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The German Great Banks and Their Concentration

in connection with

The Economic Development of Germany

By

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Third edition completely revised and enlarged



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PREFACE.

In publishing the third edition of the present book, which first appeared in 1905, the author has tried to comply with the general wish to avoid as much as possible the mere reproduction of the text of the ten lectures on which the early editions were originally based. Instead of this, the present edition marks the partial realization of the idea of the larger work which the author has constantly had in mind from the very beginning.

The author has tried to fulfil the expectation and wishes of the critics (whose suggestions are always welcome) to the best of his ability and so far as the time at his disposal permitted. The present edition has been completely reshaped and considerably enlarged—as indicated in the title of the book—although the fundamental features of the work and the particular treatment of the concentration movement have been retained.

For this purpose it became necessary in the first place to enlarge on the description of German economic development from 1848 to 1870, and from 1870 up to the present day, in so far as this development exercised a determining influence on the growth of German banking. In the second place an attempt has been made, as far as existing material permitted, to present in nearly every chapter the separate development of each great bank, without, however, obscuring the picture of the general development.

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In a separate chapter a comprehensive view is given of the general management and development of the six great Berlin banks. Accordingly it also became necessary to present a systematic description of the most important debit and credit transactions of the banks. This permitted the generally desired and fully justified examination of the question whether and to what extent the German great banks have actually fulfilled in the interests of the community the important and numerous tasks set forth in the introductory chapter.

In discussing the credit and debit business of the banks it became possible also to devote some space to the treatment of questions of technical methods and business policy, which had been entirely kept out from the earlier editions.

It will be found that the chapter (VIII) devoted to the analysis and criticism of the reform proposals in the field of bank deposits, which were discussed quite fully even in the first edition, has been greatly enlarged, for the reason that these proposals may be said to occupy at present the center of German banking discussion. A further reason was that in the meantime the views of the various experts have been published, as presented before the Bank Inquiry Commission, of which the author was a member. An analysis and appreciation of these views seemed therefore pertinent.

Another subject which had to be passed over lightly in the former editions—though against the wishes of the author—viz, industrial concentration and the influence which the concentration of banking exercises on it, has now been treated in greater detail. However, for lack of

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space this chapter even now is limited to a study of this movement in a few typical and specially important branches of industry.

Suggestions as to form have also been adopted as far as possible. Much discursive matter, hitherto contained in the notes, has been incorporated in the text. On the other hand large statistical tables, which formerly were part of the text, and thus broke up the continuity of presentation, have been removed to the end of the book in the form of appendices.

A series of what I consider very important statistical appendices has been substituted for those printed in the earlier editions. For the preparation and checking of these tables I desire to express my best thanks to Dr. Berthold Breslauer, of Berlin, the editor of the statistical part of the *Bank Archiv*. The tables showing the amount of listed securities issued by the six great Berlin banks—constituting Appendices V and VI—for the first time provide complete material based on official data concerning this important subject.

Appendix VIII—treating of the course of the concentration movement in the case of the eight greatest Berlin banks—has been brought down to December 31, 1908.

It is hoped that the book in its new shape will meet with the same friendly reception which has been accorded to its earlier editions and that it will be found a reliable reference work, equally free from fulsome commendation and from undue depreciation of the work of the German credit banks.

ROME, *April*, 1909.

TRANSLATOR'S NOTE.

Prof. Riesser's work, *Die deutschen Grossbanken und ihre Konzentration*, of which the present volume is a translation, gives the most recent and fullest account of the development, present organization, and practices of the more important German so-called credit banks, particularly the six largest banks, which, with the possible exception of one, may be said to have their central office in Berlin. The name *credit bank*, which has been retained in the translation, in no way characterizes the actual scope of activity of these banks, but is the term used in recent German banking literature to differentiate the commercial joint-stock and kindred banks without the note-issue privilege from other banks having a more restricted and special field of operations, such as the mortgage banks, the mutual or cooperative banks, the savings banks, etc.

The book abounds in technical legal and banking terminology, for which no exact equivalents in English exist. In numerous cases no translation was attempted. In other cases where the terms occur frequently throughout the volume, a choice of an English equivalent, though more or less arbitrary, had to be made. This applies particularly to the term *Depositen*, the definition of which the author declares to be impracticable. (See p. 196 et seq.) In German bank statements different meanings are attached to the term by various institutions, the only common feature being that interest is allowed on these "deposits."

Translator's Note

An important function of the German credit banks is the financing of corporations and the selling to the public of the newly created securities of these corporations. Throughout the volume this latter practice has been designated as the *issuing* activity of the credit banks. The success of these operations depends largely upon the "issue credit" of the bank—i. e., the confidence of the investing public in the soundness of the securities offered by the bank. In several cases a literal translation of German technical terms seemed entirely proper, though such terms as *pure* and *mixed* works (p. 175), *mine furnaces*, *furnace mines* (p. 369), *heavy industry*, and the like, even with proper explanations in the text, may be regarded by some as literary barbarisms.

The proofs of the translation have been submitted to the author, who made several changes in the text which do not appear in the German original. The figures bearing upon American banking have been revised and brought up to date. Thankful acknowledgment is due to Dr. Robert Stein, of Washington, D. C., and Dr. H. G. Friedman, of New York City, for valuable help rendered to the translator.

MORRIS JACOBSON.

WASHINGTON, D. C., *August, 1911.*

THE GERMAN GREAT BANKS AND THEIR CONCENTRATION.

PART I.

INTRODUCTION—THE TASKS OF BANKS IN ECONOMIC LIFE.

(I) GENERAL CONSIDERATIONS.

Walther Lotz, in his excellent book on the methods of floating securities (*Die Technik des Emissionengeschäfts*, 1890), makes the following statement (p. 60):

“One of the most prominent financiers in Berlin once remarked to me that his profession was not affected by the social question, which was usually regarded as the most important factor in economic development, and that the speculative banks adopted a neutral attitude toward it.”

To my mind this statement proves that the Berlin financier in question has strangely misconceived the position and duties of German banking within the realm of “capitalistic economics.”¹ To prove this in detail is neither the least nor the most unimportant aim of the present work.

Within the range of capitalistic economics there is a whole series of important and special economic tasks devolving on banks and bankers.

To begin with, the funds are capital in the popular sense of the word (that is, sums of money constituting com-

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ponent parts of wealth to be devoted to producing income)² which accumulate in the safes of banks and bankers. It is the bankers' profession and duty not only to take care of the capital, but to turn it to good account, i. e., to make it productive, particularly by placing it at the disposal of others for industrial and other purposes.³

Banks have to receive the funds placed at their disposal for the purpose of investment and profitable utilization, and to direct them into proper channels through the granting of credit.

The bank enters into relations on the one hand with the capitalist who entrusts to it his available money for productive investment and thus becomes its creditor, and on the other hand, with entrepreneurs and others who receive money for their ventures, and thus become its debtors.

The part which a bank plays in its relations between capitalists and persons engaged in various enterprises is similar and as important as that of the trader who acts as independent middleman between producer and consumer, and who participates in the increase of values by transporting goods with or without intermediate manufacture from districts where supply is plentiful to districts where demand is great.

The so-called regular or current banking business is confined to the acceptance and granting of such or similar credit (so-called credit and debit transactions). It includes deposits, current accounts, bill, contango, lombard, and commission business.

The tasks involve, as far as is practicable within such limits, the direct furtherance of the power of production of

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all industries, including (after what has been said above) commerce,⁴ and indirectly the furtherance of the purchasing power of all classes of the community.⁵ They necessitate endeavors for the investment of surplus capital in a suitable and economic manner, and its utilisation for credit transactions.

In the next place, banks and bankers have to provide for a sound and constant regulation of the circulation of money and the adjustment of money settlements in so far as these functions do not fall within the province of special public banks. They also have to provide for a banking organisation of the whole commercial system of payment, and above all for an increase of those forms of settlement which tend to take the place of cash: in particular the employment of checks, transfers (*giro*), and bank clearing.⁶ Finally, they have to establish organic relations between the systems of credit and payment, by using their credit to convert the claims of their customers in the shape of bills, checks, money orders, etc., into current paper, and thus into ready money, using this latter for the purpose of meeting payment on matured obligations.⁷

The historical development of German banking, however, has considerably enlarged the scope of these duties.

The transformation effected since the middle of the nineteenth century in the whole system of communications through the use of steam for ships and railways (see p. 34), and the revolution in many industrial branches, caused by the appearance of the steam engine, in conjunction with the creation of a large and unified German economic territory through the customs union of the Ger-

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man States (*Zollverein*, 1833), paved the way for the expansion and world-wide aspirations of German industry, and thus gave the impulse to large-scale production in many branches of industry.

Thus it became necessary that capital as well as credit should be devoted to the building of plants and works in sums and for periods hitherto seldom required, if production on a large scale was to be maintained and extended. This could only be made possible by the issue of shares or debentures.

The joint stock company proving the most reliable ally of trade and industry, conducted on a large scale, it became necessary to transform private concerns into joint stock companies and to establish new industrial enterprises in the shape of stock companies, whenever it was desired to increase the credit of existing private concerns, to enlarge or diversify production, or to enable domestic industry to enter into competition with foreign producers.

The general public in Germany, whose funds were meager compared to those of England, was neither able nor willing at this juncture to participate directly or permanently in such ventures as mentioned above. The private individual fought shy of investing his capital in enterprises, and, content with smaller interest, bought government securities.⁸

Adequate assistance for the demands of capital and credit could not be expected from the existing note-issuing banks,⁹ whose increase had long been advocated in the interest of increased facilities of payment, as the extent of their activity was naturally limited by their special functions. In the same manner private bankers, who at

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that time were very powerful, at least in several centers (see below, p. 39), could supply only modest means for such purposes—means which could neither suffice, nor be tied up for any length of time. In addition to this, the organisation of the banking business at that period was in general neither prepared for, nor adapted to operations of such a comprehensive and difficult nature (see below, p. 40).

For these reasons such new and enormous demands could be met only by the creation of special organs, namely joint stock banks, which were called into existence to satisfy these very requirements. In the natural course of things the banks gradually became the professional and expert intermediaries in meeting the new financial wants. This they were able to do only through continuous and systematic study of the money market, as well as of the markets for the newly created securities, especially among their own customers. Moreover, both the continuity of their existence and regard for their own issue credit (*Emissionskredit*), i. e., the permanent ability of maintaining among the German public a market for new securities issued under their auspices, insured a permanent interest on the part of these banks in the newly created undertakings as well as in the securities which they were instrumental in placing on the market.

It is, therefore, too narrow a view, and consequently incorrect, to assume that ⁽¹⁰⁾ “the assistance of the numerous private bankers, equally conspicuous for intelligence and wealth, would have amply sufficed for all the tasks described above,” and that the German credit banks grew up solely, or almost exclusively, because the general public

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'rushed madly after the most speculative of securities,' and because of the endeavours made to cater as far as possible to this speculative craze for railway, mining, and foundry shares." It must, however, be acknowledged that these reasons did play a certain part in the matter, especially the desire of the smaller capitalists to participate indirectly in the industries promoted by the new banks by the speculative acquisition of shares in these banks ("speculating on speculation").

It has been said concerning Saxony, that although the number of private banks was large for the time in question, yet "their powers were inadequate to satisfy the credit requirements."¹¹ There is ample testimony to prove that this was not solely a local symptom, and a mere glance at the security issues made during that first period leaves the same impression. Moreover it is stated that it was just among private bankers of that period that "the necessity for concentration of capital was felt the most, and that a remedy was being looked for."¹² We know that the committees which in almost all German States were petitioning for concessions (in Prussia long in vain, as is well known) for the establishment of note issuing and credit banks, were composed for the most part of private bankers.¹³

Schäffle ¹⁴ goes even further in the following statement published in a monograph about 1856:

"When industrial development has reached the stage at which great industries are forced to acquire their capital largely through the gathering of small capitals, special economic organisations must develop on which special functions regarding the initiative in stock transactions

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devolve. Banks for the promotion of such enterprises meet this need.

“As long as these premises for the economic justification of speculative banks have not been scientifically refuted scientists should not allow themselves to be terrified by the mere catchword ‘*crédit mobilier*’, like children by a bogy.”

In this manner then, according to historical development, the stock issuing, promotion, and conversion business in Germany became a regular banking business, i. e., a branch of the regular business of credit banks, which at the same time carried on the so-called current business. On the other hand, in view of the relatively small amount of the available funds for bank investment proper, no attempts were made to establish special deposit banks, as under the circumstances but little profit could be expected from them.

Even those persons who on principle are opposed to the whole capitalistic and industrial development as it manifested itself in Germany during the last decades, and who have no sympathy for this expansion of the regular business of the German banks, but rather deplore and find fault with it, will not be able to alter this course as long as the reasons exist which have led up to this development.

I am convinced that these reasons will continue to exist for some time to come, owing to Germany's rapidly increasing population, her moderate wealth (at least in comparison to other countries), also because of her international position in trade and industry, a position attained with difficulty, but which it will be even harder to maintain permanently.

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It will be seen by the description of the historical development of the sphere of activity of the German banks, that a proper and socially sound administration and organisation of the different departments of banking (especially of the last-mentioned branches), is one of the most important social problems. Moreover as there are as many social problems as there are spheres of social activity, and the various branches of banking are of the utmost importance in the economic life of the nation, the banking problem is closely interwoven with the majority of the other social problems, a fact which is in absolute contradiction with the statement of the eminent financier quoted by Lotz.

2—SPECIAL CONSIDERATIONS.

(a) THE TASKS OF BANKS DURING NORMAL TIMES.

The proposition last enunciated must be proved in detail by a discussion of the main directions of banking activity.

It certainly does not lie within the power of the individual or the legislator, or even of the administration of the largest bank, to arrange matters in such a manner that only the best sides of the capitalistic system may prevail in economic life. It is, however, the most urgent and eminent duty of banks and bankers to endeavor, at least within the scope of their activity, and as far as is within their powers, to effect this as far as practicable, and to see that the profit and loss account of capitalistic economics is closed with a balance in favour of economic progress.

Above all, they must promote all the economic interests of the nation, i. e., the interests of all producing classes

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without distinction, in so far as the services and the credit required by them come within the sphere of banking activity, and do not conflict with the necessary premises of sound banking policy. These latter conditions are determinative of the kind and extent of support which the so-called "credit banks" are in a position to grant to agriculture.

In the next place they have to keep the amount of credit to be granted within reasonable bounds, and to offer, as far as is within their power, the utmost opposition to an unsound demand for credit. The banks must therefore endeavor to obtain at all times a comprehensive and accurate insight into the general conditions of the branches of industry and trade chiefly dependent on them for support, in order to be able to discriminate between necessary requirements and false hankerings after expansion and aggrandizement. They should also be able to intervene, or at least restrain and check, in cases where the form and extent of the credit received cause the fear of unsound development.

Their duties toward the investment-seeking public are those of the honest broker, who, by reason of his experience and expert knowledge, is able to draw attention to the advantages and dangers of investments, and particularly to explain in a purely objective manner the dangers connected with securities yielding excessive interest or dividends.

As regards acceptances, they ought to place their services at their customers' disposal only for economically sound purposes. They should keep the brokerage, the contango and deposit business within normal limits, and,

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as far as it is possible to divine the purposes aimed at, to operate in such a manner that these transactions may not become a cloak for reckless and unsound speculation.

In the issue business they should take particular care not to burden the market by an overproduction of securities or by the promotion of shaky ventures, for thereby they might not only cause heavy loss to the purchasers of such securities, but also inflict lasting and severe injury on their own issue credit.

More especially they should transform only such undertakings into joint stock companies as are naturally suited to that particular form of commercial organisation. Before deciding to promote or transform such undertakings, they should make very cautious estimates regarding the possible profits of these undertakings. In addition to this, they should investigate the financial position of the whole branch of industry, or business concerned, and, as far as possible, form an opinion as to its future prospects and risks. Finally, they should pursue not only a sound dividend policy, but also a proper economic policy; resisting the temptation of momentary profits, they should abstain from business that does not appear economically sound, or might be detrimental to the business interests of the nation.

The problems which the German banks have to solve during ordinary times have become, step by step, more comprehensive, more difficult, and more important. The number of these tasks and the sphere of activity of the German banks have grown with the increasing size, consolidation, and power of the country. The banks, particularly the "great banks," were called upon to lend

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intelligent support to the Reichsbank (founded in 1875-76) in its currency and discount policies, and in its endeavors to introduce and promote "giro," clearing, and check transactions, though this support was not always forthcoming to the full extent. Another task which fell to their lot—and of which they can neither be said to have acquitted themselves quite satisfactorily—was to support the land policy of the government and municipalities by means of the mortgage banks and real-estate companies which they had established against purely speculative and other undertakings which made no allowance for public interests. In countless ways, especially by an active participation in the organisation of state and municipal credit, they were called upon to make possible the accomplishment of important state and administrative tasks, as well as to promote the growth of German towns and the development of German ports, railroads, and highways. They were called upon to organise German inland navigation, as well as to provide for the development of the German railway system, and for the industrial utilisation of electric light and electric power. They had to assist by counsel and deed the business man crossing the seas as pioneer of German trade. It became their function to support the industrial export policy of the nation when it came to be considered in Germany an economic necessity, and to promote the economic development of the colonies, as well as of German cable communications by a series of undertakings not promising immediate returns. They had to strengthen our financial, and with it our political, influence abroad; nor was this done without many a bitter experience. For in this field they met the

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competition of the majority of the great powers in the underwriting of foreign loans, the promoting of foreign undertakings, and the opening of international business relations, with the disadvantage that their rivals had entered the field long before them. By assisting German navigation, and establishing German banks abroad, they imparted to the German name a renown previously undreamed of, thus extending by their activity the sphere of German business and political influence. Finally, by a cautious financial policy, they prepared our financial readiness for war, and for the carrying on of war.

How and to what extent German banks acquitted themselves of all these tasks will be set forth in the following pages.

Difficult and numerous as are the problems of external policy, those of internal policy are no easier. Success in the latter field became conditioned upon the recognition of two principles as the basis of all business activity. Furthermore these principles had to be observed under all vicissitudes, in the hurry of everyday life, in the pursuit of business, and in the finding of ways and means for the carrying out of new and urgent tasks as they continually crop up.

These two principles are: The principle of the distribution of risks, on the one hand, and the principle of the liquidity of assets on the other.

Nearly all the mistakes made in German banking, and the reproaches leveled against it, can be traced back to the violation, or misconception, of these fundamental principles underlying every sound banking policy. The principle of the distribution of risks must be observed in almost

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all branches of banking activity; not only in the granting of short or long credit, but also in the promotion, conversion, emission, and syndicate business. It implies, among other matters, that no single branch of current business shall be exclusively fostered in an excessive and unsound manner at the expense of others; that the entire amount of blank credit, granted after the most careful scrutiny, shall not bear an unsound proportion to the total of secured credit; further, that credit granted to a single undertaking, or branch of industry, shall not be too high; that in case of underwriting and share issues provision shall be made for a fitting distribution of participations; for there is always the possibility of a sudden change in political and economic conditions, as well as of changes in the market which may affect particular cases. It therefore becomes necessary to bear in mind constantly the need of the diminution of risk, even in the most promising ventures and during the most favored state of the market.

The securing and maintaining of the liquidity of the assets is another most essential task incumbent on a banker. Indeed, in view of the variety of claims made on the resources of bankers and banks, and of the multiplicity of aims pursued by them, it is one of the most difficult problems of banking policy. It is all the more difficult, since the establishment of the right proportion of the so-called quick assets to the liabilities, especially to the obligations falling due at any time, or within a certain period, does not always depend solely on the will and discernment of the Bank. Possibilities have constantly to be reckoned with; for instance, that the issue of new

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shares required to restore the necessary liquidity of the bank's resources after a great increase of business is impossible during bad or critical times; that consequently its assets would be tied up just at the very moment when it might be called upon to relieve general embarrassment by proper intervention.

It is, therefore, a matter of necessity to constantly control the liquidity of the resources by frequent general inventories (*Generaldispositionen*)—as is done, for instance, with the greatest care, and at short intervals by the German “great banks”—in addition to the daily cash inventories (*Kassendisposition*),¹⁵ further, to increase the amount of the quick assets by a proper composition of the security and bill holdings; to strengthen both the visible and invisible reserves; and to regulate with the greatest vigilance the extent of the obligations, as well as their proportion to the liquid resources.

It may well be said that, on the whole, the German banks, or at least the greater part of them, and more especially the “great banks” have accomplished and are accomplishing a good deal in this respect. In this way the objections which are continually urged against the inclusion of the deposit business in our banks' spheres of activity are most effectively refuted, or reduced to narrow limits. For there can hardly be any question of “danger” when the deposits, and the other obligations due at short notice are balanced by more than ample security in the shape of the quickest assets, and if, in addition, special caution is exercised in the selection of the securities owned by the bank, as was the case with the Deutsche Bank, which on the last day of its fiscal year (December 31,

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1908) held among its assets some 40,900,000 marks of securities, acceptable for investment in trust funds.

We shall have to go into this question later on in a more detailed manner.¹⁶

(b) THE TASKS OF BANKS DURING CRITICAL TIMES.

If the sphere of activity of the banks, of which naturally only the most important features have been barely outlined, is exceedingly extensive even during normal times, necessitating great discernment, caution, knowledge, and experience, it follows that the extent and difficulty of such tasks becomes considerably augmented during and after those economic crises which all countries experience periodically.

There will probably never be a permanent cessation of crises, any more than there will ever be permanent peace. However, just as it is the duty of diplomats and statesmen constantly to reduce the possibility and probability of wars by the prudent removal, prevention, or mitigation of all disturbances of the political equilibrium, so it is the duty of the directors of the great banks to prevent in an ever-increasing degree the breaking out of crises, to guard against a disturbance of the economic equilibrium as much as can be done by external influence, and by a cautious and preventive business policy in all the above-mentioned spheres of activity.

This implies to a continuously increasing degree an accurate knowledge of the internal conditions of industry, commerce and the exchanges, also of the financial and commodity markets, and the general international situation.

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This duty entails above all a keen perception of those symptoms which, like storm-petrels flying before the storm, act as signals to the experienced observer.

Science, in modern times, with the aid of particularly delicate instruments, has been able to record earthquakes, and with accurate knowledge of the factors determinative of a change of weather (as contained in the reports of meteorological stations) to predict storms and give timely warning to those concerned.

Similarly, undeterred by the course of contemporary events, experienced observers, with the help of modern scientific resources, and knowledge gained from former crises, ought to be able to read disturbances of equilibrium as from an economic seismograph, and thus predict the approach of crises.

The study of the history of crises¹⁷ shows in the most striking manner that, provided the same causes exist, the effects are as similar as if one crisis had "copied" its predecessor, as a schoolboy copies his neighbor's essay, or as a legislator frequently copies the draft of his fellow-legislator's bill. Crises may be defined as lengthy and serious disturbances of the bases of either the production, supply, or market systems, of the payment and credit systems, or of the mutual relations of these systems.

From the history of crises,¹⁸ the knowledge of which I regard as indispensable to every director of a bank, it can be established with certainty that almost without exception every crisis (stock exchange, credit, commercial, production crisis, etc.) is preceded by a more or less rapid rise of the rates for short-time credit, i. e., of the discount rates.

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It will also be noticed that the cause of such a rise in the discount rate is almost invariably an increase in the demand for credit, a demand far exceeding the available resources, which, wherever a central state note bank exists, finds expression in a great increase in the demands made on its funds.

The banks, by virtue of their accurate knowledge of stock exchange conditions, of market quotations, of "reports" and "deports," and of the rates for daily and ultimo money, are best qualified to answer the question whether such an increase in the demand for credit is accompanied by a corresponding increase in stock-exchange speculation. They are also able to draw fairly accurate conclusions, from the extent and kind of bill, acceptance and current account credit required by their customers, as well as from the volume of their report and collateral accounts, as to the existence, or the approach, of such excessive speculation as is likely to cause the outbreak of a crisis on the exchange. The greater their clientele the more reliable are such conclusions.

The approach of an industrial or a commercial crisis can be perceived or inferred not only from general economic conditions, but also from a series of phenomena which take place in the field of bank transactions. The imminence of such crises can be inferred from the rapid growth of the claims made on the credit of the central note bank, and in view of the growing intimacy between industry and the banking world, from a series of occurrences that become reflected in the internal bank management, as well as in the impaired liquidity of the bank's assets and the decrease of available cash resources.

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These symptoms need not manifest themselves in their entirety nor simultaneously. Some of these occurrences are: The increased credit demands, growing by leaps and bounds and becoming more striking each day, and the excessive, and finally complete withdrawals of existing cash deposits. Further, the displacement of short-term credit by long-term credit; the rapid rise in the number of bills due that have to be extended; the constantly increasing offer of securities of an inferior and unsound nature from a banking standpoint. Other signs (though they are at first not easily recognised as such) are the demand by manufacturers of bank credit, especially of acceptance credit, not intended for current operating expenses but for paying dividends, or for considerably augmenting fixed capital, i. e., extension of plant, new machines, premises, etc.¹⁹ Next, the continual demand for advances without any stated reasons, or for veiled purposes; the constantly growing delay in the receipt of payments due, and of the so-called "specifications" in industry (which only gradually become known to the bankers, and seldom to their full extent); the great and rapid changes, especially the sudden rise of prices of raw materials and manufactures; finally, a superabundance of promotions, conversions, and flotations, and the wholesale establishment of subsidiary, affiliated, and trust companies.

Although Helfferich²⁰ has proved (I venture to say with mathematical exactness), that in most cases (especially as regards the last German crisis) the amount of the gold production, gold imports and exports, never had the importance which Sombart ascribed to them; still, like the fluctuations of the rates of exchange and discount (bank

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and private discount), these factors should also be carefully watched.

Finally, important aids have recently been made available which in a characteristic manner—though with some limitations—help to diagnose the approach of industrial or commercial crises. I have in mind the valuable reports first published in Germany by J. Jastrow, the editor of the *Arbeitsmarkt* and later continued in the Official Labor Gazette (*Reichsarbeitsblatt*). These reports give data regarding the labor market, especially the demand and supply at the public labor exchanges and the extent of unemployment. It was these reports I had in mind when I referred above to modern scientific auxiliaries.²¹

Laxity in the observation and appreciation of such causes, especially if produced by ignorance of former crises at home and abroad, is one of the gravest and most fatal mistakes of which bankers can be guilty. It is the less excusable the larger the power and the capital of the bank, the wider the field of economic observation and the greater the influence which may be exercised by means of a prudent business policy.

A deficiency in this respect prevents the bank management from taking measures at the proper time, i. e., before the outbreak of the crisis, and thus if not preventing a crisis, at least mitigating its severity. The extent, nature, and opportuneness of such measures above all serve as a reliable gauge of the efficiency, prudence, and foresight of a bank management.

For, during a crisis, it is difficult, often impossible, to pursue a restrictive business policy, to collect outstanding debts, to call in credits, to decline to discount bills and

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acceptances; indeed such a policy is generally a serious mistake, likely to cause an increase of the extent and intensity of the crisis, for it may give rise to the disastrous notion that money and credit are not merely dear, but are not to be had at all.²² What is required is a preventive policy, a cautious intervention before the outbreak of the crisis. To do this it is necessary to give opportune warnings against drawing bills, increasing engagements, and credit; to make seasonable reference to the above-mentioned indications of the probable approach of a crisis, while making provision at the same time for a slow and prudent though consistent increase in the liquidity of the bank's resources. Provided this is done, the bank can not only await quietly all dangers, but is also able to offer support and aid in the form of discreet help, or energetic and conspicuous intervention in order to prevent or at least lessen and mitigate the collapse of otherwise sound undertakings, temporary embarrassments of clients, and serious disturbances of the market.

In this manner, the suddenness of the outbreak, as well as the extent, duration, and seriousness of a crisis are reduced. A further effect of such a policy is that the crisis is not followed by a period of lingering and latent depression, which is frequently worse than the crisis itself, and which renders recovery, i. e., return to normal conditions, much more difficult. It must be acknowledged, however, that for persons standing in the midst of business and practical life, and who are frequently confronted by occurrences of a contradictory nature, or difficult to fathom, it is far more difficult to perceive the approach of a crisis, than for critics, who *ex post*, or after the outbreak, can

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easily review circumstances and symptoms that have then become clear and connected.

As a general rule, however, threatening signs such as are described above (p. 17) as almost regular harbingers of a crisis, ought to be correctly diagnosed whenever they occur not singly, but as connected or mutually complementary symptoms of a serious affection of the body economic.

It is a *nobile officium*, especially of the great banks, to intervene after the outbreak of a crisis, not only where their own clients or interests are concerned, to lend their support, attempt reconstruction and thus to prevent or at least remedy a serious disturbance of the market by conspicuous and therefore especially efficacious action.

It will always redound to the credit of the great Berlin banks and bankers that through their intervention immediately after the collapse of the *Preussische Hypotheken-Aktienbank*, of the *Deutsche Grundschuldbank* and of the *Pommersche Hypotheken-Aktienbank*, they prevented (with almost immediate and favorable effect) the absolute demoralization of the entire mortgage bond market, and that through the reorganization of these concerns²³ they reduced to a minimum the losses sustained in wide circles on account of the securities issued by these establishments.²⁴ The same applies to their intervention during the catastrophe in Saxony.

(c) THE TASKS OF THE BANKS IN TIME OF WAR AND IN PREPARING FOR WAR (FINANCIAL READINESS FOR WAR AND FINANCIAL CONDUCT OF WAR).²⁵

Banks have also to make timely provision (as far as possible) in times of peace for the eventuality of war.

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The marshaling of financial forces must correspond to that of military forces, and just as military mobilisation is made possible by careful plans made in times of peace, so too the marshaling of financial forces should be facilitated by schemes likewise devised in times of peace. Weaknesses and gaps in the financial mobilisation may be paid for as dearly as mistakes in the tactical deploying of forces, for to both applies what I have said elsewhere, "that it is impossible without severe losses to evolve a battle formation in the face of the enemy."

The most important preparation for financial mobilisation consists in fashioning the credit system in such an elastic manner that in case of war it can cope with the agitated and suddenly increasing calls for credit.

To meet this contingency, reserves must be created in time of peace: reserves of considerable extent which can be realised rapidly, i. e., mobilised. These must include on the one hand a considerable amount of domestic first-class securities, especially government and municipal bonds, which in war times can be pledged, if necessary or desired, at the "war lombard offices" (*Kriegs-Lombard-Kassen*).²⁶ On the other hand, they must include foreign *Goldvaluten*, i. e., bills and other claims receivable abroad in gold, and prime foreign gold securities negotiable on various foreign bourses, consequently possessing an international market.²⁷ Through the realisation of these gold equivalents, and by calling in outstanding debts from abroad, i. e., by utilising these reserves (the value of which in such cases will be comprehended by the veriest layman), a panic will usually be averted.

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The enemy, however, may endeavor to aggravate a panic of this description by the sudden collection of outstanding claims, by an unlimited sale of our home securities, and by other attempts to deprive Germany of gold. Attempts may also be made to dislocate our capital, bill, and security markets, and to menace the basis of our system of credit and payments. Such a panic might easily occur during the first few days after the declaration of war if the impetuous demand for ready cash and cash reserves (*Angstreserven*)²⁸ is not amply and immediately satisfied. The latter demand often leads to precipitate withdrawals of giro and current account balances and of deposits, to the recall of credit, and to the precipitate sales of merchandise and securities.

Accordingly, the banks must endeavor to terminate such conditions as rapidly as possible, as well as to stem the feverish demand for, and the collection of ready money from all depositories, and places of hoarding and storing, so that normal conditions are reestablished, under which all the expedients and substitutes obviating the use of cash will once more assume their normal importance for circulating purposes.

Above all, the business policy described above (p. 20) as indispensable during a crisis, must be pursued in times of tension and agitation, which generally precede a war long before its outbreak. Among others, restrictive measures, such as the withdrawal of credit, the refusal to accept bills, or to discount customers' bills, must be avoided. In the next place, interventions should be made in the market, and all means used for the gradual restoring of public confidence in the solid groundwork of our finance and

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credit systems. It is such confidence which underlies not only the acceptance of all cash substitutes (*Geldsurrogate*), which abound to a far greater degree than ready money, but also the determination to fulfil all pending engagements, or at least to terminate them slowly and cautiously, as well as the resolution not to withdraw deposits, nor to flood the market with securities at extremely low rates, &c.

The "great banks" should coöperate in all these directions, not only by word or through influencing their clients, but by their own example, especially by exercising the greatest reserve in withdrawing their credit balances from the Reichsbank, and in presenting bills for re-discounting.

Besides this, they should aid those "financial precautionary measures" which come within their sphere of activity—i. e., those measures which may be undertaken after the declaration of war in order to ease the market and credit demand and to maintain our gold standard, and the circulation of our bank notes.²⁹

In Germany, as I have endeavoured to prove elsewhere,³⁰ these tasks would be facilitated to some extent during the critical weeks immediately following a declaration of war by the amount of bullion likely to be at our disposal, which includes the "war treasure" of 120,000,000 marks in the Julius tower³¹ at Spandau (this latter, however, would not go far); and by the further fact that the expenses of mobilisation,³² as far as can be judged to-day, could be covered by the issue of bank notes.³³ Another gratifying consequence would be that during this particularly critical time the Government would not have to apply to the Reichsbank with extensive demands for cash; and further, that in so far as the State did not prefer to meet

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its requirements by additional taxes,³⁴ it could await a calmer and more favorable condition of the money market for contracting loans to defray the cost of war.³⁵

The most important consequence of this fact is, that in negotiating such loans,³⁶ the coöperation and good offices of the "great banks" and great banking establishments can be counted on to a far greater degree, and with much more certainty than if the negotiations took place during the days immediately following the declaration of war, when the resources of the banks would be taxed to an extraordinary extent.

It is impossible for the Reichsbank in Germany to execute smoothly and successfully its numerous and difficult tasks in war time without the assistance of the great banks which form such an important factor in the whole economic organisation of the country. The latter, however, must prepare in times of peace in the manner described above, if they are to render effective support during war time. On the other hand, it would be preposterous to demand of them complete "readiness for war," such as would exclude or paralyse the banks' capacities for doing their customary business.³⁷

During the stages of deliberation by the administration of the imperial treasury and the Reichsbank concerning the adoption of the sometimes extremely complicated financial measures for the maintenance of the German currency and credit systems, as well as for affording relief to the market, and facilitating money and credit transactions during war times,³⁸ the directors of the great banks and banking houses by reason of their practical experience, their intimate acquaintance with the situation and the receptive capacity of the money market, particularly

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by reason of their exact knowledge of the requirements and capabilities of their clientele, should be amongst the first called upon to serve as a "financial general-staff" to the imperial treasury and the Reichsbank.

The above presents a broad outline at least of the most essential of the many and gradually increasing duties performed with untiring perseverance by the German banks.³⁹ In order to appreciate their achievements, it should be borne in mind that during the first period (1848-1870) their work and progress was greatly hampered by crises and European wars, by German political impotence and lack of unity, by our lack of capital, and the medley of German monetary and coinage conditions of those years.

I shall now proceed to outline the growth of these duties during the two epochs of general economic development, and the development of the German banks (with particular reference to the great banks). These two clearly marked epochs extend from the middle of the nineteenth century to 1870, and from that year to the present day.

As far as is possible without effacing or obscuring the picture of the general course of development of the German great banks, I shall endeavor to do what I omitted in former editions of this book, namely, to show in what manner, and with what success each individual great bank participated in the common work. Indeed, a thorough and proper appreciation of the course of development of each great bank will become possible only after detailed monograph studies of each of these shall have been published.⁴⁰

The most important works of reference used in this book will be found in the appendix.

PART II.

THE FIRST PERIOD (FROM THE MIDDLE OF THE
XIX CENTURY TO THE YEAR 1870).

CHAPTER I.—SKETCH OF THE ECONOMIC CONDITIONS IN
GERMANY AT THE TIME OF THE ESTABLISHMENT OF
THE OLDEST EXISTING CREDIT BANKS.

In 1848—the beginning of the period about to be discussed—about 200 years had passed since the end of the Thirty Years' War (1618–1648).

Even then, however, Germany, which in consequence of her geographical position from remote ages presented a favorite battlefield for the whole of Europe, had not yet completely recovered from the thorough spoliation and devastation she had undergone.

A re-establishment of her completely ruined trade and of her shattered fortunes was impossible during the period from 1648 to 1815, owing to a series of European wars. These were in particular the campaigns of Louis XIV, the Spanish War of Succession, the Seven Years' War, and the struggles against Napoleon. Those wars and campaigns were once more fought on German soil by powerful enemies, who like Louis XIV seized parts of the country (for instance, Strassburg, 1681), and devastated anew other parts, such as the Palatinate and other Rhenish countries. During the latter years of that period (1806–1815), the wars carried on with changing fortune against Napoleon I, which terminated with his dethronement and

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banishment, prevented the beginning of recovery. It was only during the three decades of undisturbed peace (1815-1848), which preceded the economic epoch about to be described (1848-1870), that the German nation had time to recuperate and to engage in the first attempts to rehabilitate trade, industry, and agriculture.¹

Evidently, it is only possible to outline here the main points in the economic conditions of Germany brought about by this lengthy period of peace, and only in as far as they bear on the development and tasks of German banking.

The population of Germany numbered at that time about 35,000,000, and was not more than that of France (34,500,000). Of capital there was but little; it was estimated that in Prussia there were 720 marks per head of the population, whereas the amount for England was 2,860 marks, according to an estimate made almost simultaneously (1845).² At that period England had almost completed her transition to a great industrial and manufacturing country, supplying more than half of the world's requirements. Her annual coal production at the beginning of the 19th century was about 10,000,000 tons, while that of Germany toward the end of the century was little more than 120,000,000 tons.

In accordance with French example, serfdom, as well as the hereditary subjection of the peasants had ceased in the country during the first half of the 19th century, although its abolition was slow, especially in the east of Germany, where it had been firmly rooted for centuries. The abolition of hereditary subjection did away not only with the obligation to furnish hand and team for the benefit of the

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landlords, but—what proved of even greater and increasing importance—with the obligation on the part of the peasant to remain on the estate, or in the village belonging to the same. In German industry, despite modest attempts at reform undertaken by the legislation of the individual states, the system of guilds (*Zunftwesen*) was predominant. Only a few German States, e. g., Prussia (by the laws of 1810 and 1811) and Nassau, had abolished the obligation of craftsmen to join guilds, and to obtain certificates of ability (*Befähigungsnachweis*), and had introduced, on principle, freedom of trade, an action against which a vigorous protest was launched by the craftsmen's "parliament" sitting at Frankfort-on-the-Main from July 15 to August 18, 1848. Fairs continued to enjoy great importance in some towns even after 1850, at least for a number of special wares.³ Trade was confined mostly to local markets and fairs. Delivery trade by sample had, however, started on a small scale. But the conditions for economic reform in most of the German States had already been created by the establishment in 1834 of the German *Zollverein*. It may be justly said, that this great Prussian innovation, which transformed the participant German States into a unified economic area, dealt the death blow to the mediæval economic system in Germany. It was only then that a uniform economic policy became possible in the participating States, a policy which soon asserted itself by its urgent demands for protection of new and growing industries against the overwhelming economic superiority of England.

