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The niche in the universal banking system: the role and significance of private bankers within German industry, 1900–1933[1]

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Despite several crises and the considerable criticism they provoked, the history of the German universal banking system has come to be regarded as a 'success story'. The universal banks' triumphal march and their present dominance within the German financial sector cannot be denied. Yet, the very achievements of the three German 'great' banks may be responsible for most historical studies having focused on the development of universal banking. Such an approach automatically downplays the importance of other German banks, that is of institutions which also substantially contributed to German industrial development and the financial sector's capability.[2]

Modern historical research has badly neglected private bankers. Although attention has been paid to major nineteenth-century private bankers, the role and significance of their twentieth-century counterparts has hardly been taken into account. Their omission from scholarly consideration may be a result of merely glancing at the statistics of the quantitative development of private banking from the end of the *Kaiserreich* to the Federal Republic, which could suggest that the importance of this type of bank declined considerably. Whereas the waning of the private bankers' formerly dominant position cannot and shall not be controverted, recent studies of individual private bankers and empirical research into the relationship between banks and industry make it clear that a hasty review of the statistics overstates this loss of importance and, furthermore, does not take into account private bankers' actual influence in industry.

This study attempts to outline the role and function of private bankers[3] in

[1] The authors would like to thank the Thyssen-Stiftung for financial assistance.

[2] See most recently on this topic D. Ziegler, 'The origins of the "Macmillan Gap": comparing Britain and Germany in the early twentieth century', in P. L. Cottrell et al. (eds), *Finance and Industry in the Age of the Corporate Economy: Britain and Japan* (Leicester, forthcoming 1994).

[3] As opposed to Daems and Chandler, who have defined 'private business' not by its legal status in terms of a partnership, but as an 'owner-operated' (in contrast to a management-operated) enterprise: A. D. Chandler and H. Daems, 'Introduction', in H. Daems and H. van der Wee (eds), *The Rise of Managerial Capitalism* (The Hague, 1974), pp. 5–6). *Kommanditisten* have not been included in the sample of private bankers, although, like private bankers, they did not enjoy the privilege of

German industry from 1900, that is from the last decades of the *Kaiserreich*, until the Nazi Party's coming to power in 1933. Whilst starting with a quantitative analysis of the personal links between industrial companies and banks constituted by members of supervisory boards, necessary qualitative aspects of the changes in significance and function of the private bankers within German industry are also presented. These twin approaches permit first, a clarification of private bankers' significance in German industrial development during the early twentieth century, and second, the development of a novel explanation about whether, and to what extent, private bankers succeeded in establishing a niche in the universal banking system through adapting to new demands, which enabled them to retain a significant role in German credit business.

I

If there is credence in the Gerschenkronian assumption that the German banks were indispensable for mobilising funds needed for an industrialisation involving a leading sector more capital-intensive than those of the pioneering industrial economies, then it was not the universal bank that deserves the praise but the private banker. During the early nineteenth century the precise roles and functions performed by such houses were related to the general economic characteristics of the particular towns and cities where each operated. In Hamburg they developed as merchant bankers, in Frankfurt they came to specialise in issuing and trading state loans, whilst exchange dealing, commodity transactions and trade finance proved to be their forte at other commercial and financial centres. Early railway development, seriously impeded by almost insoluble financial problems, constituted a new field of activity. It attracted the attention of bankers located first and foremost in centres where government finance was of no importance and in which railway promoters were particularly active – above all in Cologne, but also in Elberfeld, Leipzig, Breslau and later Berlin. Bankers in these cities and towns not only financed railway companies, but also were prominent amongst the most active railway promoters.[4]

Through financing railways, many private bankers developed a primitive form of mixed banking. This arose from the consequent diversification of their activities, comprising large and risky transactions at one extreme to making and supplying payment facilities, including trade credit and current account operations, at the other. The expertise acquired was directly transferred to the nascent universal banks, because almost all the successful joint stock banks were founded by experienced

limited liability, unlike their joint stock bank director counterparts. For an appropriate definition of 'private banker' see R. Neumann, *Der deutsche Privatbankier* (Wiesbaden, 1965), p. 18.

[4] See W. Treue, 'Das Privatbankwesen im 19. Jahrhundert', in H. Coing and W. Wilhelm (eds), *Wissenschaft und Kodifikation des Privatrechts im 19. Jahrhundert*, 5 (Frankfurt-a.-Main, 1980), pp. 102–3; K. Obermann, 'Zur Beschaffung des Eisenbahnkapitals in Deutschland in den Jahren 1835–1855', *Revue Internationale d'Histoire de la Banque*, 5 (1972), p. 317; and W. Hoth, 'Zur Finanzierung des Eisenbahnstreckenbaus im 19. Jahrhundert', *Scripta Mercaturae*, 12 (1978), pp. 4–13.

private bankers. These corporate promotions can be regarded as attempts to institutionalise in some form cartels for those financial operations now too large for individual private banking houses to undertake prudently. Consequently, the relationships between private bankers and 'their' joint stock banks were cordial, since, as founders, they retained both influential positions and adequate quotas in all syndicate agreements. In the case of international consortia, foreign partners even occasionally refused to accept the participation of the still-novel joint stock banks, preferring to cooperate only with established private bankers.[5] All in all, the decades from the 1830s to the 1880s can be regarded as the heyday of German private banking.

II

The situation changed first for provincial bankers. By opening branches, local joint stock banks tapped local middle-class savings and then – with the backing of these resources – competed for the custom of the *Mittelstand*, previously the local private bankers' domain. In addition to their growing greater means, the large provincial joint stock banks replaced current account credits with cheaper acceptance credits as they developed their lending business. Acceptances were a form of accommodation which the local private banker, with his limited credit standing, was unable to develop successfully.[6] This 'evolutionary' displacement of the provincial banker was reinforced by the stock exchange legislative reforms of the 1880s and 1890s, which had the effect of giving a privileged position in stockbroking to Berlin and Frankfurt bankers, particularly the Berlin 'great' banks.[7] This increasingly unfavourable business environment forced many private bankers to sell their houses to provincial joint stock banks. Apart from the well-known absorptions of a few formerly first-rate private banks (Rothschilds of Frankfurt was sold to the Discontogesellschaft in 1901, and Warschauer at Berlin to the Darmstädter Bank in 1904), it was generally the provincial and smaller metropolitan houses which disappeared as a result of banking concentration.[8] The private banks so affected were

[5] Several examples of rivalry, and cooperation, in international syndicates are given in G. F. W. Young, 'Anglo-German banking syndicates and the issue of South American government loans in the era of high imperialism', *Bankhistorisches Archiv*, 16 (1990), pp. 3–38.

