

The Napoleon of Finance¹ and the end of Finance Capitalism. Emil Glückstadt and the collapse of Landmandsbanken in 1922.

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Introduction

Over the last few decades of deregulation a new narrative has been constructed that have made the business leader, the entrepreneur, the financier and private equity capitalists into our new heroes.² The authors of this narrative have to a large degree been the heroes themselves well assisted by the media, academics and others. The “business and finance leader as hero”-narrative means that emphasis has shifted from distribution and redistribution of the “cake” (GDP) to what size the cake has. The more or less implicit assumption is that if the cake is large enough everyone will get their fair share, a rather doubtful assumption. It could be argued that this construction of a new hero of the deregulated, globalized Western economies had led to financialization of the economy and, ultimately, to the financial crisis of 2007 to 2009.

If this thesis is sustainable, it could perhaps be further argued that the reason that the financial crisis was so deep and so serious was related to the degree of deregulation and financialization of the economy.³ I am not going to analyze the current crisis, however. Rather, my aim in this paper is to contribute to an understanding of one the bank manager, Emil Glückstadt, and his bank, *Landmandsbanken's* role in the Danish financial system and the financial crisis in Denmark in the interwar period.

In 1922 Denmark's and Scandinavia's largest bank, *Landmandsbanken*, came into serious trouble. Twice. First time was in July after the Bank Inspector had examined the bank's assets and found that 144 million kroner were lost. Since the bank's equity was 150 million kroner this was a problem that needed to be dealt with instantly. The result of late night negotiations was that the Bank Inspector's results, which were contested by *Landmandsbanken's* CEO Emil Glückstadt, were not accepted and instead an ambiguous press communication was issued stating that *Landmandsbanken* would write off 55,75 million kroner and the central bank, *Nationalbanken*, would inject a new capital of 30 million kroner when certain conditions were fulfilled.⁴

Unsurprisingly, this solution did not manage to reestablish trust in the bank, and in September matters came to a head when it became clear that another and more thorough rescue operation was needed. Everyone agreed that the bank was too big to fail, and a total of 232 million kroner corresponding to 20 per cent of total asset were written off and 70 million new share capital and 30 million of reserves was paid in by the state (40 million), private companies (25 million) and *Nationalbanken* (35 million).⁵ It was a traumatic experience, and the big question was, how it was possible that Denmark's and Scandinavia's largest bank was suddenly bankrupt?

There had to be an explanation and a guilty person or even a culprit, and the obvious choice was Emil Glückstadt who until the crash had been "surrounded by praise, admiration and envy". After the crash other even stronger emotions took over and from September very few people defended Glückstadt. Among them were his wife and defense attorneys, who stressed that "despite the fact that most of his actions have been public for everyone to see, most of the good things this man has done is now forgotten. All that is left is the impression of the calamity he is believed to have caused."⁶

More than any other Danish business leader in the 20th century Emil Glückstadt came to symbolize the old saying flying high, falling deep. In 1923 he was being questioned in his sickbed at home on March 9 when he was arrested and taken to prison in a regular perp walk.⁷ On June 14 the High Court case against him began but only nine days later he died and the trial was never brought to an end. As a consequence, Danish society never had an official verdict: guilty or not guilty, and historical truth seeking is not going to be helpful either. Nevertheless – or perhaps because of that – since 1922 it has been impossible to speak of Landmandsbanken's failure without also speaking of the narrative about Emil Glückstadt. In this paper I discuss his rise and fall as a bank leader in the light of the failure of Landmandsbanken.

In order to understand Landmandsbanken's failure it is necessary to include the context and institutional environment, which Emil Glückstadt was doing business in and shaping as an influential and powerful CEO of a big bank. Emil Glückstadt was not just a person; he was also a symbol and as such he was embedded in and co-producer of capitalism in Denmark – and in a broader sense in the Western world. At the same time, Glückstadt was living in a time of dramatic upheaval politically and culturally but also economically. The outbreak of World War One in August 1914 completely changed the conditions for running a bank, and six years later it happened again when the peace crisis broke out in the fall of 1920. Perhaps that became Emil Glückstadt's fate.

Emil Glückstadt

Emil Glückstadt was the last great Danish banker. Together with his father, Isak Glückstadt – the first CEO of Landmandsbanken since its establishment in 1871 – he was the closest Denmark ever came to having a banking dynasty such as the Swedish Wallenbergs or the American Morgans. The third generation was actually being put in line when Glückstadt's nephew, Erik Glückstadt, was appointed deputy director in 1921. *Berlingske Tidende*, a newspaper, wrote enthusiastically that the appointment "... once again marked the Glückstadt family's name in the history of Landmandsbanken."⁸

The enthusiasm was short lived, however, but the first change of generation went smooth even though Landmandsbanken was not a family owned company. When Isak Glückstadt died in June 1910, Emil Glückstadt was all set to take over the position as CEO. Having dropped out of law school in the late 1890s, Glückstadt decided that he wanted to be a banker. His father helped him to a job in National City Bank in New York for six months, and then he moved on to Deutsche Bank's London office and later on to Banque de Paris et de Pays Bas in Paris. After three years abroad he returned to Denmark in 1901 and married "... one of Copenhagen's most beautiful young ladies, Miss Laura Rée", who was the daughter of one of Landmandsbanken's wealthy customers, the stockbroker and speculator Eduard Rée.⁹ The same year Emil Glückstadt was employed as his father's private secretary, and "... if one went to visit the old titular Privy Councillor in those years, one always found his son sitting with him in his office." In short, Emil Glückstadt was his father's apprentice to become a banker; in 1904 he was appointed vice-director and in 1907 he was promoted to director and in 1910 CEO of Landmandsbanken. He was 34 years old.¹⁰

From 1910 to September 1922 Emil Glückstadt was Landmandsbanken's chief executive and as such he obviously bore responsibility for the bank's successes and failures. It was him who took the bank to its pre-eminent position, and it made him a very powerful and wealthy person in a small nation. In 1920 a skilled worker made about 6,000 kroner a year. From 1914 to 1920 Landmandsbanken paid Glückstadt a total of 2,063,609 kroner in salary and bonus – almost 300,000 kroner a year on average.¹¹ But Glückstadt also had other earnings from investments and from board positions, and according to his defense from 1916 he made a total of "about or above, some years substantially above, one million kroner a year ...", while his taxable assets amounted to five million kr.¹² *Politiken*, a newspaper, put his earnings between 1918 and 1922 at 22 million kr. and his assets at eight million, while the commission appointed to investigate the failure estimated his assets at 7.3 million kr.¹³ In other words, after any standard Glückstadt was a very rich man. Measured as economic "power" in today's terms, Glückstadt's assets correspond to 1.8 billion kroner

(ca. \$300 million), and his earnings of one million a year correspond to about 250 million kroner (ca. \$42 million) a year.¹⁴

Glückstadt and his wife, who herself inherited 1½ million kroner when her father died in 1918,¹⁵ owned several properties including two town houses in Copenhagen, a mansion in the countryside north of Copenhagen, a town house in Paris, an island in the Kattegat, and a yacht, which had cost 141,000 kroner. Glückstadt also owned paintings by Holbein and van Dyck as well as a huge number of industrial arts items of which he was an eager collector. He was also a patron who donated land for the building of a nursery home, and he purchased a property in central Copenhagen and donated it to a Museum of Industrial Arts. The estimated value of these donations was at three million kroner.¹⁶ Nevertheless, as one of his defenders acknowledged during the trial in 1923, “a man of high finance will never become popular. To the world he is just an institution in the great power of money who will never be liked by the public.”¹⁷

Emil Glückstadt has been characterized by various sources as: optimist, ambitious, superficial, quick of apprehension, determined, smart, good memory, powers of combination, very good sense of values and numbers, good negotiator, desire for expansion, ingenious, difficulty keeping within reasonable limits, international network, charming, unsnobbish, very intelligent, vain, obliging, restlessly enterprising, live in the moment, considerate.¹⁸

In short, many of the qualities that makes a good business leader: decisive, enterprising, negotiating powers, the ability to think across categories, in control, and – who knows – vanity. Accordingly, before the disaster results were very good. When Glückstadt took over from his father, Landmandsbanken’s total assets were 312 million kroner, about the same as the two closest competitors together. Ten years later, in 1920, under his management Landmandsbanken’s total assets had grown by 375 percent to almost 1.5 billion kr., while *Privatbanken* and *Handelsbanken* lagged further behind with total assets of 577 (309 percent) and 736 (338 percent) million kroner.¹⁹ It was an impressive result, though, of course, part of this growth was the result of and further contributed to the inflation and the bubble in share prices during and after World War One. However, Landmandsbanken’s growth was also due to the system of which Glückstadt was part or even at the center, “the Glückstadt system”.