The average annual value of the imports into the territory included in the *Zollverein* for the period 1842–

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1846 has been calculated by K. H. Rau (*Grundsätze der Volkswirtschaftslehre*, 8 ed., part 2, p. 318) at 210,303,000 thalers, or about 630,000,000 marks, while the exports have been valued at 170,089,000 thalers, or about 510,000,000 marks, which amounts should be used only with reservation. During the last decade of that period the exports rose quite considerably. Industry was still mainly of the so-called domestic type, and principally carried on in the country. This applies particularly to the manufacture of textiles (spinning and weaving).⁴ In the country it was still customary to manufacture at home nearly all the personal requirements in the shape of clothing, linen, and other textile goods. Almost the whole of the German industry seemed to center at that time in the textile and mining industries, both of which were chiefly carried on in the country.⁵ The number of workmen⁶ employed in these industries exceeded by far the combined number of workmen employed in all other industries.

The total number of workmen employed in the mining and smelting industries within the limits of the Zollverein (created on January 1, 1834) about the middle of the nineteenth century was 60,800.⁷ In Prussia there were 48,659 workmen employed in the same industries (average of the years 1848-1857), as compared with 101,908 according to the trade census of 1895. In 1840 the number of steam-engines employed in the industrial area comprised in the German Zollverein was not quite 500, whereas there were over 5,000 steam-engines at work in England about 1810. According to the Prussian Statistical Annual (*Preussisches Statistisches Jahrbuch*),⁸ there were in 1852 only 2,124 steam-engines, developing 43,051 horse-power, employed in the entire industry of Prussia, of which almost

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half (according to number and power) belonged to mines and foundries; machine factories occupied only the fourth place in the list.

In the Kingdom of Saxony⁹ the number of steam-engines used for industrial and agricultural purposes amounted in 1846 to 197 only, with 2,446 horse-power. At the end of this period (1866), however, there were already about 92,000 motors (100,000 H. P.) in use in Germany, whereas in 1895 the total horse-power of all engines in use was 3,400,000, of which 2,000,000 horse-power was employed in industry. In 1840 the whole German freight traffic (with the exception of ocean, town, and rural traffic) was calculated at about 2,000,000,000 ton-kilometers, whereas in 1900 it was estimated at 40,000,000,000 ton-kilometers, or almost twentyfold.¹⁰

In 1860 the whole of Germany's industrial output equalled only about half that of France; whereas to-day she ranks second to England in Europe, and takes third place in the world, only the United States and England outranking her.

About the middle of the nineteenth century the proportion to the total population of industrial workmen¹¹ (including those engaged in flour mills and all home industries) amounted in Prussia to only 2.98 per cent.

The enormous industrial growth that manifested itself shortly after the establishment of the Zollverein and its economic measures was due not entirely to that organization, but primarily to the construction of (private) railways, begun in 1835 with the line between Nuremberg and Fürth. This led at the outset to an almost feverish activity in the mining, smelting, machine, and kindred industries.

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As early as the middle of the last century there was quite a considerable demand for pig iron, chiefly by reason of the above-mentioned construction of railways. According to Oechelhäuser¹² over 17,500,000 quintals (Zentner) of pig iron were used in railway construction from 1836 up to the beginning of our period (1850). The home consumption, however, was not met by the home production. England had obtained a great start in the manufacture of that material,¹³ coke blast furnaces having been used as early as the eighteenth century in place of the expensive charcoal fuel almost universally in vogue in Germany during the middle of the nineteenth century. In the Siegerland not a single coke blast furnace existed at the beginning of the forties; the first coke blast furnace in the Ruhr district was erected in 1847; moreover, the existing blast furnaces were not very efficient.¹⁴ In 1847 the consumption of iron in the region comprised within the Zollverein amounted to 28 *Zollpfund* (= 14 kilograms) per head of the mid-year population (Sering, loc. cit., p. 51), as compared with 309.8 pounds in 1899.

The production of pig iron in 1850 was less than that of France, and even of Belgium; it amounted to 208,000,000 kilograms (1875, 2,029,000,000 kilograms).

The output of coal amounted in 1850 to 5,800,000 tons, as against 109,220,000 tons in 1900.¹⁵

In the district of Siegen 38,880 tons of iron ore, valued at 124,974 thalers, were brought to the surface in 1850, as compared with 997,680 tons, valued at 11,857,779 marks, in 1900.¹⁶

In 1858 (according to Sering, loc. cit., p. 82) of the total number of blast furnaces in Prussia, 56.9 per cent

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(1,328,429 Zentners) used charcoal, 37.2 per cent (1,527,989 Zentners) coke, 5.9 per cent (243,516 Zentners) coke and charcoal. Mineral fuel (coal) was not used before 1844 except in Silesia, and even there only in small quantities.

As a result the iron imports from Great Britain reached 52 and 55 per cent of the total German consumption up to the middle of the last century. This state of affairs underwent a change only with the rapid growth of the use of coal in Germany, and when the Zollverein abandoned its free-trade policy by the imposition in 1844 of a duty on iron, which till then had entered free. It is due to the energetic support of the German credit banks that before long the following prophecy, contained in the business report of 1856 of the A. Schaaffhausen'scher Bankverein (p. 53), was fulfilled to the letter:

"The iron and coal output of Westphalia, and the Rhineland, in the course of a few years, will not fall short of that of Belgium; in the more distant future it will compete successfully in the international market with that of England, provided one of the most important conditions for such competition—namely, the construction of cheap means of communication—receives proper attention."

The following figures, giving the proportion of persons engaged in industrial pursuits, as compared with the entire population, apply to Prussia for the middle of last century (1843):¹⁷

	Per cent.
Agricultural population	60.84 to 61.34
Industrial population	23.37
Persons employed in commerce	0.97

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In 1846 there was only 1 person employed in trade and industry to every 12.2 inhabitants, though in 1850 the figures were already 1 to every 8.5 inhabitants. In 1849 only 28 per cent of the entire population¹⁸ of Prussia lived in towns, and the population of Berlin did not exceed 331,894¹⁹ (exclusive of soldiers) in 1840, and not quite 500,000 in 1858, and gave employment to only 3,000 workmen in 1840, a number which rose, however, to 10,242 in 1856.²⁰ In 1849 there were only 15 towns in Prussia the population of which exceeded 30,000.²¹ Excluding Berlin, the following now important industrial towns had the greatest number of inhabitants:

Aix-la-Chapelle (about)	46,000
Elberfeld (about)	35,000
Crefeld (about)	30,000
Chemnitz and Düsseldorf each (about)	26,000
Dortmund, Duisburg, Essen, and Solingen each (about) ²²	7,000

With the aid of foreign (English) capital, gas lighting was gradually adopted²³ after 1826 by the larger German towns (first of all by Hanover and Berlin); it was only after 1859 that petroleum became popular for lighting, especially among the middle classes.

The construction of railways may be said to have started on a large scale only about the middle of the nineteenth century. From 1835 to 1842 only railways of short length and of merely local significance (between large towns) to a total length of 87 German miles had been constructed. These were the Nuremberg-Fürth railway in 1835; the Berlin-Potsdam, and the Braunschweig-Wolfenbüttel railways in 1838; the Leipzig-Dresden line in 1839; the Leipzig-Magdeburg, the Munich-Augsburg, the Mannheim-Heidelberg, and the Frankfort-Mainz lines in

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1840; and in 1841 the Berlin-Anhalt, the Düsseldorf-Elberfeld, and the Cologne-Elberfeld railways. Up to 1855, the date when the credit banks appeared on the scene, only 7,800 kilometers of railways had been built, which, spread over the twenty years from 1835, meant only 390 kilometers of new line annually. On the other hand, in 1865, ten years later, almost double the amount of railway mileage (13,900 kilometers) was finished, or 610 kilometers of new line per year, a performance in which the credit banks had taken an active share. In 1875, or ten years later, there were no less than 27,981 kilometers of railways in operation, again a twofold increase.

This corresponds to the enormous increase of capital invested in German railway construction during that period. At the beginning of the fifties the amount of this capital was stated as 140,000,000 thalers, in addition to 206,000,000 thalers preference shares, or a total of 346,000,000 thalers (1,038,000,000 marks); somewhat over a billion marks.²⁴ At the end of that period (1870) the invested capital amounted, according to Engel, to over 4,000,000,000 marks (4,072,167,621 marks), in which sum the preference shares are included.

As far as the means of transit in Germany were concerned, so-called "*Chausseegeld*," or road toll, had in many cases to be paid to the end of the sixties, as a contribution toward highway construction and maintenance. In Frankfort-on-the-Main, for instance, this toll was only abolished on May 18, 1866. The highways in Germany had in 1857 a length of only 30,000 kilometers as against 150,000 kilometers in 1900.

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The inland toll-gates in the majority of German States, however, had already been abolished in 1834-35 by the foundation of the Zollverein. This proved a great boon in the economic field.

Equally beneficial in the legal field proved the adoption in the fifties and sixties by the various German States of uniform commercial legislation in the shape of the *Allgemeine Deutsche Wechselordnung* and the *Allgemeines Deutsches Handelsgesetzbuch*.

As far as means of transport were concerned, steam-navigation made a modest beginning on the Weser in 1817 and on the lower Rhine and Elbe in 1818. During the middle of the nineteenth century, however, steam-navigation made more rapid progress.

At the end of the fifties Germany had no less than 17 different independent postal administrations in addition to the Prussian-Austrian *Postverein*.²⁵ In 1867 the Thurn and Taxis postal monopoly came to an end by transfer to Prussia.

Up to 1844 fees for forwarding ordinary letters within the confines of Prussia went as high as 19 silbergroschen (1 silbergroschen = $\frac{1}{30}$ thaler, or about 2½ cents). And it was considered great progress when an agreement was made in 1850 with Austria, whereby the cost of forwarding letters weighing less than 1 lot (lot = about half an ounce) to the farthest of the three zones, or over 20 German miles (1 German mile = 7,420 metres), was fixed at 3 silbergroschen, or 9 kreuzer. It was only as a result of this agreement that, at the beginning of 1850, stamps were introduced in Prussia. Up to that time the fee for conveying letters had to be paid in ready money at the

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post-office. Even during the forties the post-offices were only opened on certain days in the week. There were no postmen, not even in the towns, to say nothing of the country; so that letters had to be called for at the post-office. Letter-boxes were introduced for general use only after 1850.

The slow development of postal facilities is best illustrated by a statement of Karl Lamprecht (*loc. cit.*, p. 143) that in Saxony, the "land of the Leipsic fair," the postal regulations remained unchanged between 1713 and 1859.

In Great Britain, on the other hand, uniform penny-postage had been introduced in 1840; uniform postage was introduced in Austria in 1861, and in the North German Federation only in 1868.

The receipt of a letter, even as late as the middle of the last century, must have been regarded as quite an event, except by large mercantile firms, for there were only 1.5 letters per head of population in Prussia during 1842, and even in 1851, the beginning of the period under consideration, only about 3 letters annually.

The telegraph system²⁶ was first opened for public use in Prussia (Aix-la-Chapelle) in 1843, in Bavaria and Saxony in 1850, in Wurttemberg and Baden in 1851, in Hanover in 1852, and in Mecklenburg in 1854. "The charges of telegraphing were high and ill-arranged. According to the zone tariff of 1858, which on the face of it had already been reduced, it cost 2 gulden 6 kreuzers to send 20 words from Frankfort-on-the-Main to Nuremberg, or almost as much as to Amsterdam or Como (2 gulden 48 kreuzers); the shortest telegram to Bochum cost 4 gulden 12 kreuzers, almost as much as to Tilsit or Orsova (4

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gulden 54 kreuzers.)”²⁷ In 1850 only 35,000 telegrams were sent in Prussia, as against 1,500,000 in 1865.

Only 102 joint-stock companies of all kinds, with a total capital of 638,000,000 marks, or an annual average of less than 27,000,000 marks, were formed in Prussia between the years 1826 and 1850, that is in twenty-four years.²⁸

On the other hand, during the following nineteen years, the period from 1851 to the first half of the year 1870, 295 joint-stock companies, or almost three times as many, with a total capital of about 2,405,000,000 marks,²⁹ were formed in Prussia, making an annual average capital of over 124,000,000 marks, or more than four times as much as in the preceding period.

Among the German exchanges at the beginning of this period, the one at Frankfort-on-the-Main was the most influential for state loans and similar securities, whereas the Berlin exchange took the lead in railway securities, the amount of which, however, was not yet great.³⁰ Sixty-three securities were quoted on the Berlin Stock Exchange in 1850 as against 309 in 1870, and 1,872 in 1900. At Frankfort-on-the-Main the first special organs dealing with financial and commercial questions were published, viz: The *Aktionär*, on January 1, 1854; the *Frankfurter Geschäftsbericht*, on July 21, 1856 (which, on August 27, 1856, became the *Frankfurter Zeitung und Handelsblatt*). In the meantime, however (before the publication of the *Frankfurter Geschäftsbericht*), the *Berliner Boersenzeitung*, with the Thursday supplement, the *Berliner Boersen-Courier*, was published on July 1, 1855, in Berlin.

As far as the systems of coinage, money, and banks are concerned, the following details may be of interest:

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During the whole of the period under consideration, and to the final adoption of the common German coinage system in 1870, no less than 7 different kinds of coinage existed in the various German States, which, with the exception of that of Bremen, were all based on the silver standard. Between the South German gulden and the North German thaler standards a fixed ratio had been established at the general coinage conference in 1838 (*Dresdner Convention*), but solely for purposes of calculation,³¹ i. e., no State belonging to the convention was obliged to admit the circulation of the coins of any other State belonging to the convention.

The variety of the systems of coinage and standards at home and abroad was doubtless one of the main reasons why bankers, who were called money changers at that time, in the centers of trade and traffic at least, formed a prosperous and well-filled profession. At the center of money changing for middle and south Germany, namely, the free town of Frankfort-on-the-Main, there were 109 private bankers in 1855, among a total of 1,131 firms; and toward the end of the period under discussion (1868-69), 192 private bankers out of a total of 1,829 firms.³² These private bankers, who in numerous cases carried on simultaneously commission business or commission and forwarding business, formed a very respected class, especially at Frankfort-on-the-Main, a long time before the period in question, having identified themselves with the general existing commercial interests. A most striking proof of this is an occurrence which took place in 1810: "By the order of Napoleon (at the time of the Continental System) two French officials in Frankfort

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confiscated 185 chests containing English goods, the property of Frankfort merchants, and burnt them in front of the gates of the town. Upon this the Frankfort bankers refused to continue the discounting of French bills, and caused thereby numerous failures in Strassburg, Nancy, Rheims, and other places.”³³ Thereupon the Continental System was soon repealed in Frankfort-on-the-Main.

What was true of Frankfort-on-the-Main, however, is not applicable to other towns and districts. In Stuttgart, for instance, there were in 1855 only 14 firms (including the Royal Court Bank) which claimed to belong to the banking and discounting profession, and only one each in Heilbronn and Ulm. “These were, however, partly carried on in connection with other occupations, especially with the forwarding business.” The modest position held by these firms appears best from the fact that in the industrial census taken in 1855 (no changes of importance took place between 1852 and 1855) 25 banking firms are mentioned employing only a total number of 68 assistants.³⁴

In the whole Kingdom of Prussia (in the territory before 1866) the number of persons employed in the money and credit business during 1858 (after several years of economic prosperity), including principals and assistants, amounted only to about 1,800 (1,774), and these were distributed among 602 enterprises, so that there were 602 principals and 1,172 assistants, or about two assistants to each business.

Of these 1,800 persons, 384 were employed in Berlin alone.³⁵

At the beginning of the period under consideration modern methods of payment and credit had not yet devel-

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oped, and the giro and current-account business was "almost unknown," with the exception of places like Hamburg, where special conditions prevailed. Even in a large commercial center such as Frankfort-on-the-Main, at the beginning of the fifties, numerous porters with small trucks laden with sacks and barrels of silver money could be seen moving about the streets "at any hour in the forenoon."³⁶ The discounting of bills was "seldom practiced"³⁷ in Germany, except in chief trade centers and exchange towns, and a systematic fostering of the deposit business was still less in evidence, either at the credit banks (p. 73) or at the note-issuing banks existing at the beginning of the period. The amount of deposits at the Prussian Bank, for instance, totaled only about 22,740,000 thalers (equal to 68,220,000 marks)³⁸ in 1850, in spite of the inflow of capital which had taken place in consequence of the discovery of gold mines in California (1848) and in Australia (1851), and the simultaneous discovery of new quicksilver mines in Mexico. In other banks of issue the deposits were for the most part much smaller.³⁹

At the same time, however, powerful factors (mentioned above on p. 28) were making for progress.

Above all, the era of peace that had prevailed in Germany for an unprecedented length of time (1815-1848) had caused a relatively large accumulation of capital, which was seeking profitable investment.

As early as 1844 the first industrial exhibition in the Zollverein area stimulated industry in numerous directions. The international exhibition in London in 1851, at which the latest industrial progress and inventions were shown, exerted a powerful influence on Germany. A

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few years later (1856) a great revolution took place in the iron industry through the application of Bessemer's principle of turning pig iron into steel⁴⁰ without the aid of human power by inclosing the pig in pear-shaped chambers (converters) and by conducting heated air through it from powerful blast apparatuses—a process adapted in 1865 by Martin to ore containing small amounts of phosphorus and, in 1879, by Thomas and Gilchrist to ore rich in phosphorus.

In the years 1834–1854 aniline colors were invented, and in 1868 alizarine colors.

In 1840, Liebig published his manual on chemistry and its use in agriculture, which laid the foundation of modern agriculture. From 1831–1840 to 1871–1880 constant progress, with few interruptions, was experienced in agriculture. In the old Prussian provinces during this period, the price of rye rose 69 per cent, that of wheat 60 per cent, and of barley 90 per cent; the selling price of land not less than 200–300 per cent; the rents of the Prussian domains increased from 4,500,000 marks, or 13.9 marks per hectare (1 hectare = 2.471 acres), in 1849, to 10,200,000 marks, or 35.6 marks per hectare, or an increase of 156 per cent. These rises were frequently out of proportion with the increases in the prices of agricultural products and in the productiveness of the area used for agricultural purposes.⁴¹

As stated before, various industries, such as cotton spinning, at the beginning of this period introduced manufacturing on a large scale (production on a large scale had commenced in the mining industry many years before). The large industries were, however, unable to attain a

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dominant part in the whole of industry, in which home production still played a leading part. In the last decade of this period we can also perceive a tendency toward increasing the exports of industrial products the rapid development of which in the second period gradually caused a complete transformation in the character of the whole German economic organization.

Hand in hand with the large increase of population, a serious transformation deeply affecting the whole of agriculture (which at this period was at the height of prosperity) had been gradually developing, which led to a considerable portion of the country's agricultural requirements being met by foreign imports; whereas at the beginning of this period, the exports of important German agricultural products, with the exception of rye, considerably exceeded the imports.⁴² (As early as 1860, the imports of rye exceeded the exports by 259,000 tons.⁴³)

Industry, particularly the mining, machine construction, and metal industries, etc., received large orders owing to the rapid increase of railway construction, and was protected and strengthened, to some extent at least, through the measures taken by the Zollverein against foreign importations. The expansion of industry, however, and with it the growing transition to large-scale industry (*Grossbetrieb*), became an absolute necessity for the support and employment of the population, which showed its greatest increase at the beginning of this period, and continued to grow in later years.

Between 1816-1845 the population had increased from 24,800,000 to 34,400,000 (by about 9,600,000 or 38.7 per cent), whereas between 1845-1875 it had increased only

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by 8,300,000, or 24.1 per cent, and between 1865-1895 only 31.8 per cent.

This growth, noticed in most of the German States up to the middle of the last century, was almost entirely in favor of the rural population, though we must not lose sight of the fact that a great many of the industrial concerns (as has been already mentioned), (p. 30) were situated in the country. Loud complaints were heard almost everywhere at that time that "there were too many people in the country," and it was frequently stated with the greatest emphasis that the country was unable to support a population of that number, and ways and means should be devised to meet the new conditions.⁴⁴

As a matter of fact the population of the agricultural districts (especially those east of the river Elbe) increased in the period 1816 to 1877 nearly 91 per cent, while that of the industrial western and southern parts of Germany increased only somewhat over 23 per cent, whereas between 1871 and 1900 the proportions were exactly the reverse (26 and 79 per cent).⁴⁵

It was under such economic conditions that the first German credit banks were established.

CHAPTER II.—THE GERMAN BANKS DURING THE FIRST PERIOD (1848-1870).

It is easy to realize at present the exceptionally strong influence exercised at the beginning of this period (about the fifties) by the very great and rapid development of the German railway system, above all on the mining and machine industries. In order to appreciate it, we need only recall the startling growth of the mining and machine

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industries, occasioned by the rapid development of the electrical industry during the second period, although quite different financial and banking conditions exist to-day. In both cases, however, the immediate consequences were serious crises (1857 and 1900), which were brought on, however, in part by other causes.

The mining and smelting industries were the first to undergo this transformation of which we have been amazed witnesses.⁴⁶ It is these industries which are mainly responsible for the spread of capitalism and the development of large-scale production, as well as the gradual and radical change in the general economic conditions of the country.⁴⁷

The enormous demands of the newly constructed railways for iron, coal, sleepers, locomotives, cars, etc., could not be met even approximately by the means at the disposal of the industry of those days. New undertakings of all descriptions, and the enlargement of existing ones, were necessary. Figures and requirements, however, were calculated at ten times the right amounts, as is the wont of reckless persons in agitated times, in whose minds the prospective profits are sure to assume gigantic proportions. Thus, at the beginning of our epoch, following the new railway enterprises, there arose in rapid succession, and in strange medley, a large number of other new joint-stock companies, especially in the fields of mining, smelting-machine construction, and banking.

The list of German credit banks founded during the first eight years of this period (1848-1856), and which were mostly provided with share capital ample at least for the period in question, will be found in Appendix II at the

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end of this book. Among them the following were prominent at that time, according to the amount of their capital:

(1) 1848: The *A. Schaaffhausen'scher Bankverein* at Cologne, formed as the result of the reorganisation of the old banking firm of Abraham Schaaffhausen (which had been seriously affected by the troubles in 1848), with a capital of 5,187,000 thalers, or, in round numbers, 5,200,000 thalers = 15,600,000 marks, of which about 3,000,000 (3,199,800) thalers was immediately issued.

(2) 1851: The *Disconto-Gesellschaft* in Berlin, which started however as a mere "credit partnership" (*Kreditgesellschaft*). In 1856 it was transformed into its present shape, namely, a joint stock company *en commandite* under the name of the *Direction der Disconto Gesellschaft*, with a capital of 10,000,000 thalers = 30,000,000 marks, which was issued in two instalments of 5,000,000 thalers each.

(3) 1853: The *Bank für Handel und Industrie*, which took up its headquarters at Darmstadt because no concession could be obtained at that time for a joint-stock banking company, either in the free town of Frankfort-on-the-Main or in Prussia. The nominal capital amounted to 25,000,000 florins = 42,750,000 marks, of which, however, only 10,000,000 florins = 17,100,000 marks was issued at first; it was only in the year 1856, when the Disconto Gesellschaft was transformed, that the Darmstädter Bank assumed the size first contemplated.

(4) 1856: The *Mitteldeutsche Creditbank* at Meiningen, with a capital of 8,000,000 thalers (24,000,000 marks), of which, however, 3,000,000 thalers (9,000,000 marks) remained in the portfolio of the bank; in reality, there-

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fore, the capital was made up of 5,000,000 thalers only, divided into 50,000 shares of 100 thalers each; moreover, of this amount 1,000,000 thalers were redeemed in 1859.

(5) 1856: The *Berliner Handelsgesellschaft* with a share capital of 15,000,000 thalers (45,000,000 marks), of which only a small part was paid in at first, namely, 3,740,150 thalers; of this latter sum 800,000 thalers (4,000 shares of 200 thalers each) remained in possession of the company.

In the four years (1853-1857) the paid-up share capitals of the railway companies newly formed in the various German States, which were almost exclusively in private hands (see p. 35), amounted to over 140,000,000 thalers, and that of the joint-stock banks (*Bankaktiengesellschaften*) to over 200,000,000 thalers (600,000,000 marks).

Of 259 mining, foundry, steamship, machine-construction, sugar, and spinning companies, etc., existing during this period, with a total capital of over 260,000,000 thalers (780,000,000 marks), more than half were founded during the four years mentioned above (1853-1857).⁴⁸

During the one year, 1856, new joint-stock companies with a nominal capital of about 150,000,000 thalers were chartered in Prussia alone.

In order, however, to comprehend properly the rush that took place just then, it must be remembered that during this whole period (about twenty years), from 1851 to the first half of 1870, only 295 joint-stock companies, with a total capital of about 2,405,000,000 (2,404,760,000) marks (see p. 38), were chartered.

Of this total almost half, namely 1,020,000,000 marks (340,000,000 thalers), represented the capital of the railway and joint-stock bank companies founded in Prussia

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during these four years (1853-1857). Of the total capital of 2,404,760,000 marks invested in Prussia in joint-stock companies during 1851-1870 (first period), 2 250,960,000 marks were invested as follows:

	Marks.
Mines, foundries, and salt works.....	275, 410, 000
Banks.....	94, 650, 000
Insurance companies.....	158, 460, 000
Railways.....	1, 722, 440, 000

so that these four classes of industrial and commercial undertakings absorbed 92.7 per cent of the capital of all joint-stock companies founded in Prussia during the period in question.⁴⁸

During this great process of transformation, which took place in the same manner in all the other German States up to 1856, scarcely any other aid could be called in than that of the Bank für Handel und Industrie, founded in 1853, which we shall style in the future, after its headquarters and conforming to public custom, the *Darmstädter Bank*. For the Disconto Gesellschaft, founded in 1851, emerged from the narrow confines of a "mutual credit partnership" (*auf Gegenseitigkeit beruhende Kreditgesellschaft*) only after 1856, while the attention of the A. Schaaffhausen'scher Bankverein was necessarily occupied during those years with strengthening the inner affairs of the firm of Abraham Schaaffhausen which it had taken over.

The Darmstädter Bank, founded at the beginning of this process of transformation, purposely assumed the title of "Bank für Handel und Industrie."

"It is in no way the task of the bank," it was stated in the first business report for 1853, "to pave the way for stock-jobbing operations, and to stimulate capitalists to

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unproductive gambling on 'change. On the contrary, the bank is expected to promote sound and extensive undertakings by its own participations, and by investing outsiders' funds intrusted to its care. By means of its eminent position and clear insight into the whole situation of German industry it is fitted to assist to the fullest extent of its powers in directing capital and the spirit of enterprise into the channels corresponding to the requirements of the moment. Its offices at home and abroad are intended to facilitate export and the thousand and one other relations between German industry and the money market. It is the right and the business of the bank to receive the funds which some manufacturers may have available for the time being and supply them to other manufacturers who may require them. Through such a constant exchange it hopes to stimulate and promote industrial activity. Aside from the bank's participation in great industrial undertakings, it is likewise authorized to participate in the great creations and financial transactions of the governments, and to act as intermediary in the placing of securities of foreign governments."

There is no doubt that part of this program, including the statutory regulations,⁵⁰ was influenced by the organization and aims of the *Crédit Mobilier* (*Société générale de Crédit mobilier*) founded in November, 1852, with a capital of 60,000,000 francs. This is particularly true of the debentures idea,⁵¹ and the fixing of the amount of the capital. As a matter of fact among the founders of the *Crédit Mobilier* was Abraham Oppenheim, of Cologne, one of the co-founders of the *Darmstädter Bank*, while one of

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the higher officials of the *Crédit Mobilier* (Hess), was one of the first directors of the Darmstädter Bank.

It may be of interest to note that the French establishment alluded to, which was intended to put the Saint Simon ideas into practice under the direction of the Péreires, was heartily welcomed by the Government, as well as by the general public, as an institution likely to form a counterpoise to the excessive power of the private bankers, and more especially of the house of Rothschild.

“The founding of the Contango Bank, or *Crédit Mobilier*,” says an article ⁵² published in Germany in 1856, was based on a genuine and true principle belonging entirely to our age. Enormous capitals had accumulated in the hands of several banking houses in different towns in Europe. They dominated all business through the enormous proportions of their capital. * * * They made their own conditions as though they held a monopoly. * * * No limits can be discovered to these tendencies. This monopoly can be broken only by opposing large capital with a still larger one, and this can be done only by the association of many small capitals. Thus on November 12, 1852, the *Crédit Mobilier* Company was founded with a capital of 60,000,000 francs, in 120,000 shares of 200 francs each.

The French Government desired simultaneously to weaken the Bourbonist and Orleanist aspirations, which were supposed to be represented by the house of Rothschild, through the concession of a *Banque Gouvernementale* which among other things was to influence the quotations

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of government stock—of course in an upward direction only!

Accordingly the Rothschilds (after co-operating in the beginning) formed a very powerful syndicate of private bankers as early as 1855 to fight the *Crédit Mobilier*.

It is principally the *Crédit Mobilier*, its organisation, its unparalleled growth and decline within the short period of fifteen years, that has influenced the public mind to such an extent that German banks almost without distinction, and even up to the present day,⁵³ are designated as *Crédit Mobilier* banks. The formation and activity of that establishment form to a great extent⁵⁴ the subject of one of the most brilliant French novels, namely, "*L'Argent*," by Emile Zola.

This result was largely the work of contemporary writers, who, impressed by the failure of the *Crédit Mobilier*, naturally gave vent only to very adverse criticism.⁵⁵ A prominent place in this field belongs to the voluminous work by Aycard,⁵⁶ published during the year of the failure of the *Crédit Mobilier* (1867). This book, containing 595 pages, which unfortunately was used and is still used constantly as an authority, is from beginning to end (and in this particular I quite agree with Plenge⁵⁷) nothing but a pamphlet. It is a clumsy work, overflowing with repetitions and exaggerations, which had its origin in the spite and jealousy of a small banker, whose small power of discernment prevented him from perceiving side by side with the undeniable mistakes and faults of the *Crédit Mobilier* the incontestable services which that institution had rendered to the economic progress of his country.

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The Crédit Mobilier, which, according to the amount of its capital and the program outlined in its reports and in the statements of its managing directors, was never intended to be solely a flotation bank (*Effektenbank*), at the very outset fixed its aims far too high, until they became almost fantastic. For this program (although it may have been the result of much forethought), was not one that could be carried out with the ordinary means of a bank, as it purposed an economic transformation on a grand scale of the entire railway, industrial, and credit systems.

Further, the Crédit Mobilier injured its own interests to a great extent (as was recognised when too late), through the distribution of excessive dividends (1855 over 40 per cent), as well as by persistent adherence to its scheme of the issue of debentures, a matter generally impracticable within the compass of any bank, and especially of one that had so many aims in view. That scheme, rightly enough, was never executed owing to the opposition of the Government. Thus it was debarred above all from gradually increasing its share capital⁵⁸ in accordance with its growing business, and from strengthening its reserves in order to attain the liquidity of resources which is the sole justification and qualification for the pursuit of constantly increasing tasks.

It is also true that through its precipitate procedure, and through the attempt to carry out simultaneously all parts of its program, which in turn necessitated constant and increased support of the Bourse, as well as through the flotation of a superabundance of new securities and companies,⁵⁹ the Crédit Mobilier paved the way in no

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inconsiderable measure for stock gambling, agiotage, and share swindling pure and simple. The last-mentioned effect was largely due to the business reports, which were true paradigms of inadmissible concealments and puffing advertisements (justly denounced, at least in most cases, by Aycard, although he does so in endless repetition), which in turn caused the shares of the *Crédit Mobilier*—not without the influence of the institution itself—at the very outset to become gambling stock of the very first rank.⁶⁰

The *Crédit Mobilier* did not foster the regular customer business to any extent worth mentioning. The large amount of deposits (up to 145,000,000 francs), however, that were intrusted to its care by the large railway companies which it formed, were invested to a considerable extent in other railway shares, and industrial securities of all descriptions, as well as in its numerous subsidiary companies.⁶¹

This circumstance, coupled with the enormous and permanent advances made to these subsidiary companies (especially to the *Société Immobilière* which it had founded), led to the complete immobilization of its share capital, and thereby to the downfall of the bank, which actually took place in 1867.

Moreover, strong speculation on the part of the bank⁶² itself, in the closest relation to the enormous amounts of the tied-up securities, took place, which resulted occasionally in considerable gains, but frequently and probably in the majority of cases, in great losses.

On the other hand, however, it must not be forgotten that it was due above all to the boldness and tenacious

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energy of the Péreires that the enormous extension of French railways, and partly also of foreign lines, was brought about⁶³ in the period from 1850 to 1860,⁶⁴ when the Péreires were acting independently. This opened up new fields of activity to French industry, and gave it an undreamed of power, extension, and organisation.

In addition it must be admitted in praise of the *Crédit Mobilier* that, as Aycard himself is obliged to recognise, it continued to protect the enterprises it had founded and the securities it had issued, and that it was just the persistent exaggeration of this principle, which in itself is not reprehensible, that constituted the main though not sole cause of its downfall.

This downfall, however, was not prevented by the control on the part of the shareholders, a remedy recommended as most efficient in many quarters, and facilitated by the by-laws of the *Crédit Mobilier*, according to which any 10 members at a general meeting by a written application could place any subject on the order of the day.

Further (and this is not less important), the downfall was neither prevented nor foreseen by the existing substantial governmental control. No less important an authority than Adolf Wagner,⁶⁵ while under the first impression of the crisis of 1900, thought it necessary to propose for all German Banks a "State Control Bureau," an institution which in the case of the *Crédit Mobilier* had existed from the very beginning in a form which partly met, and partly even exceeded the wishes of Adolf Wagner. The charter, dated November 20, 1852, contains

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the following regulations regarding the government control which was by no means "an empty form:"⁶⁶

"ART. 3. La société sera tenue de remettre, tous les six mois, un extrait de son état de situation au Ministère de l'Intérieur, de l'Agriculture et du Commerce, au préfet du Département de la Seine, au préfet de police, à la chambre de Commerce et au greffe du Tribunal de commerce de Paris.

"ART. 4. En outre, la Société devra fournir au Ministre des Finances sur sa demande, ou à des époques périodiques par lui déterminées, les mêmes états présentant la situation de ses comptes et de son portefeuille, ainsi que le mouvement de ses opérations.

"Les opérations et la comptabilité de la Société seront soumises à la vérification des délégués du Ministre des Finances, toutes les fois que celui-ci le jugera convenable. Il sera donné communication à ces délégués du registre des délibérations, ainsi que de tous les livres, souches, comptes, documents et pièces appartenant à la société. Les valeurs de caisse et de portefeuille lui seront également représentées."

ART. 3. The Company shall transmit every six months abstracts of its condition to the Minister of the Interior, Agriculture and Commerce; to the prefect of the police, to the Chamber of Commerce and to the file office (*greffe*) of the Commerce Court in Paris.

ART. 4. The Company shall furthermore furnish to the Minister of Finance, either upon demand or at intervals prescribed by him, statements of the condition of its accounts and portfolio, also of the movement of its operations.

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The operations and the books of the Company shall be subject to examination by the representatives of the Minister of Finance at any time he may deem proper. These representatives shall have access to the minutes of the deliberations, also to the books, stubs (*souches*), accounts, documents and other papers belonging to the Company. They shall also have power to ascertain the value of the cash and of the portfolio of the Company.】

I trust that I have given above, though only in brief form, everything essential to form an opinion as to the growth and downfall, the faults and excellencies of the *Crédit Mobilier*, without having omitted any of the important points which formed the bases of Sattler's⁶⁷ and Max Wirth's⁶⁸ criticisms. I shall now take up the question whether and in how far it is correct to designate the German banks (especially those of the first period) unreservedly as "*Crédit Mobilier*" banks.⁶⁹

In the first place, as far as the by-laws are concerned on which the Darmstädter Bank (Bank für Handel und Industrie) was founded, it may be asserted, that taken as a whole, i. e., as regards the large majority of its regulations, they are copied, not from those of the *Crédit Mobilier* (which was founded the year before), but consciously, and in some cases literally, from the statutes of the A. Schaaffhausen'scher Bankverein, established in 1848. Consequently, they rest essentially on a German, and not on a French foundation, and were the product of German business customs and views.

This applies especially—I can only refer to a few instances here—to the most important part of the program, namely to Chapter III, in which the "sphere of

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activity and the powers of the bank" (sec. 10)⁷⁰ are gone into minutely, and which is almost an exact copy of the corresponding paragraph in the Schaaffhausen by-laws (sec. 20). This is preceded, in the by-laws of both banks, by the following fundamental principle of sound banking policy (sec. 10, par. 1 of the by-laws of the Darmstädter Bank and sec. 20 of the Schaaffhausen Bank by-laws):

"The bank is authorised to carry on all kinds of banking business—that is, such business from which it can easily withdraw its money in case of need."

The additional regulations of Chapter III of the by-laws of the Darmstädter Bank are interesting. They were evidently made with regard to the needs of the times.⁷¹ I have pointed out above that they were partly a reproduction of the corresponding clauses in the Crédit Mobilier's program.⁷² They were lacking⁷³ in the Schaaffhausen Bank by-laws, which had been prepared five years earlier, and under different economic conditions. According to these regulations the bank was authorised:

(i) To undertake all loans, or enterprises of a public nature on its own account, or partly on its own account, to assign or transfer them, to realise them, or to participate in underwriting them, as well as to put in circulation bonds payable to names or bearer to the limit of its undertaking or participation.

(k) To arrange for and effect the union, or consolidation of various anonymous companies, as well as the transformation of industrial undertakings into anonymous companies.⁷⁴

The programs of both of these two large banks belonging to the period under consideration⁷⁵ (the by-laws of the

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Disconto Company were, in accordance with its origin as a credit partnership, if anything more restricted) were consequently neither fantastic, nor calculated to effect revolutionary changes.

