990 data for Crèdit Andorrà comes from the Andorran Department of Statistics and the BPA socioeconomic yearbooks.

(*) Estimated values

n.a. = Not available

Appendix 1B
Deposits in the Andorran banking system by firm, 1931-2007. Nominal peseta

	Cassany-BPA	Banc Sabadell d'And	Andbank	Mercantil- Sobanca	Aggregate
1931					252.000
1932					186.000
1933					438.000
1934					405.000
1935					665.000
1936					n.a.
1937					n.a.
1938					1.228.000
1939					n.a.
1940					n.a.
1941					n.a.
1942					4.805.000
1943					6.617.000
1944					n.a.
1945					n.a.
1946					24.304.000
1947					36.778.000
1948					16.079.000

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The life-cycle of the Andorran banking cluster 1930-2007

1949			42.821.314
1950			28.228.103
1951			33.902.250
1952			42.837.658
1953			34.662.963
1954			37.429.463
1955			43.363.620
1956			85.208.854
1957	7.542.852*	3.712.024*	145.495.897
1958	9.232.347*	4.543.466*	178.084.958
1959	11.025.502*	5.425.922*	212.673.571
1960	14.100.050*	6.938.983*	271.979.270
1961	17.966.088*	8.841.555*	346.552.195
1962	30.585.011*	15.051.639*	484.961.650
1963	37.303.236*	18.357.843*	591.487.079
1964	47.428.366*	23.340.669*	752.033.036
1965	60.083.143*	29.568.397*	952.689.540
1966	78.021.453*	38.396.282*	1.237.122.735
1967	115.819.396*	56.997.583*	1.836.453.978
1968	151.698.244*	74.654.449	2.405.355.693
1969	170.780.868*		2.623.887.868
1970	207.495.482*		3.187.973.482
1971	244.330.188*		3.753.904.188
1972	332.125.686*		5.102.799.686
1973	431.594.833*		6.631.049.833
1974	686.697.808*		10.550.467.808
1975	1.029.025.623*		15.810.013.623
1976	1.576.084.380*		24.215.058.380
1977	2.721.235.788*		41.809.235.788
1978	3.331.611.863*		51.187.091.736
1979	4.590.126.546*		70.522.989.546
1980	6.713.238.767*		103.142.617.666
1981	10.292.324.839*		158.131.918.535
1982	15.761.774.859*		242.164.888.596
1983	17.392.188.992*		267.214.672.662
1984	20.231.358.916*		310.835.855.840
1985	22.176.339.811*		340.718.663.203
1986	23.136.350.737*		355.468.330.739
1987	24.897.941.515*		382.533.520.940

1988	29.054.897.565*			446.401.252.068
1989	35.429.289.768			544.337.810.060
1990	39.634.865.631			653.813.563.797
1991	39.117.544.935			722.773.207.034
1992	44.114.838.631			880.337.054.675
1993	53.247.345.214			1.058.226.171.757
1994	50.385.033.478			1.051.066.431.641
1995	63.101.055.242			1.136.046.700.260
1996	60.845.398.509			1.276.499.676.639
1997	58.253.931.567			1.329.503.908.053
1998	60.030.529.730			1.269.292.802.204
1999	62.245.887.774			1.279.061.194.325
2000	91.276.953.658			1.415.858.940.018
2001	108.938.072.166	31.209.354.792	171.488.080.270	1.106.107.230.981
2002	109.344.719.550	44.463.663.552	250.328.402.544	1.238.663.056.151
2003	120.100.409.748	53.035.204.728	201.020.077.830	1.105.740.598.488
2004	122.304.525.090	58.580.350.950	239.688.683.388	1.097.288.881.854
2005	130.402.864.482	67.817.269.740	276.055.671.408	1.354.435.449.906
2006	190.108.151.178	81.041.961.792	323.204.305.842	1.628.748.560.736
2007	228.596.061.540	100.078.683.210	368.724.021.336	1.847.624.185.770

Data for Banca Cassany (Banca Privada d'Andorra since 1994) have been estimated with the available data from the Andorran Department of Statistics and the BPA socioeconomic yearbooks.

Data for Banc Sabadell d'Andorra comes from the Andorran Department of Statistics and the BPA socioeconomic yearbooks.

Data for Banc Immobiliari i Mercantil d'Andorra (Societat de Banca Andorrana since 1959) have been estimated with the firm's liquidation balance sheet, consulted in the Archive of the Consell General of Andorra.

(*) Estimated values

n.a. = Not available