[6] E. Korach, 'Das deutsche Privatbankgeschäft', unpublished PhD thesis (University of Berlin, 1910), p. 40.

[7] W. Gerlach, 'Die Wirkung der deutschen Börsensteuergesetzgebung', *Zeitschrift für die gesamte Staatswissenschaft*, 61 (1905), pp. 461–520; P. Wallich, *Die Konzentration im deutschen Bankwesen* (Stuttgart, 1905), pp. 81–92; J. Riesser, *Die deutschen Großbanken und ihre Konzentration* (Jena, 1912), pp. 502–7; and P. Schwartz, 'Die Entwicklungstendenzen im deutschen Privatbankiergewerbe', unpublished PhD thesis (University of Strasbourg, 1915), pp. 74–6.

[8] Oppenheim still led the syndicate for a Phoenix stock issue in 1890, but in 1896 was replaced by the Discontogesellschaft. See W. Feldenkirchen, 'Kölner Banken und die Entwicklung des Ruhrgebietes', *Zeitschrift für Unternehmensgeschichte*, 27 (1982), p. 99, n. 96.

Table 1. *Number of private banking houses, 1913–74*

Year	a	b	c
1913	1800	1221	
1925	2500	1406	
1929	2000	1100	
1931	?	800	
1932	1350	709	
1960	—		209
1974	—		138

Notes
[a] 'Guesstimate' by Centralverband des Deutschen Bank- und Bankiergewerbes.
[b] Number of private banking houses having a Reichsbank giro account.
[c] Bundesbankstatistik.

Sources: *Untersuchungen des Bankwesens 1933*, 2, pp. 183–95; Deutsche Bundesbank, *Deutsches Geld- und Bankwesen in Zahlen 1876–1975* (Frankfurt-a.-Main, 1976).

transformed into branches of the joint stock banks which had acquired them, with their former owners in the process becoming either bank directors (in the case of larger private banks) or at least branch managers (as with smaller houses).[9]

Issuing foreign loans and financing international trade constituted a second field of competition between the 'great' banks and the larger private bankers. In these areas, however, the competitive pressure exerted upon the private banks arose from the 'overseas banks' (founded by the 'great' banks) rather than directly from the 'great' banks.[10] Yet the success of these corporate attempts to gain a foothold in overseas finance was limited. Many private bankers retained their positions in these segments of the market because of their established expertise, and as international syndicates continued to be headed by Paris and London private (or merchant) bankers, and, later, New York investment bankers, all of whom had been in close contact with their German counterparts for decades.

During the inflation following the First World War, there was a significant increase in the numbers of private banks, as Table 1 shows. However, this cannot be interpreted as a second flowering of German private banking. During the 1920s the term 'banker' had yet to be legally defined, while, with the inflation, former bank clerks commenced banking despite not having any capital resources. These

[9] Several examples in K. A. Donaubauer, *Privatbankiers und Bankenkonzentration in Deutschland von der Mitte des 19. Jahrhunderts bis 1932* (Frankfurt-a.-Main, 1988).

[10] P. Hertner, 'German banks abroad before 1914', in G. Jones (ed.), *Banks as Multinationals* (London, 1990), pp. 100–11; and R. Tilly, 'International aspects of the development of German banking', in R. Cameron and V. I. Bovykin (eds), *International Banking 1870–1914* (Oxford, 1991).

Table 2. *Assets of German financial institutions, 1880–1938 (billions of marks)*

	1880	1900	1913	1925	1929	1932	1938
Banks of issue	1.57	2.57	4.03	4.82	6.93	5.79	10.84
'Great' banks	0.9	3.3	8.4	6.14	13.77	8.8	9.01
Other credit banks	0.45	3.66	13.64	4.47	7.2	5.15	9.88
Private banks	2.5	3.5	4.0	2.0	3.6[b]	2.1	1.25
Savings banks[a]	2.78	9.45	23.56	4.6	18.56	20.47	31.14
Cooperative banks[a]	0.59	1.68	6.17	3.64	6.1	5.6	8.08
Mortgage banks	1.85	7.9	14.0	1.48	7.44	8.05	8.19
Other	1.45	2.85	1.0	2.78	4.45	5.74	6.98
Total	12.1	35.0	74.8	30.0	68.0	61.7	85.3

Notes
[a] Including Girozentralen and Zentralkassen respectively.
[b] 1930.

Sources: Authors' calculations; R. Tilly, 'Verkehrs- und Nachrichtenwesen, Geld-, Kredit- und Versicherungswesen 1850–1914', in W. Zorn (ed.), *Handbuch der deutschen Wirtschaftsgeschichte* (Stuttgart, 1976); Deutsche Bundesbank, *Deutsches Geld- und Bankwesen in Zahlen 1876–1975* (Frankfurt-a.-Main, 1976).

Winkelbanken disappeared quickly after the stabilisation of the mark,[11] so that the declining number of private banks between 1925 and 1929 was only marginally due to the failure of long-established houses. The banking crisis of 1931 had an entirely different impact, with many private bankers, even houses of great longevity, going under.

III

The starting point for this present study was the conviction that it might be rash to trace a connection between the decline in the number and resources (relative to their rivals), of private banks on the one hand (as displayed by Tables 2 and 3), and their diminished importance within the banking mechanism on the other. Hesitation arose because of the results of the recent researches of the sociologists R. Ziegler and F. U. Pappi.[12] They have established the existence in the Federal

[11] R. W. Goldschmidt, *Das deutsche Großbankkapital in seiner neueren Entwicklung* (Berlin, 1928), p. 186; F. Grüger, 'Die Wirkungen des Krieges und der Kriegsfolgen auf das deutsche Bankwesen', *Untersuchungen des Bankwesens 1933*, 1 (Berlin, 1933), p. 55.

[12] R. Ziegler, 'Das Netzwerk der Personen- und Kapitalverflechtungen deutscher und österreichischer Wirtschaftsunternehmen 1976', Working Paper (University of Munich, Institut für Soziologie, 1983); and F. U. Pappi, 'Die Struktur der Unternehmensverflechtungen in der Bundesrepublik', *Kölner Zeitschrift für Soziologie und Sozialpsychologie*, 38 (1987), p. 714. See also R. Tilly, 'Zur Entwicklung der deutschen Großbanken als Universalbanken im 19. und 20.

Republic of a network of personal linkages between several big industrial concerns, and between banks and industrial undertakings. This was constituted by a relatively small group of individuals and arose from their presence on the administrative and supervisory boards of these companies. About one-third of this group, and the 'big linkers' (Ziegler's terminology) within the network, were 'outsiders', since they were either politicians or officials of business associations, having few financial resources. The investigators dubbed this sub-group *Netzwerkspezialisten* because its constituents had a potential for more generally coordinating business policies within industry.