The Glückstadt system

In 1911 Harvard professor Joseph Schumpeter called the banker the ephor of the market economy and the capitalist par excellence who made entrepreneurship possible because he was the risk taker who financed

innovation.²⁰ Landmandsbanken's and Emil Glückstadt's role in the Danish economy could kindly be interpreted in the light of Schumpeter's theory, but there were counter narratives – even before the failure. One of Glückstadt's harshest critics was L.V. Birck, an economics professor at the University of Copenhagen. Birck was a long-time eager critic of Landmandsbanken and what *Jyllands-Posten*, a newspaper, called "the Glückstadt system".²¹ Birck argued that the banks, and Landmandsbanken in particular, had gained too much power and control over the large joint stock companies. The fact that Glückstadt was a Jew and Birck an anti-semite added to the animosity when he attacked Glückstadt who he saw as the main culprit in this system.²²

Birck further criticized the many interlocking directorates where bank managers were also board members in the companies they were financing. According to Birck, the banks had developed into a state within the state and both the authority of the central bank and democracy more generally was under threat. Birck was not a Marxist, but a conservative and two times Member of Parliament (1903-10 and 1918-20).²³ He had a point since the largest banks' managers did occupy seats in many company boards. Before the crash Glückstadt himself was chairman of the board of at least ten joint stock companies and board member of at least another 11 companies.²⁴ One newspaper assessed that "... the close relationship with the business community was characteristic for Landmandsbanken, not least during its greatest period. The bank was an industrial bank according to the continental European pattern – it launched new companies and led them to victory and defeat."²⁵ Landmandsbanken was a universal bank.

Birck's resentment against finance capitalism was directed primarily against Glückstadt, and on June 10 1922, one month before the failure of Landmandsbanken, matters came to a head when he faulted Glückstadt at general assembly of the Transatlantic Company's of which Glückstadt was chairman of the board.

"I am not against Glückstadt as a person but against his unfortunate finance system. Because of the need to make a return on a much too high capitalization it forces one company after another into operations that destroy them. This finance system is a parasite on Danish business life and when it is linked with the lack of will to stop in time the result is that where Glückstadt has stepped the grass never grows again. You Mr. Glückstadt is a great man – according to the unanimous statements by the Copenhagen press community ... You have power and connections, but – alas – still Danish business and Danish industry have been weakened and destroyed by your finance system and your resistance to settle profit and

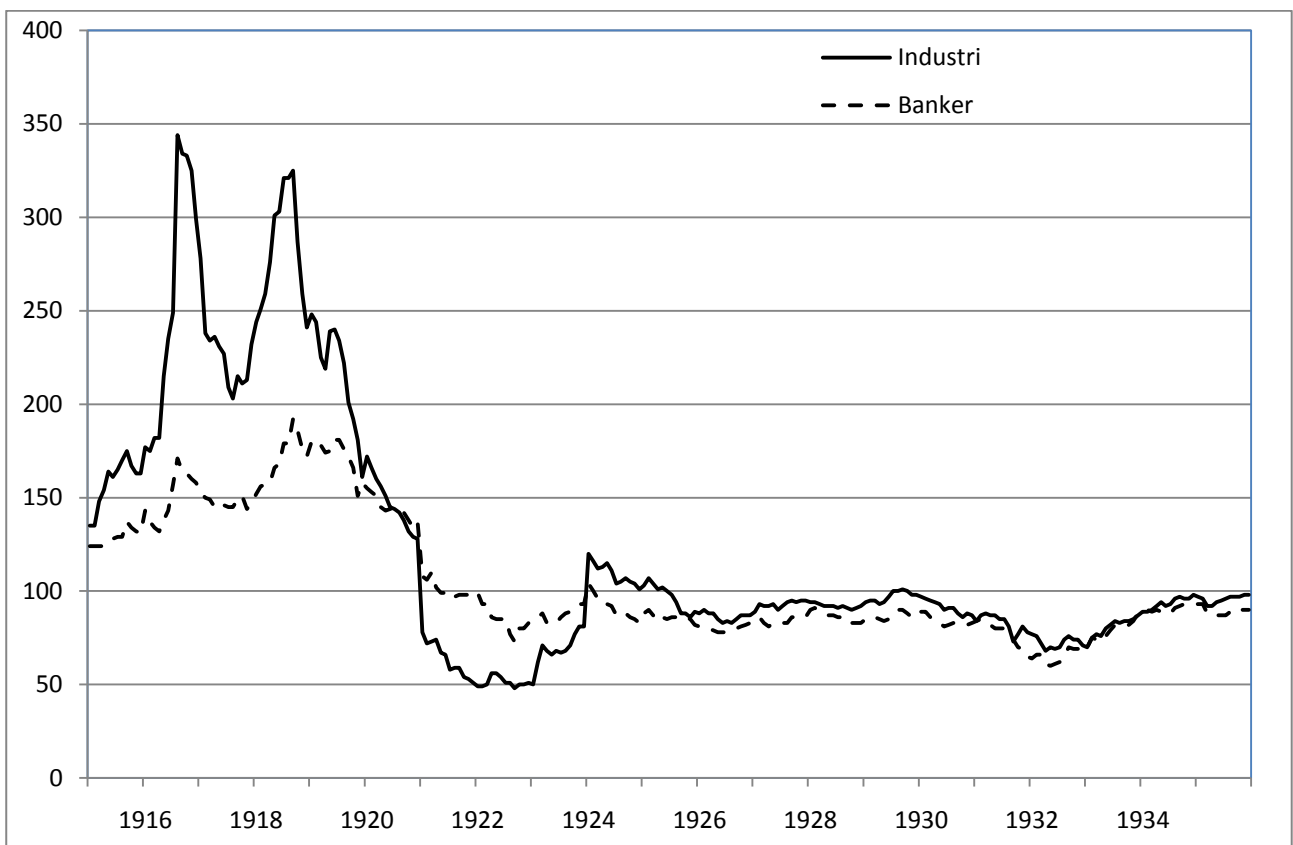
loss accounts. You bear the honor and responsibility for the fact that healthy and new enterprises cannot get the necessary capital because it is used to maintain values, which are long gone. Yes, certainly, you are a great man!”²⁶

Bircks dramatic criticism of the financial system had clear international parallels in the Austro-German Marxist, Rudolph Hilferding’s account of Finance Capitalism and the American Pujo Committee’s 1912-1913 investigation of the so called “money trust” where J.P. Morgan played an important role.²⁷ In September 1922 Birck wrote that the “problem was that Glückstadt’s interests were not in reality but in securities. He did not recognize that shares and bonds are different than real production – they did not create production and commerce but stocks and shares.” Birck pointed out that the total market value of shares listed on the stock exchange in 1913 was 800 million kroner, in 1918 at its peak it was 3,200 million kr. and by the end of 1921 they were back at 800 million.²⁸ An enormous bubble in shares had been build up during the war and as they usually do it burst.

This was a point that the stock broker Alfred Horwitz would recognize and agree with. Horwitz was an experienced observer of the Danish capital market during World War One, and he often warned against the bubble. He warned that stock speculation based only on expectations of further price increases without any reference to the companies’ fundamentals was not “stock exchange investment but gambling”.²⁹ Horwitz pointed out time and again that the bubble would burst one day and the devil would take the hindmost when confidence disappeared.³⁰

Moreover, according to Horwitz, the speculation and the bubble had caused social and cultural problems consequences such as “high costs of living, suffering and want of the greater part of the population, increased inequality between those who made fortunes and those who suffered immensely and not least a disinclination to ordinary, hard work ...”³¹ And it was only getting worse. In September 1918 Horwitz wrote that “There is gambling everywhere ... on the racecourse, at the art auctions, with properties, on the stock exchange! No one seems to remember that the Stock Exchange once was – and never should have been anything else – than the center of commercial life, the heart chamber of the money market, the heart rate of which started the organism of business life. The inclination to make as much money as possible in as short time as possible - and preferably without doing any work – had led to the concept [minute-millionaires].”³²

