

French investment banking at *Belle Époque*: the heritage of the 19th century *Haute Banque*

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Our long term research joint program about an assessment of European investment banking has been defined last year at the Copenhagen congress of EBHA¹ and started being implemented, through a comparison between both France and Italy about the heritage transmitted by the 19th century to banking economy through the handling down of a portfolio of skills by merchant banks (or in France: *maisons de Haute Banque* – there after: “houses”) to investment banks, through the process of evolution from the “first banking revolution” (from the 1750s- to the 1850s) to the “second banking revolution” (from the 1860s to the 1960s). It has now well been demonstrated that, throughout Europe, “old bank” was not rubbed off by “new bank”² and that classical merchant banks succeeded in crossing the financial events, in taking part to the modernisation of banking markets, in reaching some competitiveness as complement to big joint-stock banks (either deposit, investment, mixed, or universal ones) thanks to “niche strategies”, that is a high degree of specialisation along with a very few poles of competence. Even if the general environment had for decades asserted the power of the City³ and of British merchant banks, continental Europe “houses” refurbished their portfolio of competence to pick up specialties which provided them with some advantage edge.

We therefore do not intend to repeat or plagiarise a far-reaching history of French merchant banking⁴; our purpose is only to precise the few leverages which allowed French “houses” to short-circuit somewhat “big modern banks”, either the *banques d'affaires*, or the deposit banking equipped with a strong investment banking division; how it was possible that, despite a far larger financial dimension (and capital), they were not able to swallow or to eliminate the banking “dwarfs” which had dominated the Paris banking and financial market (the *place bancaire et financière*); and how the houses carved out some room of manoeuvre against these “giants”.

We shall first insist on the constant renewal of the world of houses thanks to fresh contribution of entrepreneurs, equity, and networks – as networking⁵ was the key immaterial competitive edge of merchant banking. We shall then consider the frailness of the houses, which had to face harsh times during the recessions punctuating the

¹ Hubert Bonin & Giandomenico Piluso, “Investment and merchant banking in France and Italy in the long run: Comparing models of corporate financing. Starting a research program”, paper presented at the Copenhagen congress of EBHA in August 2006.

² David Landes, « Vieille banque et banque nouvelle : la révolution financière du dix-neuvième siècle », *Revue d'histoire moderne*, III, 1956, pp. 204-222. Also see Rondo Cameron (ed.), *Banking at the Early Stages of Industrialization*, New-York, Oxford University Press, 1967.

³ Youssef Cassis & Éric Bussière, 2005, *London and Paris as International Financial Centers in the Twentieth Century*, Oxford, Oxford University Press, 2005.

⁴ Mainly: Nicolas Stoskopf, *Les patrons du Second Empire. Banquiers et financiers parisiens*, Paris, Picard, 2002.

⁵ About networking, trust and business history, see Mark Casson, *Studies in the Economics of Trust*, Aldershot, 1995. Mark Casson, *Information and Organisation*, Oxford, Oxford University Press, 1997. Mark Casson, « Entrepreneurial networks: a theoretical perspective », in Michael Moss, Anthony Slaven & Clara Eugenia Nunez (dir), *Entrepreneurial Networks and Business Culture*, Seville, Fundación Fomento de la historia económica, Publicaciones de la Universidad de Sevilla, 1998, pp. 13-28.

depression of the 1880s-1890s and some failures. And we shall identify the paths of specialisation⁶ followed by the houses to anchor themselves durably within French and European economy.

1. Fresh contributions to the world of the houses

Conversely with the perception that merchant banking or “family private banks” belonged to a crumbling past, fresh inflows constantly rejuvenated the Paris market – even if our knowledge of this “silencious” evolution is still lacking a comprehensive study⁷. We can be thus surprised to discover that, when the Panama scandal burst out, the houses involved in the operations had quite recently (from the 1860s) joined the Paris market, and that what could be considered as a new generation of *Haute Banque* emerged, whilst the ancient ones (from the 18th century, the from the first half of the 19th century) were still well active. “The Paris *Haute Banque* had been deeply renewed from the Second Empire in France, even such phenomenon occurred in other European countries.”⁸

Perhaps the Paris market did benefit from the favourable discrepancy between the economic situation because France joined the great depression about a decade later than its neighbours (in 1882 instead of 1873, globally, if we refer to the krachs as the sign of the start of the depression), thus luring capital and investors. Also perhaps the change of political regime in 1870/1877 opened doors to new networks joining the political stratus and the financial one, through new lobbies, new circles of influence, new opportunities of “favours”, because each regime had been supported for a while more firmly by some banking and financial circles – even if rapidly the whole banking and investing community had joined the fray. One third and more obvious reason could be the speculative opportunities fueled in Paris by the role played by France in the equipment of world transport (Suez, then Panama; railways, for example through the Freycinet plan of 1879 intending to equip the French provinces with networks of local railtracks; ports all over the world) and also by the building a new colonial empire (Algeria and New Caledonia to be developed, then from the 1880s Tunisia, the whole Indochina, and subsaharian Africa, last Madagascar and Morocco) which, country after country, was marked by State contracts requiring pools of bankers or by granting concessions for mining rights or else.

Last, the emergence of the US financial business after the civil war opened doors to growing issuings of bonds, brokeraged throughout Europe: The house Lazard was born in the United States, practicing wholesale trade and banking, and it was joined by French houses, mainly Heine (Armand and Michel Heine) – with a branch in Louisiana and networks in the North-East – and Reinach⁹. Contacts gained through the Panama Railway helped them to be admitted to the growing operations about railways companies in the 1880s; let us recall that the purchase of the Panama Railways in 1881 was conceive by US family investment banks Seligmann, Lasnier, Drexel, Morgan, thus easing relationship between New York and Paris, all the more because a Seligmann familial branch had been established in Paris.

“Speculative” means indoubtably bullish opportunities to invest capital for profit, not merely reckless greediness. Large in large, fresh in-flows of capital were needed, and the Paris market expected from the houses, old and new, to prospect wealthy investors, to

⁶ See Maurice Lévy-Leboyer, « La spécialisation des établissements bancaires », in Fernand Braudel & Ernest Labrousse (eds.), *Histoire économique et sociale de la France*, Paris, PUF, III first volume, 1976.

⁷ Despite the key role played by Alain Plessis and Nicolas Stoskopf for the 1840s-1880s, we miss specialists in French banking history for the 1890s-1910s.

⁸ Jean-Yves Mollier, *Le scandale de Panama*, Paris, Fayard, 1991, p. 211.

⁹ Mollier, pp. 70-71.

broker issues. Such a scramble for institutional or family investors was spurred (as a negative fact) by the fact the France had lost about FRF 5 billion which it had paid to Germany in 1872-1874 after its military defeat, and (as a positive fact) by the fact that the first industrial revolution had fueled a large new layer of fortune among industrialist dynasties, which could use part of their heritage and revenues (or revenues of revenues) to pure financial placements (beyond their instinctive investments in countryside or city property and real estate), and they had to be prospected and introduced to networks of brokerage.