As the lack of a relationship between the limited financial means of these *Netzwerkspezialisten* and their prominent network position was probably not a unique feature of the Federal Republic's economy and society, there are grounds for exploring whether there was a parallel between, on the one hand, the relative decline in private bankers' financial resources, and on the other, a relative fall in this socio-economic group's importance within past networks of personal linkages. Furthermore, although the frequent election of politicians and officials of business associations to supervisory boards is a relatively recent (post-1945) German development, it does not automatically follow that the central position of 'outsiders' in comparable networks may also be new. If a significantly large and stable representation of private bankers on industrial concerns' supervisory boards can be found, then it is necessary to explain the inverse post-1900 developments in the representation of private bankers on supervisory boards, and in their resource positions. One reason for these opposing trends might be the particular value of business 'outsiders' for information and decision networks. However, to justify this, quantitative sources will be insufficient; they will have to be complemented by considering the quality of the private bankers' services for industry.

In order to assess the relative importance of private bankers on the administrative and supervisory boards of industrial joint stock companies, a sample comprising 40 companies – 34 from heavy industry and 6 engineering concerns – was compiled. The presence of representatives of 10 provincial joint stock banks, 9 'great' banks (including the state-owned Reichskreditgesellschaft), 4 foreign banks and 41 private banks was identified within this sample. This consisted of 175 individuals, of whom 65 were directors of German 'great' banks, 11 were directors of foreign banks, 28 were directors of provincial joint stock banks and 65 were private bankers (6 bankers could not be identified).

Table 4 provides the distribution of supervisory board seats occupied by bankers on the companies within the sample and shows that the representation of private bankers remained relatively stable during the *Kaiserreich*. Although the share of private bankers' seats within the total for all bankers declined from 50 to 42.1 per

Jahrhundert. Wachstumsmotor oder Machtkartell?', in S. Pollard and D. Ziegler (eds), *Markt, Staat, Planung. Historische Erfahrungen mit Regulierungs- und Deregulierungsversuchen der Wirtschaft* (St Katharinen, 1992), pp. 129–32.

Table 3. *Private bankers' financial resources, 1913–35*

	Liabilities to the public			Capital + (open) reserves		
	Private bankers		Other banks[a]	Private bankers		Joint stock banks[b]
	Millions of marks	1913 = 100	1913 = 100	Millions of marks	% of total assets	% of total assets
1913	3300	100	100	—	—	14
1925	1000	30	48	—	—	13
1930	2290	69	110	1018	29	8
1932	1284	39	85	416	20	11
1935	1117	34	104	453	26	10

Notes

[a] Including savings banks and cooperative banks.

[b] Excluding savings banks and cooperative banks.

Sources: Authors' calculations; Deutsche Bundesbank, *Deutsches Geld- und Bankwesen in Zahlen 1876–1975* (Frankfurt-a.-Main, 1976).

Table 4. *Representation of bankers on sampled companies' supervisory boards, 1900/1–1931/2*

Year	'Great' banks Seats %	'Great' banks Bankers %	Provincial banks Seats %	Provincial banks Bankers %	Private bankers Seats %	Private bankers Bankers %	Total Seats	Total Bankers
1900/01	42.5	38.7	7.5	9.7	50.0	51.6	40	31
1901/02	45.3	36.7	7.1	10.0	47.6	53.3	42	30
1902/03	50.0	41.9	6.8	9.7	43.2	48.4	44	31
1903/04	50.0	40.5	9.6	13.5	40.4	46.0	53	37
1904/05	46.4	36.6	12.5	17.0	41.1	46.4	56	41
1905/06	46.4	40.0	12.5	15.0	41.1	45.0	56	40
1906/07	43.5	37.5	13.0	15.0	43.5	47.5	62	40
1907/08	44.5	39.0	12.7	14.7	42.8	46.3	63	41
1908/09	44.3	39.1	14.3	17.4	41.4	43.5	70	46
1909/10	44.3	39.1	14.3	17.4	41.4	43.5	70	46
1910/11	44.3	37.5	14.3	18.7	41.4	43.8	70	48
1911/12	42.2	38.0	15.6	18.0	42.2	44.0	71	50
1912/13	41.0	44.0	17.0	18.2	42.0	37.8	88	66
1913/14	43.1	43.0	14.8	17.0	42.1	40.0	95	65
1914/15	43.5	43.3	16.1	17.9	40.4	38.8	99	67
1915/16	45.1	43.0	15.7	17.0	39.2	40.0	102	65
1916/17	48.0	48.4	16.0	16.1	36.0	35.5	100	62
1917/18	46.1	45.9	17.6	18.0	36.3	36.1	102	61
1918/19	46.1	44.3	17.6	18.0	36.3	37.7	102	61
1919/20	53.2	48.4	13.1	17.7	33.7	33.9	107	62
1920/21	54.5	44.4	14.6	19.0	30.9	36.6	123	63
1921/22	56.5	46.8	14.0	17.7	29.5	35.5	122	62
1922/23	53.9	44.1	14.4	17.6	31.7	38.3	139	68
1923/24	51.6	40.0	14.2	18.6	34.2	41.4	155	70
1924/25	52.2	41.0	14.3	19.2	33.5	39.8	161	73
1925/26	47.2	41.9	14.5	17.5	38.3	40.6	159	74
1926/27	51.4	45.4	11.6	15.5	37.0	39.0	181	77
1927/28	52.4	45.3	10.4	14.5	37.2	40.0	183	75
1928/29	52.7	48.6	10.6	14.5	36.7	36.5	180	74
1929/30	57.3	55.0	6.0	9.8	36.7	35.2	183	71
1930/31	58.1	57.4	6.6	10.3	35.3	32.3	167	68
1931/32	58.0	57.2	6.3	7.9	35.7	34.9	143	63