This financialization of the economy accelerated during the war and in Landmandsbanke the number of employees who “worked with stock exchange speculation” increased from 11 in 1914 to 42 in 1919 before it declined along with share prices. According to the Banking Committee, established to investigate the causes of Landmandsbanke’s failure, the number of “stock exchange speculation accounts” in the bank increased from 207 in 1914 to 1,103 in 1920 involving amounts of respectively 40.2 million and 262,1 million – that is 9 and 18 percent of Landmandsbanke’s total assets.³³



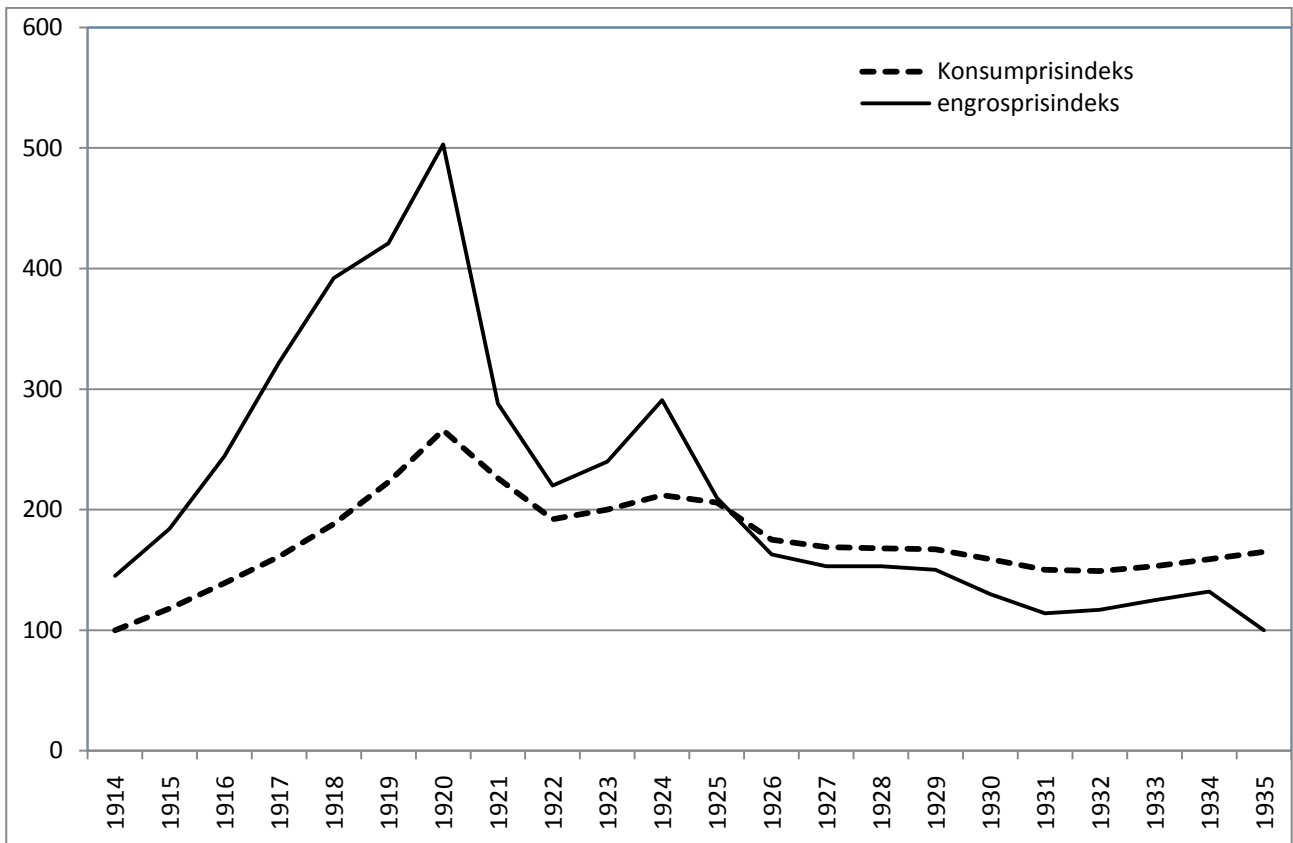
Figur 1: Index of share prices, January 1915 to December 1935

The bubble in share prices and the general development in the financial sector criticized by Birck and Horwitz but cheered by many more, was made possible by some crucial institutional changes, which contributed to the importance of the banks in the economy. First of all, the outbreak of World War One on August 1 1914 led many countries, including Denmark, to suspend the gold standard and to ration the supply of most goods. This led to inflation and idle money which were deposited in the banks and placed in shares via the Stock Exchange.³⁴

To Emil Glückstadt and his colleagues in the other large banks this development presented new opportunities for profit making through new share issues for companies and through speculation. Glückstadt and others seized this opportunity as one must expect from a banker when the economic incentives invites you to dance (remember Citigroup's Charles Prince's statement in July 2007: *"As long as the music is playing, you've got to get up and dance"*). In such a situation it is up to society to limit the exertion of power, reduce conflicts of interest and to eliminate harmful behavior leading to externalities such as financial crises.

While the incentive to gamble on the Stock Exchange and take economic risks rose, uncertainty increased dramatically too, and there was not much control. The Danish economy may have been among the least regulated in the world before 1914. The first joint stock company act was passed in 1917, and the first banking act was passed two years later, in October 1919, coming into force in October 1920 just as the peace crisis began in Denmark.³⁵ At that time the damage had already been done. The very liberal economic framework presented wide opportunities for bankers to serve their own interests, and the potential for conflicts of interest and of too much risk taking was huge when there were no legal requirements of capital, liquidity or on corporate governance such as the responsibility of the board and of internal and external controls. The fact that the organizations – including Landmandsbanken – were strictly hierarchical where no one felt like contradicting the boss only contributed to the problems.

Once, vice-director in Landmandsbanken, Mik-Meyer, made the attempt to carefully warn Emil Glückstadt that the engagement with Transatlantic Company was too large and getting out of control, he was brought into line by Glückstadt with the management of Transatlantic being present. Such an experience did nothing to encourage whistle blowing in Landmandsbanken. It all meant that there was an asymmetry between the incentives to risk taking on the one hand and to control risk on the other. With no checks and balances present either internally in the banks or externally in society, the consequence could be a privatization of profits and a socialization of losses.³⁶ With Landmandsbanken considered too big to fail this was exactly what happened.



Figur 1: Consumer Price Index and Wholesale Price Index, 1914-1935³⁷

As Landmandsbanken's CEO, Glückstadt was acting in a global economy with very few limits to what he engaged his bank in. As a matter of fact, he did a rather good job in his first years as CEO. The decisive test, however, was when the institutional framework changed radically with the outbreak of the War. These changes led to a bubble in the Danish economy. Six years later, in 1920, the bubble burst when the peace crisis finally hit the world with a vengeance in the shape of oversupply and deflation. To Glückstadt and other bank managers the problem was a strategic one. In terms of leadership and organizational challenges these bankers had no adequate analogies to support them.³⁸ The conditions for doing business changed completely with the suspension of the gold standard, but Glückstadt had not experienced anything like it before, and he failed to understand that the boom would not last. Glückstadt had certainly experienced a serious banking crisis before when in 1908 the state, the main banks and the central bank had supported the troubled financial system. However, no serious real economic crisis resulted from the 1908-crisis, and if anything the event may have led to moral hazard by causing bankers to believe that they too would be supported should they be hit by a financial crisis. The fact that Glückstadt and other bankers did not have an adequate analogy contributed to the uncertainty, but in the first place it simply looked like unimaginably fat years where everything was possible. Not least for Emil Glückstadt.

Emil Glückstadt as a bank leader before July 9, 1922

Soon after Emil Glückstadt took over from his father it was clear that he was at least his equal when it came to strategic thinking and the will to realize the strategy. Glückstadt senior had made some important choices for Landmandsbanken, including the introduction of a savings bank department to attract ordinary people's savings. He also introduced the cash credit and the branch banking system, and, after some hesitation, turned Landmandsbanken into a universal bank, which did both commercial and investment bank activities. Soon it was the largest bank in the country, and Emil was to continue this growth and make Landmandsbanken the largest bank in Scandinavia.

Emil Glückstadt immediately continued and reinforced the strategy of expansion. It happened in two areas in particular. First the opening of new branches was dramatically accelerated, including unpopular takeovers of existing local banks and even a savings bank. Secondly, he led the bank into an early phase of internationalization through a consortia strategy, which reduced the risk of going abroad. Glückstadt also expanded the bank's activities in other areas such as issue of Danish state loans and trading of securities. At the same time, he strengthened the link to the industry and he turned the bank in a more western direction towards the US and Great Britain and away from Germany, where most of the bank's shares were placed when he took over command of the bank.