Entrepreneurial people seized these opportunities to set up houses and become new intermediaries for this whole range of business – through the Paris market and always with bridgeheads or correspondents in the City. J.Y. Mollier and S. Saül described how Raphaël Bischoffsheim and Léopold Goldschmidt (Bischoffsheim-Goldschmidt house), Marc and Gustave Lévy-Crémieu (Lévy-Crémieux house), Hentsch-Lütscher house (Raphaël Lütscher), Gustave Halphen, Louis Koenigswarter, etc. were involved in Egypt through the creation of *Banque franco-égyptienne* in 1870. J.Y. Mollier and J. Bouvier showed for the Panama scandal¹⁰ how the houses had played a key role, all the more because several big banks had refused to commit themselves to the issuing pools: the Kohn-Reinach house (created in 1863 from another house set up in the 1858) was thus the main bank behind Lesseps' financial schemes. Joseph de Reinach and Édouard Kohn had created a house which was altogether a bank – drawing wealthy investors, brokering equity and bonds, providing financial advice to companies – and a stock-exchange stake-holder as arbitragists, that is trading for its own account and for the account of its clients (but having to use the official stock-brokers of course, these benefiting from their monopoly). Kohn-Reinach was among the founders and first directors of the Panama company in 1879 – but other houses were involved (Camondo). All these bankers “occupied strong positions in France and constituted this new *Haute Banque*”¹¹: Kohn-Reinach, Erlanger¹², Heine, Bamberger, Betzold, Greniger or Goldschmidt characterized a new generation of the houses in the 1860-1870s which had been the fruit of a new wave of diaspora¹³ crossing Europe to converge to Paris.

Even if we lack figures, brokerage activities could be perceived as their key activity: prospecting wealthy investors, underwriting securities and selling them rapidly to get a high revenue, generally linking such operations to “primary” proprietary trading – and numerous examples are provided by historian colleagues when they quote the participation of houses to financial operations led by big banks¹⁴ –, insiders' practicing, intense presence on the stock exchange (surely for “secondary” proprietary trading) – in particular during the bullish terms, which occurred along with the rhythms of the Bourse between the recessions (1881-1883, 1891-1892, 1901, 1907), and networking what was called *la Coulisse*, that is the floatation of stocks outside the *Palais Brongniart*, through an informal but recognised market which was managed by the *coulissiers*, or small stock brokers acting in the name of middle-sized companies or of foreign companies which were too much risky to get the authorisation of being officially quoted on the Paris Stock Exchange. All these *Haute Banque houses* practiced *la Coulisse*, even American ones, like William Seligmann

¹⁰ Jean-Yves Mollier, *Le scandale de Panama*, Paris, Fayard, 1991. Jean Bouvier, *Les deux scandales de Panama*, Paris, Julliard, 1964.

¹¹ Mollier, p. 87.

¹² “Émile d'Erlanger”, in Nicolas Stoskopf, *op.cit.* pp. 162-165.

¹³ H. Bonin, « Des banquiers cosmopolites? Le monde de la banque et les diasporas (des années 1730 aux années 1930) », *Diasporas. Histoire et sociétés*, n°9, *Chercher fortune*, mars 2007, pp. 11-31.

¹⁴ When *Crédit foncier* emitted 600,000 bonds in January 1883, Heine house got a pack of 20,000; whilst its cost had been of FRF 400,000, it resold it for FRF 600,000 only nine days later (Mollier, pp. 156-157). The same occurred for two issues for the account of *Chemins de fer de l'Est algérien* in 1884. These operations took place after the 1882 crash, which indicates that this latter did not rubbed off lucrative opportunities.

who used his own *coulissier*, Max Hellmann. Each financial stream in history benefited from the spreading of through circles of speculative waves and the *Coulisse* broadened these circles. It is not surprising to find so many aristocrats around these bankers and financiers: numerous histories are rich with nobiliary particles (on the boards, especially), because the redevelopment of aristocratic fortunes was gathering momentum at the end of the century, from mere countryside assets to urban real estate and to financial portfolios – all the more because the fall of agricultural commodities had bitten deep into their revenues; there was then a huge demand for acute wealth management to bear the conversion of assets, and one can easily conclude that this should have favoured speculative trends as the houses of bankers-financiers could lure these investors towards financial adventures.

2. Obstacles to the durability of *Haute Banque* houses

A classical approach will now gather the hostile factors which contributed to put an end to the “*belle époque*” of the houses, when they dominated the Paris market till the 1850s. Beyond obvious considerations about the general trend of competition by big modern banks, a few events marked chronological turning points and above all constituted knocks against the durability of the houses.

A. The houses confronted to frailty and harsh times

The key explanation to the frailty of some houses had been in fact their bad management because of excessive risk taking or their involvement in institutions being swallowed by bad risks or a crisis of confidence. The houses had first been able to resist the tempest raised by the collapse of brothers Pereire’ *Crédit mobilier*¹⁵ in 1867. Far later, the intensity of the krach which shook the Paris market at the beginning of the 1880s could not but exert drastic effects on the houses having provided refinancing to the failing banks or bearing part of their assets. The failure of the Donon group, around *Société de dépôts & de comptes courants* (created in 1863), and the *Société financière de Paris* (created in 1868), had surely bad consequences on the few houses (Erlanger, Koenigswarter, Goldschmidt; later since 1879 Reinach) it had lured within its syndicates – and the same for the *Banque d’escompte de Paris* (created in 1879 by speculator Soubeyran), which had been accompanied by a few houses (Camondo, Demachy Seillière, Hentsch-Lütscher, etc.), but also collapsed.

But an actual turning point was marked by the fate of the houses’ influence on *Comptoir d’escompte de Paris*: for long, it had acted as some kind of an institution acting both as a modern deposit and discounting bank and as a financial institution relaying co-operatively the activities of the houses. Nicolas Stoskopf¹⁶ has well analysed the networks converging to support the development of “modern bank” *Comptoir d’escompte de Paris* throughout the 1850s-1880s from a Paris discount bank to a global deposit and even investment bank. Several houses followed its stream; they brought some business to it and benefited from the redistribution of securities to be dispatched to they own networks of investing customers or for their own sake. The houses Heine, Ephrussi, Günzburg, Cahen d’Anvers were for instance involved in this story. But the main house to be committed to the success

¹⁵ Jean Autin, *Les frères Pereire*, Paris, 1984. Élisabeth Paulet, *The Role of Banks in Monitoring Firms. The Case of the Crédit Mobilier*, London, Routledge, 1999.

¹⁶ Nicolas Stoskopf, « Alphonse Pinard et la révolution bancaire du Second Empire », *Revue Histoire, économie et société*, SEDES, 1998, n°2, pp. 299-317.

of *Comptoir d'escompte de Paris* was Hentsch-Lütscher, and Édouard Hentsch¹⁷ was even its chairman. The issue there is not to tell such a story, but to insist on the turnaround which took place in 1889 when *Comptoir d'escompte de Paris* collapsed (because of its involvement into a speculative corner of copper¹⁸): a few houses were deeply shaken, and, mainly, the Hentsch house had to close, and its family assets were swallowed in the compensation of losses. Only a decade before the end of the century, a few houses and among them the much important and influential Hentsch-Lütscher house had lost therefore a magnificent leverage to be part of the heritage of the century to 20th century investment banking and the successor to *Comptoir d'escompte de Paris* in 1889, *Comptoir national d'escompte de Paris*, was deprived of any influence from the houses.