cent, the actual number of these positions held by private bankers doubled from 20 (1900/1) to 40 (1913/14). Yet private bankers' board representation fell during the First World War and the inflation, down to 29.5 per cent by 1921/2. This was partly due to the average size of German industrial companies' supervisory boards increasing, arising from banking concentration which benefited the 'great' banks more than private bankers. But the decline of private bankers' representation also arises from a 'statistical quirk' caused by the Prussian state's take-over of Hibernia, which resulted in four representatives of Bleichröder, the Berlin banking house, losing their seats – though this unique event might have been less statistically important if the sample being deployed had been larger. From 1924 the proportion of seats occupied by private bankers once more stabilised and was larger than it had been during the early 1920s, reaching a peak of 38.3 per cent in 1925/6. In contrast to the fall in the number of private banks between 1923 and 1933 (see Table 1), these results show that private bankers did not similarly lose their importance in major sections of German industry. Indeed, there are good reasons for maintaining that private bankers were able to sustain institutionalised relations with their major customers. None the less, there can be no doubt that the 'great' banks were the overall gainers from the institutional changes which occurred during the first third of the twentieth century within finance. The share of supervisory board seats held by directors of the 'great' banks increased from 45.9 (1900/1) to 58 per cent (1931/2). However, the losers were not the private banks, but the provincial joint stock banks. This institutional group's declining board representation during the Weimar Republic stemmed directly from the post-1914 transformation of formerly independent banks (although already bound by *Interessengemeinschaft* to the 'great' banks), into branches of the 'great' banks.[13] Consequently, the share of supervisory board seats of the sampled companies occupied by provincial bank directors fell from 17.6 (1918/19) to 6.3 per cent (1931/2). It has to be noted, however, that there was in practice a greater continuity than is quantitatively indicated. Some former provincial bankers retained their supervisory board seats on particular companies after the take-over of their respective banks, although they were now termed '"great" bank directors', as opposed to 'provincial bank directors'.

The conclusion that private bankers maintained a relatively stable position within the bank–industry network of personal linkages is reinforced by the institutional composition of those bankers who would be considered as 'big linkers' in the web of connections within the approach taken by Ziegler. Four out of ten were private bankers: Louis Hagen, of the Cologne banking house A. Levy, who accumulated 15 supervisory board seats within the sample;[14] Alfred von Oppenheim, of th Cologne banking house Oppenheim,[15] and Heinrich von Stein, of the Cologn banking house I. H. Stein, with 9 seats each; and Robert Pferdmenges (Oppenheir

[13] For the particulars of the *Interessengemeinschaft*, see Riesser, *Großbanken*, pp. 541–4; M. Pohl, 'Festigung und Ausdehnung des deutschen Bankwesens zwischen 1870 und 1914', *Deutsche Bankgeschichte*, 2 (1982), pp. 272–7; and idem, *Konzentration im deutschen Bankwesen (1848–1980)* (Frankfurt-a.-Main, 1982), pp. 195–228.

[14] Unfortunately, there is little information about either Hagen or his bank; the only exception is H. Kellenbenz, 'Louis Hagen', *Rheinisch-Westfälische Wirtschaftsbiographien*, 10 (Münster, 1974).

[15] For Oppenheim see M. Stürmer, G. Teichmann and W. Treue, *Wägen und Wagen: Sal. Oppenheim jr. & Cie. Geschichte einer Bank und einer Familie* (Munich, 1989).

partner from 1931), with 8 seats.[16] The rest were directors of the Berlin 'great' banks.

These preliminary quantitative results suggest that during the first three decades of the twentieth century private bankers continued to occupy a central position in the bank–industry network constituted by personal linkages arising from interlocking directorships. This is reinforced by other assessments of bankers' functions as supervisory board members; with the single exception of the Berlin bank Mendelssohn & Co.,[17] all important private bankers are represented in the sample. Examples of the close relationship between private bankers and big industry will now be considered.

IV

In the case of Phoenix, a Duisburg iron and steel concern, Albert von Oppenheim was chairman of the supervisory board until 1911, when he was replaced by his nephew Simon Alfred, who then held the chair until 1921. Moreover, Louis Hagen was deputy chairman between 1910 and 1921. All these bankers were not only in close contact with the company's executive directors as regards both routine work and particular legal and financial matters, but also acted as Phoenix representatives in negotiations with third parties, and even personally undertook business on the company's behalf. Additionally, Hagen and both Oppenheims had the authority to make decisions over personnel to the extent that they even largely determined the composition of the supervisory board.[18]

During the 1920s Louis Hagen in particular acted as the coordinator within the bank–heavy industry network of personal linkages in Rhineland-Westphalia. He was the chairman of the supervisory board of Vereinigte Stahlwerke van der Zypen/Wissener Eisenhütte, and deputy chairman of the supervisory boards of both Rheinische AG für Braunkohlenbergbau und Brikettfabrikation and Eschweiler Bergwerksverein. Hagen played a role in the determination and implementation of these companies' business policies, not only through being an important counsellor for legal and financial matters, but also by having wide authority within each undertaking.[19] Although Hagen was an outstanding and therefore exceptional figure, several other private bankers occupied comparable posts on other industrial companies' supervisory boards. Before 1914 members of Bleichröder, the famous

[16] For biographical details see W. Treue, 'Robert Pferdmenges', *Rheinische Lebensbilder*, 7 (Cologne, 1977); and idem, *Wägen und Wagen*, pp. 348–54.

[17] Mendelssohn, on principle, refused to be a member of any supervisory board, but delegated such positions to a confidant. See W. Treue, 'Das Bankhaus Mendelssohn als Beispiel einer Privatbank im 19. und 20. Jahrhundert', *Mendelssohn Studien*, 1 (Berlin, 1972), p. 56.

[18] Mannesmann AG, Düsseldorf, Historical Archive [henceforth MA]; P 1 25.33; P 1 25.38, correspondence between Oppenheim and Beukenberg, Jan.–July 1920.

[19] See, for example, the amalgamation of Vereinigte Stahlwerke van der Zypen/Wissener Eisenhütte and Phoenix, which was initiated by Hagen, MA, P 1 26.29; and see also W. Kunze, *Der Aufbau des Phoenix-Konzerns* (Frankfurt-a.-Main, 1925), p. 125.

Berlin banking house, held important positions in the mining company Hibernia AG. These dated from 1873, when, along with the Berliner Handelsgesellschaft, the Bleichröder bank amalgamated and converted two *Gewerkschaften* – Shamrock and Hibernia – into the *Aktiengesellschaft* Hibernia. Four Bleichröder partners (Hans von Bleichröder, Gerson von Bleichröder, Paul [von] Schwabach and Ernst Springer) continued on its supervisory board, comprised of only 13 members, and were present there at the beginning of the twentieth century.[20] The influence of Bleichröders in all Hibernia's financial matters can hardly be underestimated.

Heinrich von Stein of I. H. Stein, the Cologne banking house, was heavily involved in shaping and executing the business policy of Charlottenhütte AG, where he was deputy chairman of the supervisory board. Comparable roles were played by Robert Suermondt, of the Aachen family bank, who was chairman of the supervisory board of Rheinische Stahlwerke, and Cornelius Berenberg-Goßler of the Hamburg banking house Berenberg-Goßler, the deputy chairman of the supervisory board of Ilseder Hütte AG.