Branches

Emil Glückstadt was quick to expand the bank all over the country. One reason for this was the need for deposits in order to be able to expand the bank's activities. Outside of the capital, competition with the aggressive cooperative bank, *Andelsbanken*, increased the speed with which Landmandsbanken established branches and offices. In 1912 Landmandsbanken had eight branches outside of Copenhagen and by the end of 1921 the number had increased to 61 branches. Part of the expansion consisted of taking over 16 independent banks and savings banks with total assets of 143 million kroner.³⁹

In January 1922 Glückstadt even tried to take over a large troubled bank, *Københavns Diskonto og Revisionsbank* with total assets of 334 million kroner, but he met too much resistance from the other banks and had to let go. One reason for this futile attempt, apart from a wish to expand even further, may have been that such a takeover would have enabled Landmandsbanken to pay with its own shares, a great amount of which were in the bank's own portfolio.⁴⁰ Only one month later, Glückstadt did succeed, however, in taking over a troubled smaller Copenhagen based bank with 96 million kroner in assets. The

takeover was paid with Landmandsbanken shares, a fact the new shareholders had ample reason to regret only seven months later.⁴¹ The February 1922 takeover gave Landmandsbanken 11 new branches in Copenhagen. Some of them were immediately closed or merged with already existing branches – a clear sign that even though Glückstadt was all for expansion he also acted in a cost conscious way, and economies of scale was still part of Landmandsbanken’s strategy.

By early 1922 Landmandsbanken had 24 branches in Copenhagen and 85 in total with total assets having by far surpassed those of the two closest competitors, *Privatbanken* and *Handelsbanken*.

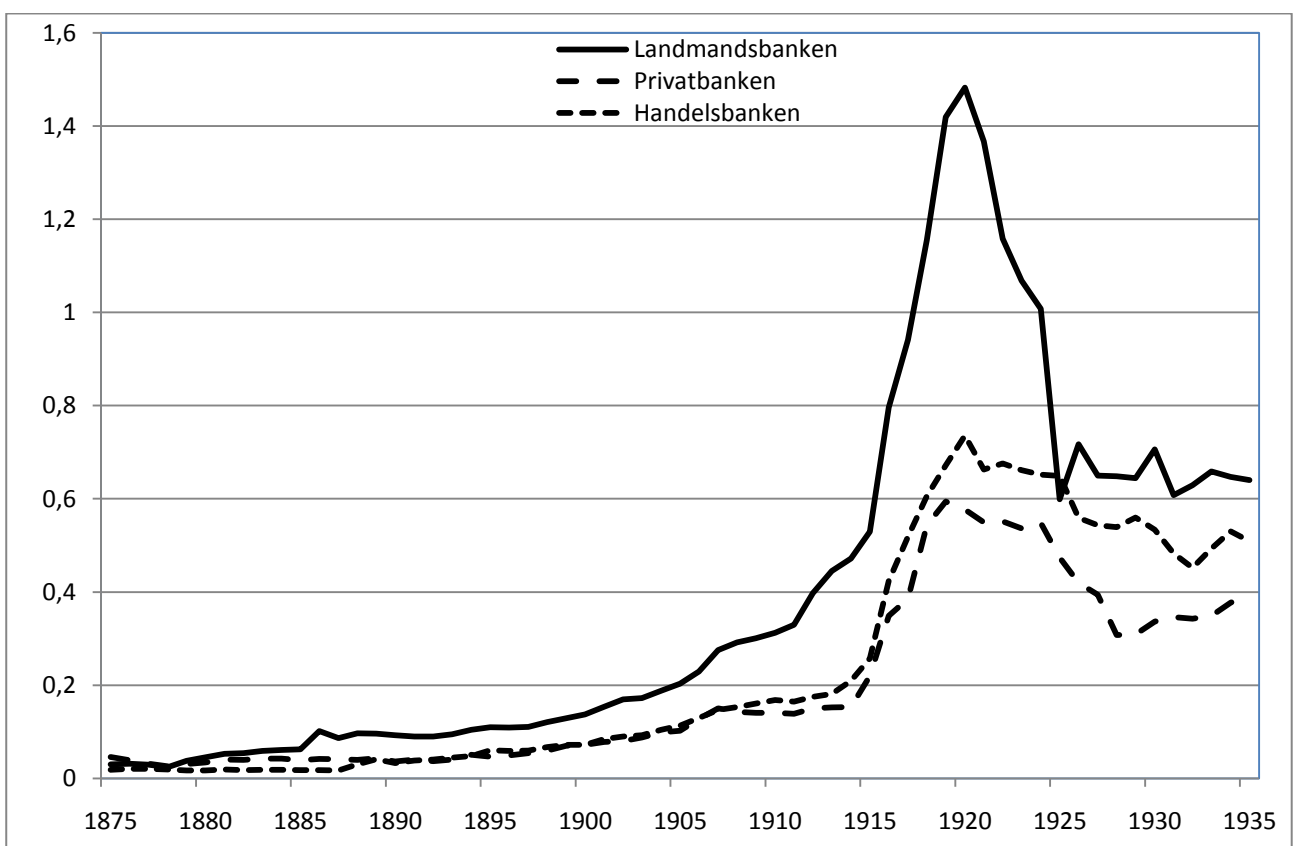


Figure 3: Total assets in billion kroner, *Landmandsbanken*, *Privatbanken* and *Handelsbanken*, 1875-1935

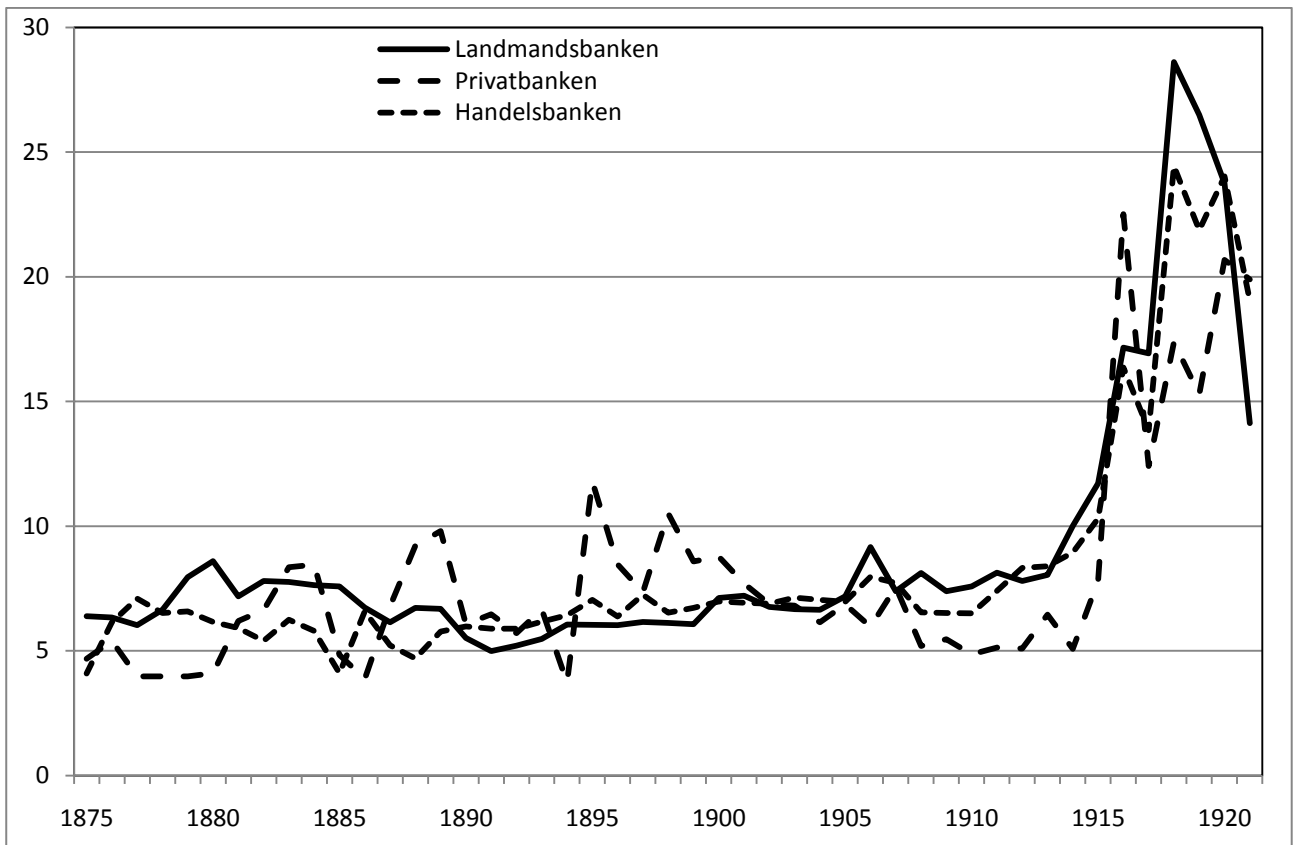


Figure 4: Return on Capital, per cent, *Landmandsbanken*, *Privatbanken* and *Handelsbanken*, 1875-1920

Whether measured by growth in total assets (figure 3) or return on equity (figure 4), Emil Glückstadt was clearly a successful bank manager until 1920, when the peace crisis hit. On average the reported (and that is probably an important point to make) return on equity for Landmandsbanken from 1910 to 1920 was 15.1 per cent (Privatbanken 11.2 and Handelsbanken 13.7 per cent) and from 1914 to 1920 the corresponding figures were 19.2, 14.5 and 17.1 per cent, confirming that profit opportunities for banks increased during the war, and that Landmandsbanken was the most successful – in the short run anyway.