The krach ending the 1880s was crowned by the fall of the Kohn-Reinach house in December 1890 – in the wake of the collapse of the Panama canal company to which it was an intimate companion: this was also a strong knock on the world of Paris houses. Sure, part of its assets had been keenly transmitted in advance to another house (pervading till 1940), Siegfried Propper & Cie, Propper being the proxy manager of the partners. But both Hentsch-Lütscher and Kohn-Reinach marked a serious setback to the houses, which lost altogether entrepreneurial momentum and financial surface. And several other houses endured losses throughout the 1880s, for instance Mirabaud or Seillière-Demachy (which had to be liquidated and refounded on new basis in 1888).

B. Dwindling influence on the finance and banking market

Beyond causes due to random events, a commonplace trend has to be taken into account on the Paris market like elsewhere in Europe: several cases prove that big and modern banking was little by little encroaching on the market share and the influence of the houses. Even the case of *Banque franco-égyptienne* shows the slow but irresistible trend which reduced the role of the houses' bankers in favour of mere managers, that is bankers not issued from the dynasties of family bankers, even if dynasties of "managing bankers" did take shape in the first half of the 20th century and if this new type of bankers joined somewhat the *grande bourgeoisie*. First *Banque franco-égyptienne* had to welcome a few big "new banks" (Paribas, *Crédit industriel & commercial*) in its capital to help it refinancing its overseas operations, and the influence of *Haute Banque* was thus inevitably reduced because big banks disposed of their own brokerage networking and moreover of a capacity to refinance more largely *Banque franco-égyptienne*. But finally in 1889 this latter was amalgamated into *Banque internationale de Paris*; it had to diversify its assets, alleviate its involvement on the competitive Egyptian market; and one might think that the influence of the houses was lessened in the new bank, whilst conversely Paribas joined the equity. The trend was amplified when, later on, in 1901, *Banque internationale de Paris* merged with another "financial bank", *Banque française pour l'Afrique du Sud*, to set up *Banque française pour le commerce et l'industrie* (BFCI), some kind of an investment bank, which ended being absorbed by deposit (and mixed) bank *Banque nationale de crédit*¹⁹ in 1920. A process of "normalisation" thus took shape: despite their part in the founding, the houses had to leave room (on the board and within management teams) to "managerial bankers", even if those themselves started building networks of influence and

¹⁷ See Robert Hentsch, *Hentsch. Banquiers à Genève et à Paris au XIX^e siècle*, published by R. Hentsch, Neuilly, 1996. R. Hentsch, *De mère en fille. Histoire des familles Hoskier, Appert, Girod, Hentsch*, published by R. Hentsch, Neuilly, 1997.

¹⁸ Bertrand Gille, « Un épisode de l'histoire des métaux : le krach des cuivres », *Revue d'histoire de la sidérurgie*, volume 9, n°1, 1968.

¹⁹ H. Bonin, *La Banque nationale de crédit. Histoire de la quatrième banque de dépôts française en 1913-1932*, Paris, PLAGÉ, 2002.

asserted themselves as “financiers” and “*banquiers d'affaires*” (investment bankers), against somewhat “dull” managers of deposit banks...

Such a trend was confirmed at *Société générale* (of Paris): there had been several members of the houses (Louis-Raphaël Bischoffsheim, Edward Blount, Meyer-Joseph Cahen d'Anvers, Henry Davillier) who had joined the team building and developing this “universal” bank since 1864. But their influence was only one-fifth of the board, and it rapidly dwindled because the function of “CEO” (*directeur*) and deputy-CEOs gained in importance, with a key role of the *comité de direction*²⁰: the “modern” bank could not be managed along a “partnership’ *modus operandi*. Sure Blount²¹ was a director from 1864 to 1901, its vice-president and even its president in 1886-1901; but he acted himself and was seen more as some godfathering ex-banker, a go-between to ease access to the City²² and to its merchant bankers – all the more because in the last decade his weak health constrained him to stay at home in England, thus giving leeway to the Paris management – and that was the same at the *Compagnie générale des eaux* where he was a director since 1854 and the president from 1862 till 1901. The same trend was obvious at *Crédit lyonnais*, where the crisis opened by the krach of 1882 led to a drastic handling of operations by the managerial staff and the reduction of the day to day relationship with the houses²³, which had contributed to its first decades of existence.

In fact, modern big banks adopted themselves somewhat the *modus operandi* of the *Haute Banque* houses, and even *Crédit lyonnais* set up a department called “*département de la Haute Banque*”, dedicated to the relationship with foreign correspondent banks and international activities. Paribas²⁴ asserted itself as a far larger *Haute Banque* house, that is a *banque d'affaires*, with an inner way of management insisting on personal initiative, collective partnership through leading financial operations, and a multinational scope, far from the specialised areas which the houses were used to be in charge – for instance in Brussels where Raphaël de Bauer was the manager from 1872 till 1916, acting quite as a merchant banker there. Here and there, even foreign bankers were recruited at the top of French joint-stock banks and they acted like “cosmopolitan” merchant bankers at the head of their department: Swiss James Rosselli led the London branch of *Crédit lyonnais*, then was in charge of the division supervising the foreign branches (from 1895 till 1929), for a while helped by Swiss Auguste Célérieré at the end of the 19th century; and the case of Austrian (but naturalised into Frenchship) Émile Ullman who reached a deputy-CEO job at *Comptoir national d'escompte de Paris* confirmed this trend. For their international activities about finance and the relations with large firms and states, big modern banks thus had adopted part of the international mind of the houses, their scope, team management, networking among international correspondants, quite “borrowing” their habits: this was indeed part of the heritage of the *Haute Banque* houses transmitted to the 20th century practices by big modern banks, either deposit banks or investment banks, as far as investment banking skills were involved.

Another aspect of the dwindling influence of the houses was that they were less and less useful to provide brokerage circuits to the big modern banks. More and more, these latter

²⁰ See H. Bonin, “Chapter 3. La construction des équipes de direction”, in *Histoire de la Société générale*. I. 1864-1890. *Naissance d'une banque*, Geneva, Droz, 2006, pp. 51-90.

²¹ Stuart J. Reid, *Memoirs of Sir Edward Blount*, Longmans, Green & Co, London, 1902. “Edward Blount”, in Nicolas Stoskopf, *op.cit.* pp. 100-104.

²² H. Bonin, *Société Générale in the United Kingdom (1871-1996)*, Paris, Mission Histoire, Société générale, 1996. Youssef Cassis, *La City de Londres, 1870-1914*, Paris, Belin, 1987.

²³ Jean Bouvier, *Le Crédit lyonnais (1863-1882). Naissance d'une grande banque*, Paris, SEVPEN, 1961 ; Flammarion, 1968 ; EHESS, 1999. Bernard Desjardins, Michel Lescure, Roger Nougaret, Alain Plessis & André Straus (dir.), *Le Crédit lyonnais, 1863-1986. Études historiques*, Geneva, Droz, 2002.

²⁴ Éric Bussière, *Paribas, l'Europe et le monde, 1872-1992*, Anvers, Fonds Mercator, 1992.

had woven networks into the wealthy layers of bourgeoisies; they had even started to be in relation with institutional investors, up to then intimately dependant on the houses, which had founded and controlled a majority of the insurance companies from the 1820s-1830s. Through their branches, they got access to provincial elites; and because some of them (especially the investment banks) established more and more a function of correspondent banking for small regional banks (or family *banques locales*), they could begin short-circuiting the houses which had been an efficient relay towards wealthy people.