Naturally these pregnant differences in the by-laws and programs could hardly be noticed, far less appreciated, during the fifties. For the situation of general economic conditions was almost identical at that time in France and Germany, in so far as similar causes (described above) produced similar results in both countries. In France, as well as in Germany, an impetuous rushing forward manifested itself from 1852-53 in all branches of industry, especially in the mining and machine industry, caused by the great haste with which railways were being constructed. In both countries a vast number of promotions, transformations, and flotations came to the fore during a very short period; these, naturally, required the aid of the newly founded banks which perceived in such undertakings a rich source of gain. Added to this (and again as a result of the same causes, accompanied by the ever present and apparently irrepressible spirit of speculation in both countries), discount rates went up strongly in consequence of the excessive demand for capital. The rate of discount of the Bank of France, which together with that of the Bank of England, was above all determinative for Germany at that time, stood at 3 per cent as late as 1852 (beginning with March), and that of the Bank of England at only 2 per cent during April-December, 1852.⁷⁶

During the year 1853 the discount rate of the Bank of England gradually rose to 5 per cent between the 29th

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September and the 21st December. In 1855, between autumn and the end of December, it went up to 5½ per cent and 7 per cent, after some fluctuations again to 7 per cent at the end of 1856, next to 8 per cent beginning with October 19, 1857, to 9 per cent on November 5, and to 10 per cent on November 9, 1857, a sufficiently sure sign of an approaching storm. Similar conditions prevailed in the Bank of France, while the highest rate recorded by the Hamburger Bank in 1857 was as much as 12 per cent.⁷⁷

A commercial and bourse crisis which was greatly intensified by severe commercial crises in England and the United States, broke out in 1857 simultaneously in England, France, and Germany.

The situation in the two last-named countries was bound to develop into a bourse crisis, even without the simultaneous commercial crises in the United States and England, in consequence of the excessive number of company promotions, transformations, and new issues, as well as through the collapse of the normal organisation of the credit and money market produced thereby.⁷⁸

The course of events on the Bourse was that which has been constantly recurring. First of all, professional speculators, upon learning at the Bourse of the universal improvement in the economic situation, found that the improvement was not sufficiently reflected in the bourse quotations, and by heavy and continued purchases, endeavored to bring about a lasting rise. It was only then, as is generally the case, that the general public, for the most part guided and influenced by the quotation list, took up the matter. Its opinion, however, is based

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on slight practical knowledge. During times of a visible rise of the market its credulity is exceeded only by its hopes; it accepts the existing exchange quotations, however high, as the basis for calculating the intrinsic value of securities, while these calculations grow more and more fantastic from day to day.

As the economic development and the course on the bourses of both countries at that time proved nearly the same, and as the participation of the banks of both countries in excessive and irrational promotions, issues, and flotations, above all in mining enterprises and railway building (which first gave rise to the crisis,) was only too obvious, the natural inference was drawn, that these banks were identical in character and kind.

This conclusion, however, overstepped the mark. It is true that the banks dating from this period, endeavored from the very commencement to vindicate their right, and even duty, to promote commerce and industry in the most effective way, by participation in flotations, foundations, and transformations. The Darmstädter Bank in particular had contemplated from the very outset the creation of special "organs at home and abroad"⁷⁹ for this purpose.

This bank accordingly⁸⁰ began, during the first years of its existence, to create such "organs" on a large scale. But it is equally true that attempts to found branches in the various German States were unsuccessful, chiefly because of the opposition of the different governments, which gave home banks the preference over the branch establishments of outside institutions.⁸¹ Thus only an agency could be established in Frankfort-on-the-Main in 1854,

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which existed until 1864, when it was replaced by a branch. Only at Mainz, in the Grand Duchy of Hesse, where the headquarters of the bank were situated, did the bank succeed in opening a branch establishment as early as 1854, while in the same year a silent partnership (*Kommandite*) had been formed in New York (G. von Baur & Co.), which, in 1856 and 1857, was followed by the founding of further commandite connections in Berlin, Heilbronn, Mannheim, Breslau, and Leipsic, and in the sixties also in Hamburg, Stuttgart, and Vienna.⁸²

Accordingly the account "commandites, branches and agencies" stood in the books of the bank at 8,433,701.43 florins as early as 1856.

The promotion of industry, however, was not the only aim that the banks had in view at that period. It had been emphasized at the very beginning that participation "in the great creations and financial transactions of the Governments" also formed an essential part of their program. This constituted a sphere of business activity which the *Crédit Mobilier* had constantly neglected in favor of railway and industrial transactions, except in so far as the exigencies of its position as a "banque gouvernementale," a position which it aimed at and which it was intended to fill, necessitated a different attitude. In contrast to this all German banks, (especially those founded during the period under consideration,) fostered from the very outset this special branch, namely, public loan credit (state, provincial, and municipal), and have attended to this branch of business effectively and successfully ever since.

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In the following list the principal loan transactions of the Darmstädter Bank and the Disconto Gesellschaft, (the two most prominent banks of the period,) are given: ⁸³

STATE AND MUNICIPAL LOANS.

DARMSTÄDTER BANK.

- 1854: Baden state loan.
Bavarian state loan.
- 1858: Bremen state loan.
Swedish state loan.
- 1860: Swedish state loan.
- 1861: Swedish mortgage loan.
(Lottery) loan of the Canton Fribourg.
- 1862: Worms municipal loan.
- 1864: Austrian state lottery (Rothschild syndicate).
- 1866: Bavarian state loan.
Saxon state loan.
Württemberg state loan.
- 1868: Hessian state loan.
Brunswick (railway) loan.
Prussian 4 per cent state loan.
Hamburg 4½ per cent state loan.

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- 1859: Prussian (mobilisation) loan of 30,000,000 thalers, effected jointly with the leading Berlin banks and firms under the management of the Disconto-Gesellschaft, which was the origin of the so-called "Prussian Consortium (syndicate)" constituted during subsequent years.
- 1866: Four per cent Baden Loan (30,000,000 thalers), effected jointly with the Seehandlung, and the banking firm of W. H. Ladenburg & Sons, at Mannheim.
Four per cent Bavarian issue of premium loan bonds (35,000,000 florins), jointly with the Royal Bavarian Bank and the banking house von Erlanger & Sons, Frankfort-on-the-Main.
Brunswick loan (2,000,000 thalers).
- 1867: Four per cent Baden premium loan bonds (12,000,000 thalers).
- 1868: Four and one-half per cent Mannheim municipal loan (3,200,000 thalers) for the construction of the Mannheim-Karlsruhe Railway; effected jointly with the banking firms of W. H. Ladenburg & Sons and M. A. v. Rothschild & Sons in Frankfort-on-the-Main.
Prussian state loan of 40,000,000 thalers and 5,000,000 thalers (Prussian syndicate under management of the Seehandlung).

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1869: Danzig municipal loan.

Prussian loans (agreement with Frankfort-on-the-Main) of 4,450,000 thalers and 550,000 thalers.

The German banks, following the example of the *Crédit Mobilier*, also founded industrial companies as early as this period. Thus the Darmstädter Bank undertook the promotion of the *Wollmanufaktur Mannheim* (paid-up share capital 400,000 florins), of the *Württembergische Kattunmanufaktur* (paid-up share capital 500,000 florins), of the *Oldenburgische Ostindische Reederei* (paid-up share capital 250,000 florins), the *Kammgarnspinnerei und Weberei, Marklissa* (paid-up share capital 300,000 florins), the *Ludwigshütte*, near Biedenkopf (paid-up share capital 360,000 thalers, jointly with the *Mitteldeutsche Kreditbank*), and participated in the transformation of the *Maschinenfabrik und Eisengiesserei Darmstadt* into a joint stock company (paid-up capital 200,000 florins), as well as in that of the *Heilbronner Maschinenbaugesellschaft*.

The example of the *Crédit Mobilier* in creating subsidiary companies was also followed; thus the Darmstädter Bank on November 5, 1855, founded the Hessian Note-Issuing Bank, known as the *Bank für Süddeutschland*, with a capital of 20,000,000 florins. Finally the Darmstädter Bank, like the *Crédit Mobilier*, made it a business principle from the very outset to remain permanently interested in the companies which it promoted, not only through permanent representation of its own directors on the board of managers, but also by the holding of a large number of shares, through which, however, severe losses were frequently sustained.

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Thus it participated in the seven industrial and commercial companies which it promoted or transformed during 1856 (with a total capital of 1,580,000 florins) with about one-third of the combined share capital of these concerns (813,157 florins). In contrast, however, to the *Crédit Mobilier*, the German banks never consented to tie up their capital during the period in question by unlimited advances to such subsidiary or affiliated companies.⁸⁴

Furthermore, during those first years of impetuous growth, some of them, like the *Crédit Mobilier*, became interested too extensively and too rapidly in railway and industrial securities and enterprises, though thereby they doubtless rendered great and permanent service to the nation. The list below is intended to give a detailed idea of the most important railway transactions in which the *Darmstädter Bank* and the *Disconto-Gesellschaft* participated at that time.

DARMSTÄDTER BANK.

- 1854: Austrian State Railway (taking over of shares).
- 1855: Extension of the Rhine Railway from Nymwegen to Bingen.
Theiss Railway (taking over of shares).
- 1856: Financing the Bingen-Aschaffenburg Railway (via Mainz) and promoting the Elizabeth Railway (taking over of shares).
- 1859: Four and one-half per cent bonds of the Rhine-Nahe Railway (guaranteed by State) 4,500,000 thalers, jointly with the *Disconto-Gesellschaft*.
- 1861: Preference shares of the Cologne-Minden Railway.
Private sale of shares and bonds of the Hessian Ludwig Railway.
- 1862: Placing of bonds of the Livorno Railway.
Conversion of the 4¼ per cent Thuringian Railway preference shares
Issue of 1,200,000 florin preference shares of the Hessian Ludwig Railway.
- 1863: Preference silver shares of the Galician Carl-Ludwig Railway, exempt from taxation (Rothschild syndicate), of 6,000,000 florins.
Five per cent preference shares of the Moscow-Riazán Railway of 5,000,000 rubles, guaranteed by State.

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- Four per cent preference shares of the Hessian Ludwig Railway of about 3,000,000 florins.
Silver preference shares of the Galician Carl-Ludwig Railway of 5,000,000 florins (Rothschild syndicate).
- 1866: Shares of the Hessian Ludwig Railway.
Shares of the Magdeburg-Leipzig Railway Lit. B.
Shares of the Altona-Kiel Railway.
Preference shares of the Upper Silesian and South-North German Junction Railway (Reichenberg-Pardubitz).
- 1867: Common and preference shares of the Fünfkirchen-Bares Railway and construction of the line, as well as of the Siebenbürgen and Franz Joseph Railway (Rothschild syndicate).
First preference shares of the Magdeburg-Halberstadt Railway.
Bonds of the Russian Kozlov-Woronezh and Poti-Tiflis Railway.
- 1868: Shares of the Hessian Ludwig Railway (1,000,000 thalers).
Five per cent bonds of the Hessian Ludwig Railway (guaranteed by State, 4,000,000 thalers).
Five per cent preference shares of the Hessian Ludwig Railway.
Organization of the Alföld Railway (Rothschild syndicate).
Construction of the Arad-Temesvar line (Rothschild syndicate).
Shares and bonds of the Austrian North-West Railway.
Shares of the Rhine Railway Lit. B. (5,000,000 thalers).
- 1869: Five per cent preference shares of the Berlin-Potsdam-Magdeburg Railway of 7,000,000 thalers.
Five per cent preference shares of the Upper Silesian Railway of 13,305,000 thalers.
Four and one-half per cent guaranteed shares of the Thuringian Railway Lit. C of 4,000,000 thalers.
Shares of the Cologne-Minden Railway of 9,068,200 thalers.
- 1869-70: Purchase of the entire Brunswick railway system from the Brunswick government on behalf of a syndicate for 11,000,000 thalers, and an annual payment of 875,000 thalers for sixty-four years, and transfer of its management and of the further extension of lines to a special company.

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- 1853: Five per cent bonds, guaranteed by the State, of the Moscow-Riazán Railway of 5,375,000 thalers; jointly with the Darmstädter Bank, the banking firm of Sal. Oppenheim jr., & Co., and a St. Petersburg house.
- 1856: Three and one-half per cent bonds of the Upper Silesian Railway Company.
- 1857: Four and one-half per cent bonds of the Cosel-Oderberg Railway (1,500,000 thalers).

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1859: Four and one-half per cent State guaranteed bonds of the Rhine Nahe Railway of 4,500,000 thalers (jointly with the Darmstädter Bank).

1866-1868: Shares and bonds of the Bergisch-Märkische Railway.

1867: First preference shares of the Nordhausen-Erfurt Railway.

1868: Shares of the Alsenz Railway.

Five per cent bonds of the Charkoff-Krementshúg Railway of £1,716,000 (jointly with J. H. Schröder & Co., London).

In considering this great activity displayed by the banks of that time in the underwriting and issuing of securities, we must not forget that (as a glance at the list will show) these operations were almost exclusively confined to first-class securities, the introduction of which has proved of great benefit to the German investment market. It must also be borne in mind that the whole task of carrying out the great development of the German railway system at that period was performed by means of German private capital (which was very small), and by the aid of banks, with a total share capital extremely limited in comparison to the magnitude of the undertakings.

The German banks at that time (almost without exception) when heavily engaged, took immediate steps to restore the liquidity of their resources and the equilibrium between their assets and liabilities, whereas the *Crédit Mobilier*, greatly to its detriment, postponed such attempts till the year preceding its collapse.

Thus the Darmstädter Bank, the capital of which had been paid up in full in the first series (10,000,000 florins in 1855) raised its capital to 25,000,000 florins, though the attempt made in 1857 to bring it up to the amount of 50,000,000 florins (provided for in section 4 of its charter) failed almost entirely by reason of the crisis of that year.⁸⁵

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Consequently the bank, up to 1864, pursued the course (justifiable from the economic point of view, though hardly from a business standpoint) of reducing the loans on current account from 4,500,000 florins (1857) to about 360,000 florins (end of 1859), and of reducing also the "Lombard and covered credits" and the "loan and mortgage" accounts. The same course was followed with regard to the item "illiquid claims," always specified in the reports up to 1864⁸⁶ although the administration was doubtless perfectly aware of the serious objections to such reductions from a business point of view.

The Disconto-Gesellschaft likewise resolved, as early as 1856, or about a year after its transformation into its present form, to raise its commandite capital from 10,000,000 thalers to 20,000,000 thalers. Owing to the crisis of 1857, however, this resolution could only be partly carried out, and was cancelled later on.⁸⁷

Like the *Crédit Mobilier*, the German banks in the early years of their existence (1855 and 1856), mainly under the influence of the highly inflated quotations of their shares, made the great mistake of distributing excessive dividends, instead of holding them down and using the surplus to strengthen their inner position and reserves. Thus the Darmstädter Bank paid dividends of 10.66 per cent in 1855 and 15 per cent in 1856, and the Disconto-Gesellschaft 13½ per cent in 1856 (10 per cent for nine months). This course naturally had to be atoned for, especially by extreme fluctuations of dividends during the next few years, and by large decreases during bad years. The dividends of the Darmstädter Bank and those of the Disconto-

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Gesellschaft during this period (up to, and including 1869) are shown in the following table:⁸⁸

Year.	Darmstädter Bank.	Disconto- Gesellschaft.
	<i>Per cent.</i>	<i>Per cent.</i>
1854.....	5½	-----
1855.....	10⅔	-----
1856.....	15	^a 10
1857.....	5	5
1858.....	5¼	5
1859.....	4	4
1860.....	4	5½
1861.....	5	6
1862.....	6½	7½
1863.....	5½	6½
1864.....	6	6½
1865.....	6½	6½
1866.....	4½	8
1867.....	6½	8
1868.....	8	9
1869.....	10	9½

^a For nine months.

The average dividend rate of the Darmstädter Bank was: during the first decade of its existence (1853-1862), 6¾ per cent; during the second decade of its existence (1863-1872), 8.7 per cent;⁸⁹ that of the Disconto-Gesellschaft during the first ten years (1856-1865) of its existence as a limited joint stock company (*Kommanditaktiengesellschaft*)—6.55 per cent; during the second decade (1866-1875), 13.15 per cent.⁹⁰ It should be said though, that neither bank neglected to increase its surplus, which, for instance, rose in the case of the Disconto-Gesellschaft from 16,600 marks in 1852 to 2,640,495 marks in 1860, and of the Darmstädter Bank from 39,109.8 florins in 1854 to 1,553,363.18 florins in 1868.

In contrast to the *Crédit Mobilier*, current account business was fostered during the period under discussion

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by both banks with the greatest care and success, although, in the case of the Darmstädter bank, not to the same extent as the promotion and issue business.⁹¹

The development of the current account business in the Disconto-Gesellschaft and the Darmstädter Bank during the period is shown in the tables below (pp. 70 and 71).

The tables show that the deposits of the Disconto-Gesellschaft amounted on December 31, 1869, to 2,274,228 marks, and those of the Darmstädter Bank in 1869 (the end of this period) to 10,800,268.34 florins. It should be said, though, that this large amount was due to exceptional and temporary circumstances, discussed on pp. 73 and 74.

The other banks to be considered in this connection, the activity of which during this period has remained almost unnoticed in literature,⁹² likewise show on the whole a satisfactory development.

I. The current business of the Disconto-Gesellschaft, 1852-1861 and 1869.

[According to the Jubilee Report, p. 260.]

Year.	Debits in current account.	Credits in current account.	Deposits.	Income from interest, securities, and bills.	Income from commissions.
	<i>Marks,</i>	<i>Marks.</i>	<i>Marks.</i>	<i>Marks.</i>	<i>Marks.</i>
1852.....	1,470,817	1,482,731	1,921,233	54,441	69,597
1853.....	3,307,677	967,450	2,229,633	144,162	117,690
1854.....	4,732,728	2,854,736	2,145,345	215,538	103,791
1855.....	5,785,026	2,998,599	2,281,473	281,478	131,445
1856.....	31,035,731	8,095,688	1,691,520	1,849,979	284,597
1857.....	31,635,345	4,952,709	1,657,200	2,049,073	554,319
1858.....	27,542,475	4,718,695	2,321,886	1,990,306	452,745
1859.....	25,904,374	6,152,549	2,550,347	1,235,670	417,327
1860.....	31,718,296	12,724,215	3,586,030	1,755,198	394,545
1861.....	35,307,447	14,737,308	4,339,420	2,002,307	461,387
At the end of this period (1869).....	⁸⁵ 24,270,623	29,596,211	⁸⁴ 2,274,228	3,146,167	801,940

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II. Darmstädter Bank, 1853-1869.

Year.	Credits in current account.	Debits in current account.	Interest-bearing deposits subject to notice.
	<i>Florins.</i>	<i>Florins.</i>	<i>Florins.</i>
1853-----	212,457.21	935,431.33	412,430.31
1854-----	632,079.21	2,754,870.35	868,000.00
1855-----	388,864.34	5,605,238.53	No data.
1856-----	2,538,430.80	8,972,184.27	No data.
1857-----	713,507.58	7,043,015.22	1,307,506.30
1858-----	226,269.39	8,668,037.41	3,337,067.41
1859-----	674,952.58	7,999,386.39½	1,289,928.70
1860-----	619,384.19	5,674,302.57½	1,292,170.48
1861-----	570,775.55	4,670,961.20	1,276,218.50
1862-----	935,795.37½	3,701,974.15	1,292,170.48
1863-----	1,228,338.14	2,724,939.47	1,732,989.33
1864-----	736,860.42	2,261,145.19	No data.
1865-----	816,519.45	2,961,320.20	1,183,879.18
1866-----	511,963.36	3,464,719.80	No data.
1867-----	828,939.41	3,243,465.15	No data.
1868-----	785,450.58	9,136,926.28	No data.
1869-----	2,244,432.41	7,429,533.03	10,800,268.34

The *A. Schaaffhausen'scher Bankverein*, founded in 1848 with a business capital of 5,187,000 thalers (see p. 46) (of which, however, only 3,199,800 thalers had been issued at the start), during the first years of its existence⁹⁵ under the cautious and experienced management of W. L. Deichmann, Gustav Mevissen, and Victor Wendelstadt succeeded in starting important industrial undertakings, as well as in establishing numerous industrial connections, especially in Rhenish Westphalia. Thus, for the purpose of mobilizing the industrial participations of the firm of A. Schaaffhausen, it took a considerable part as early as 1851 in the founding of the *Hoerder Bergwerks- und Hüttenverein*, at Cologne,⁹⁶ in 1852 in the *Cölner Bergwerkverein*,⁹⁷ as well as in the establishment of the *Cölnische Baumwollspinnerei und Weberei*; the *Cölnische Maschinenbau-Aktiengesellschaft*, the *Cöln-Müsener*

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Bergwerks-Aktiengesellschaft, and the *Cölnische Rückversicherungs-Gesellschaft*.

“The board of directors,” says the business report for 1852 (p. 3), “acted on the principle that the function of a great banking institution is not so much to start new branches of industry through extensive participations, as to induce the capitalists of the country, by recommendations based on exhaustive investigations, to turn idle capital toward such enterprises, which, when properly launched, in response to existing requirements, and offering the guarantee of expert management, bid fair to yield reasonable profits.”

As early as 1851, the item “Participations in Industrial Enterprises” amounted to 434,706 thalers. Up to 1858 the following promotions were added to those already mentioned:

The *Concordia, Cölnische Lebensversicherungsgesellschaft*; the *Agrippina, Cölnische Transportversicherungsgesellschaft*, and the *Cölnische Hagelversicherungsgesellschaft*.

The A. Schaaffhausen'scher Bankverein took part also in the foundation of the *Bank für Handel und Industrie* (Darmstädter Bank), the *Bank für Süddeutschland* in Darmstadt as well as of the *Cölnische Privatbank* at Cologne. Further, it assisted at that time in the amalgamation of the Rhenish, the Bonn-Cologne, and the Cologne-Crefeld railway companies into one unified system of railways, with a union railway station at Cologne.

The development of the current account connections, mostly drawn from the industrial and commercial circles of the Rhineland and Westphalia, is shown in the following table:

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Year.	Debits in current account.		Credits in current account.	
	Number.	Total amount. ⁹⁸	Number.	Total amount.
		<i>Thalers.</i>		<i>Thalers.</i>
1852 ⁹⁹	472	-----	624	-----
1853.....	604	-----	590	-----
1854.....	643	-----	611	-----
1855.....	632	-----	630	-----
1856.....	636	-----	639	-----
1857.....	665	-----	621	-----
1858.....	653	-----	639	-----
1859.....	613	-----	622	-----
1860.....	614	-----	675	-----
1861.....	616	-----	676	-----
1862.....	619	-----	708	-----
1863.....	651	6,959,285.58	692	5,345,243.98
1864.....		7,212,472.05		5,924,497.66
1865.....		8,252,631.32		6,270,191.84
1866.....		7,339,369.58		5,661,290.25
1867.....		7,113,860.39		5,599,028.11
1868.....		7,951,485.26		6,849,356.88
1869.....		8,433,753.36		6,555,008.56

As to deposits (it is important to establish this fact as the result of a deliberate business policy), no appreciable increase during the period under contemplation could be expected, owing to the principles adopted by the A. Schaaffhausen'scher Bankverein as well as by most of the other credit banks.

“According to the principles adopted after discussion with the Board of Managers,” says the business report of the Bankverein for 1850 (Appendix 2 to the minutes of the general meeting, September 14, 1850) deposits are received only on condition that three, six, and twelve months' notice be given before withdrawal. It is only because of these principles and the low rate of interest that the amount in hand is insignificant when compared with former years. In the interest of the perfect safety

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of our institution we do not deem it advisable to endeavor to obtain an increase in the deposits through more attractive terms; we much prefer to carry on the business with our own means, to the extent that such action is at all possible in the banking business and is in the interests of our correspondents."

The deposits at the Bankverein at the end of this period (1869) amounted to 883,616.80 thalers.

The dividends paid on stock Lit. B (according to section 10 of the statutes, the capital and fixed dividends of $4\frac{1}{2}$ per cent on stock Lit. A were guaranteed by the State) during this period amounted to:

	Per cent.
1848-1851.....	4
1852.....	$6\frac{2}{5}$
1853.....	$6\frac{1}{4}$
1854.....	$6\frac{3}{4}$
1855.....	9
1856.....	$9\frac{1}{2}$ ¹⁰⁰
1857.....	9
1858.....	6
1859.....	6
1860.....	6
1861.....	$6\frac{1}{2}$
1862.....	7
1863.....	7
1864.....	$7\frac{1}{2}$
1865.....	$7\frac{1}{2}$
1866.....	$7\frac{1}{2}$
1867.....	$7\frac{1}{2}$
1868.....	$7\frac{1}{2}$
1869.....	8
1870.....	$8\frac{1}{2}$

The profits of the business were thus quite satisfactory,¹⁰¹ and the surplus funds amounted, as early as December 31, 1857, to 320,388.63 thalers.

The extension of the business by the establishment of branches, agencies, and commandites had been contem-

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plated as early as 1853 (business report for 1853, p. 3), and at the general meeting of September 29, 1855, a resolution was passed to add a paragraph (par. 82) to the by-laws, which read as follows: "The company is authorised to establish a branch in Berlin, as well as agencies and commandites abroad." This resolution, however, was not carried into effect, owing to the refusal of the Prussian Ministry of Finance and Trade to ratify the change of the by-laws.

The *Berliner Handelsgesellschaft*, founded in 1856, devoted itself successfully, from the very outset, to the furtherance of the issue business (in accordance with section 2 of its by-laws, see note 73). Its nominal capital was 15,000,000 thalers, of which, however, only 3,740,150 thalers were paid up (1859, 3,786,200 thalers); of the latter, again, 800,000 thalers (4,000 shares nominally at 200 thalers) remained in the portefeuille of the company.

In 1856 it participated in the Carinthia Railway (merged in 1858 with the Lombard Railway), and in 1862 in the conversion of the 4½ per cent preference bonds of the Hamburg-Berlin-Potsdam-Magdeburg and Thuringia Railway; during 1867, in the flotation of the Baden 4½ per cent state loan and 4 per cent premium loan, of the Magdeburg and Halberstadt original preference shares, and of the Thuringia Railway shares. Further, it negotiated the issue of the 5 per cent Kozlov-Voronezh and the 5 per cent East Prussian Southern Railway preference bonds.

In 1868, when the commandite capital, which had been reduced meanwhile to 7,500,000 thalers (of which at that time 3,786,200 thalers had been issued), was paid up to the amount of 5,625,000 thalers, it participated in

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the issue of the 4½ per cent Upper Silesian preference bonds, the Russian Land-credit mortgage bonds, the Yeletz-Orel preference bonds, the 4½ per cent Prussian state loan of 1867 Lit. D. to the amount of 24,000,000 thalers, part of which was issued in 1868, and in addition arranged successfully for the public subscription and placing of the 5 per cent (state—guaranteed) preference bonds of the Shuya-Ivánovo, Kursk-Charkov, and Charkov-Azov Railway; of the 4½ per cent preference bonds of the Breslau-Schweidnitz-Freiburg Railway; of the 7½ per cent Roumanian Railway bonds, and of part of the first preference bonds of the Halle-Sorau-Gubener Railway.

Finally, in 1869, it took a nominal part in the issue of the 5 per cent bonds of the Moscow-Smolensk Railway; of the 5 per cent preference bonds of the East-Prussian Southern Railway; of the 4½ per cent preference bonds of the Magdeburg-Cöthen-Halle-Leipzig Railway; of the shares of the Breslau-Schweidnitz-Freiburg Railway, and of the Gotha premium mortgage debentures; it also had a secondary participation (*unterbeteiligt*) in the taking over of the original and preference shares of the *Schlesische Zinkhütten*, of the preference shares of the St. Petersburg-Baltishport Railway, and of the loans of the Italian Government raised on the church estates.

The commissions on the current business amounted to—

	Thalers.	Silber- groschen.	Pfen- nige.
1857.....	13, 219	10	....
1858.....	27, 440	14	6
1859.....	73, 201	18	102 10
1860.....	67, 046	1
1861.....	61, 393	18	11
1862.....	74, 060	1
1863.....	68, 360	3	3

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	Thalers.	Silber- groschen.	Pfen- nige.
1864.....	68, 106	22
1865.....	67, 349	28
1866.....	82, 210	21
1867.....	78, 735	16	....
1868.....	128, 034	26	....
1869.....	134, 654	27	....

The dividends amounted to—

	Per cent.
1857.....	5 ¹ / ₆
1858.....	5 ¹ / ₂
1859.....	5
(About half of which was taken from the surplus fund.)	
1860.....	4 ¹ / ₄
1861.....	5
(About half of which was taken from the surplus fund.)	
1862.....	9
1863.....	8
1864.....	8
1865.....	8
1866.....	8
1867.....	8
1868.....	10
1869.....	10

All arrangements had been made, according to the business report of 1857, for the establishment of commandites in other towns, but the realization of these plans had to be postponed owing to the crisis.

Only the banking firm of Messrs. Breest & Gelpcke in Berlin carried on business on account of the Berliner Handelsgesellschaft since January, 1857. This firm, however, sustained large losses in 1863 through the failure of a large export firm at Danzig.

The *Mitteldeutsche Kreditbank*¹⁰³ was founded in 1856 with a capital of 8,000,000 thalers, of which 3,000,000 remained in the portefeuille of the bank, while of the remaining capital of 5,000,000 thalers, 1,000,000 thalers were redeemed in 1859 (see p. 47.) This bank, as stated

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before, should properly not concern us in this connection, as during the period in question it was a note-issuing bank. Its note issue amounted to 1,688,660 thalers in 1857 and to 4,000,000 thalers in 1868. At Frankfort-on-the-Main an "agency" (August Siebert) was established in 1856, which was transformed into a branch office in 1872.

The Bank took an active part shortly after its foundation in a series of industrial, state, and railway transactions, which, however, were not always successful.

Thus in 1856 it participated to the extent of one-third in the purchase of the *Ludwigshütte*, near Biedenkopf, which was transformed in 1858 (under the name of *Oberschlesischer Hüttenverein*) into a joint-stock company with a capital of 600,000 florins. This operation caused serious losses to both partners (the Darmstädter Bank participated to the extent of two-thirds).

The participation during 1856 in a cigar factory at Wassungen in the Duchy of Meiningen also terminated badly.

On the other hand, it attained satisfactory results in its simultaneous participation in the Hochheim enterprise of sparkling wines (Burgeff & Co.), which was transformed into a joint-stock company in 1857; also in negotiating a 4½ per cent Swedish loan (jointly with the Darmstädter Bank), and in a 100-florin lottery certificate loan, guaranteed by the Austrian Government, as well as in taking over a preference loan of the Werra Railway (1,000,000 thalers), and in its participation in the establishment of the insurance society "Providentia," at Frankfort-on-the-Main.

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It was interested in the development of the brown coal industry in the Nieder-Lausitz district from the very commencement of this industry; particularly in the *Eintracht, Braunkohlenwerke und Brikettfabriken*, and the *Ilse, Bergbau-Aktiengesellschaft*.

In 1858 it participated in taking over the balance of the Werra preference shares of 250,000 thalers; a 4½ per cent loan of the city of Bremen; and the 4½ per cent preference shares of the Frankfort-Hanau Railway.

In 1862 it took a leading part in the founding of the *Deutsche Hypotheken-Bank* at Meiningen.

During the greater part of the period under consideration, it devoted itself to the regular (current) business. Its turnover amounted to—

Year.	At the main office.	At the agency in Frankfort-on-the-Main.
	<i>Thalers.</i>	<i>Thalers.</i>
1858.....	96,095,137.01	84,818,800.50
1859.....	73,318,091.32	115,343,418.70
1860.....	61,213,709.22	113,077,193.43
1861.....	57,790,084.68	104,037,760.17
1862.....	125,932,187.58	122,826,361.49
1863.....	165,869,918.46	90,335,317.34
1864.....	159,529,216.46	103,733,794.54
1865.....	159,087,084.14	105,770,692.99
1866.....	138,819,867.94	102,528,831.20
1867.....	119,031,959.50	95,355,576.96
1868.....	184,301,389.66	166,972,868.90
1869.....	263,770,732.68	234,008,308.20

The commissions amounted to—

	Thalers.
1857.....	58,067.39
1858.....	23,660.02
1859.....	28,962.48
1860.....	34,930.77
1861.....	73,175.81
1862.....	206,847.58

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	Thalers.
1863-----	114,998.13
1864-----	115,046.66
1865-----	101,401.46
1866-----	76,664.87
1867-----	73,268.79
1868-----	115,407.34
1869-----	146,407.43

The current account business showed the following results:

Year.	Credits.		Debits.	
	Number of accounts.	Amount.	Number of accounts.	Amount.
		<i>Thalers.</i>		<i>Thalers.</i>
1857-----		469,268.20		1,594,721.11
1858-----		578,029.84		1,441,089.00
1859-----	210	492,810.82	348	981,676.98
1860-----	205	688,059.09	399	1,642,790.67
1861-----	216	768,511.91	415	2,289,436.34
1862-----	278	1,200,912.81	547	2,673,483.57
1863-----	312	1,561,300.64	687	2,879,205.88
1864-----	309	1,901,955.53	726	3,152,198.46
1865-----	347	1,853,521.41	709	2,949,646.69
1866-----	316	1,254,110.70	677	2,990,217.87
1867-----	239	1,553,950.14	493	3,011,208.17
1868-----	285	1,588,034.88	588	2,933,362.84
1869-----	316	1,947,910.74	656	4,658,450.31

The following dividends were declared:

	Per cent.
1857-----	6
1858-----	6
1859-----	4
1860-----	4
1861-----	6
1862-----	7
1863-----	7
1864-----	7 $\frac{1}{4}$
1865-----	7
1866-----	6
1867-----	7
1868-----	8 $\frac{1}{2}$
1869-----	10

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The deposits increased from 490,599.54 thalers in 1858 to 756,465 thalers in 1869.

The silent partnership (*commandite*) account stood, as early as 1858, at 1,103,111 thalers, without the commandites being named. It is only in the report for 1860 that a Berlin commandite is mentioned, namely, Messrs. A. Wolffsohn & Co., whose place was taken by Messrs. G. Müller & Co. in 1866. This commandite, simultaneously with the Frankfort Agency, was changed into a branch office in 1873.

During 1869, 1870, and 1871 the original capital of the bank, which had been reduced to 4,000,000 thalers, was increased again to 8,000,000 thalers, and in 1872 to 16,300,000 thalers, equal to 48,900,000 marks.¹⁰⁴

The liquidity of the bank's resources was nearly always maintained, although energetic intervention was occasionally necessary. Thus, at the end of 1859 the bank owned securities to the value of 179,813.32 thalers; and succeeded in reducing the same during one year (1860) to 132,210.32 thalers, or by 47,603 thalers.

The attitude of the banks during the crisis of 1857 was, generally speaking, economically correct. The Darmstädter Bank, for instance, could point out in its report for 1857 that during that year it was able to ease and mitigate the economic situation by retarding industrial promotions and by opportune interventions on the stock exchange; through which course, however, its holdings of securities rose from 8,500,000 to 10,500,000 florins in 1858, and to 12,500,000 florins in 1859, causing considerable loss later on. During that year (1857) it was able to advance considerable sums to the Hamburg Senate, as well as to

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several banks, thus proving that it had seasonably and successfully strengthened the liquidity of its resources.

The A. Schaaffhausen'scher Bankverein also emphasized in its business report for 1857 (p. 1) that "its large available means had enabled it at the time of the crisis to continue to grant credit to its old solid clients, as well as to increase the same suitably wherever it appeared advisable."

Similarly, the Berliner Handelsgesellschaft report for 1857 (p. 2) states: "During the crisis we have helped to smooth over difficulties by opportune assistance in numerous cases where a proper assurance was given that the assistance granted would be repaid."

In all issue business and flotation activity, however, the banks at that time were not slow to perceive clearly the importance and necessity of the fundamental principle underlying all prudent banking policy, namely, the distribution of risk; a principle which was adhered to by several banks in their issue transactions to an extent that often proved disadvantageous to their profits.

In 1859 the Darmstädter Bank (probably for the first time) formed a "bank syndicate"¹⁰⁵ for the purpose of taking over several engagements which had to be settled in 1860 (especially the Rhein-Nahe Railway bonds), a proceeding emphasized in the business report of 1860 in the following words: "This form has its decided advantages, as it reduces risk and facilitates operations."¹⁰⁶

It must be admitted that the business reports¹⁰⁷ of that period left much to be desired as far as lucidity and conciseness are concerned (this was owing to the fact that a proper form had yet to be found)· thus complaints,

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both justifiable and unjustifiable, were not lacking. Nevertheless, it must be emphasized that hardly any one of them contained self-advertising commendation, and that frequently they contained warnings,¹⁰⁸ and that, for instance, Model (op. cit., p. 36) was able without any difficulty to compile the profit and loss of the Darmstädter Bank from 1853 to 1856, although a specified profit and loss account was attached to the reports only beginning with the year 1859.

The business reports of the A. Schaaffhausen'scher Bankverein can also be described as thorough and exhaustive.

On the whole, it may be said of the banks whose activity falls within the period under consideration that they made satisfactory progress in the organization and extension of business connections (*Kundengeschäft*), and that they undertook, with growing success, state, financial, and railway transactions on a large scale, and to a far greater extent than industrial transactions.

The words used by a specially competent expert,¹⁰⁹ in reviewing the activity of the Darmstädter Bank during the first period, apply equally to all the banks, at least to the most prominent of the period; namely, that they "rendered special service in the development of European state credit and in the execution of great railway constructions."

After reviewing the great work performed by the German credit banks during this first period—a work executed gradually and gropingly, not without many faults and mistakes, but neither without great and permanent success, although in the face of serious interruptions through

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European wars ¹¹⁰ and grave crises ¹¹¹—it will be difficult to accept the view of A. Weber that German joint-stock banking may be said to have become a common form only in the beginning of the seventies (op. cit., p. 47).

Neither can we adopt the extremely subjective viewpoint of Max Wirth, the South German contemporary critic, concerning the activity of the German banks during this period. In his book on commercial crises (p. 271) he places the fact that the Darmstädter Bank participated in 1857 in the promotion of the North German Lloyd, under the heading "The requirement of industry and trade," following it up with an exclamation mark, and manifests indignation at the bank's promotion of the "Concordia Spinning and Weaving Works" (formerly S. Woller), still flourishing in Bunzlau und Marklissa, by referring to it as the "Promotion of worsted spinning works in far-away North Germany."

PART III.
THE SECOND PERIOD (FROM 1870 TO THE
PRESENT DAY).

CHAPTER I.

(1) TABLE OF EVENTS DURING THE SECOND PERIOD WHICH
INFLUENCED THE DEVELOPMENT OF THE GERMAN BANK-
ING SYSTEM.