On balance the quantitative and qualitative findings of this study fail to find any significance difference in the influence and power exerted in industrial companies by private bankers on the one part and 'great' bank directors on the other. Whereas the aggregate number of board seats of industrial companies occupied by private bankers was lower than those held by 'great' bank directors, it was substantially greater than those of the remaining provincial bank directors. This was despite the fact that independent provincial joint stock banks, particularly before 1914, but also during the mid-1920s, collectively constituted the strongest competitive threat for private banks. Furthermore, private bankers retained their share of total board positions both during the *Kaiserreich* and from the mid-1920s, whereas the proportion of seats occupied by provincial bank directors declined sharply. All in all, whereas provincial banks experienced in parallel declining competitiveness and falling board representation, private bankers appear to have had greater immunity against competition arising from the 'great' banks. This suggests that many private bankers possessed a market advantage *vis-à-vis* the 'great' banks, which was not shared by the provincial joint stock banks and which cannot be determined from simply counting numbers of banks.

V

It will be taken as given that it is necessary to have fairly independent 'outsiders' amongst the individuals constituting the major links in the bank–industry personal network (that is, those who could not be suspected of aiming at positions of dominance instead of coordination). It would follow that large industrial companies must have particularly welcomed the post-1900 development of the predominant links within such a network being inherited by private bankers out of their late

[20] See V. Wellhöner, *Großbanken und Großindustrie im Kaiserreich* (Göttingen, 1989), pp. 181, 187.

nineteenth-century tradition of financing big industry. Such bankers were valuable as sources of advice for both business and financial matters, and inside information. However, since generally after 1900 they were not major intermediaries in the financing of big industry, only acting at best as minority partners in consortia for stock issues, private bankers were prevented from establishing dominant ownership positions within industry; but this had the advantage of making them independent.

In many respects, when an industrial enterprise turned to external finance, it provided an opportunity for a bank, either a 'great' bank or private bank, to exert pressure. However, after 1900 it was primarily the 'great' banks which occasionally were thus enabled to have the final say in the design of industrial business strategies, because private banks' resources grew at a slower pace than big industry's financial demands. Furthermore, by being the principal creditor, a 'great' bank could, on occasion, reduce its rivals' institutional influence, including that of the private banks, and diminish the extent of competition amongst the banks connected to an industrial company. When a 'great' bank gained this dominance, it was a threat not only to the managerial independence of the bank's customer, but also to the private banker as a business and financial adviser to that customer.[21] Consequently, private bankers were anxious to prevent such developments, for the extent of the industrial customer's and private bankers' mutual concerns was much greater than that of those existing between the customer and its *Hausbank*.

VI

Specialisation in the provision of advice and other complementary services meant, on the one hand, that private bankers had to concentrate on few, although large, customers, but on the other hand it enabled them to devote more time to the cultivation of each customer. This became a particular competitive advantage which enabled a number of private bankers to overcome the disadvantage of their relatively limited resources by opening up niches in the banking mechanism. The nature of this niche will now be demonstrated.

During the early 1920s Louis Hagen was involved in both the amalgamation of Vereinigte Stahlwerke van der Zypen and Phoenix and the negotiations for the merger of van der Zypen with Rheinstahl.[22] The successful outcome of these affairs made Hagen one of the most experienced bankers for this kind of business transaction. As a result he was almost predestined to be the mediator in the discussions

[21] After the take-over of Schulz-Knaudt AG (Huckingen) by Mannesmann, and where the Deutsche Bank at times held a dominant position, Mannesmann had to ask the Deutsche Bank whether the Schulz-Knaudt department was allowed to keep its connections with the private banking house von der Heydt-Kersten. See Wellhöner, *Großbanken*, p. 137.

[22] In this case, however, Hagen was not successful, since a major shareholder opposed the amalgamation for personal reasons. See MA, P 1 26.29, memorandum by Fahrenhorst; Thyssen, Duisburg-Hamborn, Historical Archive [henceforth TA], RSW 166D, correspondence between Hagen and Haßlacher, and between Hagen and Krawehl, Oct. 1922–Apr. 1923.

leading to the formation of the Vereinigte Stahlwerke in 1925/6, one of the largest mergers which occurred during the Weimar Republic. When the talks between the companies nearly broke down, due to irreconcilable differences over the valuation of the fixed assets, Hagen was called in to bring the parties together once more. This task was particularly delicate, as Arthur Salomonsohn of the Discontogesellschaft had already failed to establish a compromise. Hagen was ultimately successful, through first having convinced senior members of Gelsenkirchener Bergwerks AG of the necessity to reduce their demands, which paved the way for a quick understanding.[23] As these examples show, industrialists often turned to exploit the particular expertise of private bankers, which they had acquired from a tradition of financing and advising industry and their central position in the network of personal linkages. A second general impression given by the historical development of the companies within the sample is that, as a rule, certain private bankers were invited to mediate in particular business transactions. Furthermore, it was exceptional for any initiative to come from the banker. His lack of sufficient financial resources, at first a competitive disadvantage, turned out to be an asset, since it placed the customer in a fairly independent position *vis-à-vis* the banker. The private banker not only became an integral component of companies' decision-making processes, but even created and maintained a niche for himself in the universal banking system which otherwise might have become a gap.

Apart from remarkable and extraordinary business transactions, such as those mentioned above, private bankers provided their industrial customers as a matter of routine with inside information regarding developments in business, economics and politics. Louis Hagen, Alfred von Oppenheim and Heinrich von Stein have already been mentioned in this respect. Other important figures were Ernst von Mendelssohn-Bartholdy, Franz von Mendelssohn and Rudolf Loeb (of Mendelssohn & Co.),[24] Max Warburg and Carl Melchior (of M. M. Warburg & Co.), Paul von Schwabach (of Bleichröder) and Carl von der Heydt. All of these had close contacts with high government officials, and before 1918 Mendelssohn-Bartholdy, Warburg and Schwabach had had such connections with Court circles.[25]

M. M. Warburg & Co., the Hamburg private banking house, was in close contact with Paul Reusch, the chairman of the administrative board of Gutehoffnungshütte.

[23] TA; RSW 170/00/1/b/1, RSW 170/00/1/b/2, minutes of the negotiations; RSW 170/00/1/a/2, Baum to Haßlacher, 14 Dec. 1925.

[24] For the extent and importance of private bankers' access to inside information, as exemplified by the role of Mendelssohn's Amsterdam associate Mannheimer during the crisis of 1931, see H. James, 'The causes of the German banking crisis of 1931', *Economic History Review*, 37 (1984), p. 77.