Examples of this dwindling influence might be perceived when the Rothschild house lost momentum for the Italian then for the Russian financial operations. Even if they had to take into account its resilient strength, big modern banks attempted several times to dig into its hegemony²⁵ – which had resisted to the Pereire “revolution”; offensives had succeeded to one another, for the defeat loans in 1871-1872, then through the struggle led by *Banque de l'Union générale* at the turn of the 1880s, last about the Russian loans. When the French banks relieved the German ones for these operations, Rothschild played a leading role in underwriting the first loans in 1887; but, for the following ones (a first wave from 1889 to 1901), they had to be joined by the big modern banks and to be a mere member of the lead-managers of the French syndicate: “The Rothschild had their share of the loans, but the era of monopoly had passed for them.”²⁶ – that is the time when the Rothschild (with Baring) led the first wave of Russian loans in 1862-1875. One strategic purpose of *Crédit lyonnais*' chairman Henri Germain had been for long precisely to alleviate Rothschild's position for the Russian business, or even to oust it..., and this explains the opening of a branch in Saint-Petersbourg in 1878 to reverse the asymetry of information which had prevailed to the benefit of the Rothschild through their international network of houses and relationship²⁷.

One could pretend that the room of manoeuvre of the houses had shrunk considerably, that they only managed inherited assets and family networks, that they lost ground against big modern *banques d'affaires* like Paribas, *Banque française pour le commerce & l'industrie* or *Banque de l'union parisienne*. One solution could have been an amalgamation, but a very few cases were related (D'Eichthal by Mirabaud in 1896). Another path was followed by Seillière-Demachy: the old Seillière house had evolved from the 1790s into an active *Haute Banque* house²⁸; after its renewal in 1888, it had become quite a house bank to the metal-working group Schneider in the 1880s-1900s but lost this partnership in the mid-1900s and was weakened, which led to its purchase (for about 45 per cent, the Demachy family keeping 38.5 per cent) by the steel group De Wendel in 1911.

3. The resistance of the houses in the 1880s-1910s

The passage from a almost hegemonic position in the midst of the 19th century to a highly competitive market at the turn of the 20th century cannot be precisely assessed, because we lack of historical studies on the houses and some global scope on the model of D. Kynaston's master book about the post-WW2 City²⁹. This explains the superficiality of

²⁵ “Chapter 9. La coalition bancaire contre Alphonse de Rothschild dans les premières années de la Troisième République”, in J. Bouvier, *Rothschild, op.cit.*, p. 205.

²⁶ *Ibidem*, p. 273 [our translation].

²⁷ *Ibidem*, pp. 270-272.

²⁸ Jean-François Belhoste & Henri Rouquette, *La maison Seillière-Demachy, banque de l'industrie et du commerce depuis le XVIII^e siècle*, Paris, 1977. Raymond Dartevelle (ed.), *La banque Seillière-Demachy. Une dynastie familiale au centre du négoce, de la finance et des arts, 1798-1998*, Paris, Perrin-Fondation pour l'histoire de la Haute Banque, 1999.

²⁹ David Kynaston, *City of London: A club no More, 1945-2000*, London, Chatto & Windus, 2001. For a first approach, see Alain Plessis, « La Haute Banque parisienne et l'économie internationale au XIX^e siècle et au début du XX^e siècle », in *Private Banking*, London, EABH & Ashgate, to be published in 2008.

our further developments to determine how the houses succeeded in preserving areas of influence on the Paris market against big modern banks.

A. Obvious explanations to the durability of the houses

The “demography” of companies has become a key issue of business history, and the houses did not escape the risk of being rubbed off from history. But two main explanations can be picked up as obvious bases for the resistance by the houses to the challenge of time. First, threats occurred when family dynasties had to face death and therefore the renewal of the partnership between the associates and limited partners. But plasticity prevailed: the Fould house³⁰ left room to the Heine house; the Mirabaud-Paccard was rebuilt several times, and the house of André resisted the artistic and patronage activities of Jacquemart-André. A permanent phenomenon of resiliency impulsed a trend of renewal of the house through the last quarter of the 19th century.

Second, several houses were not so bad managed; even if they lacked of financial surface or because of it, bankers paid strict attention to risk taking; sure, this led to leaving room to competing big banks – simply because their capital (FRF 50 million for Rothschild in 1805, for example) lagged behind that of big modern banks. But Y. Mollier analysed³¹ the prudence respected by Heine in front of financial proposals: it practiced a cautious analysis of risks and rejected a lot of them: “Many records of the Heine archives are filled with files about ‘non achieved issues’. They had been studied, cross-examined, sometimes started, but, rapidly, they had been stopped or the bank had left the syndicate. A few of them had anyway got a successful result, and in these cases, the bank had been badly advised when it refused to concur; in general, however, the risk was too far-fetched, the guarantees to success seemed weak, and the bank chose to abstain.”³²

B. The houses and financial eldorados

Because several family bankers had committed to speculative coups, we can consider that some tradition had been pervasive on the Paris market throughout the process of the internationalisation³³ of the finance flows, always in search for bonanzas. We can for example consider the case of *Banque internationale de Paris* from a point of view opposite to our previous analysis: after its merger with *Banque franco-égyptienne* in 1889, a few houses were still present in its capital and its network of relationship: the successor to Kohn-Reinach, Siegfried Propper house, a few institutions or characters issued from the ex-Pereire circle (Germain Halphen, *Crédit mobilier italien*) seem to have acted as intermediaries between family or wealthy investors and such “new” banks looking as “modern” *banques d'affaires*. All these informal circles looked after Latin America opportunities (*Banque nationale de Mexique*, Brazilian railways, etc.); in fact, we can perceive them as “eldorado-minded”, looking for big “coups”, operations abroad rich with issuing of bonds and speculative rise of equity values in order to deliver revenues to bankers’ syndicates, or “mirage banking”. And when they joined the *Banque internationale de Paris*, they rallied a firm dedicated to the golden rush in Southern Africa through the brokerage of securities of British (or else) mining companies to fascinated individual investors...

³⁰ Frédéric Barbier, *Finance et politique. La dynastie des Fould, XVIII^e-XX^e siècles*, Paris, Armand Colin, 1991.

³¹ Mollier, pp. 157-158.

³² Mollier, p. 157.

³³ See Rondo Cameron & Vladimir I. Boykin (eds.), *International Banking, 1870-1914*, Oxford, Oxford University Press, 1991.