- 1871-72.....Termination of the Franco-German war; sudden influx of the war indemnity of 5,000,000,000 francs; irregular expansion of the German system of private railways; impetuous growth of production, rise of workmen's wages, of almost all prices, especially prices of raw material and mining products; strong speculative movement in all branches of commerce and industry; beginning of the industrial cartel movement.
Establishment of provincial discount companies in Berlin, Hanover, Aix-la-Chapelle, Bernburg, Elberfeld, Hamburg, Duisburg Ludwigshafen.
- 1871.....Foundation of the Deutsche Bank, marking the commencement of a systematic development of the deposit business, of the industrial export policy of the credit banks, and of the concentration of German banking.
- 1873.....Bourse and industrial crisis.
- 1874-1878...Economic depression.
- 1875.....Foundation of the "Reichsbank" (began business January 1, 1876).
- 1876.....Bank discount rate falls to $3\frac{1}{2}$ per cent in Berlin.
- 1877-1878...Russo-Turkish war.
- 1879-1882...Economic revival; formation of foreign railway companies, and the issue of foreign loans.
- 1879.....Bank discount falls to 3 per cent in Berlin.
- 1879.....The commencement of the conversion of German state railway and municipal bonds; reorganization of the German bank and coinage system, adoption of the gold standard; beginning of the state purchase of the German private railways; treaty of alliance with Austria.
- 1883-1887...Depression in all fields; continuation of the issue of foreign securities.

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1887. Alliance with Italy.
- 1888-1890. . . Boom, large number of promotions, transformations, issues, bourse speculation, difficulties in meeting payments on the state loans of Argentina, Portugal, Greece, etc.
- 1891-1894. . . Depression and stagnation in all directions.
1891. Failure of several Berlin banking concerns.
1893. Foundation of the *Rheinisch-Westfälisches Kohlen-Syndikat*.
1893. Meeting of the bank inquiry commission.
1895. Commencement of an upward tendency; quotations of the 3 per cent Imperial consols rise to 100.30 and of the 3 per cent Prussian consols to 100.40; beginning of a systematic industrial policy of the banks; foundations, transformations, issues; most of the great banks raise their capital.
- 1896-97. . . . The upward movement intensified; brilliant development of the electro-technical industry; further extension of the German (state) railway system; increase of the Imperial Navy.
1897. Formation of the *Rheinisch-Westfälisches Roheisensyndikat*; fusion of interests (*Interessengemeinschaft*) between the Deutsche Bank on the one hand, and the Bergisch-Märkische Bank at Elberfeld, and the Schlesischer Bankverein at Breslau on the other, in order to promote an industrial banking policy (denoting the commencement of close relations between the great banks and industry) which gave an impetus to concentration of banking.
- 1898-1900. . . Market at its highest; rise of the average bank discount rate in Berlin to 5.33 per cent and of the private discount rate to 4.41 per cent (1900). Growth of money requirements through the predominance of cash transactions in bourse speculation instead of time bargains, as a result of the bourse law of January 1, 1897.
1898. Outbreak of the Spanish-American war.
1899. Transformations, new promotions, and issues show a new record.
Outbreak of the Boer war.
1900. Quotation of the 3 per cent German Imperial consols falls to 86.74 (as compared with quotations of 99.63 of the 2¾ per cent British consols, and of 100.60 of the 3 per cent French rente). The Deutsche Bank takes over 200,000,000 marks of German Imperial and Prussian consols.
- 1900-01. . . . Crisis, fall in quotation of mining securities (end of March to beginning of July); failure of the Pomeranian Mortgage Bank, of the Mecklenburg-Strelitz Mortgage Bank, of the Prussian Joint-Stock Mortgage Bank, of the *Deutsche Grundschuldbank*, the *Dresdner Bank für Handel und Gewerbe*, the *Leipziger Bank*, and of many industrial

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undertakings especially in the electro-technical branch. Energetic intervention of the great banks, strengthening of the concentration movement; disposal to an American syndicate of 80,000,000 marks 4 per cent state treasury bills repayable in 1904 and 1905; maintenance of the low bank discount rate ($3\frac{1}{2}$ per cent) until the end of September.

- 1901-1902...Continued large needs of money on the part of the Empire, the individual states, and municipalities; outbreak of the Chinese troubles; foundation of the United States Steel Corporation (1901).
- 1902-1906...Recovery; bank discount rate falls to 3 per cent (February, 1902), then increases to 4 per cent (October, 1902). February 9, 1904, outbreak of the Russian-Japanese war. 1904: Foundation of the *Stahlwerksverband* at Düsseldorf; impetuous movement of concentration. 1905: Foundation of the *Oberschlesischer Stahlwerksverband*.
- 1907.....American crisis; considerable rise of discount rates up to $7\frac{1}{2}$ per cent (average, 6.03 per cent).
- 1908.....Termination of acute crisis in America; recovery; money becoming available; fall of the bank rate from $7\frac{1}{2}$ per cent in January to 4 per cent in December; average 4.76 per cent.
- 1909.....Money circulates more freely; political troubles owing to conflict between Austria and Servia; bank-law amendment; in the last months of the year beginning of an improvement in some branches of industry, especially in the mining industry.

(2) SKETCH OF THE ECONOMIC DEVELOPMENT OF GERMANY FROM 1870 UNTIL THE PRESENT.

The result of the victory in the great Franco-German war was the creation of the German Empire in 1871.

Unity was established gradually also in economic life. Weights and measures, the coinage and monetary systems,¹ the constitution of law-courts, procedure, and law,² were unified by degrees, and the army and navy³ linked firmly together for the protection of the gains attained. A central note bank (the Reichsbank)⁴ was founded for the purpose of regulating the money circulation and facilitating payments. Furthermore, a supreme court for the Empire⁵ was created.

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The right of free migration and free competition (recognized as early as the sixties in the independent industrial legislation of the various German States) was introduced everywhere, at first through confederate and then through Imperial legislation.

The epoch commencing in this manner represents one of the greatest economic revolutions that has probably ever taken place in any modern civilized state.

It does not lie within the scope of this work to attempt to describe these changes exhaustively. The extent and the development of the problems, however, which had to be solved by the German banks during the period under consideration, could hardly be comprehended without a brief description of at least those chief factors of the economic development which had particular influence on the growth of German banking. It is only within such limits that I have attempted to sketch them in the following outline.

I will attempt to summarize the numerous important factors in this development under the following two heads:

This development is characterized on the one hand by an enormous expansion in almost all directions of public and private activity, coupled with⁶ a further shifting of the center of gravity of the whole economic fabric from agriculture to industry; and on the other hand, by the most intense concentration of forces, undertakings, and capital. The following will give a detailed illustration:

The feverish rapidity of the economic development during the period in question must be attributed above all to the rapid growth of the population, for which sustenance and employment had to be found.

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The population in 1816 amounted to about 25,000,000; at the beginning of this period (1870), to over 40,000,000; and in 1907 to 62,100,000 souls. During the last few years it has increased on an average by about 855,000 souls annually, as compared with an annual increase during recent years of about 373,000 in England and of only about 58,000 souls in France.

It should be emphasized however that this enormous increase in the population of Germany is not due to an increase of births, which have decreased in proportion to the population during the last three decades. The increase is due principally to the very considerable decrease in mortality, i. e., owing to the fact that as a result of improved hygienic conditions the number of deaths in proportion to the population has decreased far more rapidly than the number of births.⁷ Should this proportion change, an eventuality bound to take place sooner or later, and should the birth figures remain stationary or decrease to a considerable extent, a continuation of the increase in population hitherto recorded is out of question. Added to this, the excess of immigration, which occurred for the first time in the years 1895 to 1900,⁸ (and which still continues) may change again into an excess of emigration which, from 1871 to 1895, amounted to about 2,500,000 souls. Finally, the increase in population may cease or the rate of increase may decline, if there should be a decline in the productivity of our national industry which has been both a result as well as a cause of the increase of population.

At the beginning of this period (1871) about 64 per cent of the inhabitants of Germany lived in the country, and

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about 36 per cent (as compared with only 28.04 per cent in Prussia in 1849) in the towns. In 1893, however, the percentage of country and town population was almost equal, and in 1905 the percentage of people living in the country amounted to 42.58 per cent only, whereas the percentage of those living in towns had risen to 57.42 per cent of the total population.⁹

According to the census of professions, trades, and occupations taken June 14, 1895, 26,000,000, or 42.7 per cent of the population, were engaged in various professions, trades, and occupations¹⁰ (either as a main or subsidiary means of gaining a livelihood) (*erwerbstätig im Hauptund Nebenberuf.*) They were divided as follows:

Of the total number, 20,770,875, or 40.12 per cent of the entire population, were engaged in various professions, trades, and occupations as a main source of livelihood (*erwerbstätig im Hauptberuf*), as compared with 17,632,008, or 38.99 per cent of the entire population, in 1882.

According to the occupation census taken on the 12th of June, 1907, the main results of which were published in the "Reichsanzeiger" of February 10, 1909, No. 35, the number of persons thus engaged was 26,827,362, or 43.46 per cent of the entire population. These figures show an increase of 6,056,487, or 29.16 per cent, as compared with 1895, whereas the increase in 1895, as compared with 1882, amounted only to 17.80 per cent.

The population of the chief industrial towns¹¹ had increased to an extraordinary extent up to the end of 1905, in comparison with the years 1843 or 1849. Thus, for instance: Aix-la-Chapelle to about 144,000, as compared with about 46,000; Chemnitz to about 241,000, as com-

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pared with about 26,000; Dortmund to about 175,000, as compared with about 7,600; Essen to about 229,000, as compared with about 7,000; Düsseldorf to about 253,000, as compared with about 26,000.¹³

At the beginning of the period under consideration there were 8 towns, in 1905 as many as 41 towns, with over 100,000 inhabitants. Berlin, which about the middle of the nineteenth century numbered less than 500,000 inhabitants, in 1870, 774,000, in 1880 not quite 1,250,000, and in 1890 about 1,500,000,¹³ has passed beyond the second million since December, 1904.

As stated by Ad. Wagner,¹⁴ it seems at the present time as difficult to make a scientifically incontestable estimate of German national wealth, as it is to estimate the amount of income of the German nation or its annual savings. A brief consideration of the facts will make this clear.

According to the most recent calculation made (1908) on the basis of what is relatively the most accurate method, taking as basis the Prussian supplementary tax (i. e., a direct property tax), the wealth of Prussia amounted to 130 billion marks. Taking into account¹⁵ the proportion of population (3/5) the German national wealth (given by Mulhall in 1895 in his "Dictionary of Statistics" as £7,500,000,000 = 150 billion marks) is estimated at 216 billion marks, or to avoid exaggeration at 200 billion marks.¹⁶ Two years earlier (1906) the German national wealth was estimated by Evert¹⁷ at 200 billion marks, by Ballod¹⁸ in 1908 at 251 to 266 billions, by Steinmann-Bucher (1908)¹⁹ at even 314 billions; and in a recent essay ("*350 Milliarden deutsches Volkvermögen*," Berlin 1909) at 350 to 360 billion marks. Thus there is a difference of no less than

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160 billion marks²⁰ between the highest and lowest (200 billion to 360 billion marks) estimates recently made, although most of them were based upon careful and conservative calculations.

Again, the result of the Prussian income tax assessment for 1907, chosen as a basis for estimating the German national income, gives a total income for the Prussian population (1907) of 17,990,000,000 marks (11,747,000,000 marks for taxpayers; 6,243,000,000 marks for nontaxpayers). Calculated on the proportion of the population this would result in a German national income of 25 to 30 billion marks, and an annual income of 484 marks per head of the population. These figures, however, should be used with great reserve.²¹

As a matter of fact Steinmann-Bucher calculates the present German national income (in his book "*350 Milliarden deutsches Volksvermögen*," p. 102) as being much higher, namely, 35 billion marks, though the grounds on which he bases his estimate seem inadequate.

The same remarks apply to any estimate of the annual German savings, i. e., the amounts by which the German national wealth is annually increased from the German national income. This amount Schmoller²² has placed at 2½ to 3 billion marks, and it has been calculated by the author of the *Grenzboten* article already mentioned (p. 91) at 3.7 billion marks on the basis of an average annual increase of 1,700,000,000²³ marks in the value of property subject to the Prussian supplementary tax.

It is plain that the same objections, or other no less serious, may be urged against all estimates for foreign

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countries which have been made according to any of the above methods.²⁴

If, however, it be desired to give merely a general idea of the development of national prosperity in Germany during this second period, it may be pointed out among other things that the total income during 1907 of all physical persons in Prussia (including an allowance for non-taxpayers) amounted in round figures to 16 billion marks for a population of 38,421,000, while in 1896 the total income of these persons amounted to slightly over 10 billion marks, for a total population of 32,379,000. The increase of income was thus 56 per cent, while population increased during the same period only 17 per cent.

The amount of property assessed for property taxes in 1905 amounted to about 82,500,000,000 marks, showing an increase of 17 per cent, as compared with 1899, when it amounted to 70,000,000,000 marks. The figures for the other German Federated States show a similar development.²⁵

If an attempt be made to ascertain the amount of German national wealth invested in Bourse securities (which would be especially appropriate in the present volume), equally great difficulties will be experienced, despite the material collected in regard to this subject on the occasion of the German finance reform bills of 1908.²⁶

If the table compiled in the report of the *Aeltesten der Kaufmannschaft von Berlin*²⁷ be adopted, in which (according to the market report of June 30, 1906) the nominal and market values of the securities dealt in on the Berlin Bourse were estimated at about 92½ and 94¾ billion marks, respectively, it is evident that for our

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purpose the figures are too high in one regard and too low in another. Too high, because in the table the total of securities bearing fixed interest includes the amounts withdrawn from the market during 1906 by repayment; further, because it does not contain the total amount of foreign securities in German hands, but only the amount of foreign securities listed at the Berlin Bourse. By far the larger portion of these securities, however, were never in German hands, as, for instance, Russian and Argentine government bonds, as well as Russian and American railway securities.²⁸ Another part of these securities, such as the Italian, Austrian, and Hungarian state securities, had passed or returned by the 30th June, 1906, from German to foreign hands (especially to the countries of their origin) in consequence of conversions or of foreign demand.

On the other hand, the results obtained by accepting the table as a basis, are in part far too low, as many of the securities are not quoted on the Berlin Bourse, but on other German exchanges. Other securities, such as the debentures of small industrial undertakings, are not quoted on any German bourse.

The *Deutscher Oekonomist*²⁹ endeavors therefore to solve the problem in a different manner. It starts with the supposition that, according to the income-tax statistics in Prussia, the Prussian income derived from capital property has been valued (though far too low) at 1,610,000,000 marks, which, capitalized at 4 per cent, corresponds to 40,000,000,000 marks for Prussia, and assumes that of these 40,000,000,000 about 20,000,000,000 are invested in mortgages, thus leaving

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a balance of 20,000,000,000 for securities invested in Prussia, and accordingly about 30,000,000,000 for the whole of Germany.

This method of calculation does not yield indisputable results, the more so, because no statistics exist regarding the total mortgages outstanding in Germany, the amount of which for Prussia is estimated at 20,000,000,000 marks. Thus every estimate must be more or less inaccurate. Moreover, every purely schematic application of Prussian to German general conditions is improper.

As a matter of fact it is assumed in the above-mentioned supplementary volumes to the German finance reform bill of 1908³⁰ that in 1907 the German public held German public and quasi-public securities, as well as mortgage and municipal bonds of private mortgage banks, to the amount of about 35,500,000,000 marks; industrial bonds to the amount of 2,500,000,000 marks, and shares of an actual value of 6,750,000,000 marks, making a total of 44,750,000,000 marks of securities in German hands, or 14,750,000,000 marks more than the above-mentioned estimate of the whole amount of securities in German hands.

As statistical details are lacking (especially the yield of the stamp duties), it is impossible to obtain a reliable estimate³¹ of German investments held in the shape of securities of all kinds. On the whole, we may assume (on the strength of a number of data) that at least one-third of the national wealth is invested in securities.³² According to the different estimates of the German national wealth (200,000,000 to 360,000,000 marks: see above, pp. 91 and 92) it may be concluded that the

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amount is between 66,000,000,000 and 120,000,000,000 marks, figures which present a wide margin, indeed. A similar conclusion may be based on the issue statistics, which, though somewhat incomplete, tend to prove that 1,200,000,000 marks, or about one-third of the annual savings of the nation, is invested annually in securities.

Grave misgivings have been expressed, especially by Ad. Wagner, regarding the tendencies shown by the development of German incomes during the period under consideration. Wagner finds that it is in the main a development along plutocratic lines and favoring the interests of the money aristocracy, and he seems to think that the entire economic development of Germany is seriously menaced by "this constantly growing concentration of income, evidenced not only in the case of some particularly rich persons, but also by a constant growth in numbers of the classes occupying a high and even the highest place in the economic scale." ³³

In a study, breathing a high spirit of patriotism,³⁴ he has lately pointed out that about the middle of the nineteenth century there were only about 100 persons with incomes exceeding 100,000 marks in the territory corresponding to the confines of present-day Prussia, whereas in 1891 there were 1,400 to 1,500, in 1902, 2,800, in 1905, 2,900, and in 1907, 3,600 such persons. In another place he states that the national wealth and national income have increased out of all proportion in favor of the upper and of the highest classes, and not inconsiderably in favor of the lower classes (especially the working classes), whereas the large middle class maintains its position with great difficulty in the list of taxpayers, and (as far as its share

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of the national income is concerned) is falling into a less favorable position from day to day.³⁵

A consideration of the facts will show that none of these misgivings can be deemed justified in all or even in their main points.

In my opinion (see p. 113) the increase in the number of persons with incomes exceeding 100,000 marks in Prussia (of present extent), from 100 in the middle of the last century to 3,600 in 1907, is certainly a gratifying proof of our economic development. But if we consider the enormous growth of population in these 57 years, the increase of such incomes does not seem very considerable, but rather (relatively speaking) inconsiderable.

As a matter of fact, a smaller growth in the incomes exceeding 100,000 marks might have suggested serious misgivings regarding the development of national prosperity, in view of the fact that during these sixty years the entire standard of living, the entire consumption, and thus the household budget of the individual, has doubtless increased to a very great extent.

After all, we can see but little significance in the fact that it is just the uppermost grade of taxpayers (mentioned by Wagner) which has considerably increased compared with the other classes, since those of its members who become wealthier must of necessity remain in that grade, there being no higher grade to which they could be transferred.

Finally, it may be pointed out that during the period under discussion the number of those persons who have been moving upward from a lower to a higher tax grade³⁶ has been constantly increasing; further, that the relative

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number (in proportion to the population) of non-taxpayers (i. e., persons in Prussia with incomes below 900 marks) who have been moving upward into the taxpaying class during this period has also been constantly on the increase.³⁷ This can be proved in detail. According to Schmoller,³⁸ in old Prussia the number of persons paying taxes on incomes exceeding 3,000 marks was as follows:

	Persons.
1852.....	43, 489
1867.....	72, 983

In Prussia of to-day:

	Persons.
1873.....	123, 284
1894.....	319, 317
1902.....	449, 741

This shows, certainly, an absolute increase in the number of taxpayers in Prussia (present-day area)³⁹ with incomes above 3,000 marks whose total taxable income (after legal deductions) has risen from 2,792,345,342 marks in 1892 to 5,156,245,432 marks in 1907.

On the other hand, the income of persons subject to the income tax in Prussia (present area) belonging to the lowest grade (incomes between 900 marks and 3,000 marks) has risen from 2,911,981,421 marks in 1892 to 6,591,553,725 marks in 1907.⁴⁰

Between the years 1907 and 1908 the group paying no income tax (incomes below 900 marks) decreased in the proportion of 5,555 to 5,242; the number of taxpayers in Prussia (with incomes exceeding 900 marks) increased 19.5 per cent between 1892-93 and 1898-99, whereas the population increased during the same period only 8.2 per cent.⁴¹

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Furthermore, the returns of the Saxon income tax, under which until 1894 all persons receiving a minimum income of 360 marks were liable to taxation, give the following figures for every 100 persons assessed:

	1879.	1894.
	<i>Per cent.</i>	<i>Per cent.</i>
Less than 300 marks.....	7.1	5.6
300 to 800 marks.....	76.3	65.3
800 to 3,300 marks.....	20.9	31.1
3,300 to 9,600 marks.....	2.3	2.8
Over 9,600 marks.....	.5	.8

That is to say, the number of taxpayers in the lowest grades decreased, and the number belonging to the other groups increased considerably. Moreover, the largest increase during the period mentioned took place in the middle group of taxpayers (800 to 3,300 marks), supposed by Ad. Wagner to be particularly endangered. Finally, the total taxable income of physical persons in Prussia has increased from 10,147,578,035 marks in 1896 to 15,873,-774,007 in 1907.

In the memorial of the Admiralty, dated December, 1905, entitled "*Die Entwicklung der deutschen Seeinteressen im letzten Jahrzehnt,*" proof is furnished of the enormous upward movement of incomes in Prussia, in which not only the wealthy classes but also those with smaller incomes participated (900 to 3,000 marks) almost to the same extent. The increase of the national income by far exceeds the increase of population.

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The fact that the classes with small incomes, which, by the way, are not solely composed of workingmen, had a large share in this upward movement, can also ⁴² be proved by the savings bank statistics.

Of the 9,000,000 savings bank books⁴³ in existence in Prussia at the end of 1901, almost one-quarter were for amounts not exceeding 60 marks, about one-seventh for amounts from 60 to 80 marks, about one-eighth for amounts from 150 to 300 marks, and only one-thirtieth for amounts above 3,000 marks (at this stage depositors begin to invest their savings in securities.).

The number of savings bank books grew as follows: ⁴⁴

Location.	Year.	Books.	Per 100 inhabitants.
			<i>Per cent.</i>
Wurttemberg.....	1891	349,354	17.1
	1896	424,500	20.3
Prussia.....	1882	3,345,000	12.1
	1897	7,643,000	23.4
	1904	10,211,976	27.71
	1906	11,095,276	29.24

This number had doubled in Prussia during the time from 1882 to 1897 and trebled up to the end of 1906.

The savings bank deposits totaled as follows:

Location.	Year.	Amount.
		<i>Marks.</i>
Wurttemberg.....	1891	137,000,000
	1896	190,000,000
Prussia.....	1882	1,697,000,000
	1897	4,967,000,000
	1904	7,762,000,000
	1906	8,788,000,000
	1907	9,121,000,000

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These deposits had almost trebled in Prussia between 1882 and 1906, and were more than five-fold at the end of 1907. In 1882 every eighth inhabitant of Prussia possessed a savings bank book, and at the end of 1901 every fourth inhabitant. The amount of deposits increased in the German Empire from about 1,869,000,000 marks in 1875 to 13,889,000,000 marks in 1907, which denotes an increase during these thirty-three years of 643.05 per cent. From 1883 to 1907, or in twenty-five years, the deposits have increased from 3,187,000,000 marks to 13,889,000,000 marks, or four and a quarter times.

Between 1883 and 1908, the deposits in the German credit banks have also increased considerably; in credit banks particularly, with a minimum capital of 1,000,000 marks each (which are of greater importance for the deposit business ⁴⁵), they rose from about 498,000,000 marks at the end of 1883 to about 2,746,000,000 marks at the end of 1908, an increase during these twenty-six years of more than four and a half times.

It may be assumed that the greater portion of these bank deposits, about two-thirds, consists of working reserves of manufacturers and traders (doubtless including also the smaller ones), and of funds of capitalists deposited temporarily, but destined for investment in securities, mortgages, etc., and that only the smaller part (about one-third) represents savings deposits proper.

The annual increase of the savings deposited with the 16,092 German cooperative credit societies (on January 1, 1908) was estimated at 225,000,000 marks.⁴⁶ The majority of the members belong most probably to the class of the smaller and smallest tradesmen.

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German foreign trade (i. e., special imports and exports) according to the memorial of the admiralty dated December, 1905, entitled *Die Entwicklung der deutschen Seeinteressen im letzten Jahrzehnt*, rose from 7,300,000,000 marks to 12,200,000,000 marks in the decade from 1894 to 1904; the increase in weight was 60 per cent, and in value 66 per cent.

During this period the special trade of England increased 38 per cent, that of the United States 59 per cent, that of France 28 per cent, and that of Russia 23 per cent. Within the last twenty-five years German trade has exactly doubled.⁴⁷

The total number of establishments in trade and industry amounted, according to the census taken in 1895, to over 3,000,000, in which about 10,225,000 persons were at work.

Of these 3,000,000 establishments, nine-tenths—with about 4,750,000 persons only—were small establishments, as against only 19,000 large establishments, with over 50 persons each; the latter, however, gave occupation to about 3,000,000 persons, or almost to 30 per cent of all persons engaged in trade and industry. As compared with the census of 1882, the proportion of large establishments to middle-sized and small establishments in 1895,⁴⁸ had increased 28.3 per cent in the mining and foundry industries, 3.6 per cent in the chemical industries, and 2.2 per cent in the industry of illuminants.

By far the majority of the 19,000 large establishments with about 3,000,000 persons belonged to industry proper.

The average number of workmen, clerks, and other employees belonging to the trade insurance associations

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(*Berufsgenossenschaften*) in commerce and industry was, in round figures, as follows:

1886.....	3,467,000
1895.....	5,341,000
1905.....	8,036,000

There were 124,074 steam engines (not including those used in agriculture and forestry) with 7,587,650 horsepower⁴⁹ at work in the German Empire in 1907, which, if the effective horsepower of a machine during a normal working day is computed as equivalent to the labor-power of 10 men, replaced the work of 75,000,000 men.

Of these 124,074 (7,587,650 HP) steam engines, 27,921 (3,065,223 HP) belonged to the mining and foundry industries; the textile industry employed 11,039 steam engines (934,763 HP) and the machine industry 8,066 (891,088 HP) steam engines.

According to the occupation census of 1895 the whole population of Germany was divided as follows: Agriculture, 35.74 per cent; industry and mining, 39.1 per cent; trade and transportation, 11.5 per cent. For Prussia alone the following comparative data may be given:⁵⁰

	1843.	1895.	1907.
	<i>Per cent.</i>	<i>Per cent.</i>	<i>Per cent.</i>
Agriculture.....	<i>60.84-61.34</i>	36.12	28.59
Industry and mining.....	23.37	38.73	42.76
Trade and transportation.....	.97	11.39	13.17

The population of the Empire engaged in agriculture and forestry, which still numbered 19,250,000 persons in 1882 (19,225,455 souls, or 42.5 per cent of the population), decreased in the thirteen years following (1882-1895), to 18,500,000 (18,501,307 souls, or 35.8 per cent), the whole

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population increasing during the same period 14.48 per cent; that is to say, the decrease in agricultural population amounted to about 700,000 persons, or 3.77 per cent of the total population. Although the number of farms (*landwirtschaftliche Betriebe*) and the area utilised for agriculture increased constantly during the thirteen years in question, the number of agricultural laborers diminished by over 254,000 persons.

During the same period (1882-1895), the industrial population increased 26.12 per cent, and the commercial population as much as 31.62 per cent.

Thus even the census of 1882 had made it evident that a reversal had taken place; the industrial minority of former times had become a majority, and the former agricultural majority had been turned into a minority. According to the census taken on June 12, 1907 ("Reichsanzeiger" of February 10, 1909, No. 35), this condition has become very much more pronounced.

The total number of persons engaged in agriculture (those making agriculture their main occupation, including house servants, and members of the family) has decreased still further, the number being 17,681,176 souls.

Of the entire population of the German Empire in 1882, 1895, and 1907 the distribution of the total population by occupations showed the following percentages:

	1882.	1895.	1907.
Agriculture (including gardening, stock breeding, forestry, and fisheries)	<i>Per cent.</i> 42.5	<i>Per cent.</i> 35.8	<i>Per cent.</i> 28.6
Industry (including mining and the building trades)	33.5	39.1	42.8
Trade and traffic (including innkeeping and tavern keeping)	10.0	11.5	13.4

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The distribution by occupations of the population engaged in gainful occupations in the German Empire in 1882, 1895, and 1907 is shown in the following table:

	1882.	1895.	1907.
Agriculture (including gardening, stock breeding, forestry, and fisheries)	<i>Per cent.</i> 43.4	<i>Per cent.</i> 36.2	<i>Per cent.</i> 32.7
Industry (including the mining and building trades).	33.7	36.1	37.2
Trade and traffic (including inn keeping and tavern keeping)	8.3	10.2	11.5

Thus on the basis of the statistics of occupations it may be stated with perfect assurance (with certain reservations to be set forth presently), that of the German population more than two-thirds are no longer employed in agriculture.⁵¹ It would, however, be entirely one-sided and incorrect (as has been pointed out by Oldenburg, Ballod, and especially by Traugott Müller, in a highly instructive article⁵²) to infer from these facts that German agriculture is on the decline, and that Germany's sole salvation lies in industry, especially in the export industry.

It has already been mentioned⁵³ that both the number of farms (*landwirtschaftliche Betriebe*) and the area devoted to agriculture,⁵⁴ have increased during this period; and the same applies on the whole to stock raising,⁵⁵ as well as to almost all agricultural productions, especially those of fodder and potatoes. This increase was due chiefly to the steady improvement in the systems of culture and methods of work, as well as to the constantly growing employment of machinery driven by steam and electric power. Between 1882 and 1895, for example, the number of steam plows in use increased from 836 to 1,696, and the number

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of steam thrashing-machines from 75,690 to 259,364. On the other hand, the number of large distilleries increased fivefold since 1870 in the districts east of the Elbe (according to K. Lamprecht, *op. cit.*, p. 187), in consequence of the introduction of the high-pressure boiler for steaming potatoes.

The intensity of agricultural cultivation has also grown considerably, and likewise almost without exception the average crop yields. Thus, if the period from 1879-1888 be compared with the year 1899, an increase will be found to have taken place in the case of rye from 980 to 1,490 kilograms per hectare, in the case of oats from 1,140 to 1,720, and of potatoes from 8,100 to 12,290 kilograms.

According to Ballod's essay on the economic development of Germany since 1870, the home production of all sorts of grains increased within the last two decades about 36 per cent, whereas the population increased only about 18 per cent.

The net proceeds, however—that is to say, the profitability of agricultural undertakings, fell considerably in many parts of Germany mainly because of the great increase in the domestic cost of production, and of foreign competition having the advantage of lower cost of production, and cheap transportation by land and sea. An improvement in this regard has been noted only during the last few years, due in part to the greatly increased duties on agricultural products put in force by the latest commercial treaties. Until then, much to the detriment of the general economic interests in large parts of Germany, the condition of agriculture, affected as it was by a heavy fall in the prices of its chief products,⁵⁶ and the

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growing encumbrances on landed property,⁵⁷ had become quite precarious. This condition, naturally, influenced the amount of agricultural production⁵⁸ and, considering the great influence of agriculturists on the politics and legislation of Germany, brought about—in some cases unnecessarily—results detrimental to other classes, without simultaneous advantages desired for and by agriculture.

Finally, certain improvements in the agricultural credit system were introduced, partly by state aid, as in Prussia by the foundation of the Prussian *Zentral-Genossenschaftskasse* (Central Bank for Cooperative Societies) (1895) and partly through the establishment of “Raiffeisen” loan societies, and the Schultze-Delitzsch loan and credit societies. In this direction, i. e., of cooperative effort, much remains to be done. The granting of credit by the Reichsbank, which in view of its own short-term obligations may grant short credit only, can be depended on by agriculturists only in exceptional cases in view of the greater length of time occupied by the process of agricultural production. Agriculture requires a system of credit adapted to its peculiar conditions of production. A permanent organisation for this purpose would benefit agriculture as much as the community at large, since the common good requires that not only the interests of the consumer but also those of the producer be guarded.

In other directions, too, the injudicious use of the above data (see pp. 104 to 106) may lead to false conclusions.

In the first place, we must not lose sight of the fact that a considerable amount of economic activity which in our statistics is classed under the head of industry is either largely of an agricultural nature, for instance, the

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manufacture of beet sugar and starch, distilling, brewing, milling, etc., or else closely connected with agriculture, such as baking, butchering, the manufacture of food and drinks, brickmaking, etc.⁵⁹ It must also be borne in mind that our statistics do not take into account those persons who, in addition to their main occupation were engaged in agriculture as a secondary occupation. According to Troeltsch (loc. cit. p. 121), the number of such persons in 1905 amounted to 3,700,000.

Further, it must be remembered that although between 1882 and 1895 the number of independent producers in agriculture increased by 2.9 per 1,000, the number of dependent workers (*abhängige Arbeiter*) decreased 16.1 per 1,000 during the same period, the agricultural labourers having turned to other occupations, mostly industrial, without returning and without being replaced.⁶⁰

Finally, the period under consideration witnessed the completion of a movement which set in during the earlier economic period (1848-1870), namely, the gradual development into independent branches of industry of a whole series of occupations, such as spinning and weaving, originally carried on as homework in the country, and therefore classified under the heading of agriculture. These occupations no longer center in the country.

In this manner the number of persons occupied in agriculture decreased statistically, without an actual decline of agriculture as such, and without a decrease of the number of persons actually employed in agricultural pursuits.⁶¹

Care should therefore be taken not to overstretch the conclusions drawn from the figures showing the per-

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centage (see pages 104 and 105) of persons in Germany following agricultural, industrial, and trade pursuits, nor to pit against each other too sharply the two expressions "agrarian state" and "industrial state," which as the result of indiscriminate use are assuming more and more the character of dangerous catchwords, suggesting that the two economic stages thus designated are essentially antagonistic. It is only by avoiding these errors that a proper appreciation can be gained of the share of German agriculture in the national wealth and production, in fact in the entire economic life of Germany.

All these considerations, however, do not impair the correctness of the above statement (p. 88), namely, that the center of German economic life has been shifted more and more from agriculture to industry.⁶² The causes of this fact are of very varied nature.

The larger the growth and the rate of growth of the German population, the less German agriculture was able to employ and sustain it.

It is true that, until the beginning of the period under consideration, German agriculturists exported considerably more of their products (especially grain, with the exception of rye), mainly to England, France, Holland, and Switzerland, than was imported from foreign countries.⁶³ It is also an established fact that during the period in question the necessity of exchanging German manufactured products⁶⁴ for foreign products of the soil (more especially wheat and vegetal raw materials) became more and more pronounced. Furthermore, agriculture, despite great efforts and successes, was not able to increase in the same proportion and with the same rapidity as the popu-

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lation. The deficit in agricultural production thus entailed, which despite all protective duties amounted as far back as 1898 to over 2,000,000,000 marks per annum, had consequently to be met by importation from abroad.

Similarly, German manufacturers were quite unable to satisfy their requirements at home, especially of raw materials, as the required raw products are not to be had at all in Germany, or, if the colonies be taken into account, only in insignificant quantities. Consequently a large portion, in some cases the largest portion of the requirements of German industry, has to be procured by imports from abroad. The most striking instance of this is furnished by the textile industry occupying the first place in Germany's export trade, which has to obtain from abroad about nine-tenths of its raw materials (cotton, jute, silk).⁶⁵

The annual import requirements of foods and delicacies, cattle as well as raw materials, and half-manufactured goods necessary in German agriculture and industry for further manufacture, or for direct use, could not be paid out of German national capital (*Nationalvermögen*) unless the nation was to be gradually impoverished; payment had to be made in another way.

An inconsiderable part of this payment is made to foreign countries in such German home-grown raw materials as are not needed for home use. The greater part of the payment, however, is made in manufactured goods supplied to foreign countries which import into Germany food and raw materials, or, in other words, in exporting the results of German home labor in return for foreign products of the soil.⁶⁶ These manufactured goods consist

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principally of woollen and cotton manufactures, sugar, machines, silk goods, coarse iron manufactures, chemical products, etc.

In 1908 by far the larger part of our special exports consisted of manufactured goods, namely, 65 per cent. Raw material exported amounted to only 25 per cent, foods and delicacies to 10 per cent.

The "industrialisation" thus characterized caused in the first instance by an increased population that had to be fed and employed, in its turn became the cause of a further increase of the population. It was intensified by the circumstance that simultaneously the industrial demand for means of production was constantly growing through "the displacement of organic by inorganic matter," as Sombart has pregnantly characterized this recent technical development.

The tree of the forest has to make room for the iron girder for building purposes, and is replaced by coal for purposes of fuel. Animal manure and animal labor are being displaced by chemical fertilizers (ground Thomas slag, potash, Chile saltpeter, etc.), by steam engines, and electric motors; through the discovery of aniline dyes fields sown in madder became free for other cultures.

At the end of 1907 the special exports from the German Customs Union amounted to nearly 6.4 billion marks (6,389,860,000), and the special imports to about 8 billion marks (7,664,000,000)⁶⁷, whereas exports from the German Customs Union between 1842-1846 averaged, according to K. H. Rau, about 510,000,000 marks and imports about 630,000,000 marks.⁶⁸

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The excess of imports for home consumption into Germany at the end of 1907 (more than half of which came from Great Britain, the United States, Austria-Hungary, and Russia) over German domestic exports (almost half of which were sent to the above-mentioned countries), or our adverse trade balance (*Warenverkehrsbilanz*), amounted thus to almost 1,300,000,000 marks (1895: 800,000,000).

It will be found, however,⁶⁹ on comparing the import and export figures of 1907 with those of 1882, that on the whole the imports of 1907 have increased proportionately much more than the exports.⁷⁰ Of raw materials and half-manufactured goods the imports increased 200.1 per cent; and the exports only 77.5 per cent. Of manufactured goods the imports increased 222.1 per cent; and the exports only 183 per cent. The opposite tendency may be noted for the period before 1882, when the growth of imports was on the whole smaller than the growth of exports.

Further, commencing with 1882, it will be found that, on the whole, the quantities of manufactured goods exported have formed a constantly decreasing portion of the total German industrial production.

Finally, it will be found that the increase in German industrial production (in the most important branches) was greater after 1882 than the increase in the average number of persons employed; that since 1885 the increase in the number of gainfully employed persons has been greater than the increase of the general population, and on the whole ⁷¹ greater than the increase of production and of the quantity and value of the exports.

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All these factors warrant the conclusion that since about the beginning of the eighties the consuming power of the German nation, i. e., the home market, developed more speedily and vigorously than the foreign markets.⁷²

It can scarcely be doubted that this was due to the greater accumulation of capital during the same period—that is to say, to the growing development of national prosperity.

This growth raised the productive power of the industrial population on the one hand, and the purchasing power of the nation on the other, allowing at the same time a portion of the added available means to be utilized for the improvement of the German balance of payments.

This improvement of the German balance of payments has been caused during the last twenty-five years, especially through the acquisition of foreign securities, which rendered foreign countries “tributary” to Germany in so far as they had to pay her interest. Additional improvements have been brought about by the granting of long and short term credit to foreign countries, by the considerable growth of Germany’s shipping, and by her participation in foreign undertakings. The necessity and the benefit of these improvements, especially of the last named, will form the subject of a special chapter (Sec. VII of this part).

There can be no doubt, however, that an unfavorable trade balance (*Passivität der Wirtschaftsbilanz*) of a country is the less dangerous the more favorable its balance of payments, for it can then more easily afford to let other countries “work for it” and supply it with raw material and food.