Internationalization

Having conquered the Danish market, Glückstadt started looking abroad. Many Danish companies internationalized in these years, and some also raised capital in foreign markets – as did the Danish state. Bank amalgamation, concentration and internationalization were an international trend in the years prior to World War One and in Denmark Emil Glückstadt was clearly the leader of this movement. He had the vision, the strategic perspective and the decision-making power to realize his plans.

Landmandsbanken's internationalization strategy was not at all careless but a consequence of the global economy where more and more companies were multinational. Glückstadt picked a consortia strategy where risk was shared with other Scandinavian and European banks. Thus, *Banque de Pays du Nord* was established in Paris 1911 in cooperation with the Wallenbergs' *Stockholms Enskilda Bank*, the Norwegian *Centralbanken for Norge* and *Banque de Paris et de Pays Bas*. The following years the same Scandinavian banks established the British Bank of Northern Commerce (BBNC) in London in cooperation with *C.J. Hambro & Son*. Glückstadt had good relations with the Swedish Wallenberg family with whom he cooperated closely about the two foreign banks. *Centralbanken for Norge* seems to have been more marginally interested in the two banks, and there is no doubt that Glückstadt and the Wallenbergs were in charge of the banks' development.

And this development was not exactly a smooth one. While Glückstadt was a member of the board, the Wallenbergs were represented on the board by Harald Bendixson – a Swedish ex-pat with a company in London. Bendixson's correspondence with Marcus and K.A. Wallenberg and with Glückstadt can illustrate how his equals considered him as a banker. The bottom line was respect – mixed with some worry about his risk taking. Bendixson was used to the more conservative British banking system, and he expressed some reluctance towards Glückstadt's business activities. On June 5, 1914 he wrote K.A. Wallenberg that "I have, as you know, several times had the feeling that the enormous business managed at Copenhagen might be beyond their proper control and financing powers in case of a really bad crisis ..."⁴²

As it turned out, in 1914 a threatening financial crisis was averted by an international political crisis, and by the end of July Bendixson had read the writing on the wall. He worried what would happen to the BBNC in the current political climate with a war threatening, and after a board meeting, on July 29 he asked Wallenberg and Glückstadt to come to London "... in order to give us advantage of your valued assistance for the Bank's affairs and so as to give us the opportunity, in case the European crisis should develop, of discussing with you ways and means for the future."⁴³

Glückstadt did travel to London, and on that occasion he demonstrated his negotiating skills when he met with Sir Edward Holden, the managing director of the City and Midland Bank. He succeeded in re-establishing a £100,000 credit for BBNC that had been withdrawn. "I was very glad that Glückstadt whilst here tackled the City and Midland in a proper way and in a very determined fashion, with the result that they have curled and given us back our original terms."⁴⁴ Returning from London, Glückstadt himself wrote Marcus Wallenberg that "conditions in the banking world are quite calm, the big banks are rolling in

money, but incidentally the strongest possible restrictions are set up for business operations, in order for these not to develop too strongly under the current unsettled conditions, since one is still to some degree influenced by the fear and nervousness which characterized financial circles over here in the early days of August.”⁴⁵

Glückstadt had been introduced to Lord Cunliffe, the Governor of Bank of England, and to “English government circles” in order to repair BBNC’s reputation, which had suffered because of management problems in the bank. BBNC was on the outlook for a new manager, but apart from that “things are normal in the bank, but of course we need a leading man in order for it to take full advantage of the ample opportunities that are currently up for grabs for the bank.”⁴⁶

Nothing in the correspondence indicates that Emil Glückstadt was not considered an able bank manager by his peers. His respect for Wallenberg is obvious, and that went both ways. Glückstadt seemed aware that the wartime and the idle money might call for a certain risk aversion in business – even if there were many opportunities. Four years later, when the war was about to end, Glückstadt suggested to Bendixson

“that we should start banks of our own in South America, New York, and the East. I was much surprised that he could press such views the arguments against which I need not recapitulate to you; but I found out that the explanations of it was that he was being pressed by certain people in Sweden and Norway to do so, and that he felt certain that such banks would in any case be started and, in his opinion, it would be better that he were in it than outside of it here. I had to disagree, which naturally did not increase my popularity with him, but luckily in the end the directors of the Bank and [the new managing director] D’Abo agreed with my view, and we managed to get Glückstadt round from this idea. ... My view is ... that we must make our own bank a strong English Bank, and we shall have quite enough to look after, and shall have quite enough not to disperse activities overseas, quite apart from the impossibility of any efficient control.”⁴⁷

Obviously, Glückstadt was used to get his way and perhaps not a person that you would wish for as an adversary. Bendixson, in any case, was not keen on going up against him. In a letter Bendixson encouraged Marcus Wallenberg to become a member of BBNC’s board, because

“Everything has gone smoothly and pleasantly here in later years, but it has not been so very easy to manage, and, as you know by experience, it is not easy to explain why it is that one can sometimes

handle people and situations correctly, and how dangerous it is if that is not done. It depends less upon command of intellect or bank knowledge than on general tact and management.

... One of D'Abo's arguments to me lately – and I need hardly tell you that this is most confidential – is that we ought to have a strong, independent chairman here, because Glückstadt's proposals regarding branch banks have again opened his eyes to the danger that we may have to run by proposals from Copenhagen that are not – shall I say? – in accordance with our views. I remind you of The Alliance Trading Co.'s troubles caused by similar ambitions in commercial directions, and who knows what the future may bring? This is, of course, a good argument provided we get the type of chairman who can and will be independent and strong in big matters of that kind; but it is always dangerous in that case to accept as chairman a nominee from Copenhagen. ...

... I think that you ought now to honour us by becoming a member of our board. ... my object at present is to gain a strong counter-poise on the board, outside of the Danish influence. If you are on the board you are infinitely more powerful than outside. I shall have the right and the duty to consult you whenever there is any need, and Mr. Glückstadt, who is a charming and amiable man, whom we all like, will always listen to your opinion when he may feel inclined to disregard entirely my own views. ... If you agree it is for you to take action with Glückstadt.”⁴⁸

Bendixson's reluctance to oppose Glückstadt suggests that Emil Glückstadt were both determined and prepared to force his opinion through when he had made up his mind. "I am most reluctant to raise any opposition to any view he may take ..." wrote Bendixson to Wallenberg.⁴⁹ In another situation, where Bendixson himself had his eye on a business opportunity, he stood his ground even though Glückstadt ... does not believe in one's making any money out of inventions and patents of that kind; but in this case I do not accept his opinion as final.”⁵⁰

In the case of British Bank of Northern Commerce, then, Glückstadt showed himself as a strong-minded business leader, but not as an excessive optimist. On the contrary, in May 1920 when the economic situation was about to take a turn for the worse, it was Glückstadt who refused to follow a proposal by Bendixson to invest in a Polish bank.

“When this matter was up for discussion some time ago I had no objection to our subscribing small amounts of shares although I considered it more in our Bank's interest to participate in foreign banks if desirable where a sound business already exists. ... As matter now takes form of the most intimate character and as it seems to me beyond the principles of the Bank I cannot give it my consent. ...