What could have appeared as a more durable or less short-term speculative inflow of money was constituted of the operations linked to the development of **Central and Eastern Europe**, where fortunes grew along with the development of trade and even industry. Bankers from these areas established bridges between East and West, and either brought cash from East (especially the Danubian area, of course) to West to take profit of western stock exchanges, or called for investments from West to East to take part to the building of equipments and first layers of industry (in Russia-Ukraine, for example). A few houses were undoubtedly involved in the emerging Russian “eldorado”: in Russia, even if German and British banks were much influent for this Russian finance business in the 1880s-1890s, Hoskier and Jacques de Günzburg became two key houses in Saint-Petersbourg to provide the Paris market with information about Russian business. Harald Hoskier, from Danish origin, had been active in the Russian capital from the 1880s; and, in Paris, the Günzburg house set up in 1867 by Jacques’ brothers Horace and Joseph, then joined in 1887 by Horace’s son Salomon, was a first among others beneficiary of such information flows. Hoskier had been a main organiser of the issuing and brokering in Paris of securities by *Société générale des chemins de fer russes* in 1884 through a syndicate – before the purchase of the equity by the Russian state as soon as 1888. Both Hoskier and Günzburg were active in Saint-Petersbourg, Paris, London and Brussels (perhaps in Berlin too) as go-between, as this example can suggest: “On 15 January 1907, a few bankers, baron Hottinguer, and Jacques de Günzburg started important negotiations”³⁴ for the issuing of a big Russian loan in France. And Günzburg was admitted to the board of a few “modern” banks, *Crédit mobilier français* and *Banque française pour le commerce et l’industrie*, both mainly investment banks committed to reinforce the part played by the Paris market at the *Belle Époque*. These intermediaries were constantly used by big modern banks³⁵ even if themselves got a direct access to Russian circles of information and influence because they supposedly disposed of a superior embeddedness there.

As second group of operations were spurred by **the Danubian area**, and the Camondo house had been reputed for its networking there, through three Camondo generations. The first one had established a bridgehead in Paris since 1869, with brothers Abram and Nissim de Camondo; the second (Isaac) and third (his son Moïse) ones developed the bank: they symbolised the osmosis between the Constantinople market and also Danubian Europe with the Paris market, and they tackled important flows of exchange commercial paper and securities between East and West, even often travelling there³⁶.

A third informal network had gained momentum from the mid-19th century and reached some apex at the turn of the 20th century: a **Brussels** connection took shape, not only because several French companies were involved in the Anvers harbour’s activities (trading on cereals; financing Latin America, especially Argentina; business with Bunge & Born trading firm, etc.) or with Belgian collieries or steel firms (across the boundary between Wallonie and northern France)³⁷. This trend was supplemented by the growing function of Brussels as a means for French banks to short-circuit the hostile relationship between

³⁴ René Girault, « Pour un portrait nouveau de l’homme d’affaires français vers 1914 », reedited in *Être historien des relations internationales*, Paris, Publications de la Sorbonne, 1998, p.59. See René Girault, *Emprunts russes et investissements français en Russie (1887-1914)*, Paris, Publications de la Sorbonne-Colin, 1973.

³⁵ H. Bonin, *La Société générale en Russie*, Paris, La collection historique de la Société générale, 1994; reedited in 2003. Roger Nougaret, *Le Crédit lyonnais en Russie, 1878-1920*, Paris, 1992.

³⁶ Nora Seni & Sophie Le Tarnec, *Les Camondo ou l’éclipse d’une fortune*, Paris, Actes Sud, 1997. Nora Seni, « The Camondos and their imprint on 19th century Istanbul », *International Journal of Middle East Studies*, 26, 1994, pp. 663-675. Nadine Gasc & Gérard Mabile, *Le Musée Nissim de Camondo*, catalogue, Paris, Musées & monuments de France & Albin Michel, 1991.

³⁷ See Éric Bussière, *La France, la Belgique et l’organisation économique de l’Europe, 1918-1935*, Paris, Comité pour l’histoire économique et financière de la France, 1992.

France and Germany³⁸ after 1870: through correspondents or even subsidiaries there, they could develop discreet but important business with German banks. Despite this direct presence of big modern banks (*Société générale* of Paris through an affiliate, *Crédit lyonnais* since 1888, Paribas), the Paris market could count on correspondents there, and the Bischoffsheim³⁹ and Cahen d'Anvers⁴⁰ houses were among the key relay because they had bunch of networks in both countries. Germany became some kind of an eldorado because of its needs in refinancing for its banks and the issuing of securities for its multinational firms, with international syndicates where go-between could be relevant.

C. The resiliency of Rothschild of Paris and Mirabaud of Paris

For the period after 1870, we lack an actual comprehensive history of the Rothschild Paris house along with N. Ferguson's model⁴¹ and our analysis will remain patchy. Anyway, if the historical characters of Rothschild's history had vanished, to talk of "decline" about the management of the following generations would be clearly abusive – even if Bouvier debated about the strategic dilemma posed to the house which had to manage "established fortunes"⁴²: James' son, Alphonse de Rothschild (1827-1905) presided over the house from 1868 to 1899), then his son Édouard (1868-19xx) and his two brothers Gustave (1829-1911) and Edmond (1845-1934), the third managers becoming sole partners in 1905, mixed the second and the third generations of the Paris dynasty – before Gustave and Edmond's sons Robert and James Armand, from the fourth generation, also joined the partnership in 1909. Whilst keeping in touch with the German, Vienna and British sister houses (for instance thanks to marriages within the family branches), they succeeded in broadening the management team, within the family (with son-in-law Maurice Ephrussi or a nephew, Emmanuel Léonino), thanks to engineers (Jules Aron) or lawyers (Ernest Tambour, promoted chairman of affiliate *Le Nickel* in 1902-1922) and also to a little circle of managerial delegates in the firms in which their were influential – and those latter were characters of high quality, which meant the house kept its attractiveness⁴³. Sure, its official equity was only of FRF 50 million, but the assets declared by the family succession in 1905 reached FRF 251 million, which gave some freedom for financial investments and credits, first as collaterals, second as basis to trust.

On its side, the Mirabaud house⁴⁴, although far less capitalised (with only FRF 5 million in 1882-1907, then 7 million) had constantly renewed and broadened its family and equity basis (Mirabaud-Paccard, then Mirabaud-Puerari, then Puerari, last Mirabaud), all the more because it absorbed the D'Eichthal house⁴⁵ in 1896. Henri Mirabaud (1821-1893), Adolphe d'Eichthal (1805-1895), Paul Mirabaud (1848-1908), Eugène Puerari (1840-1909), Gustave Mirabaud (1854-1918) Albert Mirabaud (1851-1930), William d'Eichthal (1867-1934), Henri Puerari (1874-1937) and Pierre Mirabaud (1887-1944) mixed the third

³⁸ Raymond Poidevin, *Les relations économiques et financières entre la France et l'Allemagne de 1898 à 1914*, Paris, Colin, 1969. Reprinted, Paris, Publications du CHEEF, 1998.

³⁹ « Louis R. Bischoffsheim », in Nicolas Stoskopf, *op.cit.* p. 95.

⁴⁰ « Meyer Cahen d'Anvers », in Nicolas Stoskopf, *op.cit.* pp. 109-111.

⁴¹ Niall Ferguson, *The World's Banker. The History of the House of Rothschild*, London, Weidenfeld & Nicolson, 1998.

⁴² Third part, « Les fortunes acquises », Jean Bouvier, *Les Rothschild*, Paris, Fayard, 1967; second edition, Brussels, Complexe, 1985, p. 197.

⁴³ John McKay, « The house of Rothschild (Paris) as a multinational industrial enterprise, 1875-1914 », in Maurice Lévy-Leboyer (*et alii*, dir.), *Multinational Enterprise in Historical Enterprise*, Cambridge, Cambridge University Press, 1986, pp. 74-86. Bernard Michel, *Banques et banquiers en Autriche au début du XX^e siècle*, Paris, Presses de la Fondation nationale des sciences politiques, 1976.