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During the last few years there have been noticed certain though not absolutely indisputable indications that the German balance of payments, while not unfavorable throughout, yet evinces a certain tendency in that direction.⁷³ This should serve as a warning to utilize the increasing accumulation of capital primarily, and to a greater degree than hitherto, for the strengthening of the home market; or, in other words, to increase home production and purchasing power, particularly the agricultural production of foodstuffs and our colonial production of raw materials, and to employ our surplus funds only secondarily in the service of so-called "export capitalism."⁷⁴

Industrial, commercial, and banking circles must not forget that the strengthening of agriculture and its capacity for absorbing industrial products forms one of the most indispensable means of strengthening the entire home market; on the other hand, the agricultural interests should not overlook the fact that the most careful fostering of the export industry, within the limits essential for the strengthening of the home market, is in turn demanded in the interests of national economy.

In my opinion the inferences to be drawn from the above for the German credit banks are clear. As regards the past, they have rendered effective service in promoting the development of the national economic forces by participating to a considerable extent in the strengthening of the home market, by increasing the productiveness and purchasing power of the nation, and by sharing in the above-described (p. 113) improvements of the German balance of payments. The favorable effects of the activity of the credit banks should be

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admitted even by those persons who, in a spirit of exaggeration, hold the German credit banks responsible for everything unfavorable that has happened in the industrial and commercial development of Germany.

On the other hand, as regards the future, the German credit banks must aim at restraining "export capitalism" still further than has been the case hitherto, particularly during the last few years, more especially at times when the home market according to all indications stands in need of available home capital.

Furthermore, as far as it is practicable and in conformity with Germany's international economic and financial relations, they will have to shape the forms in which export capitalism is to operate, especially by fixing the dates of issue of foreign securities and the rates of interest with due regard to the interests of national economy, and of the domestic money and capital market.

We shall resume now our review of the economic conditions of the period under consideration.

As far as the formation of joint stock companies was concerned (vide, p. 38) only 102 companies, with a total capital of about 638,000,000 marks were founded during the twenty-four years between 1826-1850 as compared with 295 companies, with a total capital of about 2,404,760,000 marks, founded between 1851 and the first six months of 1870. At the end of 1908 the total number of companies founded in the German Empire since 1871 (including undertakings that had been transformed into joint stock companies) amounted to 6,249, with a share capital of 9,439,530,000 marks (vide, p. 119), or about 9½ billion marks. These figures do not include the large

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number of limited liability partnerships that had been established during the same period. During the years 1867-1873 no fewer than 1,005 German stock companies were licensed, and 682 were newly formed. From the second half of 1870 to 1874 there were founded 857 companies with a joint stock capital of 3,306,810,000 marks.

The sudden influx of the 5 billion francs of French war indemnity caused a great abundance of money which let loose a veritable rage of speculation and enterprise. This overproduction of new undertakings, just as in 1857, was one of the main causes of the crisis of 1873. By September, 1874, out of the above 857 companies, no fewer than 123 were in process of liquidation and 37 in the hands of receivers.⁷⁵

As compared with the capital stock of the companies founded between 1851 and 1870, the amount of capital of the stock companies founded in the principal trades and industries between 1870 and 1874 shows the following increases:⁷⁶

Building trades, about twenty-seven-fold (from 17,420,000 marks to 486,640,000); brewing, about twenty-four-fold; stones and earths, about nineteenfold; banking, about ninefold (from 94,650,000 marks to 838,270,000 marks); metal working and machine construction, about sevenfold; agriculture, about fivefold; chemicals, fuel materials and illuminants, about fourfold, and sugar manufacturing, about twofold.

In the mining industry, not mentioned in the above list, the number of companies founded between 1870 and 1874 was also quite considerable. In fact, as regards the absolute amount of capital newly invested during these years,

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394,950,000 marks, this industry takes front rank.⁷⁷ But inasmuch as the share capital newly invested in this industry between the years of 1851 and 1870 reached the large total of 275,310,000 marks, the increase during the following period does not appear so striking.

As the German railway system had already been constructed to a considerable extent by the end of the former period (1851-1870), the capital of newly created railway companies was considerably smaller in 1870-1874 (778,000,000 marks) than in 1851 to 1870 (1,722,000,000 marks).

In 1883, 1,311 joint-stock companies published their balance-sheets, showing a capital of about 3,918,000,000 marks. Among these, 128 companies (or about one-tenth of the total number) with a capital of 571,250,000 marks (or about one-seventh of the total capital) belonged to the mining industry.⁷⁸

During the subsequent period, the years 1889 and 1890, which were years of great industrial prosperity, are most notable for the large number of company flotations.

In 1896 there were 3,712 joint-stock companies with a paid-up capital of 6,845,760,000⁷⁹ marks.

Their distribution⁸⁰ was as follows: 235 mining and foundry companies with a capital of 1,022,330,000 marks (or, including loans and reserves, 1,381,860,000 marks); 235 machine-building companies,⁸¹ with a total capital of 324,720,000 marks; 259 textile-industry companies, with a capital of 414,910,000 marks; 378 brewing⁸² companies, with a capital of 367,200,000 marks; 164 building companies, with a capital of 172,760,000 marks; 98 banking companies, each with a capital of more than 1,000,000

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marks, and a total capital of 1,240,300,000 marks; 108 companies in the chemical industry, with a capital of 332,870,000 marks; 39 companies in the electrical industry with a capital of 195,610,000 marks.

From 1897 to the year 1900, when the crisis broke out, there was again a flood of flotations. In these four years no fewer than 1,208 joint-stock companies were floated⁸³ with a capital of 1,730,000,000 marks, among them 53 banks with a total capital of 124,776,000 marks.

In 1900 the total number of all German joint-stock companies amounted to about 5,400. It was ascertained that in the case of about 4,600 companies there was a paid-up capital of 6,800,000,000 marks, and together with loans and reserves, about 7,800,000,000 marks.⁸⁴

We have already proved in detail by the list of new companies founded between 1897 and 1900 what a superabundance of flotations preceded the crisis of 1900, just as was the case before the crisis of 1873. Of the 4,000 joint-stock companies the year of whose flotation we are able to ascertain, more than 1,600 are found to have been founded in the years 1890-1900.

Nearly nine-tenths of all joint-stock companies belong to industry; the rest to the banking business, with the exception of 150 insurance companies, which, however, claim nearly a third of the share and debenture capital.

The table⁸⁵ given below shows for each year the number and combined capital of the joint-stock companies floated since 1871. Their number amounted at the end of 1908 to 6,249 with a joint-stock capital of 9,439,530,000 marks, which, compared with 1900, represents an increase in joint-stock capital alone of nearly 2½ billion marks.

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Table of joint-stock company flotations, 1871-1908.

Year.	Companies founded.	Joint-stock capital.	
		Total.	Average for each company.
		Marks.	Marks.
1871.....	207	758,760,000	3,650,000
1872.....	479	1,477,730,000	3,850,000
1873.....	242	544,180,000	2,250,000
1874.....	90	105,920,000	1,180,000
1875.....	55	45,560,000	830,000
1876.....	42	18,180,000	430,000
1877.....	44	43,520,000	990,000
1878.....	42	13,250,000	320,000
1879.....	45	57,140,000	1,270,000
1880.....	97	91,590,000	940,000
1881.....	111	199,240,000	1,800,000
1882.....	94	56,100,000	600,000
1883.....	192	176,030,000	920,000
1884.....	153	111,240,000	720,000
1885.....	70	53,470,000	760,000
1886.....	113	103,340,000	920,000
1887.....	168	128,410,000	760,000
1888.....	184	193,680,000	1,020,000
1889.....	360	402,540,000	1,120,000
1890.....	236	270,990,000	1,160,000
1891.....	160	90,240,000	560,000
1892.....	127	79,820,000	630,000
1893.....	95	77,260,000	810,000
1894.....	92	88,260,000	960,000
1895.....	161	250,680,000	1,560,000
1896.....	182	268,580,000	1,480,000
1897.....	254	380,470,000	1,500,000
1898.....	329	403,690,000	1,400,000
1899.....	364	544,390,000	1,490,000
1900.....	261	340,460,000	1,300,000
1901.....	158	158,250,000	1,020,000
1902.....	87	118,430,000	1,360,000
1903.....	84	300,040,000	a 3,570,000
1904.....	104	140,650,000	1,350,000
1905.....	192	386,000,000	b 2,020,000
1906.....	212	474,510,000	1,220,000
1907 ⁸⁶	212	253,790,000	1,260,000
1908 ⁸⁷	151	162,500,000	1,080,000
Total.....	6,249	9,439,530,000	.....

^a Transformation into a stock company of the Krupp firm.

^b Hohenlohe-Works Company (Limited) 40,000,000 marks.

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The average dividend income⁸⁸ for the years 1870-1900 of shareholders in companies whose shares were quoted on the Berlin exchange may be seen from the following table:

	Gross income.	Net ⁸⁹ income.
	<i>Per cent.</i>	<i>Per cent.</i>
Coal industry.....	7.65	a 7.42
Iron industry.....	5.82	a 5.34
Stone and earthen industry (building material, glass, china) ..	7.62	5.39
Metal industry ⁹⁰	8.86	7.75
Machine industry.....	7.05	4.18
Chemical industry.....	9.81	9.33
Electrical industry (1883-1900).....	8.38	8.38
Spinning and weaving industry.....	5.64	5.13
Brewing industry.....	7.34	6.44
Banking.....	6.74	a 6.70
Life insurance.....	11.24	11.24

^a 1880-1900.

The above explains why during the periods under consideration (especially during the years of great industrial development, 1886 to 1889 and 1895 to 1899) there has always been such a great demand for shares in industrial companies. This of course increased the over-production of enterprises, especially as large amounts of inert capital continued to be stirred since 1879 by the nationalization of the railways and the great conversions of state loans.

As far as that branch of industry is concerned which played such an important part in the whole development of the first period, viz, the mining and smelting industry, the following details are noteworthy:

The German output of pig-iron in 1870 amounted to only 23 per cent of the English output, the English iron industry having occupied the first place in the world up to 1890, since when the American iron industry took the

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lead. In 1880 the German output rose to an amount equivalent to 35 per cent of the English output, in 1890 to 59 per cent, and in 1900 to 93 per cent; the English production in the same year (1900) only equalled 63 per cent of the American output.⁹¹ After the expiration of the fifties the German output of pig-iron exceeded the Belgian, and in 1880 the French output. (See p. 32.)

From the beginning of the period under consideration to the end of 1907 the production of pig-iron in the German Empire (including Luxemburg) rose from 1,346,000 tons (1870) to 12,875,000 tons (1907). In 1907 the total output of France amounted to 3,589,000 tons, that of Great Britain and Ireland to 10,083,000 tons, whereas that of the United States amounted to no less than 26,194,000 tons.⁹²

The importance of the last item can be gauged by the fact that in 1875 Germany and the United States produced about the same amount of pig-iron (in round numbers, each 2,000,000 tons), whereas at the end of 1907 the production of pig-iron in the United States was more than double that of Germany (including Luxemburg); and, further, that between July 1903 and July 1907 the pig-iron output of the United States increased by no less than 140,000 tons per week, or 7,000,000 tons annually.⁹³

Despite the very considerable growth in Germany's output of pig-iron during the period under consideration, she was not able in the long run to meet her home consumption. Imports, especially from England, had to be relied on to an increasing extent, and in 1907 they totaled 443,624 tons.

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The pig-iron consumption in the German iron industry increased considerably during the last few years of the period in question (considering also the imports and exports of pig-iron and the pig-iron contents of machinery and iron manufactures imported and exported), namely, from over 6,500,000 tons (or 111.50 kilograms per head of the population in 1904) to 9,250,000 tons, or 147.60 kilograms per head of the population.⁹⁴

As far as the proportion of exports and imports is concerned, the same remarks apply as those made above (pp. 112 and 113) regarding the development of industry in general. In consequence of the great increase in home consumption, the iron exports despite the greatly increased output, could not grow permanently, falling from the high level of 480,575 tons attained in 1906 to 275,170 tons in 1907.

The output of coal⁹⁵ increased in Germany during the second period from 26,398,000 tons in 1870 to 143,185,000 tons in 1907 (valued at 1,394,271,000 marks); the output in France amounted in 1907 to 36,168,000 tons; in Great Britain and Ireland (including lignite) to 272,114,000 tons, while that of the United States amounted to not less than 425,156,000 tons.

In 1907 the output of German coal amounted thus to one-half the English output and to about one-third the output of the United States.

The total value of all German mining products grew from 314,000,000 marks in 1871 to about one and three-quarters billion marks (1,844,920,000 marks) in 1907.⁹⁶

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The total production of the German electro-technical industry, the enormous growth of which, beginning with the middle of the nineties, exercised such a strong influence on the other industries, causing in the main the general over-production and the crisis of 1900, amounted as early as 1898 to 228,700,000 marks. Of this sum 211,100,000 marks, or 92.3 per cent, was represented by the value of articles belonging to the strong-current branch (which was hardly developed twenty years before), and only 17,600,000 marks by the value of articles belonging to the weak-current branch.

In 1883 Emil Rathenau, being convinced at the Paris Exposition of 1881 of the far-reaching importance of the new invention, formed together with Siemens & Halske the first joint-stock company in the electric industry, under the name of the *Deutsche Edisongesellschaft für angewandte Elektrizität*. This company became independent of Messrs. Siemens & Halske in 1884, and developed in 1887 into the existing concern of the *Allgemeine Elektrizitäts-Gesellschaft*. This firm was successful in improving the three-phased current to such a degree that in 1891 300 horsepower was transmitted, with very little loss of power, over a line of 175 kilometres to the exhibition at Frankfort-on-the-Main, a feat that made a great and permanent impression.

In 1896, as has been pointed out (p. 118), as many as 39 electrical joint-stock companies existed, with a total capital of 195,610,000 marks, whereas in 1900 there were quoted on the German exchanges the shares of 34 joint-stock companies in the electrical industry, with

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436,000,000 marks capital (22 in Berlin alone, with 396,700,000 marks capital).

The rate of dividend income of the shareholders of these 34 companies amounted, between 1883 and 1900, to 8.38 per cent.

During the nineties, up to the crisis of 1900, feverish activity, coupled with an almost chaotic and incalculable number of enterprises and forms of financing prevailed in the electrical industry, which in a very short time had gained, at home as well as abroad, a position of the highest importance. Eberstadt⁹⁷ quite truly remarks that at that time the great electrical companies "were simultaneously machine-construction factories, suppliers of energy, and financing institutions," and there was scarcely a form of management or financing which was not utilised in the nineties by the electrical industry. There were syndicates, subsidiary companies (*Tochtergesellschaften*), and trust companies,⁹⁸ the latter especially intended to relieve the banks of part of their enormous financial and other tasks connected with electrical undertakings,⁹⁹ operating companies proper,¹⁰⁰ and manufacturing companies, as well as financing institutions, increases and reductions of capital, silent participations, commandites, issues and sales in the open market, fusions, pooling of profits (*Gewinngemeinschaften*), buying of shares, separations and combinations, independent and syndicated enterprises abroad, conventions, syndicates and cartels at home and abroad. In short, a medley of undertakings which might well have led outside observers during those years to imagine that far more paper was

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produced in the electric branch of industry than power and light.

To-day, when a condition of relative quietness has set in and the early movement may be said in a sense to have terminated, it will be seen that the sphere of activity of the electro-technical industry, although only comprising a relatively small number of prominent companies (see Part V, sub. II, 1a), has extended very largely.

Trade and industry headed by the mining industry, as well as a considerable number of secondary electric railways, and more recently agriculture, absorb a constantly increasing amount of light and power. The change of standard railways from steam to electric railways, which is only a matter of time, will create new and profitable employment for the electro-technical industry.

In 1907 the German exports of products of the electrical industry amounted to about 153,000,000 marks and the imports to about 8,000,000 marks.¹⁰¹ In 1907 the electrical industry gave employment to 100,966 workmen, as compared with 54,417 in 1898.

According to a circular inquiry made by the German home office in 1899, the total value of the products of the German electrical industry amounted to 228,700,000 marks, as compared with 45,000,000 marks in 1891, a fivefold increase in eight years.

As regards the chemical industry,¹⁰² according to Hübner ("Jahrb. f. Volksw. u. Statistik," Vol. LIX, p. 146), 9 German chemical joint-stock companies, with a capital of 7,300,000 marks, existed during the period 1854 to 1859; in the seventies, however, their shares were no longer quoted on the stock exchange.

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The enormous growth of the chemical industry and its dominant position in the world market date really from the beginning of the seventies. Beginning with the summer of 1870 to the end of 1874, no less than 42 companies, with 42,000,000 marks capital, were formed.

In 1883, according to the *Deutscher Oekonomist* (1885, p. 75), no less than 51 companies, with a total capital of 127,220,000 marks, published their balance sheets.

In 1896 there were in existence 108 joint-stock companies, with a total capital of 332,890,000 marks, their number having thus doubled since 1883.

The number of establishments in which more than 100 persons were employed, increased, between 1888 and 1898, from 156 to 247, or about 60 per cent in ten years.

In 1902 there were 7,539 establishments in this industry employing 160,841 workmen with a total wage list of about 164,000,000 marks, as against 5,758 establishments with 110,348 workmen and a total wage list of 98,621,506 marks in 1894, and 4,464 establishments with 85,143 workmen and a total wage list of 67,300,000 marks in 1888. From 1882 to 1895, or in thirteen years, the number of workmen employed in the chemical industry increased 61 per cent. At the end of 1898 a total of 216,580 workmen and other employees in the German chemical industry were contributing to the obligatory insurance funds. The total wages and salaries of all workmen and employees, according to the *Bericht über die Verwaltung der Berufsgenossenschaften der chemischen Industrie* for 1908, page 3, amounted to 248,731,687 marks. The number of insured establishments was 8,699.

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According to the census of June 14, 1895, there were then in the chemical industry:

	Number.	Employees.
Small establishments (1 to 5 persons).....	8,228	18,122
Middle-sized establishments (6 to 50 persons).....	1,781	25,993
Large establishments (51 persons or more).....	376	71,116
Total.....	10,385	¹⁰⁸ 115,231

The results of the latest census have not yet been published. Large establishments, while forming only a very small part of the total number, gave employment to almost two-thirds of all the workmen employed in the chemical industry.

In 1907, 8,816 factories employing 207,704 hands figured in the lists of the state insurance authorities, i. e., belonged to the trade association of the chemical industry.¹⁰⁴

The total amount of wages and salaries paid to workmen and officials in the chemical industry amounted in 1907 to 230,223,733 marks.

The imports into Germany of raw materials for use in the chemical industry and partly and wholly manufactured chemical products amounted in 1907 to 43,586,417 metric quintals of 100 kilograms each, valued at 552,414,000 marks, and the exports to 31,539,353 metric quintals, valued at 640,418,000 marks.¹⁰⁵

In 1907 the import trade decreased somewhat while the exports fell off considerably; the only large increase being shown in the exports of artificial indigo.¹⁰⁶

A change in the English patent law directed against the predominance of the German chemical industry, and introduced on the 1st January, 1908, provides that every

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holder of a patent must manufacture his patented invention in England after four years' time from the date when the patent was taken out in that country. As this law was given retroactive force, and became applicable twelve months after it had been passed, many German chemical factories had to erect branch factories in England.

This naturally increases total expenses, but on the other hand allows the goods manufactured in English branches of German chemical factories to enjoy preferential duties granted by some English colonies to the mother country.¹⁰⁷

It may, however, become necessary to make a corresponding change in the German patent law, so far as Great Britain is concerned. The ultimate result of the latest unpleasant move on the part of our English competitors may thus cause more harm than good to British industry, as was the case with the act which provided for the compulsory marking "Made in Germany" of imported articles of German manufacture.

Further details regarding the concentration movement in the chemical industry are given below (Part V, sub. II, 1b).

The census of June 24, 1895, gives the following data regarding the number of establishments and average number of persons employed in the textile industry:

	Number.	Employees.
Small establishments (1 to 5 persons).....	193,358	258,181
Middle-sized establishments (6 to 50 persons).....	8,674	147,477
Large establishments (51 persons and over).....	3,260	587,599
Total.....	205,292	993,257

The very important position occupied by the textile branch in German industry is very evident from these

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figures, as according to the census of 1895 the total number of German establishments of all descriptions amounted to 3,144,977, employing on an average 10,299,269 persons.¹⁰⁸

Of the 450,000 to 490,000 home workers, counted in 1895, almost one-half belonged to the textile branch of industry, although the number of textile home workers had decreased by 90,000 persons between the years 1882 and 1895, and in various branches of the textile branch by one-fifth to three-fourths of the original number. Since, however, despite this great decrease of hand-loom industry in the textile branch (due principally to the growth of large-scale machine industry), there was in 1895 a falling off of only 18,000 persons employed in home work in German industry as a whole, as compared with the number in 1882, it is evident that home work has not declined in many German industries, but rather increased. Ludwig Pohle¹⁰⁹ is quite right in calling special attention to this very interesting fact and to the above figures.

The fact should also be emphasized that the number of home workers increased in the large towns from 31,000 to 71,000 between 1882 and 1895, having thus more than doubled during these thirteen years.¹¹⁰

In the 3,144,977 establishments mentioned above as existing in the German Empire in 1895, the 10,269,269 employees were distributed as follows: ¹¹¹

	Number.	Average number employees.
Small establishments (1 to 5 persons).....	2,934,723	4,770,669
Middle-sized establishments (6 to 50 persons).....	191,301	2,454,333
Large establishments (over 50 persons).....	18,953	3,044,267
Total.....	3,144,977	10,269,269

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The number of large establishments is relatively small, although between the years 1882, when they totaled 9,974, and 1895, their number had increased no less than 90 per cent. In view of this, the fact is particularly striking that almost one-third of all persons occupied in industry were employed in these large industrial establishments.

If we turn our attention to the enormous development of the means of communication during this period, taking the railways first, it will be seen (p. 35) that the network of German railways comprised 27,981 kilometers as long ago as 1875. As far as main lines are concerned, the German railway system was completed in the main during the eighties. In the second period (the one under consideration) the private German railways were acquired by the State, and the network of main and branch lines (standard gauge) in Germany ¹¹² at the end of 1907 totaled 56,196 kilometers, including 51,871 kilometers of railways owned by the Government or managed on Government account, and 4,320 kilometers of private railways.¹¹³ Of 53,822 kilometers in 1904, 33,734 kilometers belonged to the Prussian-Hessian Railway Union.¹¹⁴

The capital invested in these standard-gauge main and branch lines amounted at the end of 1902, in round figures, to 13½ billion marks, and at the end of 1907 to about 15½ billions, or at the end of 1902 to 258,000 marks per kilometer, and at the end of 1907 to 277,100 marks per kilometer of railway line.

At the end of 1906, 1,284,676,000 persons and 508,270,000 tons of goods ¹¹⁵ were conveyed by these railways. An average number of 20 railway journeys is

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thus shown for every inhabitant of Germany during the year.

The total traffic receipts of the standard gauge railways amounted in 1907 to 2,745,000,000 marks, and the total expenses of operation to 1,894,000,000 marks. The surplus of traffic receipts over expenses of operation was thus 851,000,000 marks; the rate of profit on the capital invested amounted to 5.60 per cent, and the percentage of expenses of operation to traffic receipts (coefficient of operation) amounted in 1907 to about 69 per cent.

The home requirements of the German railways for rolling stock alone amounted in 1907 to 288,000,000 marks. The requirements for operating material and superstructure of the German railways during the last fifty years, which were principally met by German mining, metallurgical, and machine construction industries, have been estimated at about 5 billion marks.¹¹⁶

In addition to the standard-gauge main and branch lines, on April 1, 1907, there were in operation 3,719.2 kilometers of public street railways (*Kleinbahnen*) and 8,991.9 kilometers of secondary railways (*nebenbahnähnliche Kleinbahnen*).¹¹⁷ To these must be added the narrow-gauge state and private railways (end of 1907, 2,100 kilometers),¹¹⁸ besides sidings, mining, agricultural, and forest railways not used by the general public.

As far as the postal service is concerned, it has been pointed out (p. 37) that in Prussia during 1851 only about three letters were received per head of population; in 1906, over $5\frac{1}{3}$ billion letters and post cards (5,393,300,000) were dispatched in the German Empire (including Bavaria and Wurttemberg), averaging 86 letters per head of

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population. Printed matter (newspapers), samples as well as parcels and articles of value are not included in the above total.¹¹⁹ In 1904 the number of mail matter dispatched averaged 115 per head of population, and in the same year there was one post-office to every 14 square kilometers of area and every 1,458 inhabitants.

At the end of 1907 there were 40,083 post-offices in Germany; at the end of 1906 there was one post-office to every 1,530 inhabitants and 13.60 square kilometers.

In 1882 one telegraph office did duty for every 133.7 square kilometers; in 1904 there was one for every 18 square kilometers, with a total of 35,100,000 telegrams, or an average of 0.65 telegram per head of population. At the end of 1907 the number of telegrams dispatched amounted to nearly 44,000,000, and the number received to 46,000,000. At the end of 1907 there was an average of 0.71 telegram sent per head of the population, and a like number received. On the same date there were 37,309 telegraph offices in Germany.¹²⁰

As to telephones,¹²¹ which were adopted during the period under discussion, there were in Germany, at the end of 1907, 30,901 towns and villages, etc., provided with long-distance telephone offices (1899, 13,175). At the end of 1907 87,521 (1899, 1,964) places could communicate with each other by telephone. Over 927,000,000 telephone conversations took place in 1903, and 1,466,000,000 in 1907. In 1907 there were 18.2 telephonic messages per head of the population. In Berlin alone there were in 1898 over 40,000 telephone call places, with 68,000 kilometers of line, over which 38,000 conversations were carried on daily. In 1904 there was one telephone

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office to every 23.5 square kilometers and 2,448 inhabitants.

The total value of all German merchant vessels amounted at the end of 1897 to about 300,000,000 marks, at the end of 1899 to about 500,000,000,¹²² and at the end of 1905 to about 810,000,000 marks (as compared with 290,000,000 marks in 1895 and 426,000,000 marks in 1898). On the 1st of January, 1908, Germany possessed 4,571 seagoing vessels (merchantmen), with a carrying capacity of 2,790,435 net registered tons, and a total crew of 71,853 men.

These 4,571 merchant vessels included 2,345 sailing vessels of 433,749 net registered tons, 304 tugs of 99,903 tons, and 1,922 steamships of 2,256,783 net tons registered.¹²³

The net registered tonnage of the German merchant marine (steam vessels) has increased from 375,000 tons in 1884, to 2,257,000 tons (in round numbers) in 1908.¹²⁴

According to the memorial of the admiralty, dated December, 1905, entitled "*Die Entwicklung der deutschen Seeinteressen im letzten Jahrzehnt*" (Introduction, p. VI), the shipping at German ports increased between 1893 and 1903 by over 52 per cent, or from 27,500,000 to almost 42,000,000 net registered tons. In 1907 it amounted to 56,129,000 net registered tons. In the same memorial it is stated that Germany has been progressing about four times more rapidly in international sea traffic than in population, while the increase of trans-marine traffic in German ports has been almost six times as great.

As far as sea-going steamships are concerned, the German merchant marine occupied in 1874 fourth place,

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whereas the British, American, and French mercantile fleets took the first three places in the order named.

In 1884, however, Germany caught up with the United States (the ocean fleet of which had decreased considerably by that time), and in 1889 France was outdistanced. In 1908 Germany, with a net tonnage of 2,328,000 tons, occupied the second position on the list, although possessing only 11.2 per cent of the steamships of the world's mercantile marine. On the other hand, England, whose progress naturally was relatively smaller during that period, possessed in 1908 no less than 10,350,000 net tons, or 50.2 per cent of the world's mercantile fleet of steamships, which latter amounted to 20,633,000 net registered tons.¹²⁵

As regards her sailing fleet, Germany between 1880 and 1901 occupied fourth place among the nations, owning in 1880 957,000 tons out of the world's sailing tonnage of 6,994,000 tons. In 1908 it occupied only sixth place, with 459,000 net tons register. The following are the figures for the other countries:¹²⁶

	Tons.
England.....	1,591,000
United States.....	1,419,000
Norway.....	667,000
Russia.....	569,000
France.....	510,000

The officers and crews of the German seagoing ships (sailing vessels, tugs, and steamships) numbered on January 1, 1909, 72,450 persons, distributed as follows: Seamen, 34,308; engineers, 23,201; and various, 14,941.¹²⁷

It is pleasing to note that subsidies were granted by Germany solely for the maintenance of regular lines of mail steamers of the North-German Lloyd and the Ger-

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man East Africa Line (the Hamburg-American Line does not receive any subsidy) to eastern Asia, Australia, Africa, and New Guinea beginning with the year 1894. The amount paid in 1909 did not exceed the very moderate total of 7,440,000 marks, equal to 1.85 marks per registered ton.¹²⁸ These amounts include also the payments for carrying the mails.

As against this small amount Great Britain has been paying since 1902 to the Cunard Line alone a yearly subsidy of £150,000, besides granting to that company a loan of £2,600,000, bearing only $2\frac{3}{4}$ per cent interest. The total subsidies granted by that country were not less than 34,000,000 marks (1.95 marks per registered ton). France spends 53,000,000 marks in subsidies (28.00 marks per registered ton), Austria-Hungary, 26,000,000 marks (26.70 marks per registered ton), and Japan, 28,500,000 marks (24.70 marks per registered ton).¹²⁹

The most prominent of the German shipping companies are the following:

1. The Hamburg-American Packet Joint Stock Company, at Hamburg, founded May 27, 1847, with a capital of 300,000 marks (Hamburg currency), which has undergone not less than sixteen increases from 1853 to the present day.¹³⁰ This company began operations in 1848 with 3 sailing vessels, steamers between Hamburg and New York being introduced only in 1856.

At the end of 1908 the company's share capital amounted to 125,000,000 marks, and its surplus amounted, on January 1, 1909, to 16,800,000 marks.

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The amount of bonds issued was originally 55½ million marks. At the end of 1908 the outstanding bonds amounted to 76.4 million marks.

The number of the company's ocean steamers amounted at the end of 1908 to 162, with a book value of 185,953,076 marks.

2. The Norddeutscher Lloyd, at Bremen, was founded in 1857, or ten years after the Hamburg Company, banks and banking firms participating to a considerable extent. Its original share capital amounted to 9,513,772 marks (28,643 shares, at 100 former Bremen gold thalers). In 1859 the company started a regular fortnightly service with four steamers between Bremen and New York.

The company's share capital totaled 125,000,000 marks at the end of 1908, while its surplus funds have been used up by losses.

Its bonded indebtedness originally amounted to 70 million marks. At the end of 1908 the bonds outstanding amounted to 76,034,700 marks.

The company's ocean-going fleet numbered at the end of 1908 127 vessels (besides 2 schoolships), with a book value of 189,114,000 marks.

Between 1902 and 1903 these two companies¹³¹ made essentially identical agreements¹³² with the International Mercantile Marine Company, which was founded January 1, 1903, by American bankers and shipowners, with a capital of \$120,000,000 (of which \$60,000,000 were common and \$60,000,000 preference shares), and which comprised nine American and English steamship lines. This company, which is named the "Morgan trust," after the originator of the association, is authorised to issue

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bonds to the extent of \$75,000,000, of which \$50,000,000 were issued at once. The contracts with the two German companies, which are almost identical in tenor, have been concluded for a term of twenty years, and contain a stipulation that either party has the right after the expiration of ten years to demand their revision; should a revision not be agreed to, a year's notice may be given for the termination of the agreement.

These international agreements contain the following points:

1. A demarcation of fields of operation: the right of traffic to and from all German ports is reserved to the German companies; the trust's ships may enter German ports only by their consent, whereas German ships, coming from New York, may enter English ports for the purpose of embarking passengers (each company 75 times yearly in any direction). The German companies' ships bound for South America, Mexico, and the West Indies, as well as those bound for such countries with which the trust maintains no service, may also touch at English ports.

On the other hand, the German companies abandon in the main all claims to the Anglo-American freight business.

Belgian ports (at which German ships had not called before) are not to be touched by the German companies' ships on their way to North America; the status quo forms the basis of the arrangement for calls by German or trust steamships at French ports. The German companies, however, are at liberty to increase their sailings from French ports at their own discretion. In case such

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an increase takes place, the trust is entitled to an equal increase.

Should any of the contracting parties desire to found a new line (permanent reservation is made expressly in favour of the newly instituted lines of the Hamburg-American Company between New York and the West Indies and between New York and eastern Asia), notice of the intention must be submitted to the common committee of supervision. This committee does not possess the right of veto, but the other contracting party has the right, in such a case, of participating to the extent of one-third in the proposed line (coasting lines excluded).

An agreement has been arrived at whereby the return tickets of cabin passengers on North Atlantic lines of the various companies are valid for all lines belonging to the combination. Negotiations were likewise pending for a common time-table for first-class steamships with alternating departures during the quiet season. These negotiations however, it seems, were not successful.

The agreements contain—

2. A reciprocal participation in profits whereby the German companies allow the trust annually a quarter of the amount of the dividends paid in excess of 6 per cent, whereas the trust pays to the German companies a quarter of the amount which they may lack in order to pay a dividend of 6 per cent.

3. An arrangement for mutual accommodation in certain cases; i. e., each party before applying to outside companies must charter ships from the other party in the event its own tonnage is found insufficient; also a provision

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to the effect that both parties under certain conditions are to support each other against outside competition.

Both contracting parties bind themselves not to acquire, directly or indirectly, shares in each other's concerns. The evasion of this prohibition has been made more difficult by the German companies in 1902 (after the conclusion of the agreement) by alterations in their by-laws to the effect that in certain questions of national importance resolutions may be passed only by a majority of three-fourths (in the Hamburg-American Company by four-fifths), and at two consecutive general meetings, and that the members of the executive and supervisory boards must be Germans domiciled in Germany.

The supervision of the proper execution of the agreement is placed in the hands of a committee consisting of an Englishman and an American belonging to the trust management and the directors-general of the two German companies.

The agreements become null and void in case of war between Germany and Great Britain or the United States, or in case of war between Great Britain and the United States.

In 1908 an agreement was arrived at between the Hamburg American Steam-packet Company (Hapag) and the Woermann Line on one side, and the North German Lloyd and the Hamburg Bremen Africa Line on the other side. (At first only till the end of 1912.) The agreement creates a limited community of interest between the companies involved and regulates the traffic to West Africa by excluding any independent action in connection with the West African traffic by any of the parties to the agreement.

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Shipbuilding, which was promoted by German banks to a great extent,¹³³ became prosperous again only in the eighties. It was only about that time that the British practice of substituting iron for wood as the main material in shipbuilding, which began about 1860, was first followed by German shipyards. The "Vulkan" at Stettin, the shipbuilding yards of Fr. Schichau at Elbing and Danzig, of Blohm & Voss at Hamburg, and of the "Weser" Joint Stock Company at Bremen stand at the head of German shipbuilding. In this industry the joint-stock companies showed in 1907 a total share capital of 54,000,000 marks and a debenture capital of about 25,000,000 marks.

According to the occupation census of 1895, 22,731 persons were employed in German shipbuilding, a number which must have considerably increased during the last fourteen years.

According to the data of the *Germanischer Lloyd* a total of 368,440 gross registered tons of shipping (seagoing steamships and sailing ships, river boats, other vessels, and war ships) were built during 1907, the figures for 1908 being 279,137 gross registered tons; a large part of German sea-going merchant vessels (up to 1905 about one-third) is still being built abroad.

Germany's share in the shipbuilding of the world (merchant vessels exceeding 100 tons) as compared with Great Britain's has been as follows:

	Germany.	Great Britain.
	<i>Per cent.</i>	<i>Per cent.</i>
1892-1897 -----	7.3	77.4
1898-1905 -----	9.0	67.4
1906-1907 -----	13.8	60.3

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American shipbuilding (iron and steel vessels) in 1907-8 increased about sixfold as compared with 1892-1897.

If we turn from sea navigation, with its enormous dimensions, to inland navigation, which has developed considerably since the forties of the last century, it will be found that 14 new joint-stock companies were founded in this field during the eighties and six additional companies in the nineties.¹³⁴ The economic value of the German waterways was estimated in 1895 at over 1,500,000,000 marks.

On December 31, 1907, there were 26,235 vessels, with a carrying capacity of 5,914,020 tons, occupied in inland navigation, including 22,923 without power of their own and 3,312 ships with power of their own (steamships and motor boats).¹³⁵ The total length of navigable waterways was 13,748.6 kilometers.¹³⁶

In 1895, 22 per cent of the total traffic fell to the share of waterways and 78 per cent to that of the railways. The amount of traffic carried on each kilometer of waterway was 750,000 tons, and on each kilometer of railway 590,000 tons.

I take it for granted that the large increase of the German navy during the period in question, which in its turn resulted in important orders to and great activity of various branches of German industry, is generally known.¹³⁷

We shall now take up the subject of currency (*Zahlungsverkehr*).

Before the foundation of the German Empire there existed in Germany 31 banks authorised to issue bank notes; to-day there are only 4 private note banks (in

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Bavaria, Saxony, Württemberg, and Baden) in addition to the Reichsbank inaugurated on January 1, 1876, in accordance with the law passed on March 14, 1875.

The Reichsbank,¹³⁸ which took the place of the old *Preussische Bank*, is a bank under the supervision and management of the Empire, established with private means and constituting a corporate body (*juristische Person*) though not a joint-stock company. According to section 12 of the bank law it is allotted the task "of regulating the money circulation of the whole Empire, of facilitating payments, and of utilising available capital."

The original capital, divided into shares (each bearing the name of the owner), amounted at the time of foundation to 120,000,000 marks, and since the supplementary law of June 7, 1899, has reached the amount of 180,000,000 marks; the surplus funds amount to 64,814,000 marks.

The management of the Reichsbank rests in the hands of the Imperial chancellor, and, subject to his authority, in those of the president and of the Reichsbank directors, who are appointed for life; supervision is carried on by a board of bank curators (*curatorium*), consisting of the Imperial chancellor as chairman and four members.

The cooperation in the management by the share owners (chiefly in an advisory capacity) is exercised through the general meeting, and through the central committee elected from its midst, which consists of 15 members and 15 alternates. The committee, which meets at least once a month, under the chairmanship of the president of the board of directors, receives monthly reports of the general business situation as well as proposals for measures that may be deemed necessary. (Sec. 32.) Its expert opinion is

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also to be heard on a number of questions, such as the discount rates and the maximum amount to which the funds of the bank are to be applied to loans on collateral (see sec. 32 a-f); it elects 3 deputies, whose duty it is to exercise supervision over the management of the Reichsbank, and who are authorized to inspect the books of the bank, and to participate in the meetings of the board of directors (with advisory powers). No business with the Empire, or the German Federated States for which unusual terms are to be made, is to be transacted unless approved by a majority of the central committee.