... I think that if the bank is looking out for new scopes of activity, it ought to find ways by which the original purpose of the Bank could be further promoted and, in my opinion the most essential thing would be to strengthen as much as possible the British elements in the Bank.”⁵¹

In this case, Glückstadt was the risk averse person, and for a strategic reason. Poland was not the place for BBNC to expand and, besides, there were very good reasons to be careful in May 1920. In September 1918 an optimist, such as Glückstadt, could still argue that things went well. In May 1920, however, economic problems were approaching. In Denmark the industrial share index had fallen from 325 in September 1918 to 151 in May 1920, and even if deflation had not seriously begun yet it was not time for expansion into Eastern Europe. Glückstadt seems to have understood that, and it was probably also the reason why a few months later he recommended to BBNC’s board that it merged with Hambros Bank.

”Mr. Glückstadt put before the Board a summary of the reasons which had guided the Scandinavian countries in forming the Bank in 1912, and pointed out that he had for some time felt that the full objects in that had not been achieved in so far as this Bank was still looked upon in the City of London as a Foreign Bank. This had led to the question being considered and he had found the best solution in an amalgamation with the old-standing world firm of Messrs C.J. Hambro & Son.

During the past few days this had been brought to a head and he had great pleasure in announcing to the Board that he had arrived at an Agreement with Messrs Hambro for an amalgamation of the two Banks ...

The Board unanimously approved of this Agreement in all its details, and Mr. Bendixson on behalf of the Board complimented Mr. Glückstadt upon his Achievement and conveyed to him the thanks of the Directors.”⁵²

Emil Glückstadt stayed on as a member of the board and of the working committee of Hambros, another sign that his peers still considered him a capable bank manager in the second part of 1920.⁵³ After the merger, Knut Wallenberg wrote Glückstadt a letter praising his achievement.

”Voila un coup de maitre that you can be proud of and which with a single blow realize all the aspirations we have had about British Bank; now it is British and it can develop and fulfill its original program for the Nordic countries. Honor and thank you!”⁵⁴

This was not the only vote of confidence Glückstadt received. Following the disclosure of Landmandsbanken's problems former Minister of Foreign Affairs, Harald Scavenius, asserted that Glückstadt had served his country with great capability, and former Minister of Finance, Edvard Brandes, wrote Glückstadt that "you must always remember that you are and will always be the most insightful, the most visionary, the only great financier Denmark has."⁵⁵ Whether Brandes still subscribed to this characterization after the second reconstruction in September 1922 is unknown, but the point is to show that Glückstadt was admired at the highest financial and political levels.

Thus, during the trial against Glückstadt Knut Wallenberg spoke in support of Glückstadt's abilities and character:

"My understanding of titular Councillor of State Glückstadt's qualities as a banker and financier can be put in a few words. As a close acquaintance and a good friend of his father, I have seen him grow up and be educated to follow his father as the leader of Landmandsbanken. Rarely have I seen a young man with so distinct capabilities and so good a training for his discipline as Emil Glückstadt. I myself would never have hesitated to entrust him with even the most complicated tasks, for he was a pleasant and very capable negotiator, and I have never – and cannot now – doubt his honest intentions."⁵⁶

Despite these positive evaluations Glückstadt's management of Landmandsbanken cannot have been entirely free of problems, of course. First, his strategy of constant expansion put large burdens on the organization with respect to credit- and risk-management, auditing and other internal and external controls. In general there was considerable respect for the bank's organization, for instance from the Bank Inspector, Holmer Green, and from *Finanstidende*, a financial weekly. However, the Banking Committee pointed to some decisive weaknesses, because neither the board nor the internal and external auditing was capable of controlling the daily management. Basically, no one could or even tried to moderate the more problematic sides of Glückstadt's quest for expansion, for instance the stock market speculation and the few very large credits to individual companies, first and foremost *Transatlantic Company* – the two most important causes of the bank's failure.⁵⁷ There were no checks and balances, only Glückstadt's strong will.

The incapability of the board to control Glückstadt and the other managers is a classic problem in corporate governance, especially when the CEO is as strong and autocratic as Emil Glückstadt.⁵⁸ More generally, Professor Birck had been critical of company board members who focused more on their bonuses than

taking their job seriously. He called them “money pigs”, and perhaps Landmandsbanken’s board consisted of such money pigs.⁵⁹ As early as December 1909 the merchant Johannes Holm had stepped down from the board in protest when he realized that since 1907 the management had started manipulating who could be appointed to the bank’s control committee. It may be entirely coincidental, but 1907 was also the year when Emil Glückstadt was appointed manager. Holm informed the board about his finding, but that did not inspire any other members to follow him out of the board.⁶⁰

The lack of control of an autocratic banker such as Glückstadt was not Landmandsbanken’s only problem, however. Another issue was his long periods of absence from the bank when there was more need of a visible managing hand than ever. From 1914 to 1918 Glückstadt travelled to England about 20 times, where he represented the Danish government in trade negotiations with the British authorities. The trips were not always pleasant, and after one trip he wrote Marcus Wallenberg that “I have now returned home after an extremely unpleasant trip in storm and danger from mines – but as I said – I have returned home”⁶¹

Why did he make all those trips? One obvious reason would be that they enabled him to see to the British Bank of Northern Commerce at the same time, but there must have been more to it. Of course, he had been asked by the Danish government and he may have felt that it was an offer, he couldn’t refuse. He may also have been honored to be asked as it was prestigious and at the same time gave him the opportunity to challenge the statesmanlike position of H.N. Andersen the chairman of the East Asiatic Company. In any case it seems that Glückstadt got the taste for it. In 1919 he was part of the group which represented Denmark in the negotiations over the Versailles treaty, and in 1920 he spent nine full months abroad as Denmark’s negotiator over the question of the reunion of North Slesvig with Denmark.

It was precisely by the end of 1920 that Denmark was seriously hit by the peace crisis, but in 1921 Glückstadt nevertheless accepted an invitation from the League of Nations to take part in the reform of the Austrian financial situation. The New York Times commented that Glückstadt had participated in the Brussels financial conference “where the entente evidently saw and appreciated his ability.”⁶² He was reported to have spent April, May, June and July 1921 in Vienna. Finally, in 1922 Glückstadt attended conferences in London, Geneva and Cannes on behalf of the Danish government while “his bank sailed on in a storm without a captain” as the public prosecutor put it in the trial against him.⁶³ The manager of Transatlantic Company, Harald Plum, who admittedly was not an uninterested observer, confirmed this judgement. Transatlantic Company had huge and doubtful assets in Russia, and the company was in massive debt to Landmandsbanken. The Russian Revolution in 1917 had, of course, raised doubts about the

value of these assets, but nobody wanted to take the step and write down the loans – even though Glückstadt had taken steps to have the Company’s situation and the likely losses assessed. If Transatlantic Company collapsed, Landmandsbanken would go with it. In the fall of 1920, when Glückstadt was away, Plum negotiated with the other managers of the bank, and he was not impressed. “The head was missing, there was no one to make a decision and to see the big picture” he told the Banking Committee.⁶⁴

There is no doubt that Glückstadt seriously misjudged Landmandsbanken’s organizational capability to go on with business in his absence. He could not possibly be in proper charge of business operations when he was away so often and when Landmandsbanken was used to a strong, top-down hierarchical line of command with Glückstadt as the absolute chief. Neither the board nor the other managers were able to insist that Glückstadt scaled down his international travel activities for the Danish government and remained in Copenhagen in times of crisis. Contributing to the managerial lacunae in Landmandsbanken was the many board positions that Glückstadt and his closest co-manager, Ove Ringberg, held.⁶⁵

The Downturn

The Banking Committee called the peace crisis the most violent economic upheaval known in world history.⁶⁶ In Denmark the economic situation was serious. After a five year long bubble economy, all economic indicators were alarming and bank failures were inevitable.⁶⁷ Just as when the war broke out in 1914, Glückstadt had no adequate analogy. Julius Schovelin, the Stock Exchange Commissioner and the unfortunate author of Landmandsbanken’s 50 year jubilee book, published in 1921, claimed that

“... when the downturn and the world crisis hit Glückstadt suddenly saw something confronting him that was completely unknown, mysterious, and incomprehensible to him. He did not believe in the world crisis ... he had never seen, never experienced an economic downturn ...”⁶⁸

That was not entirely correct. Glückstadt had cooperated with his father during the banking crisis of 1908 but at that time Landmandsbanken had been strengthened relative to its competitors and Emil Glückstadt had never experienced a dramatic economic bust as the one that now confronted him. Prices fell almost overnight and while inflation during the war had reduced the real debt burden and swelled the bank’s balances, the dramatic deflation that now hit the economy increased the real debt burden at the same time as many companies’ bottom lines turned red.