[25] D. Augustine, 'The banker in German society', in Y. Cassis (ed.), *Finance and Financiers in European History*, 1880–1960 (Cambridge, 1992), p. 172. For Max Warburg's political influence see also A. Vagts, 'M. M. Warburg & Co. Ein Bankhaus in der deutschen Weltpolitik 1905–1933', *Vierteljahrschrift für Sozial- und Wirtschaftsgeschichte*, 45 (1958), pp. 289–388; and E. Rosenbaum and A. J. Sherman, *M. M. Warburg & Co. 1789–1938* (London, 1979). For Mendelssohn-Bartholdy see Treue, 'Bankhaus Mendelssohn', p. 49.

Warburg gave Reusch information not only about particular opportunities in domestic and foreign financing, but also, although confidentially, regarding the financial situation of other companies, important stock market developments, or even forthcoming government decisions. Yet, the relationship between Reusch and Warburg was not one-sided. Reusch was equally a source for Warburg concerning individual companies and the Associations of heavy industry.[26] There can be no doubt that this enabled Warburg to act as an adviser to those customers who wished to exploit his inside knowledge of heavy industry. It is probable that two such clients were Fritz and August Thyssen, with whom Warburg was in close contact, and who also profited from the banker's access to the political and economic worlds.[27] Hirschland, the Essen private banking house, was of similar importance for Friedrich Krupp AG and Gutehoffnungshütte.[28]

VII

During the mid-nineteenth century the London banker Samuel Gurney coined the phrase: 'all fluctuations in trade are advantageous to the knowing man.'[29] This was a general formulation, although Gurney, as head of the largest discount house in the money market, was referring particularly to the inside knowledge acquired by the directors of the Bank of England. Whereas the Reichsbank was not governed by a metropolitan merchant (banking) elite and the direct influence of bankers on central bank policy was limited, the situation in Germany as regards inside information from the quasi-central bank was not too dissimilar to that of Britain. Many private bankers sat on the Reichbank's *Zentralausschuß* (advisory board composed of major 'proprietors') and on its *Bezirksausschüsse* of the major branches (advisory boards composed of local 'proprietors'). Private banking dynasties with members sitting in the *Zentralausschuß* and who can be classified as 'major linkers' in the network were Oppenheim (also *Bezirksausschuß* Cologne), Mendelssohn and Bleichröder/ Schwabach. In terms of positions on the *Bezirksausschuß* and with respect to the major provincial centres, the following dynasties were of significance:

Cologne:
  Oppenheim
  Seligmann
  Schnitzler (Stein)

26 Haniel, Duisburg-Ruhrort, Historical Archive [henceforth HA], 400/101/251/0, Reusch to Warburg, several letters.

27 TA, A 712/2, A 771/1, Thyssen to Warburg, several letters.

28 Fried. Krupp GmbH, Essen, Historical Archive [henceforth HA Krupp], WA VII f 1083, memo Busemann, HA 400/101/2002/9.

29 *British Parliamentary Papers*, VIII (1847/8), Select Commitee on Commercial Distress, part 3, evidence of S. Gurney, q. 1324.

Frankfurt:
- Stern
- Ladenburg
- de (von) Neufville
- Metzler
- Grunelius
- Hauck

Hamburg:
- Warburg
- Behrens
- Münchmeyer
- Berenberg-Goßler

Lastly, in these terms, in 1924 Louis Hagen, Franz von Mendelssohn and Max Warburg were elected to the Reichsbank-Generalrat, which had been created as an international supervisory board of the Reichsbank.[30]

VIII

During the stabilisation of the mid-1920s, the international transfer of capital and credit, the most traditional service provided by the larger private banks, experienced an unique revival. Before 1914 Germany had been a net exporter of capital, while access to foreign capital markets had been of little importance for German industry. As a result, at the turn of the century, and apart from acceptance business, private banking houses had engaged in the export of German capital to North and South America, east and east central Europe and other parts of the world. After the war, and particularly following the inflation, due to dramatically diminished working capital, almost all industrial companies were forced to fund necessary rationalisation and reorganisation schemes by credit. Since German capital markets were unable to meet this demand, big industry turned overseas. Some long-established private banks quickly scented their chance; they revived their old foreign contacts to enable them to facilitate international capital flows – although now in the opposite direction as compared with the *Kaiserreich*.

Hirschland was particularly successful. As early as 1924 this Essen private bank managed to secure for Gutehoffnungshütte AV a £100,000 credit, granted by a group of London bankers. This was not only renewed several times during 1924/5, but Hirschland also acted as the intermediary for further credits, variously denomi-

[30] The compositions of *Zentralausschuß* and *Bezirksausschüsse* are given in the *Verwaltungsberichte* of the Reichsbank. For the reform of the internal organisation of the Reichsbank in 1924 see *Die Reichsbank 1901–1925* (Berlin, 1925), pp. 161–2. The banking law of 1933 abolished the *Generalrat*, while the *Zentralausschuß* was abolished in 1939. See also C-L. Holtfrerich, 'Relations between monetary authorities and governmental institutions from the 19th century to the present', in G. Toniolo (ed.), *Central Banks' Independence in Historical Perspective* (Berlin, 1988), pp. 133–4.

nated in either sterling or dollars, supplied internationally to Gutehoffnungshütte.[31] The Essen bank obtained comparable facilities for Mannesmann, August Thyssen-Hütte, Gelsenkirchener Bergwerks AG, Rheinisch-Westfälische Elektrizitätswerke, Klöckner, Phoenix and Vereinigte Stahlwerke.[32] Hoesch stood back from these Hirschland activities, since they would have offended Hoesch's two *Hausbanken* – Discontogesellschaft and Schaaffhausenscher Bankverein.[33]

The most important case of a private bank facilitating the supply of foreign capital for a German concern during the stabilisation crisis was the Krupp loan negotiated in 1924/5. Krupp was one of the first German heavy industrial companies able to approach directly the New York capital market, obtaining a $10m loan in autumn 1924. This was supplied through an American banking syndicate led by Goldman, Sachs & Co. of New York. The contact between Krupp and the American market had established by Kurt Martin Hirschland, who negotiated the loan in New York; his success, largely a result of his personal skill, was specifically emphasised by the Krupp directors.[34] The ties between Krupp and Hirschland became stronger when the German government insisted on a credit of Rm 15m from the 'great' banks as a precondition for both its own financial support and a credit from the state-owned banks. After the Dresdner Bank had failed to make any headway in the matter, Hirschland was invited by Krupp to negotiate the initial credit. Working in concert with some English banks, Hirschland concluded the operation remarkably quickly, so that the Krupp board commented: 'that the Dresdner Bank was unable to secure the assent for the credit does not show them in a good light.'[35] With the backing of this credit, Krupp commenced the reorganisation demanded by the Reich, finally overcoming the financial difficulties which had seriously impaired the company's solvency. This was not an exceptional case; in many other instances, Hirschland had at its disposal better contacts with foreign banks, which enabled the Essen private bank to provide its industrial customers with cheaper finance, more rapidly, than the Berlin 'great' banks. Hirschland's successes in this particular business area were directly converted into an institutionalised integration with the bank–industry network through the election of Hirschland partners to the supervisory boards of several industrial companies.[36]

[31] HA, 400/101/2002/9, correspondence between GHH and Hirschland.