At the chief branches of the Reichsbank, established in large towns outside Berlin (*Reichsbankhauptstellen*), district committees are formed from among the shareholders, invested with the same functions as the central committee. The local committees in turn elect 3 deputies for the constant control of the business management of the local office. Over 500 various branches are in existence at the present day.

The Reichsbank has the right to issue bank notes without direct limitation according to the requirements of its business.¹³⁹ Its right is only limited indirectly by section 17 of the bank law, which enacts that the bank must possess in bullion and Imperial treasury notes a minimum of one-third of the amount for which notes are issued, and for the remainder—discounted bills fulfilling the requirements of the Bank Act (*bankmässige Wechsel*); furthermore, that a tax of 5 per cent must be paid on the notes issued in excess of the cash reserve, i. e., bullion, treasury notes, and notes of other banks, and of its so-called tax-free contingent. (Sec. 9.) The latter

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amounted, according to the Bank Act, to 250,000,000 marks, and since the liquidation of various private note issuing banks to 472,829,000 marks. The bank is bound to redeem its notes at all times "in German gold coin,"¹⁴⁰ at the main office in Berlin on presentation, and at its branch offices in so far as the available cash and money requirements permit." (Sec. 18.)

In view of its power of issuing notes, i. e., obligations that may fall due at any moment, the Reichsbank is allowed to engage only in certain classes of transactions. It is confined to transactions in precious metals; to the discounting of bills running for not more than three months and for which 3 or at least 2 persons of known solvency are liable; the purchase and sale of imperial government bonds, of the bonds of Federated States, or of domestic municipal corporations payable at their face value at the latest in three months; the granting of interest-bearing loans on collateral for a period not exceeding three months on movable pledges exactly defined by law (sec. 13, clause 3 a-c); the purchase and sale of German debentures, exactly defined by the Bank Act (sec. 13, clause 4 and 3b) (even if not due after three months); the collection of commercial bills, the purchase and sale of precious metals or of securities of all kinds on account of third parties (security being given in advance); the receiving of interest—and noninterest-bearing moneys on deposit and on giro account, with the proviso that the amount of the interest-bearing deposits must not exceed the limits of the combined capital and the surplus funds of the bank; finally, the custody and management of articles of value.

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The Reichsbank is required to publish from time to time the rate at which it discounts or advances money on collateral (sec. 15); like all other note banks (sec. 8), it must publish the state of its assets and liabilities under date of the 7th, 15th, and 23d, and the last day of every month (at the latest five days after the above-mentioned dates). It must also publish within three months after the end of the financial year an exact balance sheet of its assets and liabilities, as well as a statement of its profit and loss for the year. All these statements must be published in the "Reichsanzeiger."

From its foundation to the present day the Reichsbank has fulfilled all the tasks devolving on it under section 12 of the bank law in an almost exemplary manner. The details are well known and can only be summarized here.

The Reichsbank has rendered service in the first instance in facilitating payments through the introduction on April 10, 1876, of "giro" transactions, the principle of which is that in lieu of payment in cash between the "giro" customers of the banks, book transfers may be made by writing off the amount to be paid from the account of the payor and transferring it to that of the payee. "Giro" transactions form the most simple method of settling claims and counterclaims at one and the same bank, namely, by transfer from one account to another.

Since 1883 so-called compulsory clearance ("*Verrechnungs-Zwang*") has been introduced for "giro" customers, according to which all claims of a "giro" customer arising out of bill or collateral credit granted by the Reichsbank are not paid in cash, but placed to the credit of his "giro" account.

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Since 1896 most of the imperial treasuries, as well as the state treasuries of Prussia and Baden, have opened "giro" accounts with the Reichsbank.

The number of "giro" accounts increased from 3,245 in 1876 to 24,821 in 1908; aside from the governmental treasuries these accounts stand mostly in the name of large commercial and industrial concerns,¹⁴¹ so that up to the present the "giro" transactions of the Reichsbank have partaken of a somewhat plutocratic character. Therefore, in the interest of the more economical use of cash as means of payment, the introduction of the postal transfer and check system on January 1, 1909, must be welcomed, as largely extending the circle of firms and persons who settle their claims and counterclaims by means of transfer. As the Reichsbank has also joined this postal transfer and check system, transfers can be made by firms possessing postal-check accounts to Reichsbank "giro" accounts of other firms by means of the Reichsbank postal-check account. In the same manner the possessor of a postal-check account, who likewise has a "giro" account at the Reichsbank, may have the amounts standing to his credit in his postal-check account transferred to his "giro" account at the Reichsbank.

Through this interlocking of postal check and Reichsbank "giro" systems (which latter might be considerably extended), and through a still greater fostering of the use of checks, whose ultimate liquidation, however, should be effected by transfer and clearance, rather than by cash payment, the present antiquated and unsatisfactory methods of payment in Germany will be considerably improved.

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A great and necessary improvement would be brought about by suitable agreements with foreign postal savings banks, central note banks, and credit banks, whereby their transfer systems might be made to cooperate with the transfer systems of the German post-office and Reichsbank. A first step in this direction is the arrangement of February 1, 1910, for the clearing of postal checks and transfers between the German postal administration and the postal savings bank administrations in Vienna and Budapest as well as the Swiss postal-check bureau.

The "giro" transactions of the Reichsbank with private persons, private firms, and public treasuries in 1907 were as follows:

	Marks.
Average amount of each account.....	24, 116
Average volume of transactions per account.....	10, 876, 564

whereas the total volume of "giro" transactions during 1907 amounted to 260,656,851,081 marks.¹⁴²

The number of postal-check accounts amounted at the end of November, 1909, to 23,847, with a total balance of 70,955,349 marks to the credit of persons and firms having such accounts.

The means at the disposal of the "giro" department strengthen the operating resources of the Reichsbank or its power to serve the whole economic community by way of bill and loan transactions, and enable it to make the most rational use of its bank-note issue. At the same time the currency set free through the "giro" method of payments can be utilised for credit business.

The "giro" business of the Reichsbank, which is restricted to its customers, should be supplemented by the

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clearance system, which aims at discharging claims and debts (especially checks, bills, etc.) among a number of institutions and their clientele by means of balancing their accounts—i. e., with the least possible use of cash.

A clearance system [*Skontrationsverkehr*] of this description, which has long been organized on a much larger scale abroad in the form of clearing houses, (especially in England and the United States), was instituted in Germany as late as 1883, in which year the Reichsbank founded clearing branches [*Abrechnungsstellen*]. At the close of 1908, when there was a total of 17 clearing houses with 198 members, the amount of paper presented for clearing had increased to 10,531,271 from 1,979,012 in 1884, and the total sum cleared from 12,130,196,000 marks in 1884 to 45,960,854,400 marks in 1908.

In the three foreign financial centers, the total value of clearances was as follows:

	1884.	1907.
	<i>Marks.</i>	<i>Marks.</i>
France (Chambre de Compensation des Banquiers de Paris)-----	3,355,475,000	21,289,210,000
England (London Bankers' Clearing house comprising City, Country, and Metropolitan Clearing)-----	118,464,479,000	260,081,929,000
United States (Associated New York Clearing-house banks)-----	143,186,557,000	148,366,165,106,000

The small amount cleared at the German clearing houses at the present time as compared with the clearing houses of the two last-mentioned countries is due on the one hand to the gratifying circumstance that large payments in Germany are effected with outside places by means of "giro" accounts, or transfers on the books of

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the Reichsbank or post-office, and on the other hand to the less gratifying fact that payments in Germany are much less effected by means of checks which in turn would pass through the clearing houses.

It should be stated, though, that the check law of March 11, 1908, passed after protracted opposition, has removed a series of obstacles that have hitherto stood in the way of the development of the check system in Germany.

The total turnover of the Reichsbank ¹⁴⁴ amounted in 1908 to 305,244,504,000 marks, or, in round figures, 305¼ billion marks, as compared with about 47½ billion marks in 1877 and about 142 billion marks in 1897; in these total turnovers, cash payments are superseded by "giro" transfers to a constantly growing extent. Thus the volume of giro transactions increased from 41 billion marks in 1886 to 188 billions in 1905, and it is due mainly to this circumstance that the Reichsbank has been able to operate with a relatively small amount of bank notes even in periods of increased business activity.

The doubling of German bank-note circulation in 1907, as compared with the average for 1881-1885—despite the great increase in gold coinage and in the extent of the giro transactions, is a clear proof of the enormous growth of the requirements for means of payment on the part of the greatly increased population during the period under consideration.

The average circulation of bank notes amounted to—

	Reichsbank.		Bank of France.		Bank of England.	
	Amount.	Per head of population.	Amount.	Per head of population.	Amount.	Per head of population.
	<i>Marks.</i>	<i>Marks.</i>	<i>Marks.</i>	<i>Marks.</i>	<i>Marks.</i>	<i>Marks.</i>
1876-1880.....	681,000,000	15.4	1,912,700,000	51.5	571,300,000	16.8
1881-1885.....	736,800,000	16.0	2,268,900,000	59.9	522,600,000	14.7
1886-1890.....	913,400,000	19.0	2,285,100,000	59.6	499,500,000	13.5
1891-1895.....	1,007,400,000	19.8	2,702,100,000	70.4	523,400,000	13.5
1896-1900.....	1,114,800,000	20.5	3,052,800,000	78.8	565,600,000	14.0
1901-1905.....	1,258,600,000	21.5	3,447,400,000	88.2	592,300,000	13.9
1907.....	1,478,800,000	23.9	3,897,400,000	99.1	591,300,000	13.4

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The reserves of the Reichsbank for the issue of bank notes amounted to—

	Cash.			Metal.			Gold.		
	Average.	High-est.	Low-est.	Average.	High-est.	Low-est.	Average.	High-est.	Low-est.
	<i>Per cent.</i>	Per cent.	Per cent.	Per cent.	Per cent.	Per cent.	Per cent.	Per cent.	Per cent.
1876-1880-----	85.0	104.3	66.1	77.1	96.3	62.4	34.0	54.4	22.5
1896-1900-----	79.5	102.9	51.9	76.4	99.4	49.7	52.4	71.7	32.6
1908-----	72.8	89.4	49.9	66.9	82.6	44.2	51.5	65.6	32.0

As compared with this, the note issue reserves held by the banks of France and England were as follows:

	Bank of France.		Bank of England.	
	Metal.	Gold.	Metal.	Gold.
	<i>Per cent.</i>	<i>Per cent.</i>	<i>Per cent.</i>	<i>Per cent.</i>
1876-1888-----	87.8	-----	99.0	98.3
1886-1900-----	84.1	52.0	129.9	129.1
1907-----	76.3	56.2	120.5	117.7

The proportion of reserves of the Reichsbank to bank notes and other moneys falling due daily (the giro assets in the first instance) was:

	Cash.			Metal.			Gold.		
	Average.	High-est.	Low-est.	Average.	High-est.	Low-est.	Average.	High-est.	Low-est.
1876-1880-----	66.2	73.0	53.2	60.0	69.3	52.1	26.5	42.1	19.0
1896-1900-----	55.1	68.1	38.5	52.9	65.7	36.8	36.3	47.1	24.1
1908-----	51.0	58.2	38.2	46.9	53.7	33.8	36.1	42.6	24.5

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This proportion in the case of the other two banks was as follows:

	Bank of France.		Bank of England.	
	Metal.	Gold.	Metal.	Gold.
1876-1880.....	69.8	-----	46.5	46.1
1896-1900.....	69.7	43.1	44.9	44.8
1907.....	65.8	48.5	42.1	41.2

The average amount of gold in hand at the Reichsbank (current gold-coin of the Empire, bars, foreign coin, etc.) during the period in question was:

	Amount.	Per cent of the total stock of bullion.
	<i>Marks.</i>	
1876-1880.....	231,593,000	44.1
1881-1885.....	251,092,000	43.5
1886-1890.....	513,574,000	63.6
1891-1895.....	611,296,000	66.1
1896-1900.....	584,091,000	68.6
1901-1905.....	693,561,000	73.8
1908.....	785,195,000	77.1

The amount of Reichsbank notes in circulation unsecured¹⁴⁵ by cash¹⁴⁶ or metal¹⁴⁷ is rightly regarded as the real "elastic" part of the whole note issue, as it adapts itself very closely to the varying state of the market, and the requirements of the business community, the varying amounts forming a very reliable gauge of the state of and fluctuations in the demand for means of payment.

The following tables may serve as illustration.

(a) Amount of bank notes in circulation unsecured or exceeded by cash.^a

Year.	Average stage.		Highest stage.		Lowest stage.		Difference between highest and lowest stages in thousands of marks.
	Amount in thousands of marks.	Percentage of the figures for 1876, or for the period 1876-1880, respectively,	Date.	Amount in thousands of marks.	Date.	Amount in thousands of marks.	
1876-1880	102,263	100.0	Jan. 7, 1876	242,201	Mar. 23, 1879	- 25,350	267,551
1881-1885	117,113	114.5	Dec. 31, 1884	306,551	Mar. 15, 1883	4,082	302,469
1886-1890	73,943	72.3	Dec. 31, 1889	396,058	June 7, 1888	-170,630	566,688
1891-1895	48,879	47.8	Dec. 31, 1895	441,683	Feb. 23, 1895	-177,764	619,447
1896-1900	228,623	223.7	Sept. 30, 1899	664,633	Feb. 23, 1898	- 28,103	692,736
1901-1905	278,736	272.4	Sept. 30, 1905	920,285	Feb. 23, 1902	- 41,388	961,673
1906	438,461	365.4	Dec. 31	1,045,476	Feb. 23	126,136	919,340
1907	531,056	442.5	Dec. 31	1,098,805	Feb. 23	248,242	850,563
1908	415,319	346.1	Dec. 31	927,625	Aug. 22	148,890	778,735

^a The amounts of bank notes exceeded by cash are preceded by a minus sign.

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(b) Amount of bank notes in circulation unsecured or exceeded by bullion and specie.^a

Year.	Average stage.		Highest stage.		Lowest stage.		Difference between highest and lowest stages.
	Amount.	Percentage of the figures for 1876, respectively, for the period 1876-1880.	Date.	Amount.	Date.	Amount.	
1876-1880.....	156,206	100.0	Dec. 31, 1880	283,701	Mar. 23, 1879	21,511	262,190
1881-1885.....	159,777	102.3	Dec. 31, 1881	344,948	Mar. 15, 1883	41,743	303,205
1886-1890.....	105,110	67.3	Dec. 31, 1889	425,957	June 7, 1888	-137,113	563,070
1891-1895.....	82,706	52.9	Dec. 31, 1895	467,012	Feb. 23, 1895	-142,470	609,482
1896-1900.....	263,423	168.6	Sept. 30, 1899	696,040	Feb. 23, 1898	6,388	689,652
1901-1905.....	318,933	204.2	Sept. 30, 1905	950,431	Feb. 23, 1902	- 4,944	955,375
1906.....	496,271	284.7	Dec. 31	1,110,881	Feb. 23	181,859	929,022
1907.....	635,443	364.6	Dec. 31	1,181,743	Feb. 23	350,760	830,983
1908.....	505,077	289.8	Dec. 31	995,243	Aug. 22	245,387	749,856

^a The amounts of bank notes exceeded by bullion and specie are preceded by a minus sign.

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In 1907 the greatest amount of gold in hand was 759,181,000 marks (on May 23), and the lowest amount 471,848,000 marks (on November 30).

The average metallic reserve was:

	Marks.
1876-----	510,593,000
1880-----	562,091,000
1881-----	556,749,000
1885-----	586,131,000
1886-----	693,105,000
1890-----	801,019,000
1895-----	1,011,763,000
1896-----	891,988,000
1900-----	817,137,000
1901-----	911,411,000
1905-----	972,959,000
1908-----	1,019,065,000

The differences (*Spannung*) between the official rate of discount and the private rate (market discount) averaged by four-year periods as follows:

	Berlin.	Paris.	London.
	<i>Per cent.</i>	<i>Per cent.</i>	<i>Per cent.</i>
1876-1880.....	1.19	0.51	0.51
1881-1885.....	0.98	0.43	0.64
1886-1890.....	1.04	0.50	0.93
1891-1895.....	1.11	0.55	1.03
1896-1900.....	0.71	0.09	0.60
1901-1905.....	1.01	0.60	0.43
1905.....	0.97	0.90	0.35
1906.....	1.11	0.28	0.22
1907.....	0.91	0.06	0.40
1908.....	1.23	0.79	0.70

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The average rates of discount of the central Banks in Germany, France, and England since the institution of the Reichsbank was as follows—

	Reichs- bank.	Bank of France.	Bank of England.
	<i>Per cent.</i>	<i>Per cent.</i>	<i>Per cent.</i>
1876	4.16	3.40	2.61
1877	4.42	2.28	2.90
1878	4.54	2.21	3.78
1879	3.70	2.58	2.51
1880	4.24	2.81	2.76
1881	4.42	3.84	3.48
1882	4.54	3.80	4.15
1883	4.05	3.08	3.57
1884	4.00	3.00	2.96
1885	4.12	3.00	2.93
1886	3.28	3.00	3.05
1887	3.41	3.00	3.38
1888	3.32	3.10	3.30
1889	3.68	3.09	3.55
1890	4.52	3.00	4.54
1891	3.78	3.00	3.32
1892	3.20	2.70	2.52
1893	4.07	2.50	3.05
1894	3.12	2.50	2.11
1895	3.14	2.10	2.00
1896	3.66	2.00	2.48
1897	3.81	2.00	2.63
1898	4.27	2.20	3.25
1899	5.04	3.06	3.75
1900	5.33	3.25	3.96
1901	4.10	3.00	3.72
1902	3.32	3.00	3.33
1903	3.84	3.00	3.75
1904	4.22	3.00	3.30
1905	3.82	3.00	3.00
1906	5.15	3.00	4.27
1907	6.03	3.46	4.93
1908	4.75	3.04	3.01

In 1906 the rate of the Bank of France was 3.00, and that of the Bank of England 4.27; the rate in 1907 of the Bank of France was 3.46, and that of the Bank of England

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was 4.93; and in 1908 the rate of the Bank of France was 3.04, and the rate of the Bank of England was 3.01 per cent.

The private rate of discount (market discount) averaged as follows:

	Berlin.	Paris.	London.
	<i>Per cent.</i>	<i>Per cent.</i>	<i>Per cent.</i>
1876	3.04	2.25	2.25
1877	3.17	1.75	2.25
1878	3.07	2.00	3.50
1879	2.60	2.25	1.75
1880	3.04	2.50	2.25
1881	3.50	3.75	2.88
1882	3.89	3.38	2.38
1883	3.08	2.56	3.00
1884	2.90	2.42	2.60
1885	2.85	2.46	2.04
1886	2.16	2.23	2.05
1887	2.30	2.42	2.36
1888	2.11	2.75	2.38
1889	2.63	2.65	2.70
1890	3.78	2.64	3.68
1891	3.02	2.58	2.50
1892	1.80	1.83	1.47
1893	3.17	2.22	2.10
1894	1.74	1.77	0.97
1895	2.01	1.63	0.81
1896	3.04	1.83	1.52
1897	3.09	1.96	1.87
1898	3.55	2.12	2.65
1899	4.45	2.96	3.29
1900	4.41	3.17	3.70
1901	3.06	2.48	3.20
1902	2.19	2.43	2.99
1903	3.01	2.78	3.40
1904	3.14	2.19	2.70
1905	2.85	2.10	2.66
1906	4.04	2.72	4.05
1907	5.12	3.40	4.53
1908	3.52	2.25	2.31

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The average bill investments of the Reichsbank amounted to—

	Marks.
1876-1880.....	356,518,000
1881-1885.....	366,955,000
1886-1890.....	463,214,000
1891-1895.....	554,142,000
1896-1900.....	724,438,000
1901-1905.....	839,752,000
1906.....	989,445,000
1907.....	1,104,537,000
1908.....	967,729,000

Since a central note bank always has to be in a position to redeem its notes (covered according to law in a special manner) on presentation, and to meet its other daily obligations (for which the mode of covering is not prescribed by law), the general principle ought to be observed that, in so far as the law does not permit exceptions, its credit business must be strictly in keeping with its debit business, a principle which need not be so strictly maintained by the credit banks.

Accordingly a central note bank should grant short-time credit only, either by discounting short-term bills or by making short-time loans on collateral.

The discounting of short-term bills ought to occupy the first place in the credit business of the Reichsbank, as the latter is bound under section 17 of the bank law to secure, by short-term bills, two-thirds of the notes it issues. The Reichsbank in the course of time has acquired a constantly growing percentage of the entire number of outstanding bills. It is thus able to extend its note circulation, as the short-term bills falling due provide it continually with the means of redeeming its bank notes.

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Collateral credit business at the Reichsbank is relegated to a secondary position, since collateral claims, for obvious reasons,¹⁴⁸ can not be used as reserve for notes. Nevertheless, collateral credit (which is likewise granted for three months only) is normally less expensive to the debtor, although since 1896 the rate of interest on collateral loans has been 1 per cent higher than bank discount, for the reason that interest on loans on collateral is computed only for the actual duration of such loans, and that the debtor may repay at any time part or the whole of the loan. Lending money on merchandise has been discarded more and more in favor of lending money on securities. Thus at the end of 1908 only 5,390,100 marks were loans on merchandise, whereas 170,533,650 marks were loans on securities. The amount of loans on collateral, as a whole, rose almost constantly, as follows:

	Amount of loans on collateral made.	Annual aver- age out- standing.
	<i>Marks.</i>	<i>Marks.</i>
1904.....	1,957,411,820	74,180,000
1905.....	2,093,427,625	72,033,000
1906.....	2,773,191,475	83,631,000
1907.....	3,293,301,200	98,140,000
1908 (decrease of the total and of the annual average).....	2,812,171,450	91,397,000

Apart from the possible difficulties of realisation, it involves greater risk for the bank to grant credit on collateral than bill credit, as the nature of the credit required cannot be recognised so easily as in the case of bills.

In granting short-term credit it is incumbent on the Reichsbank administration to aim at regulating, through the interest or discount rate, the domestic demand for

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short-term credit which concentrates at the Reichsbank and which is expressed to a great extent in its bill investments.

When credit is rendered more expensive by a high discount rate, which latter naturally influences immediately the rate on loans on collateral and, gradually, general interest rates throughout the country, excessive demands for credit at home, as well as excessive speculation, overproduction, and overvaluation of goods and securities are restricted to a certain extent. Provided that the private rate of discount is high, and that exceptional circumstances (similar to those in 1907) do not intervene, a high Reichsbank rate of discount can also check, diminish, or retard the outflow of gold to foreign countries.¹⁴⁹ As a rule, however, it will not cause gold to be imported from abroad, unless domestic discount rates are raised far higher than those abroad, and private rates of discount are raised correspondingly and kept at a corresponding height. In all other cases "screwing up the discount rate" will not cause gold to flow in from abroad, but merely prevent temporarily a further increase in the foreign exchange rate, thus preventing or postponing the advent of the moment when the export of gold might become profitable.¹⁵⁰

Complaints have been made against the Reichsbank for having raised the bank rate (especially in 1907) without necessity, at all events for having maintained it at an exorbitant height, thus severely injuring the interests of trade, industry, and agriculture.

It was also stated that the Reichsbank was too obliging as far as credit demands were concerned, particularly

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toward the credit banks, and the average amount of its bill investments in 1907 (1,104,537,000 marks) and of its investments in collateral¹⁵¹ (98,140,000 marks) were pointed to as a proof of the complaint. In particular at the so-called "heavy terms" (*schwere Termine*) (the first day of the quarters; also the fortnights from September 15 to 30 and December 15 to 30) it was said to have weakened its position unnecessarily by granting bill and collateral credit of too comprehensive a nature, and that it discounted a great number of financial, credit, and nominal bills (*Leerwechsel*)—i. e., such bills as were not based upon real, bona fide commercial transactions.

Finally it was urged that, because of its limited holdings of foreign bills, the Reichsbank was unable to exercise any appreciable, even if only temporary, pressure upon the rate of exchange, whenever this rate had gone beyond the "upper gold point," or tended in that direction; that it was therefore not in a position to pursue an independent foreign bill policy (*Devisenpolitik*), which was demanded by the circumstances, or at least to support and supplement its discount policy by means of a corresponding foreign bill policy, even though subject to the same limitations as its discount policy.

I consider that the proceedings of the bank inquiry commission instituted by the Government in 1908 at the instigation of the Reichstag, and the statements of the experts examined at that time, go to show that only the last mentioned objection can be sustained, and that only to a limited extent.

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The amounts of foreign bills held by the Reichsbank since 1876 were as follows:

	Marks.
1876.....	1, 672, 000
1877.....	1, 873, 000
1878.....	5, 351, 000
1879.....	3, 560, 000
1880.....	9, 584, 000
1881.....	7, 481, 000
1882.....	5, 590, 000
1883.....	4, 004, 000
1884.....	4, 631, 000
1885.....	7, 951, 000
1886.....	16, 961, 000
1887.....	7, 864, 000
1888.....	3, 316, 000
1889.....	3, 798, 000
1890.....	5, 420, 000
1891.....	5, 306, 000
1892.....	4, 715, 000
1893.....	4, 113, 000
1894.....	2, 540, 000
1895.....	2, 569, 000
1896.....	2, 753, 000
1897.....	2, 411, 000
1898.....	4, 934, 000
1899.....	19, 045, 000
1900.....	26, 753, 000
1901.....	26, 946, 000
1902.....	22, 733, 000
1903.....	24, 068, 000
1904.....	22, 212, 000
1905.....	33, 093, 000
1906.....	43, 244, 000
1907.....	44, 461, 000
1908.....	70, 881, 000

On the other hand, as a result of the deliberations of the bank inquiry commission, it has been firmly established that, on the whole, the Reichsbank has not gone too far in the amount of credit granted, although it was considered advisable that in the future stricter principles should be observed in discounting bills, and that the discounting of

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long-term bills and the granting of any kind of permanent credit should, at least on principle, be abandoned.

Neither could it be proved that the Reichsbank during 1907 had raised the discount rate arbitrarily. On the contrary, the majority of the members of the bank inquiry commission, and of the experts examined, were of the opinion that the raise of discount rates was in the main only the natural and necessary consequence of industrial credit requirements, which in turn were not arbitrary, but for the greater part legitimate and necessary, and that had the discount rate not been raised, the situation of the Reichsbank would have been much worse, and the drain of gold much larger. As a matter of fact, the fixing of the discount rate by the Reichsbank has solely a "declaratory," and not a "normative" (*konstitutive*) significance.

The majority referred to were decidedly of the opinion that, for the same reasons, the continued high rate of discount, although much to be regretted, was a necessity. In the course of the deliberations it became necessary even for the most outspoken advocates to abandon the view that the Reichsbank ought not to comply fully with the sudden and abnormally large demands for credit that arise at the so-called "heavy terms" (*schwere Termine*), and which come principally from the credit banks.

It will hardly be denied that the credit requirements at the so-called "heavy terms" are particularly legitimate and such as can not be deferred, and that these requirements are met at the time by the Reichsbank in the shape of short-term discount and collateral credit. These requirements are: the credit demands on the first day of each quarter, when, in accordance with German

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custom, rents, mortgage interest, salaries, wages, interest payments, coupons, and frequently bills, etc., fall due, and between the 15th and 30th of September and December, the periods characterized by a similar natural increase of credit demands on the part of all business interests.

The fact that the credit banks fall back to a very considerable extent on the Reichsbank just at those periods is a necessary consequence of their being the agents of the credit requirements of trade and industry, and that, accordingly, the assistance sought is mostly for the satisfaction of the above requirements—i. e., the needs of third parties—and only to a relatively small extent for their own uses.

This does not prevent, however, the recognition of the fact that the credit banks (as may, however, happen under every system of banking) have frequently been too liberal in satisfying the credit requirements of trade and industry, and this not only in cases where operating credit was granted in the shape of short-term credit, but also in cases where investment credit was concerned, which in the early stages may have worn the garb of operating credit and developed only little by little into permanent investment credit.

Nor is there any doubt that the demands made on the money market, and above all, on the Reichsbank, were frequently increased by a superabundance of issues, promotions and transformations that were not always justified.

As far as the resources of the Reichsbank were concerned, the majority of the commission proposed that these should be increased, though it was deemed advis-

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able to effect this increase by a gradual increase of the surplus instead of an increase of capital.

In addition, it was considered advisable that section 2 of the bank law should be changed, and that, following the example of England and France, the bank notes issued by the Reichsbank should equally be declared legal tender. Naturally, the obligation of the Reichsbank to redeem its bank notes in gold was to remain and, if possible, be even more sharply emphasised.

The necessary proposals in these two directions are contained in the draft of a bill (art. 1, par. 2; arts. 3 and 4) laid before the Reichstag in February, 1908, and since made law, containing amendments to the bank act. (*Entwurf eines Gesetzes betreffend Aenderung des Bankgesetzes*.—Reichstag document, No. 1178.) The provision, however, in force in England—which I consider both necessary for and practicable in Germany, notwithstanding the argument to the contrary found on page 12 of the report of the bill—according to which bank notes are not to be legal tender for payments made in its giro and bank-note transactions by the Reichsbank itself, has been unjustifiably omitted. Further, the draft authorises the Reichsbank to buy checks, provided that two persons of known solvency are responsible for the same, an authority which the bank did not possess until then. This latter measure is also in accordance with the views of the majority of the members of the bank commission. On the other hand, the permission granted by article 5, Section III, of the act of June, 1909, to use checks (which in distinction to bills can not be accepted) as part of the note reserve seems to be of doubtful wisdom. Finally,

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article 2 of the act provides for an increase of the tax-free "contingent" of uncovered bank notes of the Reichsbank from the present amount (472,829,000 marks) to 550,000,000 marks, so that the bank will have to pay the 5 per cent tax merely on the amount by which its note circulation exceeds its cash reserve (see note 145) plus this note contingent of 550,000,000 marks. The system of a tax-free note contingent has thus been upheld, it having been proved that this factor has had no influence upon the discount policy of the bank. The Government and the majority of the commission were of the opinion that the passing of the bounds of the tax-free contingent was serving as a danger signal to the commercial public, although, as a matter of fact, from 1891 (before which date the bounds were never exceeded) till 1907 inclusive, this limit has been exceeded not less than 164 times.¹⁵² The last-named fact may therefore be said to have brought about merely an increase of the tax-free note contingent.

In concluding this review of the activity of the Reichsbank during the period under consideration, it must be acknowledged that the regulation of our money circulation, and of our systems of payments, credit and currency, with which that institution had been intrusted, has been in good hands. In particular it may be said that by means of a circumspect discount policy, by opportune and energetic intervention in 1900 as well as in 1907, i. e., during the most critical periods, the bank has been of the greatest aid in preserving the German money market and the entire economic organisation from lasting disturbances of the gravest character.

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The above review of the most important factors which influenced the development of industry and banking in Germany during the period in question, would be quite incomplete without a brief reference to the cartels formed¹⁵³ during this era,¹⁵⁴ and especially to those formed beginning with the period 1873-1875.¹⁵⁵ These combinations developed to an enormous extent in German industry, and their growth was due in a great measure to the direct influence of the German credit banks.

Cartels in the great majority of cases are either "necessity's offspring" or at least due to its influence or after-effects.¹⁵⁶

They are associations, founded by contract for certain periods of time, of independent enterprises belonging to kindred branches of industry or of branches of industry with nearly identical interests,¹⁵⁷ the individual members of the association retaining their independence but joining for the purpose of regulating production and sales according to common points of view and in the common interest.

A sharp distinction must be drawn (at least outwardly and legally) between cartels and trusts, for the latter although following the same aims¹⁵⁸ represent permanent and organic combinations of undertakings which have sacrificed their independence, and do not always belong to the same branches of industry, but possess common interests.

Cartels are formed principally in branches of industry which, like the mining and chemical industries, produce staple articles (*vertreibbare Artikel*), and in large quantities (*Massengüter*). Their formation is rarest and most

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difficult in branches of industry producing special articles, or which work up half-manufactured articles.

Furthermore, cartels are formed most rapidly and easily in those industries engaged in the production of staple articles, which show an organic, local, or capitalist concentration into a limited number of large or "giant" concerns (*Riesenbetriebe*); this has been the case for some time in the mining industry, and more recently in the chemical industry.

The formation of cartels is slowest and most difficult in cases where both conditions—i. e., the production of staple goods, and a limited number of large works—are lacking. It is more difficult and unwieldy where a considerable number of middle-sized, and small (and moreover scattered) works exist side by side with large concerns (*Grossbetriebe*).

The "necessity" for the formation of cartels in Germany was clearly recognized, especially during the crisis of 1873, as a result of the economic situation; by this means overproduction at home and ruinously cheap prices were to be terminated; this "necessity" likewise was the origin of the protective-tariff movement of the seventies, which was intended to ward off, or decrease foreign competition. The simultaneous introduction of a protective system of duties is by no means indispensable for the formation of cartels, at least not in the case of strongly developed industries, as may be seen in the case of England. It seems to be only an attendant feature, easily accounted for, in case of feeble industries, and which, in some degree certainly, is likely to promote the formation of cartels.

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It is quite correct, and has been conclusively proved by Sering, that at certain times, and under certain suppositions the iron industry in particular can not dispense with protective duties, and that well-organized cartels enable protective duties to become effective in favor of producers. More than this, however, can not be said; consequently the assertion that the organized iron or steel industries can attain their aims only "under the system of protective duties"¹⁵⁹ is in my opinion incorrect.

No official statistics existed up to the end of 1905 regarding the total number of cartels established in the German industry, consequently the figures found scattered here and there for earlier years must be accepted with reserve.

In 1896 there are said to have been 250 cartels in the whole German industry,¹⁶⁰ one-fourth of which belonged to the iron and chemical industries, one-sixth to the earthen and stone industries, and one-ninth to the textile industries.

According to investigations made in the iron industry, which, however, can not be regarded as exhaustive, 44 cartels (conventions, syndicates) existed in that industry in 1903.

In the statistics contained in the *Denkschrift über das Kartellwesen* (p. 24), laid before the Reichstag during December, 1905, the number of domestic cartels is stated to be 385, divided as follows:

Coal industry, 19; iron industry, 62; metal industry (excluding iron), 11; chemical industry, 46; textile industry, 31; leather and india-rubber industries, 6; wood industry, 5; paper industry, 6; glass industry, 10; brick-making industry, 132; earths and stone industry, 27;

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earthenware industry, 4; food and delicacies, 17; electrical industry, 2; miscellaneous, 7. About 12,000 works participated directly in these cartels (p. 25).

Numerous complaints before, during, and after the serious crisis of 1900 among nonorganized branches of industry, as well as in wider circles, against the price policy pursued by the cartels,¹⁶¹ led to serious charges against the cartel system, and ultimately, as usual, to its absolute condemnation as being positively detrimental to the public welfare. These complaints gave rise to an official investigation by the imperial home office, which lasted from November 14, 1902, to June 21, 1905. The memorial (Part I) elaborated in the same governmental department, and laid before the Reichstag on November 28, 1905, simply gives a review of the existing cartels in Germany.¹⁶²

In continuation of these investigations, it was proposed to bring out a compilation of the legal provisions and regulations applying to cartels at home and abroad, including also the most important decisions of the supreme tribunals. Further, the results of the official inquiry were to be tested in the light of specially prepared price statistics. The material was to be brought down to date "in all cases where the conditions determined in the investigation had changed," and, if necessary, the material gathered was to be supplemented "through the extension of the investigation to other cartels." (See p. 18 of the memorial of 1905.)

The first part of the memorial is accompanied by reprints "of all available by-laws (Statuten), company and delivery agreements, etc., and business regulations"

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pertaining to cartels "in order to afford an insight into the forms of organisation of the combinations" (pp. 18-19).

In addition to the associations of producers, the memorial treats also of the associations of consumers and dealers.

In conformance with the outlined program, Part II¹⁶³ of the memorial, laid before the Reichstag on March 25, 1906, contains the provisions of the German civil and penal laws, including the decisions of the supreme court of the Empire. Part III, submitted to the Reichstag on March 21, 1907,¹⁶⁴ is devoted solely to a review of the cartels in the coal industry.

Finally, Part IV, laid before the Reichstag on November 3, 1908,¹⁶⁵ deals with the foreign cartel laws, including those of the European countries, the United States, and the British Colonies (Australia, New Zealand, Canada, and Cape Colony).

This is not the place to discuss in detail the results of the official inquiries preceding the publication of the memorial, nor the inquiries themselves, which by no means exhausted all aspects of the subject, especially the important question of export bounties. It seems advisable, however, as the conclusions drawn from this inquiry are likely to occupy the attention of the legislative authorities, to examine some of the questions more closely. It should be stated at the very outset that in Germany, as opposed to the United States, all the railways are state property, and that any domination over the railway tariffs by the cartels is out of the question.

According to my conviction, the official inquiry has established the following preliminary conclusions.

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The charge brought against the Rhenish Westphalian Coal Syndicate, of having raised prices too high and too rapidly during the years of greatest trade prosperity (*Hochkunjunktur*) viz, 1898-1900 was proved unfounded; as to the complaint that it did not reduce prices sufficiently and speedily enough after the crisis, no common ground for the conciliation of the divergent views could be found.¹⁶⁶

The opinion that it is bad policy, unpatriotic, and incompatible with the public welfare to sell goods abroad at lower prices than at home can be regarded as refuted. In the event of overproduction at home, sales to foreign countries are generally¹⁶⁷ necessary in order to dispose of the surplus home production and to relieve the home market as far as possible, whereas the determination of price in such cases is governed chiefly by foreign competition and prices prevailing in the international market. The aim of the seller being always to obtain the highest sale price possible, it may therefore be assumed as a general fact that the regrettable occurrence of foreign sales being effected frequently below home prices and even below cost is solely due to the causes just named.

On the other hand, I am of opinion that the following charges have been proved: The cartels in general, and especially those in the mining industry, frequently lacked all close touch and proper connection with each other, so that a common business policy was out of question, even if for these reasons only. A proper policy should at least have set itself the task of establishing a proper relation of prices for the products of the various industrial branches, especially a ratio of prices for raw materials, half-manu-

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factured wares, and finished commodities. Instead, the coal syndicate pursued its own price policy (which was certainly moderate throughout) without reference to the coke syndicate; the latter in turn pursued its less moderate price policy without reference to the pig-iron syndicate,¹⁶⁸ etc. Such a common business policy, moreover, was out of question, because (a) the cartel system (*Kartellierung*) never comprised the whole process of production, i. e., the production of the raw material, of the partially manufactured goods, and the finished article, but only a single part, or parts, of the process of production, and because, furthermore, (b) the syndicate contract frequently excluded a whole series of articles, as well as all foreign business, from the cartel's sphere of influence.