Moreover, institutional changes contributed to the banks' problems. The first ever Danish Bank Act took effect from October 1920 at the same time as the crisis began. The law introduced – among other things – reserve and capital requirements, it put limits on the amount of own and other companies' shares that a bank could hold, and it established the Bank Inspection which should oversee bank compliance with the law. In combination with the pressure deflation exerted on bank balances and the continuing fall in share prices, these changes were fatal. The industrial share index continued its decline from 151 in May to 128 in December 1920, and one year later, in December 1921, the index was at 51.

For Landmandsbanken every effort was now aimed at assessing the damages and to hide the real situation. At a board meeting on March 16, 1921 the board was informed that – in continuation of the Bank Act – the Bank Inspector had decided on a new standard for presentation of accounts, which would take effect from July 1921. Since Landmandsbanken's holding of shares including its own shares exceeded the legal limit it was decided to place the excess shares in a company owned and funded by – Landmandsbanken. This off-balance sheet transaction served to hide the bank's real holding of its own shares, and the Banking Committee commented that this was "... of course to be considered an evasion" of the law.⁶⁹

It did not help that Glückstadt's closest co-manager, Ove Ringberg, was very ill and had been unable to work from at least the end of 1921. Ringberg died from nephritis on April 22 1922, and only six weeks later the Bank Inspector finished his examination of Landmandsbanken, which led to the July 9 reconstruction. At the same time the sudden and painful fall of Emil Glückstadt began.

Everything started to fall apart. When Glückstadt informed his board about the reconstruction he ended his report by admitting that "... in retrospective we can now see that many of the decisions made should not have been made, and that the trust which has been shown had not always been well founded."⁷⁰ If nothing else this truism was a strong reminder that all business activity takes place under uncertainty about what the future may bring. Indeed, only two months later Landmandsbanken was in trouble again – or more precisely the real amount of losses could no longer be kept secret.

This time the scandal was absolute. Glückstadt was fired and despite the fact that he quickly handed over all his assets to Landmandsbanken he immediately became victim of numerous attacks from all sides of society. Parliament established the Banking Committee with the purpose of investigating the causes of the crash, and in early 1924, when both Glückstadt and Ringberg were dead, it reported. The three committee members had never been close friends of Glückstadt anyway, and one person in particular had been

against him ever since he took command over the bank. That person was Professor L.V. Birck who is also believed to have been the actual author of most of the committee's 750 pages report.

The report concluded that Landmandsbanken's failure was first and foremost caused by the "credit and financing policy that the bank's management pursued in the years prior to the sudden big turn of the market in 1920."⁷¹ Accordingly, Glückstadt and Ringberg bore main responsibility for the bank's collapse, and the interlocking directorates and conflicts of interest had greatly contributed to the "granting of credits, which, relative to actual conditions, were wholly excessive - not least with respect to the Transatlantic Company ..."⁷²

The Committee also criticized Emil Glückstadt's overall strategy. When he became part of the management, he had led the bank onto a much more aggressive strategy of expansion including growth through acquisitions. "It was not only the pace of growth that changed during these years, the general morale changed as well." According to the Committee this changed morale or spirit in the bank led to "a conscious drive to expand even outside of the country."⁷³ In principle nothing should be wrong with that, but the Banking Committee pretty much knew the result and made sure that the formula got them there by writing history backwards. By doing that Emil Glückstadt's ascendance to the top of the bank and the ambitious strategy that he embarked in and by itself became the main cause of Landmandsbanken's collapse.

While the causality of the bank has to be viewed in a multicausal perspective, there is no denying that the two main managers, Glückstadt and Ringberg, exposed the bank much too much towards a few large customers, and involved the bank in dubious practices when it came to stock exchange speculation and manipulation. Since the bank's shares – a great amount of which had been bought back from Germany during the war – were under pressure from lack of demand, the bank bought its own shares and in late 1921 even organized a consortium for buying up its shares. Today, of course, such a practice would clearly be illegal. The times were different, though, and *Finanstidende*, a financial weekly, commented that

"Normally there is nothing wrong about a bank such as Landmandsbanken in certain cases intervene in stock exchange speculation and by means of consortia attempts to regulate share prices. However, it all depends on the way and motives and again the investigation reveals how the bank became engaged in pure, large scale stock exchange exercises."⁷⁴

Even then, it was hard to defend the fact that on September 16, 1922 when the second reconstruction of *Landmandsbanken* was about to begin, the bank held a huge amount of its own shares including shares used as collateral for loans.⁷⁵ This was why the coming into force of the Bank Act forced the bank to set up a “special purpose vehicle” in which to hide the shares, as already mentioned. Moreover, Glückstadt and Ringberg, had also used the bank for personal speculative purposes or to favor specific persons in their network. The basic principle was to let the bank speculate for these persons, and to distribute profits but letting the bank carry the losses. This was clearly an abuse of power, and during the interrogations and the trial it was largely attributed to Ringberg who was in charge of stock operations in the bank – and who was dead anyway. It was also argued by Glückstadt and his defence that Ringberg took care of Glückstadt’s personal finances.⁷⁶ This was never proved but neither the prosecutors nor the public had the ability to imagine that a person could be so wealthy that he didn’t really check his accounts himself. When he purchased his own island at the cost of 400,000 kroner he is reported to have asked Ringberg, “can I afford it?” Of course, these problems strongly emphasized the lack of control in the bank and several board members were fined for this negligence. The chairman of the board also accepted to pay an indemnity of 900,000 kroner to the bank.

Clearly, as the head of *Landmandsbanken*, Glückstadt bore responsibility for the heavy losses. But *Landmandsbanken* was not the only Danish bank that came in trouble during the interwar period. In total out of 208 banks in 1920, 81 large and small banks were reconstructed or liquidated.⁷⁷ This strongly suggests that something else than individual bank practices was at play. The banking expert, Professor Axel Nielsen had a different perspective on *Landmandsbanken*’s failure. In September 1922 he stressed that the real problem lay in the monetary policy conducted during and after World War One when the gold standard was suspended. According to Nielsen,

“... one should not consider the calamity of Landmandsbanken and other banks in this country, as a result only of the incapability of management during a world catastrophe. Behind the optimism that caught the banks’ managers lay the general world business cycle, which in Denmark was further reinforced through the inflationary policy conducted. ... The domestic inflation and exchange policy dramatically reinforced the general price increases from abroad and formed the background for the optimism which spread over time, and that is a strongly contributing cause that the current downturn is so strong.”⁷⁸

Overall, two main narratives about the causes of Landmandsbanken's – and other banks' – collapse emerged. One emphasized internal, managerial conditions in the bank stressing greedy and incompetent bankers and a failure of corporate governance. In this narrative Glückstadt occupied the role of the absolute villain, because he had been the hero while things went well during the boom, and as the preeminent symbol of finance capitalism – “the Glückstadt system” – he was first in line when a culprit was needed. From a sociological and cultural perspective, societies need villains when things go wrong, and the second narrative did not have that quality. This narrative stressed that the bubble – and therefore the banking crisis – would have never happened if the authorities had conducted a proper monetary policy. In this narrative politicians and the central bank were the villains but the causality and the personification of the crisis was much less direct.

Of course, the two competing narratives bear a striking similarity with the two narratives that arose from the debate about the 2007-2009 financial crisis, a fact that can be explained by their close relation to the competing grand narratives of neo-classical (and Austrian) economics on the one hand and the Keynesian on the other.⁷⁹ In 1922 as today, the bankers were portrayed as greedy culprits, and for good reasons, but it is not a perspective that explains a lot or helps us to understand. And, of course, there is an important difference between then and now. While today most bankers at worst seems to have lost their reputation, Glückstadt also lost his money, his freedom and his life in 1922 and 1923.