⁴⁴ Isabelle Chancelier, *Messieurs Mirabaud et Cie. D'Aigues-Vives à Paris, via Genève et Milan*, Paris, Éditions familiales, 2001.

⁴⁵ « Adolphe d'Eichthal », in Nicolas Stoskopf, *op.cit.* pp. 158-162.

and fourth generations of the Paris dynasties to foster dynamism and initiatives to the house – and profits (FRF 25 million piled up between 1903 and 1913, for example⁴⁶). Last, obviously, both houses relied on an immaterial capital, that is their insertion within a transnational family network, Mirabaud in Paris and Geneva, Rothschild being inserted within the “magic square” Paris-London-Frankfurt-Vienna.

Except the support brought by Mirabaud to the maritime company *Chargeurs réunis* (from the 1880 to the 1920s), both banks did not invest any more in transport, even Rothschild kept its controlling stake into the first French railway firm, *Chemins de fer du Nord*⁴⁷, till 1936 – Vernes and Hottinguer houses also keeping their traditional presence on the board – and some interests in Spanish railways; the heritage was there solid, as the net revenues from exploitation at *Compagnie du Nord* grew from FRF 56 million in 1896 to 129 million in 1913 (then without inflation), which could foster banking and treasury operations for the house. Anyway, another strategic orientation took shape at the end of the 19th century; financing and sometimes controlling – as the key shareholder or the lead-manager of the pool of important investors – mining were the paths followed by both houses, which took advantage of the reshaping of interests in several companies. One might suggest that they early perceived the needs of the second industrial revolution to fuel its emerging steel industry and its specialised metal-working with non-ferrous metals (telecommunication cables for copper, steel alloys for nickel, water tubes in urban redevelopment for lead, etc.). On its side, whilst purchasing stakes in a few mining affiliates of Rothschild, Mirabaud led the group taking the control in Serbia of the Bor copper mines in 1904. One could pretend that financing mining represented a somewhat “noble” or prestigious activity, linked to the wealth of underground and “solid/tangible” assets and to long term investments.

Such considerations explain that in 1883 the Rothschild house took the effective control of *Société Le Nickel*, which, in New Caledonia, had started delivering nickel. In the meanwhile, it became a key banker of mining companies in Spain (Rio Tinto, Almaden), in Mexico (Boleo copper mines) or else (Penarroya, created in 1881: coal, lead and tin). Its competitor but part-time associate Mirabaud was also comprised among the bankers of *Le Nickel* (for instance for the equity increases in 1899 and 1902), and accompanied by several houses (Odier, Vernes, Cambefort, Dollfus): “Le Nickel is thus one of these numerous companies controlled by a network of Paris high finance around the Rothschild group. Mirabaud, for instance, is also one of the main shareholders of Penarroya, another jewel of the non-ferrous industry controlled by the Rothschild house.”⁴⁸ And Rothschild (with 38 per cent of the capital) shared with Mirabaud (16.4 per cent) the influence on Penarroya.

The Rothschild house had shaped an actual strategy to invest in mining (by itself and by gathering family and institutional investors), especially in northern Africa (Mokta iron in Algeria, Gafsa phosphates in Tunisia) and in Penarroya (non-ferrous metals in southern Europe). In parallel, Rothschild had established a foothold at the heart of the new oil

⁴⁶ Alain Plessis, « Une maison de la Haute Banque parisienne : les Mirabaud et le financement des entreprises de la fin du XIX^e siècle à la Seconde Guerre mondiale », in: Philippe Marguerat, Laurent Tissot & Yves Froidevaux (eds.), *Banques et entreprises industrielles en Europe de l'Ouest, XIX^e-XX^e siècles*, Geneva, Droz, 2000, pp. 239-250 (here, p. 242).

⁴⁷ François Caron, *Histoire de l'exploitation d'un grand réseau : la Compagnie des chemins de fer du Nord, des origines à la nationalisation*, Paris, Mouton, 1973. F. Caron (ed.), *Les grandes compagnies de chemins de fer en France, 1823-1937*, Geneva, Droz, 2005.

⁴⁸ Yann Bencivengo, « Les réseaux d'influence de la banque Rothschild : l'exemple de la société Le Nickel en Nouvelle-Calédonie (1880-1914) », in Hubert Bonin, Catherine Hodeir & Jean-François Klein (dir.), *L'esprit économique impérial (1830-1970). Groupes de pression & réseaux du patronat colonial en France & dans l'empire*, Paris, Publications de la SFHOM, 2007. Also see J. Bouvier, *Rothschild, op.cit.*, pp. 256-258.

economy through an important participation to the Russian oil-fields at Bakou (BNITO) and Grozny since the 1890s – but they sold the assets of the holding Russian Standard to Royal Dutch Shell (against shares of this firm) in 1912 for geopolitical motives.

A last issue would have to be the involvement of the houses (Rothschild, Mirabaud and the other ones) in more classical real estate operations; several of them had been perceived in companies or projects which contributed to the development of new areas of Paris, because the Haussman plans were achieved throughout the *Belle Époque*. But we miss any study of such real estate firms.

D. Discreet means of influence: the institutional position of the houses on the Paris market

The real capacity of influence of the houses on the Paris market, as some kind of a lobby for the banking profession, or as the expression of the interests of grande bourgeoisie – for instance against the leftist majorities governing the country from the Parliament from time to time – has not been studied yet for the years 1890-1920 – beyond considerations about the social life of *grands bourgeois*⁴⁹. A comprehensive analysis of the part played by some houses is only available for the 1922-1928 years, when *Banque de France* was confronted to the crisis of the franc and of the Budget⁵⁰. This raises the issue of why the houses maintained so long a key presence within common banking institutions. Surprisingly, the huge surface of modern big banks did not express itself within the *Conseil de régence* of *Banque de France*, which was some kind of a board and held almost weekly meetings to run the bank of issue (not yet a thorough central bank at these times) along with the state-nominated governor. The very reason was that *Banque de France* was a private company, and the houses remained durably among the most important shareholders – a rule precising till 1936 that the 200 larger shareholders only were invested with the right to elect the *Régents*. These latter were thus influential people, able to get access to an essential corpus of knowledge – mainly: which bank had to be rediscounted or refinanced; how the state needed cash for its treasury; what about the franc against currencies – and able to set some pace for the core banking system at a time when no laws nor institution of regulation presided over the Paris finance and bank market. Six representatives of the houses (Davillier, Heine, Hottinguer, Mallet, Neuflyze, Rothschild) were thus *Régents* in the 1920s, that is six out of fifteen members of the *Conseil* – the other ones being industrialists and wholesale traders, joined by a few high civil servants; Mirabaud had been also represented through Paul Mirabaud in 1907-1908 (then since 1929 by William d'Eichthal). They were therefore able to exert a discreet, permanent, presence or influence, merely because they could express their opinion for the name of the whole banking profession. But the relationship developed between big banks and the houses at the *Belle Époque* has not yet been studied.

The same of what we could call an “institutional position” on the Paris market is to be noticed at *Banque impériale ottomane*, which was a bank of issue and a commercial bank active in the Ottoman empire, and where French influence was determinant ahead of or equal to the British one. At the *Belle Époque*, Paribas had not yet become the leadership (not until the 1920s) and *Banque impériale ottomane* acted a some kind of “community

⁴⁹ Herbert Lottman, *La dynastie Rothschild*, Seuil, 1994. Louis Bergeron, *Les Rothschild et les autres... La gloire des banquiers*, Paris, Perrin, 1991.