It is clear, therefore, that the increase of prices fixed for Germany by the cartels of the raw-material industries benefited at first those cartels only, and that they were able to dispose of their home surplus in foreign markets at prices below those prevailing in these markets, and sometimes even below cost.

In the iron industry these facts caused considerable injury, in the first instance, to the cartels formed in industries following in the process of production, namely, the production of partially manufactured goods. These cartels in their turn endeavoured as much as possible to shift the injury to their consumers, the industries following in the process of production, i. e., the industries engaged in the further working up or finishing of the partial manufactures. Hence, it followed that the further an industrial branch was removed from the beginning of the productive process the more intensely it was injured¹⁶⁹

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by the otherwise consistent (*an sich naturgemässe*) business policy of the raw-material cartels mentioned.

The unorganised industry of the more highly finished products, therefore, was weakened and injured to a high degree, and to a twofold extent; by unrestrained domestic competition as well as foreign competition on the one hand, and by the enforced raising of home prices for raw materials and partially manufactured materials on the other.

A considerable number of these evils which were calculated to counteract the essentially true purposes aimed at by the formation of cartels, and which would have led eventually to the disruption of the cartels,¹⁷⁰ have been removed at least for a certain number of industries by the formation, on March 30, 1904 (retroactive to March 1), of the Steel Works' Union (*Stahlwerksverband, Düsseldorf*), which united the Semi-Manufactures Producers' Association (the so-called *Halbzeugverband*), the Girder Manufacturers' Association (*Trägerverband*), and the Rail and Sleeper Combine, the total production of which, at the time of its foundation, amounted to 7,900,000 tons (of 1,000 kilograms). The advantage of this union,¹⁷¹ which was extended on April 30, 1907, for a further term of five years, consists principally in uniting within its sphere of activity the whole German output of partially manufactured articles, and a very considerable portion of the rolling mills' output. Further advantages of the combination were the fact that all the works belonging to the union were so-called "mixed" works and that it comprised at least some of the mutually dependent cartels. The new combination has also taken in hand the export trade, and

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is endeavouring, in conjunction with the Rhenish Westphalian Coal and Iron Syndicates (by means of contractual arrangements), to regulate it in the common interest by fixing export premiums and establishing a special clearing house for exports. The export premiums, which amounted to 2.50 marks per ton, were abolished, beginning with July 1, 1907.

The union also has the avowed intention, carried into effect since by a series of measures, to harmonise as far as possible its own business policy, and more especially its price policy, with that of the cartels following or preceding it in the process of production. In particular its aim is to fix the prices of all syndicate products in accordance with the prices of the raw materials in such a manner as to partake of the benefit of the customs duty while showing the utmost regard for the interests of the industries of the more highly finished products.¹⁷²

However, according to the memorials of February, 1908,¹⁷³ and June the 5th, 1908, presented by the "pure" Martin Steel Works (engaged in the production of crude steel only) and the "pure" rolling mills (which only roll steel and iron, but do not produce the iron and steel material), to the Secretary of State for Home Affairs and to the Reichstag, the Steel Works' Union had shown no consideration for the interests of the finishing industry as evidenced in many instances. It was stated that the Steel Works' Union, with the object of suppressing the "pure" rolling mills, had systematically kept the home prices of half-finished material (the so-called "A" products of the syndicate) so high that the "pure" rolling mills not only had no profit, but at times a clear loss in the sale of

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the products manufactured from this half-finished material. For, simultaneously with the rise of prices for the products "A"—which they on their part could not manufacture (as most of the members of the Steel Works' Union could), but had to purchase—there had been a fall in the selling prices of the products "B" of the Steel Works' Union, comprising iron plates and bar iron, the sole product of the "pure" rolling mills.

The entire advantage of the Steel Works' Union depended on the duty-free importation of such raw materials as coal and ore. As it imported the latter free of duty in those exceptional cases where it did not possess ore of its own, the mixed works (Thomas Steel Works) were able to keep the cost of their products below that of the other works.

The superiority of the "mixed" works belonging to the Steel Works' Union, it was claimed, was therefore not based exclusively on the natural advantages of concentration, but chiefly or exclusively on the fact that these works, being able to obtain their material without duty, made a selfish and wrong use of the duty on imported pig iron, half-finished, and scrap iron for the benefit of the syndicate products and to the detriment of the "pure" works. In the opinion of the "pure" works, these duties were unnecessary, in view of the equally high cost of production abroad, especially in England.

This superiority of the mixed works, the argument went on, rested on the further fact that although the cost of material to the pure works was enhanced by the amount of the import duty, the former made it impossible for the pure works to realize the benefit of the customs duty

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in the prices of their products by refusing to sanction the organization in a syndicate of the producers of finished iron, especially of rolled plates and bar iron.

Under these conditions the "pure" Martin Steel Works and the "pure" rolling mills demanded at one time a suspension and early removal of the import duties on pig iron, half-finished iron, and scrap iron (cfr. memorial of 5th June, 1908), and at another (cfr. memorial of February, 1908)—the introduction of import certificates for pig iron and exported articles (i. e., for half-finished articles—bar iron, plates, and wire), by which means they could at least secure to themselves the unhampered supply of material for articles to be exported.

The Steel Works' Union pointed out in its answer to the above-mentioned memorials that the mixed works were at a considerable disadvantage as compared with foreign countries, both as to general conditions of production, especially cost, and as to the far smaller social burdens imposed abroad, particularly in England. A compensation could be found only in better technical arrangements, in savings in the cost of production and in a decrease of the cost of transportation.

There could be no question of a systematic suppression of the "pure" works. This might be seen from the fact that the total sales of half-finished material amounted in 1907, to 1,200,000 tons, whereas the firms who had complained purchased only 340,000 tons, the production of which required the services of only 5,000 workmen of the Steel Works' Union's total labor force of 360,000 men. Added to this were the export premiums continually paid by the Steel Works' Union also to the above-mentioned

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works, which helped them to tide over bad times, to say nothing of the ever-increasing deliveries of half-finished material to these works which were a matter of record.

The cutting of prices of iron bars and plates very often emanated from the "pure" rolling mills, in fact it often exceeded the amount of the export bounties.

It was a matter of regret that owing to objections of several members of the Steel Works' Union, and to other obstacles, the desired formation of bar iron and plate iron syndicates had not become possible. The removal of duties on half-finished material, pig iron, and scrap iron desired by the "pure" works would result merely in a dissolution of the Steel Works' Union. These duties were indispensable as a protection against the enormous power of the American steel combination against the advancing Russian iron industry, and, lastly, against the constantly growing British protectionist tendencies. The abolition of the duties mentioned would prove at the same time of general disadvantage to the whole home industry, and especially to the rolling mills, as it would entail the removal of the duties on iron bars and plates. For these duties acted chiefly as prohibitive duties, a fact disputed, however, by the "pure" rolling mills.

Finally, in the opinion of the Steel Works' Union, the import certificates (for the export of articles worked up from imported pig iron or half-manufactures), demanded by the "pure" works, were too rigid in character and could not be adjusted to varying market conditions. This pliability, however, was essential to their successful application. If the demand of their substitution for the export payments made by the syndicate were to be granted, they

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might easily assume the character of true export bounties, especially at times when home and foreign prices were equally high.

As a sequence to this at times quite acrimonious controversy, the Steel Works' Union decided upon the reduction of the domestic price of half-finished material by 5 marks per ton (this came into force on the 1st of July, 1908). But this did not help the "pure" works, since this reduction of the price for half-finished material had been anticipated, and accordingly the selling price of sheet and bar iron had fallen 10 to 15 marks per ton; that is, below the cost to the "pure" rolling mills. Since November 27, 1908, the prices on fashioned bar iron (*Formeisen*) have likewise been reduced for the first half of 1909 by 5 to 10 marks by a resolution of the Steel Works' Union.

As no important improvement has taken place in the condition of the "pure" rolling mills, a condition which resembles in a striking manner the present condition of the private banking business with relation to the great banks, it will be necessary to consider the demands of these works. It may be noted in this connection that some of the great banks are found in their camp, at least with part of their interests, though the large majority of the great banks and by far the greater part of their interests are doubtless identified with the Steel Works' Union.

The carrying out of the plan to create bar iron and sheet iron syndicates (which it would appear has been recently supported even by the Government) would seem to be the most radical, and perhaps the only way of improving the doubtless precarious condition of the "pure" rolling mills. Such a plan should certainly be supported

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by all means in the interests of German trade and industry.

We must not forget, however, that the scheme to form a general sheet-iron syndicate was wrecked not only by the opposition of three South German members of the Steel Works' Union (de Wendel, Maxhütte, and Dillingen), but also by the opposition of a great number of Siegerland works. The formation of the wrought iron syndicate on the other hand seems to have come to grief owing to the opposition of various works, as well as to the demands of wholesalers who insisted upon being guaranteed a minimum profit for handling the products.

Another plan would be the extension of the number of "pure" rolling mills by the erection of Martin works, which would make them independent of the supply of half-finished material from the Steel Works' Union. It was on these grounds that the plan was strongly advocated in a memorial of the "Association of crude iron and half-finished material consumers," which in the main sided with the "pure" rolling mills against the contentions of the Steel Works' Union.

The construction and successful working of new Martin works presumes, however, the removal of the import duties (as desired by the "pure" rolling mills) on pig iron, half-finished products, and scrap iron. It is, however, very doubtful if the removal of duties would be in the interest of national industry, and even more so whether the change would prove of permanent benefit to the rolling mills themselves.

In the first place I am not convinced that these import duties have been used in a selfish and wrongful manner

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by the Steel Works' Union in order to crush the "pure" rolling mills. On the contrary, it seems to me that even the strongest combination is hardly able in the long run to realize through its domestic selling prices the full protective duties on the half-finished material, because in the main we export half-finished material. Certainly in periods of booms the influence of prices in the world markets will largely equalise the influence of duties and freights on inland prices. Even the average inland price for grain (the imports of which largely exceed the exports) has not always equaled the average foreign prices plus freight and duty.

In the foreign markets the determining price factor as a rule and in the long run is mainly the condition of the international market as affected by supply and demand. Prices in the world market are quite independent of domestic prices and are the result of altogether different factors. There is no reason, therefore, why they should correspond to the domestic prices plus protective duties and the freight difference.

I also share the opinion of the Steel Works' Union that once a breach has been made in the customs wall for iron such as the pure works desire by the removal of the duties from half-products and by the introduction of import certificates, the abolition of the remaining iron duties would necessarily follow. For it will be difficult in the long run to maintain free trade for the export business and to continue to make use of protective tariffs for other branches of the iron industry, such as pig iron, bar iron, sheet iron, and wire.

It seems to me that much as the removal of protective duties may be desirable on principle the removal of the

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duties on pig iron and half-products which, like the cartels, are the means not only of raising but maintaining the prices of domestic products, would be premature, for the reasons stated in the memorial of the Steel Works' Union and in view of present conditions. Nor can we be quite sure that at no distant date the raw material (*Einsatzmaterial*) of the Steel Works' Union now entering duty free (at least the ores) may not become subject to foreign export duties.

Added to this is the fact that as long as the agrarian protective duties continue, the one-sided removal of the industrial protective duties would mean an unfair burdening of the industrial population, which would moreover be left unprotected against foreign competition.

To return to the other purposes of the Steel Works' Union (*Stahlwerksverband*):

The union endeavors, by a series of measures intended to insure regular work for syndicate undertakings, to reduce the cost of production, a matter which hitherto has not been influenced in the slightest degree by the syndicates. Finally, it has promoted the formation of dealers' associations, limited to certain districts, especially the Rhenish-Westphalian, the Middle-German, and the South German girder dealers' associations, the existence of which was at one time endangered through dissension, but which is now assured for another five years, dating from the summer of 1907 to June 30, 1912.

The Steel Works' Union, by reason of its organization and of its freer attitude toward the export trade, is in a position to pave the way for international agreements with the chief exporting countries. In fact it has suc-

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ceeded in bringing about such agreements, although only for a short period each. On November 28, 1904 (retroactive from October 11, 1904), an agreement concerning the export of rails was arrived at between England, Germany, France, and Belgium, to begin with, for a period of three years (till March 31, 1908), and on November 24, 1904, an agreement was concluded between Germany, France, and Belgium with reference to the export of girders for the period of two and one-half years (until June 30, 1907).¹⁷⁴

Both agreements have been extended indefinitely and barring unforeseen incidents are likely to remain in force until June 30, 1912, the date of the expiration of the Steel Cartel agreement.

The United States Steel Corporation (acting also for the Lackawanna and Pennsylvania Companies), founded February 23, 1901, with a capital of \$1,400,000,000, joined the International Rail Cartel later on. The Steel Corporation does not comprise, as is frequently stated, the whole steel production of the United States, but so far "only" two-thirds of the American steel output, and controls about 1,500 miles of railway, or rather less than 1 per cent of the whole railway mileage of the United States.¹⁷⁵

We shall close the review of the period with this mention of the international agreements, which were initiated in Germany and in which up to the present German industry has been able to secure an eminently satisfactory position in accordance with its industrial achievements. This period is characterized not only by expansion and concentration in the fields of trade, industry, and particularly banking, but also by the greatest revolutions in the economic field; it marks the era of international trade, the

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precursor, and in part also the cause of the new era of "world" and colonial politics. It was a period of vast inventions and discoveries, which created perfectly new industries, and fundamentally transformed existing ones, and which imposed on the industries (often protected by high customs duties) great tasks in the international market, which were achieved to a considerable extent. The revolutionary character of this epoch, however, expressed itself in two tremendous crises—in the crisis of 1873 and that of 1900.

This period marks the complete transformation of the character of German industrial organization, begun in the last decade of the preceding epoch. The new order, despite the partly sound, partly inadequate, arguments urged against it, possesses no doubt the great merit of having provided—principally by increased export trade—food and occupation for the enormously increased population, which, it was stated as early as the middle of last century, agriculture was no longer able to sustain. Moreover, the view seems fairly justified, at least to a certain extent, that the recent growth of imports, which, as was pointed out above (pp. 112 and 121), in certain branches largely exceeded the simultaneous growth of exports, is a fair indication that the large increase of production during late years is due primarily to increased home demand.

The following question, however, should not be suppressed in this recapitulation of the past and forecast of the future: What will happen if imports into Germany continue to increase greatly, and exports fall off considerably? This danger must be borne in mind as a serious eventuality, at least for some industries, a danger which may result from high protective duties likely to be

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introduced abroad, especially in America and the British Empire, as well as from existing German commercial treaties.

As far as the latest commercial treaties are concerned they offer one gratifying advantage benefiting the whole community, namely, the assistance and support against foreign countries demanded by agriculturists and absolutely necessary in many directions and parts of the country. As a result of this support agriculture was able to recover its former vigor and prosperity by internal means, especially by a more vigorous and concentrated development of agricultural credit and cooperation. This development is highly desirable from the point of view of national interests, as it tends to reduce the necessity of foreign grain imports to the smallest extent possible.

But inasmuch as only such governmental measures can be of general or permanent benefit in which consideration for the interests of one class of the community goes hand in hand with due regard for the interests of the community as a whole, it is our earnest hope that the protection of our home agriculture may not have been accorded at the expense of commercial and industrial development, or even of important branches of industry or industrial export branches.

Much depends on the vigor of commerce, especially the vigor of industry, which must continue to advance and must not rest for a moment. Its further progress will depend, first and foremost, on the powerful and judicious support of those institutions but for whose constant and energetic cooperation the great economic achievements of the period could not have been attained, to wit, the German banks.¹⁷⁶

CHAPTER III.—*The German Great Banks during the second period (1870 until the present).*

SECTION I.—(1).

INTRODUCTION.

The activity of the banks in the economic life of society has often been likened to that of the heart in the human body.

This comparison is quite proper. For just as it is the function of the heart to regulate by means of certain organs the circulation of the blood, which through countless arteries and veins flows through the human body and returns to the heart, so, as was shown above, it is the function of the banks to regulate by certain economic measures the circulation of capital, which flows from them and returns to them, and which may properly be regarded as the life blood of the modern economic organism.

The multiplicity and importance of the functions of the human heart can best be seen from a study of the functions of each part of the human body in the entire organism. In a like manner some idea of the tasks fulfilled by the German banks during the more recent period can be had from a discussion of those leading factors in the general economic development of the period, which were furthered by the banks, particularly through their activity in the credit field, by floating enterprises and issuing securities.

Inasmuch as important phases of this activity have been described in the introduction and in the chapters devoted

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to the early period of German banking, and as this activity has proceeded on the whole along the same lines, though on a larger scale, during the more recent period, it will be sufficient to point out merely the special tasks undertaken by the banks during this period.

For only in this manner will it be possible to achieve our main purpose of presenting a complete picture of the influence and activity of the banks in the general economic development during the two periods.

But in contrast with former editions of this book I shall endeavor in each of the subsequent chapters to describe, at least in outline, the share of each of the large banks in the common task. It will then be seen that, notwithstanding the similarity of the purposes and of the general development, each large bank has shown a peculiar character and development, has pursued a peculiar business policy (cf. Sect. 6, below) and that this policy, even within the same bank, has shown numerous and at times radical changes depending on the change of management, times, and purposes.

Before proceeding with our inquiry let us recall what amounts of capital were at the disposal of the German credit banks for the achievement of their tasks at the beginning of the present period. As stated before, of the total amount of about 2,405,000,000 marks which represented the share capital of the stock companies founded in Prussia during the nineteen years' period of 1851-1870, the share of banking capital was 94,650,000 marks, that is to say, less than 100,000,000 marks, or about 5,000,000 for each year (cf. p. 48, *supra*).

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In 1870 the capital of the large banks founded during the earlier period showed the following amounts:

Bank für Handel and Industry, 25,046,000 florins (42,936,000 marks).

Disconto-Gesellschaft, 10,000,000 thalers (30,000,000 marks).¹⁷⁷

Berliner Handelsgesellschaft, 5,625,000 thalers (16,875,000 marks).

A. Schaaffhausen'scher Bankverein, 5,200,000 thalers, (15,600,000 marks).

Mitteldeutsche Kreditbank,¹⁷⁸ 5,000,000 thalers (15,000,000 marks).

In 1870 a *Konzession* was granted to the Deutsche Bank¹⁷⁹ with a capital of 5,000,000 thalers (15,000,000 marks).

During the same year the Commerz- und Disconto- Bank at Hamburg was founded with a nominal capital of 30,000,000 marks, of which 15,000,000 marks were paid in.

In 1872 the Dresdner Bank at Dresden was founded with a nominal capital of 8,000,000 thalers, equal to 24,000,000 marks, of which 40 per cent were paid in, i. e., 3,200,000 thalers (9,600,000 marks).

In 1881 under totally changed conditions the Nationalbank für Deutschland was founded with a nominal capital of 45,000,000 marks, of which 20,000,000 marks were paid in.

Further substantial increases of both the number and capital of the German credit banks followed in rapid succession during this period. As early as 1872 the combined capital of the then existing German credit banks (enumerated in Appendix III, at the end of the volume) exceeded 1,000,000,000 marks (1,122,113,000 marks). Of the total number, however, not less than 73 banks, with a capital of 432,500,000 marks, were compelled to wind up their affairs during the six years of business depression which followed the crisis of 1873.¹⁸⁰

Here again I shall depart from the method followed in former editions. Following the usual classification of banking business into credit and debit transactions, I shall, as stated in the preface, take up the discussion of the principal credit and debit transactions (*Aktiv- und*

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Passiv-Geschäfte) of the German banks with particular reference to the great banks.

At the outset the following general considerations should be emphasized. It is regarded as a fundamental rule both for banks of issue and for credit banks, which are not permitted to issue notes, that the character of their debit transactions shall determine the character of their credit transactions,¹⁸¹ or, in other words, that a credit bank must not *grant* credit different in character from that which it *receives*. This proposition must indeed be recognized also as the fundamental principle of credit banks, but it is to be understood in the sense that a credit bank, in proportion as it has procured moneys repayable on demand or within short or longer terms, or has contracted credit obligations which become due on demand or within short or longer terms, must invest the funds at its disposal in such a manner that it shall be in a position to meet its obligations at all times when they become due.

At the same time, however, a bank may assume that, at least in normal times, not all the moneys due will be claimed simultaneously, just as a fire insurance company is justified in assuming that not all the insured houses will be destroyed by fire at the same time.

No general and fixed rules can be laid down as to the percentage of the claims likely to be presented for payment. Such a percentage can be estimated only on the basis of the experience gathered during a long time by the individual bank, with due regard to the experience of other banks and to its own peculiar character; in other

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words, by using the care and precaution customary in business, and more especially in the banking field.

The general practice of the German large banks is even more cautious,¹⁸² since they dispose of their funds in such a manner as to be prepared at any moment to repay one-third of all outsiders' funds (*fremde Gelder*), irrespective of whether they are payable on demand or after longer or shorter terms, by the aid of resources which may be regarded as being of first-class liquidity, i. e., cash, including bank notes, sight drafts, and checks, contango (*Reports*), bills, also the so-called "Nostro" credits, i. e., credits held with first-class domestic and foreign banks and banking firms.

"Outsiders' funds" (*fremde Gelder*) include the deposits (*Depositen*), the credit balances on current account, and other balances not on current account, resulting from loan operations and other issue business, or from the coupon service, or from interest-bearing funds held until settlement day to the credit of domestic and foreign states, provinces, districts, communes, commercial and industrial concerns, of land banks, note banks, and other banks, insurance companies, administrations, corporations, institutions, foundations, and private capitalists.

The liquid assets stated above include the so-called reports, which as a rule, or at least primarily, comprise only such as can be realized in the international market, as for instance those concluded in London and which become payable on an average within a fortnight (instead of the usual term of four weeks). Similarly bills mentioned among this class of assets must be such as can be used for international transactions. They may be in terms

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of German currency, since there is normally a large demand abroad for German prime discounts. Only in the second place do the banks resort for this purpose to short-term or shortly-due bills which may be rediscounted at the Reichsbank.¹⁸³

Such a constant readiness for the repayment of a third of *all* "outsiders' funds" (not only of deposits), must be regarded as more than sufficient, since never yet in the history of the German great banks has there been a case when payment of one-third of all the liabilities has been demanded suddenly without notice. Were the Reichsbank to reckon with the possibility of a sudden presentation of one-third even of its notes only, it could not maintain its present mode of calculating its liquid assets. As a matter of fact, there is no legal provision whatever for cash security, so far as the giro-claims of the Reichsbank are concerned.

SECTION 2.—THE CURRENT (REGULAR) BANKING BUSINESS.

I. THE DEBIT OPERATIONS OF THE GERMAN CREDIT BANKS (TAKING OF CREDIT).

(A) THE DEPOSIT BUSINESS.

(1) *General observations.*

As stated before (see pp. 73 and 74), the German banks, during the first period, proceeded mainly on the principle of carrying on their business, as far as possible, with their own means. In the interest of their own security they did not deem it advisable "to bring about an increase in the amounts of deposits by granting more liberal terms." Their customary practice, therefore, was to accept deposits

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repayable only after three, six, or twelve months' notice, on which, moreover, only a small interest was paid.

The systematic fostering of the deposit business by the German banks, which in England is regarded as an essential element of banking,¹⁸⁴ is due to the initiative of the Deutsche Bank, which almost immediately after its foundation in 1870 began to devote itself energetically to this class of business.

Already during the Franco-Prussian war, toward the end of 1870, the Deutsche Bank opened special deposit offices, at first in Berlin, then in a number of suburbs, also in Wiesbaden, Hamburg, Leipzig, and Dresden. In this manner manufacturers and capitalists were enabled to invest productively even the smallest available amounts (of not less than 10 thalers), while the Bank was in a position to use these deposits—which became its property with the restrictions mentioned above¹⁸⁵—for certain business purposes, having been the first to reach the conviction that, in view of the large demands and tasks presented to the banks their credit business could no longer be transacted with their own means. Since, however, even the use of only a portion of the deposits for its own business, even with the observance of the required restrictions, can be permitted only in case the remaining portion is adequately secured by most liquid assets (*stets greifbare Mittel*), the Bank at the same time took exemplary precautions to provide for this form of securities and adopted a special organization of the deposit business, so arranged that the special division created for the purpose might, when necessary, be separated at any time and made independent.

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The opening of these deposit branches¹⁸⁶ on the one hand made it easier for manufacturers and capitalists to obtain bank credit; on the other hand it brought the Bank in contact with a constantly growing number of customers, whose financial standing was known and who formed a regular and steadily increasing circle of subscribers to the stocks and bonds issued by the Bank.

Conditions in Germany, unlike those in England, presented a number of serious obstacles to a vigorous growth of the deposit business.

In the first place, the general custom in Germany among manufacturing and other circles is to keep on hand much larger amounts in cash than actually necessary. In the case of the smaller traders and manufacturers this is caused partly by the fact that often they have no regular bank connections. For this reason they keep idle at home the money needed to meet maturing obligations, and even much more, from sheer timidity, merely using so much of it as is required for their current business. The same and similar remarks apply to many capitalists, who, following old-time tradition, are often given to hoarding their cash resources in the most primitive fashion.

To the extent, however, that the patent advantages of interest-bearing investment helped to overcome this traditional inertia, it was the deeply rooted custom among large classes of the German population to turn over small savings to the savings banks. The latter, in many cases, were older than the credit banks, and owed their origin to, and were identified with, local conditions. They were convenient for the deposit and withdrawal of money, even

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in the smaller towns, besides being either public institutions or, at least, under state control.

Finally, at the beginning of the seventies, the amount of available national wealth was relatively small. Since the deposit business presupposes large amounts of surplus funds, the establishment of special deposit banks would have proved unprofitable and was therefore out of the question, at least for a good while.

Under these circumstances all that the German credit banks could do at first was to use their utmost care and efforts to prepare the ground for a gradually developing deposit business. It was utterly out of the question, in view of the then existing conditions and habits of the people, that the latter would take their savings to the credit banks in the same manner as to the savings banks. In fact, the deposit offices had to create their own depositors. Their mode of procedure in this matter, allowing for certain differences of conditions, was not much unlike that of the English deposit banks during the early period. As pointed out before the Bank Inquiry Commission, the deposit offices extended credit to manufacturers and traders, thus enabling them to pay their creditors through their intervention. The creditors quite often were induced not to draw the money due or to re-deposit it, receiving for it a higher than the customary rate of interest.

After the connection had been made in this or similar manner, it followed, as a matter of course, that the persons to whom credit was extended, as well as those who shared in it, gradually came to deposit at the branch their cash funds and reserves and to transact there all their banking business.

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The new customer began to draw checks upon the deposit office, to discount there his commercial bills, to have the office attend to most of his payments, and lessen the risk in his import and export business. The office granted him acceptance credit, undertook the investment of his funds and the management of his property in securities, gave him information and advice and procured for him advantages of all sorts. In this manner the deposit offices, which from the mere profits of the deposit business would never have been able even to defray their operating expenses,¹⁸⁷ and which therefore were equally interested in enlarging the scope of their business operations, gradually assumed the character of so-called *Wechselstuben* (exchange offices), engaging in all classes of banking business, like the central parent bank, or its ordinary branches, except dealing in securities on own account and undertaking syndicate business (*Konsortialgeschäfte*). This was carried so far that the new competition caused loud complaints among the private bankers affected thereby. It is thus seen that the origin of commercial deposits at the German banks is altogether different from that of the savings deposits at the savings banks. Statistically this may be proved by the observation that the amounts of deposits increase or decrease in accordance with the general increase or decrease of credit operations. Equally different are the purposes for which deposits are made at the two classes of banks.

The client of a savings bank, belonging almost exclusively to the middle and lower classes, has in mind an institution which shall permanently and securely keep and administer his savings deposits, and pay him the highest

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possible rate of interest. The client of a commercial bank, belonging mainly to the middle and higher classes and particularly to the commercial and industrial groups, as a rule has in mind the temporary deposit and utilization of his surplus funds, being therefore in most cases satisfied with a low rate of interest until such time as he can invest them permanently in securities, mortgages, or industrial enterprises; moreover, he is particularly interested in turning over the administration and use of these funds to the bank which attends to his other banking business.

With few exceptions the former has but one character.¹⁸⁸ He is a depositor of savings and nothing else. The latter has a Protean character; one day, in virtue of his deposit, he may be a creditor, some other day, in virtue of his current account—or other connections with the bank, he may be a debtor. He may become creditor as well as debtor, for a thousand and one reasons. Thus, unlike the savings bank depositor, he is not presumed to exclude the right of hypothecation or detention of the deposit on the part of the bank.

For this reason it is very difficult to give a definition of the German term "*bankmässige Depositen*", since in Germany the term comprises not only what are known in England as current accounts, but likewise what are known there as "deposit accounts." As these various designations are far from uniform and on the other hand are coterminous, it is almost impossible to obtain, for the various German banks, uniform and comparable data of "deposits" on a scientifically unobjectionable basis. For these and other reasons some banks have heretofore either failed altogether to give any separate account of their

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deposits, or have shown the latter combined with the so-called "creditors" accounts. This is true of the *Darmstädter Bank* (which, however, has of late been giving separate data for deposits), of the *Berliner Handelsgesellschaft*, the *Commerz- und Disconto-Bank*, the *Mitteldeutsche Kreditbank*, and the *Nationalbank für Deutschland*. Other institutions, such as the *Deutsche Bank* and the *Dresdner Bank* comprise among deposits on the one hand all "creditors" of their deposit offices and exchange offices—a proceeding which can be explained only in view of the peculiar development of the German deposit business just described—and on the other all those "creditors" who may have intrusted moneys to other offices of these banks upon receipt of so-called "*Depositenquittungsbücher*" (deposit receipt books) or else without such books but expressly designating them as "deposits."¹⁸⁹

The Disconto-Gesellschaft, while stating separately the "deposits" in its regular reports, as well as in its jubilee report of 1901 (p. 260), seems, however, to include under that head the current accounts of larger domestic and foreign firms and corporations, since the amounts of these deposits show oscillations which can not be explained exclusively by contemporary business conditions or the state of the money market.¹⁹⁰ On the other hand, its reports up to the year 1908 invariably grouped under the head of "creditors" instead of "debtors," the balances daily due (*die täglich fälligen Guthaben*), held at its deposit offices.

It is plain both from the account of the development of the German deposit business and from the purposes for which these deposits are made and received, that, as was pointed out also at the third general convention of German bankers at Hamburg¹⁹¹ (Sept. 5 and 6, 1907), only

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an exceedingly small portion of the deposits of the German credit banks—in my opinion less than one-third—is made up of what may properly be called savings deposits. By far the larger portion—not less than two-thirds if not three-fourths—of these deposits represent “operating reserves” of traders¹⁹² (cash on hand, reserve, etc.) or of funds of traders or capitalists temporarily deposited but destined for investment in securities, mortgages, industrial enterprises, etc. This opinion is shared unanimously by other students of the question, including the experts heard in 1908 before the Bank Inquiry Commission.¹⁹³

Between 1870, when the systematic fostering of the deposit business on the part of the German banks may be said to have commenced, and 1891, that is to say, during twenty-one years of the most intensive fostering of this branch of business, those banks which hold by far the larger part of the total deposits, namely, the 143 German credit banks having a capital stock of at least 1,000,000 marks each, had accumulated total deposits amounting to 386,000,000 marks.

Nine years later, according to a compilation of the *Deutscher Ökonomist*, 118 of the largest German credit banks had accumulated 997,000,000 marks of deposits; i. e., after thirty years of fostering of this branch of business, these banks had succeeded in attracting not quite 1,000,000,000 marks of deposits.

After another nine years, on December 31, 1908, the total deposits of all German credit banks reached about 2,750,000,000 marks, of which about 2,250,000,000 were the share of the 143 German credit banks having a capital of at least 1,000,000 marks each.

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The large increase within the last nine years is due not merely to the growth in the volume of credit operations—the prime cause of growing deposits—and of the general prosperity, but above all to the large increase in the number of the deposit offices of the great Berlin and provincial banks, especially notable during those years. It is also due to the fact that owing to improvements of the bank statements and the more thorough work of the private statisticians, the statistics comprise now the operations of nearly all German credit banks, 413 in number, with all their branches, silent partnerships (*Kommanditen*), agencies, and deposit offices.

In view of this circumstance and the fact that this total represents the result of nearly forty years of concentrated and consistent effort, even this result can not be regarded, either absolutely or relatively, as a great success. Hence the statement¹⁹⁴ made as early as 1904 that there was “an unhealthy growth of deposits,” seems entirely unfounded. This becomes especially apparent when the above total is compared with the total volume of the savings deposits held by the German public and private savings banks, which, on December 31, 1906, had reached a total of 13,250,000,000 marks, and by December 31, 1908, amounted probably to between 14,000,000,000 and 15,000,000,000 marks.

To this should be added the savings and other deposits (*fremde Gelder*, less credit balances on current account) held by the 16,000 cooperative credit associations (*Kreditgenossenschaften*) in city and country, which on December 31, 1906, amounted to about 2,000,000,000 marks, also the amounts accumulated in the note banks, people's

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banks, and, since January 1, 1909, in the check departments of the post-offices¹⁹⁵ (which latter amount is likely to continue increasing but can not be considered in this connection).

It is perfectly improper either to calculate a percentage of growth for arbitrarily chosen periods or for unequal numbers of banks, or by comparing percentages to make the growth of deposits in the German credit banks appear considerably larger than in the savings banks or in the English joint-stock banks.

Thus, for instance, the total deposits of 92 credit banks at the end of 1892, 408,000,000 marks, were taken as 100, and, compared with the total deposits of 118 credit banks at the end of 1907, 997,000,000 marks, an increase of 144 per cent was found. As against this increase the much smaller percentual growth of the same business at the English joint-stock banks between the years 1890 and 1900 was pointed out, the number of which had decreased during that period from 99 to 82 while their deposits had grown from 335,000,000 to 572,000,000 pounds sterling, or only 71 per cent.

It is always easy to afford both to friends and opponents a small satisfaction¹⁹⁶ of this sort by calculating percentages and proceeding in the one case—i. e., of the German deposits—from a low level, and in the other—i. e., of the English deposits—from the high level of £335,000,000 or 7,000,000,000 marks, since the per cent increase in the case of the English joint-stock banks, in view of the high level of their deposits from which the start is made, can, in the nature of things, be but small. It follows that the extent and gravity of the fallacies and

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blunders will differ merely according to the year which is chosen as the base of comparison. An even larger blunder is committed by those who calculate first the aggregate deposits of the savings institutions, credit banks, note banks, and cooperative credit societies, and then arrive at the "conclusion" that the percentual share held by the credit banks in the aggregate is constantly increasing, while that of the remaining institutions is constantly decreasing. This is a graver blunder for the reason that in this case figures of entirely different nature—namely, of deposits in savings banks and those in credit banks and similar institutions—are thrown together and the calculations of percentages are then based on the totals thus obtained.

It is, therefore, not surprising that with such methods, which, however, often lead to important economic and legislative conclusions, startling though arithmetically correct results are obtained, showing a considerable percentual decrease of deposits in savings institutions, while the absolute figures for these deposits show a continuous and almost regular increase to between 14,000,000,000 and 15,000,000,000 marks on December 31, 1908, for the country as a whole, as compared with 2,750,000,000 marks of bank deposits.

By using equally fallacious methods it is quite easy to make the following totally different calculations:

In 1891—i. e., sixteen years ago—the German savings banks had about 5,250,000,000 marks of savings deposits.¹⁹⁷ On December 31, 1906, they held 13,250,000,000 marks. The increase was, therefore, almost threefold. In the same year, 1891, the 143 German credit banks,

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with a capital stock of at least 1,000,000 marks each, had 386,000,000 marks of deposits. On December 31, 1906, these deposits were 2,250,000,000; there was therefore a much larger, almost sixfold, increase.

If, however, instead of 1891 the year 1900 is chosen as a starting point, it is seen that the deposits of the German savings banks amounted then¹⁹⁸ to approximately 9,000,000,000 marks, as against only 997,000,000,¹⁹⁹ that is, less than 1,000,000,000 marks deposited in the German credit banks. As compared with the above given figures for the end of 1906, the savings deposits are seen to have increased by about 4,000,000,000 marks, the deposits in the credit banks by much less—i. e., only by about 1,500,000,000 marks. In other words, different results will be obtained by percentual calculations according as the level used as base of comparison is higher or lower.

(2) Deposits in foreign countries.

As compared with the aggregate absolute figures of deposits in the German credit banks of 2,750,000,000 marks on December 31, 1908, and approximately 2,500,000,000 on December 31, 1906, the corresponding aggregate for the English deposit banks (including the Scotch and Irish banks as well as the Bank of England) may be estimated at about 6,250,000,000 marks at the end of 1905. According to Edgar Jaffé²⁰⁰ their current and deposit accounts (*gesamte fremde Gelder*) on that date aggregated 19,000,000,000 marks, while according to the London Economist of May 19, 1906, whose lower data we shall use as a matter of caution, they aggregated only 16,750,000,000 marks. If of this total²⁰¹ two-thirds is allowed for current accounts and only one-third—which

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is too low rather than too high an estimate—for deposit accounts (held against deposit receipts with seven, fourteen, and more days' notice), we arrive at approximately the above total of 6,250,000,000 marks—i. e., an amount equal to the aggregate outsiders' funds (*gesamte fremde Gelder*) held at the end of 1906 by the larger German credit banks (with share capital of at least 1,000,000 marks each).

To these 6,250,000,000 marks of savings accounts should be added for Great Britain (exclusive of Ireland) deposits in the post-office savings banks and in the trustees' savings banks of about £216,500,000,²⁰² equivalent to about 4,500,000,000 marks—making thus a grand total of 10,750,000,000 marks. These latter banks have to invest their available funds in British consols and pay a fixed rate of interest of $2\frac{1}{2}$ per cent.

In the United States²⁰³ the total amount of visible deposits of all kinds, including savings deposits, held by banks and private bankers on or about June 30, 1909, was about \$14,100,000,000, or slightly in excess of 59,000,000,000 marks. Of the total, the note-issuing national banks held \$4,898,500,000 (about 20,500,000,000 marks) while other banks and firms held 9,209,000,000 dollars (about 38,678,000,000 marks). Of this latter total, \$3,713,000,000 (about 15,595,000,000 marks) represented the deposits held by savings banks, \$2,467,000,000 (or about $10\frac{1}{3}$ billion marks) deposits in the state banks, about \$2,836,000,000 (or 11,911,000,000 marks) deposits in the loan and trust companies, and about \$193,000,000 (or 810,600,000 marks) deposits held by private bankers. The national banks are banks of issue; there is, however,

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no central institution to rediscount their bills. A series of obligations²⁰⁴) has been imposed upon the national banks by twelve acts, especially those of April 3, 1864, and of March 3, 1869, viz:

(a) To hold a cash reserve of 25 per cent of their deposits in the reserve cities and of 15 per cent in the other cities.

