

**Bender, Klaus W.: MONEYMAKERS. The Secret World of Banknote Printing, about 300 pages, tables, footnotes, index and list of reference sources. Wiley-VCH (Germany), ISBN 3-527-50236-X**

We have banknotes, these precious pieces of paper, in our hands daily. Modern life would, in fact, be unthinkable without them. Nevertheless, the general public is kept quite in the dark about *how* they are made or *who* makes them.. Such secrecy is regularly justified as being a consequence of the intense security surrounding the production of this very special product. It is, however, also the result of the highly politicized structure of the market in which central banks, as well as state and private banknote printers, operate. In an open society the obsession with secrecy is out of place, since banknote printing involves the massive use - and often waste - of public funds.

“*Moneymakers*” by offering a detailed view of the banknote industry and its *modus operandi*, removes the industry’s carefully imposed shroud of secrecy. The only previous attempt to reveal this story was published in 1983 by an American author, Terry Bloom, (“The Brotherhood of Money. The Secret World of Banknote Printers”). The entire edition of that book was bought up - straight from the printing presses - by two prominent representatives of the industry to prevent the public from getting an inside view of the business. Bloom’s book is impossible to find today. Now the curtain is lifting on this secretive industry:

The product of five years of careful, painstaking research in Europe, the USA, Asia and Latin America, “*Moneymakers*” is based essentially on interviews and confidential material normally not accessible to outsiders. Industry representatives attempted, of course, to impede this research, and many sources spoke under condition of strict confidentiality for fear of reprisals. Therefore, the author refrains, as a rule, from verbatim quotes and, as far as possible, has confirmed every piece of information by two independent sources.

The author is an economist and journalist with 36 years experience as a foreign correspondent for the "Frankfurter Allgemeine Zeitung" (FAZ), for which he covered East Asia (Tokyo), the Mediterranean basin (Rome), and the Eastern European countries in transition (Vienna). His investigation of

the banknote industry and its problems were, since the early 1990s, spurred by the discussions preceding the development of the Euro. As a result of these investigations, in 2000 he discovered and broke the story of the misprinting of more than 300 million 100-Euro-bills by the officially appointed private printer in Germany (Giesecke & Devrient). The story created a major scandal and received extensive media coverage. Additionally, he broke the story of the unfolding economic difficulties of the Bundesdruckerei in Berlin, the then highly respected state printing plant issuing DM-bills, as it was about to be privatised.

*"Moneymakers"* consists of 12 chapters subdivided in five main themes. The introductory chapter outlines the history of money, with emphasis on paper money, invented by the Chinese about 1.300 years ago. Special attention is given to the distinctly different role that paper money played in its early years in Europe and in the United States. A financial scandal in France at the beginning of the 18<sup>th</sup> C. discredited paper money for more than a century throughout Europe while in America the colonists made widely use of paper money, even financing their revolution by issuing huge amounts of dollar bills.

The second section (Moneymakers I) explains the peculiarities of the banknote business as an almost closed market where a limited number of suppliers face an equally limited number of buyers. Yet, central banks demand absolute exclusivity for all materials used in banknote production, including machinery. Highly subsidized state printing works (SPW) dominate the market place. The few commercial printing works (CPW), on the other hand, enjoy a technological edge. The institutional culture of secrecy surrounding this scene has served, as would be expected, to mask business arrangements hardly in the public interest and practices of rather questionable ethical standards. The dynamics of this situation are shown through the history of Gualtiero Giori, a machinery engineer, and his "Giori System". Giori, with the help of the German machinery firm of Koenig & Bauer, convinced central banks to build expensive but frequently superfluous printing works. Moreover, additional material shows how Gori managed to thwart a Japanese attempt to copy his machines, successfully preserving his 95 percent share of the world market for banknote printing machinery. Further chronicling the dirty tricks of the banknote trade, this chapter tells the story of the private British

banknote printer who, fearing the loss of the Egyptian customer, informed the Egyptian secret service that the securities printing machinery Egypt was about to order from Giori would be of “Jewish origin”.

In the banknote business, firms holding monopolies on materials can practically hold central banks for ransom. Albert Amon, a close friend of Giori, for example, produces special inks for banknote printing. His company, called Sicpa, enjoys a *de facto* monopoly of the world market for these exclusive inks and can ask almost any price for its product. Its innovative colour-shifting ink (OVI) - which is used in both dollar and euro-printing - costs up to 2.500 Swiss Francs per kilogram. Despite their exorbitant pricing, Amon’s two sons managed to get their father’s company into very serious difficulties.