[32] K. Ulrich, 'Das Privatbankhaus Simon Hirschland im Nationalsozialismus', in M. Köhler and K. Ulrich (eds), *Banken, Konjunktur und Politik. Beiträge zur Geschichte der deutschen Banken im 19. und 20. Jahrhundert* (Essen, forthcoming 1994).

[33] Hoesch-Archive, A 3 a 4, supervisory board minutes, 7 Mar. 1926.

[34] See HA Krupp, WA 41/2-253, memo of the Krupp directorate, Nov. 1924.

[35] HA Krupp, WA VII f 1083, memo Busemann; and further details in H. Wixforth, 'Banken und Schwerindustrie in der Weimarer Republik', unpublished PhD thesis (University of Bielefeld, 1990), pp. 77–9.

[36] See, for example, MA, M 11.026 – the request by the chairman of the administrative board of Mannesmannröhren-Werke AG, Bierwes, to the chairman of the supervisory board, Steinthal, 'to elect Dr Georg Hirschland onto the supervisory board with regard to his most valuable support when our company had certain difficulties in raising credits'.

No less important than Hirschland in obtaining foreign capital – in this case particularly American capital – were Warburgs, the Hamburg bankers. Paul Warburg, a brother of the Hamburg banker, was a founder of the International Acceptance Bank, established in New York in 1921 and which specialised in granting dollar denominated credits to foreign industrial concerns. The International Acceptance Bank not only collaborated with the Equitable Trust Company, one of the largest New York banks, but also had a interest, about one-third, in the banking house Dillon, Read & Co. – one of the most important New York issuing houses. Several German industrial companies (Thyssen, Rheinelbe-Union and Vereinigte Stahlwerke) utilised the connections between Warburgs, the International Acceptance Bank and Dillon Read to issue stock in New York on substantially better terms than those then obtainable in Germany.[37] There are other examples of private banking houses putting their international contacts at the disposal of their industrial customers. Oppenheim, the Cologne banking house, which had traditional close ties with French banks, negotiated franc denominated credits for German customers during inflation and stabilisation. Mendelssohns, of Berlin, but also with branches in Amsterdam and New York, obtained foreign credits for some large industrial customers (Phoenix and Vereinigte Stahlwerke) between 1924 and 1932.[38]

The outstanding importance of several private banks for the mobilisation of foreign capital during the 1920s, particularly after the inflation, contrasts significantly with their generally declining involvement in industrial finance during the decades before 1914. One reason for their ability to raise foreign finance during the 1920s more easily, more rapidly and on more favourable terms than the 'great' banks arose from their overseas connections. These stemmed from their tradition of conducting mutual business across international centres, long-established kinship linkages between the various cosmopolitan private banking dynasties, and common behaviour patterns resulting from the particular social preeminence of the international banking elite. Secondly, the financing of international trade remained a domain of the largest international private bankers, retained despite the numerous attempted intrusions of the (national) deposit banks during the period before the First World War. After 1918, and particularly after the inflation, the German 'great' banks faced substantial and significant internal problems, arising from the depreciation of assets, inflated bureaucracies and the completely new political and economic environment. The managerial capacities of the 'great' banks were to a much greater extent absorbed in handling these difficulties than those of the smaller and more flexible private banks. In addition, the restrictive policy pursued by the Reichsbank after the hyperinflation forced the 'great' banks to shy away from risky ventures. Many private bankers – even those, like Hirschland, who had not ranked among the most important houses before 1914 – perceived a unique opportunity

[37] TA, A/830/1, A/830/2, A/831/1; see also Rosenbaum and Sherman, *M. M. Warburg*, pp. 126, 134.
[38] TA, VSt 3891.

for diversifying their traditional financing of international trade through additionally negotiating international loans. During the stabilisation period of the mid-1920s private bankers predominated in this segment of the financial markets. The 'great' banks only began to compete once more in the area of international finance from 1926 or 1927. Consequently, Hirschland, Warburg, Oppenheim or Mendelssohn not only prepared themselves[39] to fill a niche left by the universal banks, but secured a hold over what had been a gap in the system. The need to have access to foreign finance markets was almost vital for German big industry, as shown in the Krupp case. Despite the later reappearance of the 'great' banks in this area, the flexible response of the private banks substantially improved their chances of long-term survival.

IX

Private bankers were increasingly unable to compete successfully with the 'great' banks in the field of industrial finance, particularly as the average transaction became more voluminous. Even in 1914 both provincial and private banks could not contest successfully with the 'great' banks in the supply of large credits.[40] This unequal situation was reinforced by the war, inflation and stabilisation, because the 'great' banks, in spite of the destruction of their resources, were able from 1924 to re-acquire deposits, whereas the private bankers were left with their depreciated resources (see Tables 2 and 3). This weakness of the private bankers resulted directly in a less favourable position as regards gaining, or maintaining, quotas in large financial transactions. When Vereinigte Stahlwerke negotiated a Rm 150m loan in addition to an Rm 126m debenture issue in 1926, the lion's share was taken by the 'great' banks (72 per cent), whereas the private banks involved (Bleichröder, Oppenheim, Levy, Hirschland, Warburg, Delbrück, von der Heydt and Deichmann) together had to be content with 20 per cent.[41]

However, the 'great' banks concentrated their attention and resources on large-scale, established manufacturing concerns.[42] Small and medium-sized industrial firms repeatedly found fault in the supply of credit available to them. Unfortunately, little is known about an alleged 'Macmillan Gap' in German financial provision

[39] In 1925 four leading private banking houses (Hirschland, Oppenheim, Warburg and Levy) went as far as concluding an alliance to facilitate and coordinate their respective international businesses. See Ulrich, 'Privatbankhaus Simon Hirschland'.

[40] As early as 1910 an observer concluded that only those who were unable to obtain a loan elsewhere approached a private banker. See Korach, 'Privatbankgeschäft', p. 39.

[41] TA, VSt RSW 170/00/b/l, Discontogesellschaft to Vereinigte Stahlwerke, 31 Mar. 1926.