In a note of defense written in prison, Glückstadt defended himself and stressed that it is “... a commonly known experience that the same facts are perceived differently by different observers.”⁸⁰ He was right, also in the sense that none of the two narratives can ever be proved true no matter how much historical truth seeking is being done. But society needed Glückstadt to make sense of the calamity. Based on Emile Durkheim's work, the historian Thomas Max Safley argues that deviant behavior and scandals are important because they serve to

“communicate social identity, focus social opinion and reinforce social values. A deviant violates standards of conduct commonly held by members of his or her community; the members of that community then join together to demonstrate their indignation and condemn the offender. Scandal helps a community, therefore, to maintain the limits of acceptable behavior – in essence, to define itself in moral or ideological terms – and to mark transgressions as deviant. ... Each act of deviance and control sharpens the authority of the value or norm and strengthens the solidarity of the community. Scandal can function in much the same way. It focuses the community's attention

on a certain form of behavior, allows that community to express its outrage, imposes at the very least an informal, social sanction, and, so, marks that behavior as deviant and unacceptable.”⁸¹

Thus, the public condemnation, interrogations, arrest and death of Glückstadt, which was all intensely reported on in the newspapers, served the purpose to reinforce social values and to demarcate what was acceptable – even normal – in Danish society. It became clear to everybody that a fate such as Glückstadt’s was not what you wanted. Even after his death, when his many possessions were sold at several public auctions, one could see for him or herself that flying high also meant falling deep. The first of many auction days took place at Glückstadt’s mansion north of Copenhagen the house was complexly full and many could not even get inside. These auctions went on for almost a year and they were covered in detail by the press.

The end

Emil Glückstadt was a master of the boom economy. In a memorial article Julius Schovelin noted that “in retrospective it is no longer difficult to see how much of his unbroken array of successes relied on the fact that he took over right before a boom, where the one who ventured most profited most.”⁸² But the bubble did not last forever, and neither did Glückstadt’s success.

The framework for doing business changed dramatically when the war broke out, and again six years later when the peace crisis hit in 1920. Perhaps Glückstadt had a rational attitude to doing business during the good times until the summer of 1914 – even though Bendixson was not always certain about that – but from then on it was not enough to be optimistic, ambitious and decisive as Glückstadt was. With Denmark as a neutral nation profit opportunities were plenty and profiteers shot up in the Danish business community, but with the institutional framework completely changed and with very few legal constraints on business activity uncertainty also increased significantly. From August 1914 being a banker was different than before. It took a certain degree of risk aversion and an understanding of the increased level of uncertainty brought about by the shift in the institutional framework and by the war itself.

The prosecutor acknowledged as much during the trial, when he said that among the main reasons for Glückstadt’s misfortune was the war and its consequences. “The war period turned many concepts and values upside down. Luxury consumption and gambling gradually influenced all social classes; everything was forced up to imaginary values ...” This development ruined the respect for manual as well as intellectual work, and – as a consequence – broke society’s soul.⁸³ According to the prosecutor Glückstadt

should have worked against this demoralization, but instead he not only took part in it, he drove development. The reason was that

”On his way through life he has rarely met serious hardship that had to be conquered, the hardship that strengthens character and deepens the personality. The trust, admiration and veneration that he met fra many sides probably developed his ambitions and his self-esteem. Gradually his self-estimation has increased and his original social position in society has become insufficient. Gradually he left his natural environment and for another that he found more attractive, but thereby he drifted away from the personal relation with the bank’s old customer group and forgot to take care of the interests that it was his job to see to. His vanity urged him higher and higher.”⁸⁴

This led Glückstadt to a life of “un-Danish” luxury and with all the money he lost sight of their meaning. In other words he came to overestimate his own importance and ability, and he got greedy. This is more or less a standard explanation for company scandals, and there may be some relevance to it, but it does not explain why company scandals and banking crises almost always occur in clusters. This anomaly means that we have to search for more collective explanations.

The prosecutor was right, of course, that the war changes everything, but then he goes on to individualize the answer and to make it into a question of character. That is an entirely inadequate explanation. As already stressed, Glückstadt and many other bankers had no relevant analogies from which to seek support and advice when the war broke out. With Landmandsbanken’s organization reduced to a big say-yes-machine that never contradicted Glückstadt these problems were amplified. In this environment, Glückstadt went almost overnight from being a visionary and competent banker to one who was blamed for the collapse of his bank. Glückstadt was turned into a bad banker ex post facto, and with him the “Glückstadt system” collapsed as well.

Whether Glückstadt broke the law we will never know. It does seem that in some instances he enriched himself at the cost of others but he was not a Bernie Madoff – or in Danish terms a Stein Bagger – who more or less from the outset seems to have embarked on Ponzi schemes. Emil Glückstadt’s downfall should perhaps rather be sought in the narrative that he and most of Danish society constructed during the boom that his and Landmandsbanken’s extraordinary success was due to Glückstadt, his business model and his management of the bank. This means that Glückstadt’s faults – and there were faults and mismanagement

– should not be seen as the result of individual, psychological deviant and fraudulent behavior, but rather must be understood in a cognitive social-psychological, cultural – and therefore collective – perspective.

In this perspective, it is interesting to notice that Alfred Horwitz in December 1921 when the bursting of the bubble was a reality criticized mainstream economic theory and argued that some young economist ought to write about “psychological economics” where

“... human beings were included in the discussion not as ideal phantoms but as nature once created them with their good and bad sides, their faults and merits, their emotions and whims. When not even science is adequately observant of the emotional element in humans’ economic actions and practices, how much less will an ordinary human, who do not trouble his brain with abstract reasoning, be inclined to speculate about the determinants of his own and others’ daily life and conduct.”⁸⁵

As Alfred Horwitz’ point indicated the bubble was the result of massive herding behavior and overoptimism in the Danish society, and this must have been led by a preceding framing that influenced the perception/cognition of what was going on from 1914 onwards. The narrative that Horwitz criticized so strongly was a story about new opportunities lying on the street (or rather at the stock exchange) just to be picked up. This was an economic story, of course, but it was just as much a cultural phenomenon that changed the cultural characteristics of Danish society and presented incentives that made everyman into a potential stock speculator.

Specific narratives form the basis for managers’ perception of the world and the incentives that they see and act upon, and the decisions they make are based on this background. It doesn’t really matter whether these narratives correspond with “reality”, from the perspective of behavioral economics “[A]ttributing success in the boom phase to management decision making ensures that the same decisions and behaviors continue after the boom.”⁸⁶ This tendency to extrapolate the development is a well known behavior among investors, and it is strongly supported by framing and simple heuristics.⁸⁷

If that was Glückstadt’s problem, this narrative, cognitive and framing perspective correspond with newer approaches to understanding financial markets, and it has the potential to direct focus away from individualized psychological interpretations, that would point to Glückstadt’s optimism, ambitions, and even greed as an explanation. Instead focus would be a sociological and cultural one that puts emphasis on

the process that shapes communities' perception of incentives in specific ways by means of narratives that frame peoples understanding and cognition. Whether these narratives correspond to "reality" is not really important, since they work anyway thus influencing people's decisions and actions.

This explanation must also be seen in a broader contextual perspective such as the one I have attempted to present in this paper. Glückstadt was not acting in a vacuum, but part of and co-producer of finance capitalism and financialization's epoch during the first globalization period. There were few limits to what big banks and their managers could do, but the collapse of the banking system and in particular Landmandsbanken, and the unfolding under public scrutiny of the bank's relation to big business and of the bursting of the bubble effectively put an end to the "Glückstadt system". The narrative about business leaders such as Glückstadt as heroes could no longer be maintained in face of the massive critique.

The reputation of the banks was damaged and the economic dominance of the financial system was undergoing radical change. The revised bank act of 1930 put an end to the worst excesses of finance capitalism. Bank managers were no longer allowed to hold board positions in other companies, and the size of financial engagements with individual companies was limited. At the same time banks became more risk averse as new young bank managers took over after the dethroned generation. Also, companies distanced themselves from the banks as it became clear that the close bank-company relations could have negative consequences when the banking system became impotent.

Next, the end of liberalism and globalization and the state's entry into the economy meant that a new Keynesian grand narrative gradually came to dominate during the depression and after World War Two. It would take another 30 to 40 years before the Keynesian, welfare society narrative came under as much pressure as that of liberalism and financialization. When that happened in the 1970s neo-liberalism, globalization version 2.0 entered the vocabulary and business leaders and in particular the finance community once again became heroes in their own narrative. And then things started all over again culminating in the financial crisis of 2007-09. But that is another story.

Was Emil Glückstadt a villain then? It depends, but in this paper I have argued that making Glückstadt into an individual scoundrel who singlehandedly drove Landmandsbanken into collapse is not a fruitful approach to understand what went wrong. Rather, Landmandsbanken's failure and the general banking crisis in the interwar years must be put in a contextual perspective and include sociological and cultural approaches in order to understand how the bubble was first inflated and then burst. Landmandsbanken's

failure was not the act of an individual but the result of economic, social and cultural shifts in society set about by the outbreak of World War One and an already influential – even powerful – financial community that came to believe collectively that they were masters of the universe.

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