⁵⁰ See the brilliant : Bertrand Blancheton, *Le Pape et l'Empereur. La Banque de France, la direction du Trésor et la politique monétaire de la France (1914-1928)*, Paris, Albin Michel, 2001.

institution” in the name of French banking (or else) interests⁵¹. What seems much amazing is the fact the Hottinguer maintained a role of unofficial “overall supervisor” of *Banque impériale ottomane*’s activities, as a vice-president and a key impulser of the Paris committee which served as correspondent to the Constantinople committee. Beyond the commitment of the Hottinguer house to *Banque impériale ottomane* from the start (1863), that could express the involvement of the houses in the relationship established with several houses active in the Ottoman and further in the Danubian areas, or the networks inherited for the brokerage of Ottoman securities since the reorganisation of the Ottoman finances after the collapse of 1875. Such a hypothesis could be confirmed by the opposite situation reigning at *Banque de l’Indochine*⁵²: dedicated to the same functions than *Banque impériale ottomane* but in the French colony and protectorates, it did not welcome on its board nor among its networks of relationship any member of the houses, and one could presume that reflected the meager activity of these latter in the Asian business, which explained the first-rank part played by big modern banks in the creation (1875), the refinancing and the supervision of *Banque de l’Indochine*.

So little literature is available about the precise activities of the smaller houses for the years 1890-1920s, conversely with the deep studies by Alain Plessis and Nicolas Stoskopf for the 1820-1880s, that only a few glimpses are possible to pick up elements about their resistance to competition at the *Belle Époque*. A glance at the boards shows that for example Hottinguer was a director in railways companies (PLM, *Nord*, *Est*, one in Russia), in *Compagnie générale des eaux* and in several insurance companies (*La Nationale*, *L’Union*, *Assurances générales*): the house (led by a third family generation⁵³) represented there the global community of shareholders, of institutional investors and wealthy or even middle classes individual investors. And we could pretend – even if we lack immediate testimonies through memoirs or diaries to confirm our hypothesis – that the houses played thus some part of an informal “authority of control” over quoted companies to instill confidence among investors.

E. The houses and *Banque de l’union parisienne*

Such discreet but efficient influence was crowned by the role played by the house in the creation and the development of *Banque de l’union parisienne*⁵⁴. Half a dozen houses (Demachy, Hottinguer, Mallet, Mirabaud, Neuflyze, Vernes) were more and more conscious that they could not challenge the dominating investment bank Paribas, and were confronted to the emergence of new “mixed-banks” which developed rapidly their investment banking activities (*Banque française pour le commerce et l’industrie*, *Crédit mobilier français*). They did not benefit from the intense international network of the four Rothschild houses. And they perceived that even *Crédit lyonnais* and *Société générale* were adopting business models which structured a strong investment banking division and insisted on international growth (Russia, the City). The Russian perspectives above all drew their attention; they noticed that reaching room within the syndicates set up by big

⁵¹ Jacques Thobie, *Intérêts et impérialisme français dans l’empire ottoman (1895-1914)*, Paris, Publications de la Sorbonne-Imprimerie nationale, 1977. André Autheman, *La Banque impériale ottomane, 1863-1924*, Paris, Comité pour l’histoire économique et financière de la France, 1996.

⁵² Marc Meuleau, *Des pionniers en Extrême-Orient. La Banque de l’Indochine, 1875-1975*, Paris, Fayard, 1990. H. Bonin, « The French banks in the Pacific area (1860-1945) », in Olive Checkland, Shizuya Nishimura & Norio Tamaki (dir.), *Pacific Banking (1859-1959). East meets West*, London, MacMillan, & New York, St. Martin’s Press, 1994, pp. 61-74.

⁵³ This third Hottinguer generation was comprised of Rodolphe (1835-1920), François (1846-1908), Jean (1848-1928), Joseph (1849-1910) and Paul (1855-1939).

⁵⁴ Hubert Bonin, *La Banque de l’union parisienne. Histoire de la deuxième banque d’affaires française (1874/1904-1974)*, Paris, PLAGE, 2001.

modern banks for the Russian loans or, less apparently, for providing Russian affiliates of French companies and banks with refinancing, exchange operations and credits to international trading, was becoming more and more exclusive. They risked to be rubbed off from such lucrative developments, and the same for Latin American business – where Neuflyze, especially, had contacts but not means for action.

This explains the foundation of *Banque de l'union parisienne*: they brought fresh capital to an existing bank, *Banque parisienne* (created in 1874 by financiers, joined in 1890 by *Société générale de Belgique*): a capital of FRF 40 million was available (that is under the capital of Rothschild, but seven times that of Mirabaud). The houses subscribed for a chunk of 46.125 per cent (7.6875 per cent each), but they redistributed part of these shares to their networks of wealthy investors; then in November 1905 a first increase of the equity brought FRF 30 million (20 in equity and 10 in issuing prime lodged as reserves), before a second one in June 1913 (FRF 20 million in equity, 20 million in prime), and the capital reached then FRF 80 million, not so much behind Paribas (100 million) but still far from the deposit banks: FRF 200 million at *Comptoir national d'escompte de Paris*, FRF 250 millions in 1900-1926 at *Crédit lyonnais* (with 100 millions in reserves in 1900) or FRF 500 million at *Société générale*.

All at sudden, a competitor to Paribas was born, and its first chairman even was Lucien Villars, who had presided over Paribas' interests in Spain in the 1870s-1890 before, as a manager, to assume financial responsibilities at its Paris headquarters. The desire to compete also with *Crédit lyonnais* is showed by the recruitment of Alfred Bonzon in 1913, who had been a key manager for financial operations at *Crédit lyonnais* in 1902-1912.

The *modus operandi* for financial operations was clear: one informal group, called “*La Table*” (the round-table), gathered the members of the board and, among them, the representatives of the *Haute Banque* houses; these privileged partners got a regular part of the underwriting and issuing operations, for their own account and moreover for the account of their house. Afterwards, the houses were used as relays to broker the securities among their networks of wealthy customers and institutional investors (insurance companies, mainly) or within their own assets, for proprietary trading. Half of the profits were remitted to the institution itself; the other half of profits had to be shared among *La Table*: 70 per cent for the representatives of the houses, 15 per cent for the other directors, and the 15 per cent else for the chairman, the board secretary and the management.

Banque de l'union parisienne was thus some original kind of a “capitalist co-operative”, a formalised cartel acting as a joint subsidiary for the six houses which were godfathering the institution and bringing their projects to the management. Surely, it grew as an autonomous banking organisation, with its layers of managers and its relationship with regional companies or large firms; but the houses maintained their influence throughout the interwar period, and even afterwards, on *Banque de l'union parisienne* all the more because absorbed Mirabaud in 1953 and was thus enriched by all of its assets and participations. *Banque de l'union parisienne* enriched the houses with a counterpart able to gain thick slices of the underwriting, issuing and credit syndicates, to assert itself within a few cartels constituted for some type of issuing (mainly French railways, energy and States loans), and to serve as a leverage to spread the portfolio of skills all over Europe (first in Russia, then during the interwar period in Central Europe), for a while (till WW1) in Latin American, and more and more into the French colonial empire in north and subsaharian Africa. This helped providing fresh blood and scope to the houses, which undoubtedly extended their hope of life for a few decades – 1953 for Mirabaud, 1966 for Mallet and Neuflyze which merged into NSM, the 1960s for Vernes which joined the Dassault then the Suez group).