No doubt, Giori’s and Amon’s companies have revolutionized world banknote printing; both became monopolies in their respective line of business. However, the two owners had a keen interest in keeping their success a secret: It was they who bought up Bloom’s book.

The third section (Moneymakers II) describes the varied fate of today’s four leading European private banknote printers: The publicly listed British paper-maker and high-security printer, De La Rue plc, long ruled the world market for banknotes. However, a sequence of management mistakes committed by rapidly changing CEOs has reduced this once proud company to a shadow of its former self. Not even efforts to strike secret deals with markets and/or prices could avert that fate. For example, after the fall of the Berlin Wall, Poland destroyed a complete issue of perfectly printed new banknotes (costing about 18 million euro) simply because De La Rue claimed the notes made by their German competitor (G&D) were “no good” . De La Rue then reprinted the whole series of banknotes for Poland – but soon lost the contract because of too many misprints.

Quite different is the story of the family owned German paper-maker and high security printer, Giesecke & Devrient, which was almost completely destroyed during WW II. Under its charismatic and aggressive owner, Siegfried Otto, it became the only fully vertically integrated, high security company in the world, covering everything from paper to printing, to banknote inspection systems and shredders for used

banknotes. However, Otto's cupidity - plus that of his two sons who, because of their own tendencies toward greed, in the end were disinherited by their father - threw his company into a deep crisis still affecting the operations of the company today.

Market entry into the profitable banknote business may be difficult but French entrepreneur Jean-Pierre Savare shows that it can be done with entrepreneurial courage – and a little bit of help from important political friends. Thus, even as a latecomer to the industry, Francois Charles Overthur Fiduciaire, met with initial success. The banks, however, have a strong say in this companies operations, and, in addition, the "change of the guard" from father to children is proving painful.

But, even in an industry with a "licence to print money" unreasonable expectations and lack of judgement can lead to doom and failure. The section "Money Losers", therefore, deals with the less successful in this lucrative business. Here for the first time the story of the privatization of Bundesdruckerei in Berlin, the former federal banknote printing works, is publicly told. Complete lack of strategy, in combination with greed, led to the loss of thousands of jobs and near ruin. Likewise, the two owners of Ciccone Calcografica, a printing plant in Argentina, dreamt of banknote printing as a source of high and continuous profits. The firm's highly leveraged expansion into high security printing drove it into the arms of a gang of international Mafiosi. The Ciccone brothers came to print "genuine fake" banknotes for Zaire and Bahrain as a result of two sting operations, which smell of the Belgian and French secret services.

The fifth and final section (Money Jitters) uses the concrete example of the euro and describes not only the politically, but also technically painful paths toward a true common currency. Despite the fact that the (private) banknote printing industry is European, the printing of the euro-bills was a rather economically wasteful undertaking, marred by technical failures. The cumbersome decision making process and the involvement of too many paper suppliers and printing works - public as well as private – not only pushed up the production cost, but also dangerously lowered the quality of the new notes. The ever-increasing problems with false euro-bills find their roots in the genesis of the common currency.

It is in this chapter also, that, based on secret information, for the first time the rather disquieting circumstances surrounding the so-called “supernotes”, the phony 100 dollar bills are described. The current U.S. Administration is blaming the rogue government of North Korea for counterfeiting these bills. Analyses in specialized laboratories show, however, that these phony dollar-notes are of such outstanding print quality, that Pyongyang can hardly do them on their antiquated printing machines, even if these are of Giori make. In addition, all materials used for printing the phony bills are the same as those used for the real dollar bills printed by the Fed’s Bureau of Engraving and Printing. These materials are impossible to obtain on the open market. These facts, plus circumstantial evidence, have lead several experts in the field to conclude, that the “supernotes” may well be printed by the CIA itself and used to finance its clandestine operations abroad.

During the last two decades various types of state owned companies, from public transport to state prisons, have been transferred to private ownership in order to make them more competitive. Banknote printing was excluded. Now, the introduction of the common European currency and the subsidised expansion of printing capacities of the state printing works has swelled the already existing over-capacities in the industry even further. In the particular instance of banknote printing the euro, rather than furthering the market forces, opens the back door to disintegration of Europe’s private high security printing industry, even to its re-nationalization. The concluding judgement of “*Moneymakers*” is that at least in terms of banknote printing, the euro must be considered a “work in progress.”

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