[42] M. Wittkowski, *Großbanken und Industrie in Deutschland 1924–1931* (Tampere, 1937), p. 70; H. James, *The German Slump: Politics and Economics 1924–1936* (Oxford, 1986), pp. 139–46; and H. Wixforth, 'The banks and their customers: the German case in the Weimar Republic', mimeo, 1991.

during the 1920s.[43] The scattered indications that can be collected possibly suggest the occurrence of difficulties, especially in provincial financial markets. Many provincial banks (previously the most dangerous competitors for small and medium-sized private bankers, but which were largely absorbed by the 'great' banks during and after the war), disappeared from local and regional finance markets after 1914 without their place being filled. This imbalance arose because the 'great' banks closely supervised the business conducted by the new branches created out of the formerly independent, provincial banks that they had acquired. Furthermore, the savings banks were not yet in a position to extend their personal credit business (*Mittelstandskredit*). This was because they were heavily engaged in financing their respective local authority, while personal loans had only been recently freed from legal restrictions and many savings banks were very reluctant to exploit this new opportunity. Consequently, provincial private bankers were the only institutionalised sources of funds for local and regional small and medium-sized undertakings.[44]

X

Before taking stock of the evidence presented here, it has to be stressed that the underlying sample is very small and heavily biased towards both big industry (particularly in Rhineland-Westphalia) and successful private banking houses. Although further empirical research is necessary, none the less the examples that have been cited are only a little contradictory in their overall tendency, so that it does not seem too hazardous to assume their more general validity.

On balance it may be concluded that between 1900 and 1933 many private banking houses experienced a change in their relative position in the functioning of the banking system. Over the course of the nineteenth century private banks had developed 'mixed banking' practices and in 1900 they were still attempting to sustain a wide range of activities. As competitive pressures, particularly arising from the growth of provincial joint stock banks, became too strong, private bankers had to find a niche in the banking mechanism in order to survive. The route to further longevity, however, was not open for the majority. Only those which had either been previously engaged for decades in financing big industry and/or had close ties with foreign financial markets, were in a position now to concentrate upon providing advisory services and arranging credits. This specialisation enabled this fortunate

[43] A. Lansburgh, 'Die Finanzierung des Kapitalbedarfs der Mittel- und Kleinindustrie', in B. Harms (ed.), *Kapital und Kapitalismus* (Berlin, 1931), p. 134; and E. Walb, 'Übersetzung und Konkurrenz im deutschen Kreditapparat', *Untersuchungen 1933*, 1, p. 145: while for more recent commentary see H. Pohl, 'Formen und Phasen der Industriefinanzierung bis zum Zweiten Weltkrieg', *Bankhistorisches Archiv*, 9 (Frankfurt-a.-Main, 1983), p. 30; H. James, 'Banks and bankers in the German interwar depression', in Cassis, *Finance and Financiers*, p. 269; and Ziegler, 'Origins of the "Macmillan Gap"'.

[44] See, for example, H. von Moller, 'Der deutsche Privatbankiersstand', *Untersuchungen 1933*, 1, pp. 197–243.

group of private banks to parry the competitive threat posed by the 'great' banks from 1914 and compensated for the losses arising from no longer being major providers of funds.

The substantial decline in the number of private banks has led to an unwarranted general overestimation of their relative decline in importance for the functioning of the universal banking system. Until the end of the Weimar Republic a significant number of private banks were able to withstand the competition of the 'great' banks by supplying services which the latter were unwilling, on principle (because of administrative centralisation and the necessary bureaucratisation and hierarchisation of management decisions), and, at least at times (obtaining foreign credits during the stabilisation crisis), unable to provide.

These conclusions imply that, first, the dating of the decisive weakening of the German private banks has to be carried forward from 1900/14 to the 1930s. Secondly, an alternative to the contemporary explanation that stresses the declining long-run competitiveness of the private banks has to be provided. The evolution of the German universal banking system was not responsible for the redundancy of private banking. On the contrary, evolutionary developments created a division of labour by which a restricted number of private banks gained an important position. Consequently, additional non-economic, exogenous factors are required to explain the interruption of this evolutionary process during the 1930s. These could be:

(a) Reluctance on the part of the Reichsbank to refinance private banks during the banking crisis of 1931, and one-sided government aid for the 'great' banks between 1931 and 1933.[45]

(b) Increasing (and successful, see Table 2) savings banks' competition after 1933. Furthermore, these institutions were quickly highlighted by the Nazis, who presented the 'new' savings bank as a 'national alternative' to the *verjudete* private banks for the *Mittelstand*.[46]

(c) The 'voluntary' (but fostered by the newly created Aufsichtsamt für das Kreditwesen) liquidation of hundreds of small Jewish private banks during the mid-1930s and the 'Aryanisation' of the largest Jewish private banks during the late 1930s.[47]

45 O. C. Fischer, 'Die fehlerhafte Kreditpolitik', *Untersuchungen 1933*, I, p. 529.

46 See the complaints concerning savings banks' competition made by a provincial private banker as early as 1933: Moller, 'Privatbankiersstand', p. 229; see also T. Balderston, 'German banking between the wars: the crisis of the credit banks', *Business History Review*, 65 (1991), p. 603.

47 For this shamefully neglected topic see most recently C. Kopper, 'Die Arisierung jüdischer Privatbanken im Nationalsozialismus', *Sozialwissenschaftliche Information für Unterricht und Studium*, 20 (1991), pp. 111–7; and idem, 'Privates Bankwesen im Nationalsozialismus. Das Hamburger Bankhaus M. M. Warburg & Co.', in W. Plumpe and C. Kleinschmidt (eds), *Unternehmen zwischen Markt und Macht* (Essen, 1992), pp. 61–73; see also E. Wandel, 'Das deutsche Bankwesen im Dritten Reich (1933–1945)', *Deutsche Bankengeschichte*, 3 (1983), pp. 179–81; and Pohl, *Konzentration*, pp. 406–8.

In addition to the general racist propaganda against private banks and the expulsion and physical extermination of many (Jewish) private bankers, even the particular services which private banks had developed, thereby rendering the universal banking system of the 1920s more efficient – under the ruling, most unfavourable circumstances – were no longer necessary. From about 1937 the autarkic economic policy of the Third Reich made access to foreign capital markets obsolete. Equally, the second 'asset' of the private bankers – their consultative services – was no longer required. After the seizure of power by the National Socialists, Jewish private banking houses lost some important supervisory board seats, which seriously impaired their consultative capacity.[48] More generally, during the 1930s self-financing predominated and the capital and credit markets were highly regulated, so that industrial companies only rarely had to decide between alternatives in financial matters and therefore needed the services of an independent adviser.

[48] See Ulrich, 'Privatbankhaus Simon Hirschland'.