Conclusion

What about the heritage to investment banking ?

Capital of money and competence

Globally one could not imagine that the *Haute Banque* houses would be able to resist the maturation of the second banking revolution. Their cumulated capital reached only about FRF 100 million against about 800 to 900 million for the big modern banks; but one had to take into account the family assets which propped up the availabilities of the houses – even if the big modern banks also could rely on their declared or discreet reserves. They had not been deprived therefore of actual financial means of action, all the more because they were acting as “hubs” for wealthy individual or family investors and for institutional investors, thus broadening considerably their financial might, which could be reinforced by the way of managing informal “clubs” of houses, easily gathered on call for underwriting or brokering operations. A second explanation to the resistance of the houses comes from the ability of families to renew their managerial entrepreneurship within themselves and to succeed in the generational transmission of the capital of competence, therefore denying the motto: “From to womb to tomb in three generations.” The first point is that the 19th century *Haute Banque* houses transmitted a real heritage to the investment banking economy of the *Belle Époque*.

Geography

The relational heritage can be assessed with difficulty; sure, the Rothschild and Mirabaud houses still benefited from their European family web of networks. But, from the 1990s, French historians have insisted on the emergence of a new generation of “go-betweens” joining the Paris houses, more durable and efficient than the speculating group which had lasted only from the 1860s to the 1880s (Kohn-Reinach, or else) and had been joined by the Hentsch house. This innovative new houses prospected financial networks in the Russian, Danubian and Black Sea areas (Camondo, Günzbourg, Hoskier – and also in Marseille: Zarifi and Zafiropoulo, or even Vlasto). In front of the City’s hegemony, they all defined geographical “niche strategies” to short-circuit its dominance on the international acceptance and issuing markets. But we still lack stories to assess the precise developments of such strategies – pending the progress of the preparation of our future book on *Société générale* in 1890-1914. The heritage to 20th investment banking stems from these functions of go-betweens for the maturing market of financial operations till the Russian revolution and the reshaping of Europe from 1914-1918. Niche strategies were also partly followed by some houses about Latin America business, for example by Neuflyze, surely because of its traditional presence in the world of French railways: it thus learnt of projects, even sent a Neuflyze touring in South America.

Sectorial niches

The assessment of the portfolio of skills reveals that the houses succeeded in transforming their sectorial scope to accompany the transition from the first to the second industrial revolutions. First they seized the opportunities offered by the needs of telecommunication and steel industries (copper, non ferrous metals) and sometimes by transport (railways, maritime transport and transit), and those created by the scramble for empires: a few houses accompanied the move of colonial imperialism and added firms active in the French empire to their sphere of influence – despite the strength of investors around Paribas or specialised circles of financiers.

They acted decisively as gate-openers for investors: they set up investment funds, almost “private equity funds” to orient placements towards the mining or transport funds which they godfathered and even sometimes supervised directly as key stakeholders. Such an

evolution resulted from their skills in luring investors, from within their own family branches, or from their customership: wealthy investors from *grande bourgeoisie* and company owners enriched by growth, insurance companies (especially life insurance ones), even local banks practicing private banking (from Lyon, Lille, Marseille, etc.). And they practiced investment funding, either by controlling stakes in companies, or through dedicated holdings. Wealth management became therefore a robust basis of the renewal of the houses: they succeeded in convincing new layers of *bourgeois* enriched by the growth of regional or Parisian family firms, even if we cannot draw precisely the frames of such networks.

Institutional position

The houses lost their capital of influence within the day to day supervision or companionship of the big modern banks, even at Paribas investment bank. But we noticed that they kept an important influence on the Paris market as some kind of “godfathers”, perhaps partly fostering confidence on the respect of a minimum of untold rules at times when no regulation authority or special law existed about the banking economy. Surely the house bankers had lost ground in comparison with the previous decades when some of them were ministers (Goudchaux in 1848, Fould in the 1860s, Say in the 1870s-1880s, etc.) and the maturation of the Third Republic was marked by the progress of the leftists (governing in 1899-1906) and the *Radicaux*, where financiers and bankers who took part to the lobbies came from big modern banks (Rouvier), not from the houses. But these latter were exerting their influence at the heart of the banking system, through their key role at the *Conseil de régence* of *Banque de France*, perhaps sometimes thanks to their networks within the *Union syndicale des banquiers de Paris et de province* – some informal syndicate where bankers share their experience and argued among themselves. But this does not constitute any heritage to investment banking indeed... As far as investment banking is concerned, the main heritage has to be lodged at *Banque de l'union parisienne*, the new investment bank created in 1904: there, half a dozen of houses found a leverage to transmit part of their capital of competence, to foster their capital of relationship, and to get access to “modern” investment banking without dissolving their own structures and rub family banking of the Paris market. Even if the managers became decisive leaders there from the 1920s, families would keep some actual influence within this investment bank till the 1960s, either through members of the family being active as executives, or through the board and *La Table* – the “club” uniting directors and managers to share the profits of financial operations.

Comparisons?

Only in France did the houses reach such influence at the heart itself of a big modern investment bank. Sure families of the banks amalgamated into Barclays preserved some presence throughout the 20th century; and some Belgian modern banks were intimately linked with families of financiers and industrialists. This is perhaps one important point of difference. If we consider the activities, strategy, capital of competence of the family houses practicing “merchant banking” or “investment banking”, the case of France does not look so different from the other countries: *PrivatBanken* in Germany or *les banques privées* in Switzerland and few houses of the same type in Belgium or the Netherlands also struggled to resist the hegemony of big modern banks, altogether joining them in the process of issuing, underwriting and brokering securities through the syndicates. The main handicap limiting somewhat the houses to fuel more largely the heritage transmitted to 20th century investment banking is their lagging position behind their British “sisters”, because merchant banks were so much active in international finance on the City: this explains

that, in the interwar period, the merchant banks went on keeping momentum against the Paris houses⁵⁵.

Strategic mobility

As always in (business and banking) history, the balance sheet is therefore balanced: our essay scrutinised the capital of competence, capital and networks of the *Haute Banque* houses and it did highlight the strengths they still preserved through the transition from the Great Depression to *Belle Époque*. They resisted actually the growth of big modern banks for investment practices because they enriched their “treasury” of networking for information, for brokerage, for raising placements from investors; they set up financial holdings and developed in fact what would look today as “private equity” funding, which gave a new dimension to their portfolio of skills dedicated for long to proprietary trading. Last they were so much inspired to imagine the creation of “their” investment bank, *Banque de l’union parisienne*, of which they became the godfathers and the beneficiaries of its financial operations.

⁵⁵ Hubert Bonin, « The challenged competitiveness of the Paris banking and finance markets, 1914-1958 », in Youssef Cassis & Éric Bussière (dir.), *London and Paris as international financial centres in the twentieth century*, Oxford, Oxford University Press, 2005, pp. 183-204.