(b) To publish quarterly statements and balance sheets.

(c) Not to assume obligations in excess of their total liabilities, less bank notes and deposits.

(d) Not to loan to any single person a total amount in excess of one-tenth of their capital stock (a provision which, according to an inquiry made in 1900, about 40 per cent of all national banks circumvented by subdividing accounts, etc.).

(e) To transfer 10 per cent of the dividends to a surplus fund, so long as the latter is below 10 per cent of the capital.

(f) To make five reports each year to the federal comptroller of the currency. The latter, moreover, may examine the banks at any time and enforce the observance of his orders and of the legal provisions under penalty of closing the bank.

The above comparison shows plainly that the volume of the German bank deposits even now is relatively small as compared with that found in England and in the United States. It also seems to be considerably below that held by the French banks.²⁰⁵

(3) Deposits held by individual Berlin great banks.

The following figures show the growth of deposits in some of the Berlin great banks which devoted themselves first and most energetically to the deposit business.

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(a) DEUTSCHE BANK.

The amount of deposits (expressed in millions of marks) held by this bank were:

1871..... 8	1881..... 14	1891..... 58	1901..... 214
1872..... 9	1882..... 18	1892..... 62	1902..... 213
1873..... 7	1883..... 22	1893..... 69	1903..... 237
1874..... 11	1884..... 27	1894..... 75	1904..... 286
1875..... 12	1885..... 32	1895..... 85	1905..... 341
1876..... 14	1886..... 30	1896..... 93	1906..... 381
1877..... 10	1887..... 38	1897..... 102	1907..... 476
1878..... 9	1888..... 47	1898..... 122	1908..... 489
1879..... 12	1889..... 47	1899..... 155	
1880..... 13	1890..... 52	1900..... 191	

The number of deposit accounts at the Deutsche Bank rose from 3,867 in 1883 to 21,771 in 1895, the latest year for which the respective figures are available.

It may be seen from the foregoing table, that the deposits of the Deutsche Bank amounted to 8,000,000 marks at the end of the first year after its organization and equaled the amount of its capital in 1894, reaching the total of 489,000,000 marks on December 31, 1908, as against a capital on that date of 200,000,000 marks. The most remarkable feature about the above figures (especially in view of the above mentioned wide extension of the term "deposits") is the almost uninterrupted growth, both absolute and relative, of the deposits as compared with that of the capital.

The number of deposit accounts increased relatively much more than that of other accounts (including the current accounts, which numbered 230,203 at the end of 1908).

The average size of the deposits at the Deutsche Bank has steadily decreased from 4,138 marks in 1883 to 2,570 marks in 1893 (no later data have been published). This goes to prove that the aim of attracting even the smallest

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available funds is being more and more thoroughly attained.

About two-thirds of the total deposits throughout the period have been held by the central office at Berlin.

The number of deposit offices was 74 at the end of 1908, compared with 12 in 1895 and 44 in 1905. The rules regarding the deposit business at the Deutsche Bank are reprinted by Joh. Fr. Schaer.²⁰⁶ The principal points, which in the main are typical for all the large banks, are as follows:

(1) The minimum deposit must be 100 marks.

(2) Each depositor, who does not stipulate a fixed term of repayment, receives an account book in his name, in which are entered all deposits. Each deposit must be accompanied by a deposit blank, filled out by the depositor and handed to the cashier together with the amount deposited.

(3) The account books, which, however, do not contain the amounts withdrawn by the depositor, must be presented each quarter for balancing.

(4) Deposits repayable at a fixed date are made against bank receipts.

In case the amount to be withdrawn is 30,000 marks or over, written notice must be given before 12 o'clock of the preceding business day.

The rates of interest paid on deposit are published by notices at the tellers' windows of the deposit branches and may be changed at any time; this change, however, does not affect rates on amounts deposited for a longer term if the change of the general rate is made prior to the stipulated date of repayment.

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(b) DRESDNER BANK.

The deposits of this bank show the following growth (in millions of marks:)

1875.....	2.8	1884.....	6.4	1893.....	15.7	1901.....	77.5
1876.....	3.2	1885.....	6.6	1894.....	20.6	1902.....	93.2
1877.....	3.0	1886.....	11.4	1895.....	31.1	1903.....	108.2
1878.....	2.9	1887.....	10.4	1896.....	39.18	1904.....	136.7
1879.....	3.6	1888.....	13.8	1897.....	37.4	1905.....	163.5
1880.....	4.0	1889.....	13.1	1898.....	55.2	1906.....	199.0
1881.....	5.7	1890.....	11.5	1899.....	62.9	1907.....	224.8
1882.....	4.8	1891.....	13.7	1900.....	94.5	1908.....	224.5
1883.....	5.1	1892.....	15.3				

(c) DISCONTO-GESELLSCHAFT.

The deposits of this bank show the following growth (in millions of marks):

1871.....	14.8	1881.....	19.8	1891.....	17.2	1900.....	48.0
1872.....	16.8	1882.....	21.0	1892.....	16.17	1901.....	75.0
1873.....	64.8	1883.....	13.2	1893.....	19.7	1902.....	78.8
1874.....	36.5	1884.....	15.2	1894.....	29.8	1903.....	91.0
1875.....	9.2	1885.....	35.2	1895.....	34.1	1904.....	100.0
1876.....	11.3	1886.....	18.13	1896.....	38.3	1905.....	110.0
1877.....	7.5	1887.....	7.8	1897.....	34.0	1906.....	153.4
1878.....	7.2	1888.....	20.2	1898.....	43.8	1907.....	144.3
1879.....	8.0	1889.....	14.7	1899.....	49.3	1908.....	218.5
1880.....	9.7	1890.....	36.5				

It should be noted, however, that in the case of the Disconto-Gesellschaft prior to 1908 deposits included both "creditors on current account" and "deposits repayable upon notice." The above figures, as was pointed out before (p. 70 and note 94), show great variations, inexplicable by the mere change from prosperity to business depression during the respective years. Thus, deposits in 1872 show a total of 16,800,000 marks (exact figures 16,726,163 marks), in the following year the total reaches 64,800,000 (exact figures 64,788,366 marks). In 1874 the total drops to 36,500,000 marks (36,502,613 marks) and in 1875 even to 9,202,000 marks. During the years of business recovery, 1878 to 1880, deposits did not rise above 7,000,000,

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8,000,000, and 9,000,000 marks; in the following years, 1881 to 1888, they are considerably larger, though varying a great deal. The exact figures for the latter period were as follows:

	Marks.		Marks.
1881.....	19,784,613	1885.....	35,256,915
1882.....	20,952,001	1886.....	18,276,965
1883.....	13,216,197	1887.....	7,761,959
1884.....	15,215,781	1888.....	20,205,660

But inasmuch as up to the 1908 report the "daily due credits" were grouped not with "deposits" but with "creditors," it would be correct to include with "deposits" the respective amounts, if these were known for the earlier years.

The growth of deposits during the decade 1901-1908 on the whole shows but little oscillation.

The deposit offices of the Disconto-Gesellschaft in 1908 numbered 11, as compared with 1 in 1895 and 8 in 1905.

(d) DARMSTÄDTER BANK.

The growth of deposits in this bank (in millions of marks) proceeded as follows:

1870.....	16.1	1880.....	6.1	1890.....	10.9	1900.....	43.2
1871.....	22.4	1881.....	18.5	1891.....	11.8	1901.....	46.8
1872.....	12.0	1882.....	20.0	1892.....	4.4	1902.....	67.0
1873.....	27.3	1883.....	21.2	1893.....	10.6	1903.....	72.3
1874.....	16.4	1884.....	20.7	1894 ²⁰⁷ ...	30.2	1904.....	174.5
1875.....	12.8	1885.....	16.5	1895.....	36.2	1905.....	147.8
1876.....	9.1	1886.....	15.2	1896.....	39.7	1906.....	148.1
1877.....	1.9	1887.....	14.1	1897.....	31.4	1907.....	161.5
1878.....	5.6	1888.....	19.1	1898.....	37.1	1908.....	108.8
1879.....	5.7	1889.....	19.7	1899.....	34.9		

(4) Comparative growth of deposits in all German credit banks and in the Berlin banks.

The growth of deposits during the last 20 years in all German credit banks with a capital of at least one million

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marks each, numbering at present 158, is shown by the following figures (in millions of marks):

1889...	370.98	1894...	486.39	1899..	812.96	1904..	1,565.96
1890...	408.01	1895...	493.26	1900..	997.32	1905..	1,839.92
1891...	385.96	1896...	546.42	1901..	1,035.11	1906..	2,141.12
1892...	389.86	1897...	604.39	1902..	1,104.13	1907..	2,423.69
1893...	377.19	1898...	712.53	1903..	1,261.25	1908..	2,745.81

The corresponding aggregate figures (in million marks) for all Berlin banks were:²⁰⁸

1889...	130.99	1894...	163.69	1899...	338.17	1904...	783.42
1890...	138.14	1895...	196.13	1900...	414.64	1905...	883.82
1891...	105.34	1896...	219.44	1901...	447.23	1906...	1,029.62
1892...	103.25	1897...	228.25	1902...	501.22	1907...	1,158.71
1893...	119.90	1898...	330.39	1903...	578.24	1908...	1,246.97

Of the total deposits in the German credit banks about two-thirds constitute deposits in the Berlin great banks. This is due, on the one hand to the lack of zeal in fostering the deposit business shown by the other credit banks as compared with the Berlin banks (which have by far the larger number of deposit offices), and, on the other hand, to the general fact of the concentration of capital in Berlin. The five greatest Berlin banks on December 31, 1908, held the following deposits:

	Marks.
Deutsche Bank	489,238,000
Dresdner Bank	224,575,875
Disconto-Gesellschaft	218,544,301
Darmstädter, Bank	108,814,032
Schaffhausen'scher Bankverein	72,335,365
Total	1,113,507,573

Of these, the Dresdner Bank and next to it the Disconto-Gesellschaft, both of which opened their first deposit offices as late as 1896, come nearest to the Deutsche Bank in the successful cultivation of the deposit business.

Of the total outsiders' funds (*gesamte fremde Kapitalien*) held by the 158 credit banks with a capital of at

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least 1,000,000 marks each, the following percentages are represented by deposits proper:

At the end of—	Per cent.
1905.....	34.7
1906.....	33.9
1907.....	36.5
1908.....	37.0

The corresponding percentages for the Berlin banks were:

At the end of—	Per cent.
1905.....	27.5
1906.....	27.5
1907.....	31.5
1908.....	33.7

It should be noted, however, that during this period, in addition to the above mentioned banks, only the Darmstädter Bank was carrying deposit accounts, while the Berliner Handelsgesellschaft, the Mitteldeutsche Kreditbank, the Commerz- und Disconto-Bank, and the Nationalbank für Deutschland had no such accounts.

Of the total deposits reported at the end of 1907 for all banks with a capital of at least 1,000,000 marks each, 47 per cent (as against 39 per cent in 1895) fell to the share of the Berlin banks, and 41 per cent to the share of the Deutsche Bank, the Dresdner Bank, the Disconto Gesellschaft, and the Darmstädter Bank.

Between the years 1895 and 1908 deposits increased relatively much more in the Berlin banks than in the provincial banks, though deposits in the latter constitute a larger per cent share of their total "outsiders' funds" (*fremde Kapitalien*) than in the Berlin banks.³⁰⁰

On the whole it may be said that—

(1) The distribution of dividends by the banks is becoming steadier in proportion as their deposit business develops.

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(2) The floating and issue business is relegated to the rear in proportion as the deposit business comes to the front.

(3) To a large extent it is the credit accorded to commerce and industry by the German credit banks from their own means and their deposits that has caused the development of the productive powers of the commercial and industrial classes. It is this factor, combined with the increased productive power of agriculture, which made possible the remarkable growth of the purchasing power of all classes and callings of the nation.²¹⁰

This fact alone should suffice to keep us from adopting ill-considered "reform" propositions, equally hazy at times both as regards their underlying principles and their future effects.

B. THE OTHER DEBIT-OPERATIONS OF THE CREDIT BANKS.

Of the other debit-operations of the banks the greater part need not be considered in this connection, since the German credit banks do not issue bank notes, nor do they (with the exception of the so-called mixed mortgage banks) issue mortgage bonds, or other bonds (*Schuldverschreibungen*), such as were intended to be issued by the *Crédit Mobilier*.

To some extent, however, the credit operations of the credit banks in the shape of bill rediscounts, bill acceptances, of sales of drafts or in the line of current accounts, or in the form of mortgage and lombard credit, must be treated in the same manner in which these forms of credit are treated when taken by other institutions.

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The details of these operations will be discussed in subsequent parts of the volume. It is, however, proper to state at this place that the Berlin great banks in order to raise cash offer private long-term bills for rediscount at most, and even this rather unwillingly, in foreign markets or to their own clients, but never at the bourse. Ordinarily, however, as will be seen below, money is obtained at the *Seehandlung* (Prussian State Bank) by means of the less conspicuous hypothecation of bills. The paper offered for rediscount to the Reichsbank either consists of short-term private bills, or else of such long-term bills as may shortly fall due.

A very considerable portion of the bill holdings of the Reichsbank is probably made up of the rediscounted bills of the credit banks, particularly about the time of the monthly and quarterly settlements, when the demands upon the banks on the part of the business community are especially heavy.

It is also asserted—though it would be difficult to prove it—that in Germany just as in England, the credit banks resort to large-scale rediscounting operations at the Reichsbank and at other credit banks and banking institutions shortly before the dates when their balance statements are issued, in order to be able to show the largest practicable figures under the heads of cash on hand, giro, and bank credits. It goes without saying that such assets are counterbalanced by corresponding liabilities of the banks in the shape of bill obligations of the rediscounting banks.

There is also but little doubt that in times of money scarcity when German private discount rates went up

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considerably, while money rates in foreign markets were comparatively low, some foreign capital, possibly even in considerable amounts, may have been obtained by the discounting of German bank acceptances. This seems to have taken place on a particularly large scale in 1899 at London and to have occasioned caustic remarks directed against this practice of boarding-out of finance bills²¹¹ "made in Germany," a criticism which was repeated with little or no reason in 1908 regarding the then numerous American bills of like character, a subject which is discussed later on, on page 278.

The practice of credit banks of "boarding out" bills—i. e., buying at home private bills and depositing them for short terms in London or Paris whenever money rates are low abroad and high at home—has nothing in common²¹² with the cases above cited. This practice as a rule partakes of the character of bona fide arbitrage transactions, based upon the differences of interest in the domestic and foreign markets. This is not infrequently done by the great banks, which in that case assume the risk of loss involved in an unfavorable turn of exchange rates, that may occur in the meantime.

A rather different practice is presented by other recorded cases,²¹³ involving efforts of obtaining abroad the lacking operating capital by means of a somewhat hidden and complicated hypothecation of bills, which do not seem to have been always of prime quality. Foreign banking houses, according to preceding agreements, are said to have taken from the German credit banks the "discounted bills indorsed by the latter and permitted themselves to be drawn on or else to have given their checks on Paris

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or London. The foreign house was not expected to dispose of the bills, which were redeemed shortly before maturity, either by means of fresh bills or of short-term bills on Paris or London. The bills were returned bodily, the giro of the German bank was canceled, and the same bills were discounted at the Reichsbank five or ten days before maturity."

It is patent that in such cases the German credit bank runs heavy risks if, during the interval, a financial crisis develops and as a result the renewal of the operation is refused.

Another practice is reported by Ad. Weber.²¹⁴ According to him, credit banks at first, when granting credit to their clients, drew in turn upon the latter to their own order, disposed of the bills accepted by their debtors, and thus procured fresh money for themselves. According to Weber, this practice was quite common in eastern Germany as late as 1901. A similar procedure (in the shape of so-called solo bills—*Solawechsel*) is reported by von Lumm²¹⁵ to have been quite common in Alsace-Lorraine. It is also stated²¹⁶ by Schär that larger and smaller banking institutions will at times "take from their clients fictitious, i. e., indorsable lombard bills and have them rediscounted upon the additional strength of their indorsement"—a statement which I am not in a position to verify. I judge, however, that none of the great banks were ever guilty of any of the above practices.

Generally speaking, the practice of the mutual drawing of accommodation bills between credit banks may be regarded as very uncommon in Germany, although there has been no lack of assertions that the case of the City of

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Glasgow Bank, in England, was not without its German counterparts. That bank "attempted to hide its enormous deficit, the result of excessive credits granted to a number of export firms, by accepting in increasing amounts drafts of these firms, also by taking over mere accommodation bills drawn by these firms and passing them on for discounting."²¹⁷ Although not exactly in accord with our systematic arrangement, it may not be quite out of place to mention, in connection with the deposit business just discussed, that the credit banks often undertake the management of the financial transactions (*Kassenführung*) of their depositors, by attending to their collections and paying their obligations on their current and check accounts and by representing them in giro, postal-transfer and clearance operations.

Regarding the giro system used by the large industrial and commercial firms, which in Germany is at present concentrated in the Reichsbank, some data were given above (p. 147), where mention was made also of the postal-transfer business, instituted on January 1, 1909. The latter institution fills a serious gap so far as the class of middle-sized and small traders is concerned, but is likely to be used in time to an increasing extent also by private capitalists and public treasuries.

The current-account business of the credit banks with their customers is found discussed in detail below (see Section 2, II, B).

We have but a few remarks to make on the subject of the bank-check business, as the latter does not come properly under the head of credit, but under that of methods of payment (*Zahlungsverkehr*.) Accordingly, it is treated here

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only in so far as, like the "cash keeping" for depositors, it is one of the means by which the banks attract available funds for productive uses, thus bringing about an increasingly large concentration of credit at the banks by dispensing with cash for payment and making it available for the purposes of credit.

This concentration of credit brought about by the check system, and in particular the agitation in its favor carried on during recent years in various ways with the consent and cooperation of the Government, including the passing of the check act, has been vehemently attacked by a recent writer, who takes the view that, by the "artificial fostering of the check and deposit system,"²¹⁸ funds which in his opinion without such fostering would "possibly" (p. 20) or, "surely" (p. 21) have found their way into other channels (on this point see II, A, 2a) are directed to the banks, where they are turned into credit for large-scale industry (p. 19).

Now, in point of fact the agitation for the adoption of the check system had been started long before the passage of the check act, and the recent considerable increase of deposits, on the basis of which alone checks may be issued, likewise antedates the passage of the check act.

The above agitation was fully justified, in view of our downright naïve methods of payment,²¹⁹ and of the crying need of reform in this field, tending to dispense with the use of currency which might thus become available for the purposes of credit. Since this purpose could be attained only very incompletely without the apex of the structure—i. e., the transfer and clearing system—the check act provided for tax-free checks (now again abolished) only in

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case these checks were drawn upon such public or private institutions or concerns which, like banks and banking firms, as a rule participate in the transfer and clearing system, and therefore presented the best guarantee that the real purpose of the check system—the redemption without the use of currency—would actually be attained. As a matter of fact, not only private banks and banking firms, but, as is admitted by Lansburgh (pp. 13-14), likewise public banks, credit associations, and even savings institutions (under certain conditions), were authorized by the check act to honor tax-free checks drawn on them,²²⁰ and surely it can not be said of the savings banks that they, like the cooperative societies, “deal, in the main, only with a definite narrow circle of persons.”

Despite the agitation, the use of checks in Germany is still insignificant,²²¹ even if the estimate of the Statistical Journal of the year 1902 may have been somewhat exaggerated, according to which the liquidation of commercial transactions in Germany required from nine to fifteen times the amount of currency and bank notes that was required in Great Britain.

Notwithstanding the large increase in the use of checks since that year, the general fact noted by the English publication is only too true. It is difficult to give statistical data regarding the extent to which the check system is used in Germany. According to the 1907 report of the Deutsche Bank, the number of checks paid during that year by the Berlin central office and by all its German branches, amounted to over 10,000 per day, while the total amount of these checks was about 5,000,000,000 marks for the year. The material obtained at the beginning of 1909, in answer

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to an inquiry sent out at my request to all the German credit banks by the Central Association of German Banks and Bankers, can be used only in so far as the banks in their replies were able to give comparative data for the years 1900, 1903, and 1907, as well as to indicate separately their check business, and to present distinct figures of their giro business with the Reichsbank, which in the case of most banks is lumped with their cash business. Full information along these lines was furnished by 59 banks only, and the data furnished by even these institutions permit only of the general conclusion that their check business has grown to a considerable extent since 1900, both absolutely and relatively, when compared with the simultaneous growth of their cash business. This conclusion is confirmed by the following three tables, though it would not be quite safe to draw general conclusions from these data, since conditions in Oldenburg and Mecklenburg are somewhat peculiar (see below Part IV, Chapter III, Sec. 3, II B 3).

Mecklenburgische Hypotheken- und Wechselbank (Mecklenburg Mortgage and Note Bank).

	Number of check ac- counts.	Amount to the credit of check depositors.
		<i>Marks.</i>
1900.....	10,792	16,923,718
1901.....	11,801	17,567,432
1902.....	12,400	19,473,030
1903.....	12,826	19,424,624
1904.....	13,445	23,781,097
1905.....	13,943	24,679,997
1906.....	14,519	23,471,032
1907.....	15,189	22,843,721
1908.....	16,571	26,667,365

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Oldenburgische Landesbank (Oldenburg State Bank).

	Amount to the credit of check depositors.	Number of check books issued.	Number of checks paid.
	<i>Marks.</i>		
1900.....	1,242,861	455	.....
1901.....	1,179,101	647	8,939
1902.....	1,785,319	831	15,511
1903.....	2,405,878	1,096	21,016
1904.....	2,390,000	1,325	25,970
1905.....	2,915,098	1,671	36,458
1906.....	3,243,347	1,955	43,066
1907.....	3,954,464	2,326	51,191
1908.....	4,172,598	2,721	71,290

Oldenburgische Spar- und Leihbank (Oldenburg Savings- and Loan Bank).

	Amount of deposits.	Turnover.	Number of checks paid.
	<i>Marks.</i>	<i>Marks.</i>	
1900.....	1,276,843	19,752,327	17,270
1901.....	1,767,490	24,583,977	18,659
1902.....	1,958,398	31,242,725	22,255
1903.....	2,033,279	35,429,217	26,077
1904.....	1,930,392	36,079,704	27,686
1905.....	2,348,635	45,870,731	27,918
1906.....	2,232,684	46,254,761	29,747
1907.....	2,352,811	48,850,513	32,299
1908.....	2,972,897	²²² 51,097,674	47,319

II. THE CREDIT OPERATIONS OF THE GERMAN CREDIT BANKS (LENDING OF CREDIT).

(A) INTRODUCTION.

(1) *Observations on the granting of general bank credit.*

In view of the rapid increase of population and the correspondingly rapid development of credit in Germany both during the first and second periods, it is not surprising that, except in a few directions, German banking

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practice has not yet developed definite principles in the granting of bank credit. Generally speaking, the disposition shown toward the banks has been that of captious criticism rather than of friendly appreciation of what has been actually achieved. The critics should not, however, forget that even the oldest German credit banks date back no more than about sixty years, and that the greater part of these banks are not even 40 years old. And yet in this relatively short period of four to six decades our German credit banks have been obliged to occupy in the national economy the place held by the "maid of all work" in the private household. They were called upon to discharge almost simultaneously nearly all the tasks outlined in the introduction to this book, and which devolved upon them as the champions of the energetic and progressive classes in industrial life. Except such tasks as came within the sphere of special banks, such as the note banks, the provincial cooperative land mortgage associations (*Landschaften*), the mortgage banks, or the cooperative societies, the credit banks had to take upon themselves all or nearly all the tasks which in England are apportioned as a rule under a strict division of labor among deposit banks (with a further subdivision between city, west end, and suburban banks), merchant bankers, colonial banks, and even bill and stock brokers. In the internal trade of the nation and in its commercial relations with foreign countries it was incumbent upon them not only to be at their posts, but ever to occupy the outposts, to ward off sudden hostile attacks upon the industrial forces of the nation, and to ensure their safe and uninterrupted progress.

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The failure of the banks, therefore, to develop clear, consistent, and organic principles for the regulation of credit transactions and the lending of bank credit can occasion no surprise, if we bear in mind the breathless, nerve-racking activity of the period and the competition among the numerous credit banks. It has been asserted that the banks are the "directing force of the spirit of industrial enterprise" of the nation. This claim, however, whether made by the friends of the German banks or by its secret or open enemies, is greatly exaggerated. The banks can indeed exert an influence on the extent and the rate of speed of production, though not directly, but only indirectly. They can do so only to the extent that they assist with their credit in the development of production on a large scale, with its greater division of labor, its concentration and decentralization of establishments. In the midst of industrial progress even the banks may not realize that production is too much accelerated. Excessive production does indeed lead to exaggerated demands for and in turn to excessive lending of credit by the banks. But even if the mutual competition of the banks could be disregarded, it would be naïve to suppose that the banks might suddenly decide to refuse credit to their great industrial customers, because they had come to the conclusion that production was excessive and overdone. When evidences of this are present, together with other symptoms that suggest an impending crisis, the banks in the first instance can do no more than communicate these fears and issue warnings to their clientele as a whole. Except under special conditions, the general restriction of credit is not to be expected,

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unless the general industrial situation, or the general condition of the banks, makes this step inevitable, for the sudden restriction of credit would prove ruinous not only to individual establishments, but might under given circumstances bring about a general panic.

In a just appreciation of all the factors at work in our economic development we must not forget that while the banks are the pioneers and the greatest promoters in the accumulation of capital, the growth of capital has in turn been influenced and accelerated by the wonderful inventions made along technical and other lines during recent times.

These considerations are in no way intended to deny the justice of the criticisms repeatedly and emphatically made with reference to the indiscriminate granting of credit. On the contrary, such criticism is beneficial so long as it is not too sweeping and does not reject the whole system on the ground that errors have been made in single cases, or makes the most serious charges against the administration of the "nation's wealth" by the banks.

Nothing would be further from the truth or better calculated to call forth contradiction than to deny that many grave mistakes have been made, not only in the flotation of securities—a branch of banking that has absorbed so much time and energy—but also in those branches which are concerned with the facilitating of payments (*Zahlungsverkehr*) and the granting of credit. I have deemed it my duty to call attention conscientiously to these mistakes in every section of this book. On the other hand, nothing would be more one-sided than the

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failure to recognize the natural causes of these errors. So long as mere human beings are at the head of such enterprises, errors, though sometimes different in character and direction, are bound to be made under any banking system. These can be avoided in part or lessened only gradually, as a result of the experience acquired under the system itself, as affected by local conditions.

I do not regard it, however, as an error in the just-named sense that the German banks, as has been repeatedly charged, have used their resources and their organization in a one-sided and excessive manner in the interests of trade and industry, and too little in the interest of agriculture, a charge that in former times was often brought against the Reichsbank⁽²²³⁾. In an able address on the "Problems of the Money Market"⁽²²⁴⁾ the president of the Prussian Central Bank for Cooperative Societies, Heiligenstadt, has pointed out that "agriculture in Germany was the last great branch of industry to adopt the modern methods of money and credit economy. In consequence it found the instrumentalities and institutions of the money market already firmly shaped. Agriculture, therefore, can not well expect that, even if it were possible, trade and industry, or, in other words, all other business interests, should be subordinated to the special needs of agriculture." In fact, however, such subordination is possible only to a slight degree, and its scope is particularly limited in the case of the Reichsbank. As a note bank, the latter must see to it that its notes, or one large part of its short-time liabilities, and likewise its other short-time liabilities arising from its giro business, should be offset by corresponding credit business (*Activgeschäfte*)—i. e., short-term credit, granted by way of

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discounting paper or making loans on collateral. Now the situation is essentially the same in the case of the credit banks. Agriculture requires long-term credit to conform to the extended period of production involved. Moreover the credit needed is such that the bank can not reimburse itself for it through the subsequent issue of stocks or bonds. On principle, therefore, the credit banks can make agricultural loans only to a limited extent. Not having an adequate knowledge of the basic conditions of agriculture, of the profitableness of such undertakings, or of the trustworthiness of the managers of such enterprises, the banks would find it almost impossible to allow them blank credit.

In agriculture mortgage credit (*Realkredit*) must naturally play the leading part. Here, however, special organizations based on landownership must step in. For a number of years this has been done in an adequate measure by the mortgage associations (*Landschaften*) and similar public institutions, also by the banking institutions and loan banks established by the mortgage associations, the mutual credit societies (numbering about 16,000²²⁵), and the mortgage banks for urban real estate on the one hand, and in Prussia the State Central Bank for Cooperative Societies on the other. The credit based on mortgages and other real estate security which has been extended to German landowners must be estimated at present at least at 40,000,000,000 marks (\$10,000,000,000).

The German credit banks have participated, both directly²²⁶ and indirectly, in extending such credit by taking part in the establishment of mortgage banks, making temporary loans on personal security to agriculturists for

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a more or less limited period, to be repaid in fall or winter,²²⁷ thus providing for the needs of planting and harvesting, or for the purchase of lean cattle and the acquisition of equipment and raw material for industries subsidiary to farming. This is particularly true of the provincial banks and notably of the very small banks, which thus seriously impaired the liquidity of their assets. It may be said that these operations fall essentially within the scope of the local banks, as these are in a better position to judge of the trustworthiness of borrowers on personal security, and to determine the probability of repayment of such loans. Nevertheless it has been demonstrated that "every year, during the season when young and lean cattle are purchased, many millions of marks are placed at the disposal of the trade by the Berlin banks, through the intervention of the local banks."²²⁸

German credit banks have hitherto done little for the craftsmen and the small manufacturers and tradesmen, except when the banks have been closely connected with the cooperative credit societies as in the case of the Dresdner Bank. The reason for this lies in the fact that on the one hand unsecured credit (*Blankocredit*) is naturally out of the question in most of these instances, and on the other hand no proper security can be furnished for personal credit (*Personalcredit*) which would moreover have to be in most cases long-time credit. Moreover German craftsmen, small business men, and petty traders have been reluctant to open bank accounts. Unable to maintain adequate balances, these classes are unwilling to subject themselves to what they presume would be burdensome conditions. Moreover as checks have hitherto

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been used but to a small extent and long book credit is customary in their business, the aid of the banks in making and receiving payments was not thought indispensable.

As things stand, there is still much to be done through cooperative credit organizations in which the banks can help a good deal. The postal transfer and check system inaugurated January 1, 1909, will prove particularly beneficial in this connection, as it will provide the craftsmen and small business men with a substitute for bank accounts, which few of them now have. It will induce them to accumulate with the post-office for use in making payments not only cash immediately needed for this purpose, but also such sums as may be required for that purpose in the more distant future. This will, however, come about only gradually owing to the absence of any provision for paying interest on balances kept on deposit with the post-office department. This is unfortunate, for it will retard the adoption of the new system. There is, however, one good feature in the nonpayment of interest, in that it will serve as an inducement to the depositor to use his deposits in excess of the irreducible minimum of 100 marks required, in paying off his debts at the earliest possible date. This would be a good beginning in the direction of shortening among craftsmen and small business men the period for making payments, a highly desirable reform, heretofore often attempted in vain.

The Reichsbank has now joined in the postal transfer system, and under treaties to be concluded both foreign private institutions and postal savings banks (see p. 147) are expected gradually to join in the system. This would lead to the happy result of bringing about the organic

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union which has heretofore been almost completely wanting between the giro (transfer) business of the Reichsbank, ministering chiefly to the needs of the large industrial and commercial interests, and the postal transfer system, which, it is hoped, will meet in a large measure the needs of the craftsman and small business man.

In concluding these general introductory remarks I wish to call attention to the following: I have repeatedly emphasized the fact that the mighty rush in the development of our entire industrial life and of our system of bank credit was the absolutely inevitable consequence of the rapid increase of population. We must not, however, forget the point on which Adolph Wagner has often insisted, namely, that this growth of population was not only a cause but also an effect of the excessively rapid growth of our general industrial and credit systems, and that for this as well as other reasons, a less rapid progress would be highly desirable. On account of the natural causes pointed out above (p. 89) I have no doubt that this rate of growth in population will not prove continuous. In the same way, and from equally natural economic causes, there will undoubtedly come about a slackening in the pace of general industrial development, and with it in the expansion of our credit system, and the concentration of industry and banking. We are already beginning to feel this. Here, too, flood tide will of necessity be followed by ebb.

This, however, absolves no one from the duty of helping to build up and maintain strong dams while the flood is rising, so far as it is possible and practicable to do so, in order to keep the turbulent waters from going beyond all bounds and inflicting irreparable damage. However,

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these dams must be erected at the proper points, and built by experts possessed of the requisite theoretical knowledge and adequate practical experience. These dams should do no more than keep the river in its natural bed and unless the conditions are exceptional and the reasons for a different procedure compelling, the dams should not be so constructed as to force the river to seek a new channel and in so doing destroy flourishing fields.

I also wish to refute another view which has found frequent expression of late, and which was presented also before the Bank Inquiry Commission. It is claimed that as a result of their connections with the banks and the system of bank credit, private concerns have to an increasing extent abandoned the policy of investing their reserves, as formerly, in German Government securities. These reserves, it is contended, have been pressed by the banks into the service of German trade and industry²²⁹—that is to say, have been put into channels which these funds “would not have chosen of their own accord.” The official appendices to the report on the Imperial financial reform bill of 1908²³⁰ have effectually removed every ground for such assertion, particularly as regards recent years. They demonstrate on the one hand that the German investing public have displayed an extraordinary and increasing willingness and power to purchase domestic securities offering safe investment and a steady, though relatively low, rate of interest, and on the other hand that both public and private institutions have absorbed but a “relatively small” part of public issues, at least as compared with similar institutions abroad.

It is true that among these “domestic securities” there are included municipal loans and mortgage bonds, issued

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by German public and private institutions. Bearing in mind the considerable issues of securities by the Empire and the federal states, and the fact that comparatively little of this is in the possession of state or private institutions in Germany and foreign countries,²³¹ there can be no doubt that by far the greater part of the Imperial loans, and of the securities issued by the federated states is in the hands of the German public. The proportion so held, it appears, has not declined in the past decade; on the contrary, it has increased, and the increase has more than kept pace with the growth of wealth in the country.

(2) Observations on the granting of industrial credit in particular.

In the foregoing it has been pointed out that one reason for the failure of the credit banks to develop in this period firm and consistent principles to govern industrial credit lay in the fact that even now part of these banks date back only six decades, the rest only four decades, and that in this period they were called upon to discharge simultaneously a multiplicity of tasks. Another reason lies in the fact that the German credit banks have developed very differently, each in its own way and along special lines.²³² In this there are advantages as well as disadvantages. A further reason is, that German industry, though much older, did not begin its great expansion before the second period.

German industry had still to learn slowly and gradually the fundamental principles governing the taking of credit—as to kind, amount, and the right time—in the same way as the banks had to evolve the fundamental principles

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applying to the granting of credit. It can not be doubted, therefore, that through ignorance of correct principles, or an overestimate of the duration of a period of prosperity or as the result of a certain amount of megalomania or of competition, sins were committed on both sides, in borrowing as well as in lending. It can be demonstrated without much difficulty that in many instances industrial ventures took too much long-term credit from the banks, or took it at the wrong time, to put into improvements, extensions, or new construction, sometimes without stating these to be the purpose of the loans, and that the banks often accorded such credit to industrial ventures in too large amounts and at inopportune times, sometimes even after symptoms of an impending crisis were apparent. In a number of instances, and particularly before the panic of 1901, it can be demonstrated that some banks had offered their credit unsolicited to industrial undertakings, or "thrust" it upon them,²³³ or at least made it so easy to obtain that the existing mania, great as it was, for new construction and reconstruction, was further intensified. It should not, however, be forgotten that on the other hand at certain times the opposite charge has been made against the German credit banks that they were tying up their resources in stock-market speculation. "One of the worst results of the present situation," says Eberstadt (*Der Deutsche Kapitalmarkt*, Berlin, 1901, p. 115), "is that industry finds 'the tables all taken' and that the banks are positively in no position to furnish adequate credit for industrial needs."

Finally it has undoubtedly often happened, as we shall explain more fully later, that German credit banks have

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lent their credit to industrial concerns according to the usual principles—i. e., by granting short-term credit to industry in the same way as to commerce, a kind of credit well enough suited to commerce but as a rule entirely unsuited and too costly for industrial needs. Lastly, in consequence of the excessive decentralization of German banking, the banks in granting their credit have at times disregarded the principle of distributing the risk, giving too much credit to one industry, or one branch of industry, or even a single establishment. The Leipziger Bank went under because, with a capital of 48,000,000 marks, it had allowed loans to the extent of 93,000,000 marks to the *Trebertrocknungsgesellschaft* (company for the utilization of desiccated lees).

The Dresdener Kreditanstalt für Handel und Industrie failed because it had extended too much credit to the *Kummerngesellschaft*. Aside from these mistakes, however, the truth is that the capital available for commercial and industrial enterprises in Germany was not equal to the demand and capacity for industrial expansion existing for the most part independently of any stimulation by the banks. To this fact more than any other are to be attributed all the crises that have taken place. Had not the banks accumulated the available capital by accepting deposits, and made it serviceable for productive purposes, it is a question whether this maladjustment would not have been far greater, the results much worse, and the crises far more severe.

If the reproaches cast on German banks would restrict themselves to the formulation of the charges just mentioned, every objective critic of the German banking

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system might readily admit their justice, the more so as it is scarcely imaginable that these or similar mistakes could have been avoided in any other banking system, where banks have had an equally short existence.²³⁴ The injustice lies in the exaggeration which has unfortunately gone to great extremes and taken peculiar forms. This is particularly unfortunate for the reason that the criticism is rarely accompanied by any proposals for reform, and still more rarely with any practicable proposals. In both directions the climax is reached in a work bearing the somewhat sensational title "The management of the nation's wealth."²³⁵ I can not ignore this work, because the author's views have been highly appreciated by those who are opposed on principle to the German banking system and who have used the author's arguments as grist for their own mills. It may be stated that the author was himself a bank official, though not indeed one of the bank directors who are treated with such scant indulgence in the above work and in his other work, entitled "The German Banking System."²³⁶ That which is correct or partially correct in the book had been said before in a more thorough and better way by Heiligenstadt and Bernhardt in the "Plutus" and elsewhere—thus, for example, the statement that the banks have been too ready or too generous in granting credit to industry and that thereby they have increased the speed and extent of the process of Germany's "industrialization"—a point that obviously can not easily be proven.²³⁷

This is moreover expounded with endless repetition, and of course with the usual embellishments that the control of the "nation's wealth," the utilization of the

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national reserve funds (*Betriebsreserve*), and the "general industrial development of Germany" ought not to be entrusted to a "dozen men" (p. 24), the alleged perversity of whose banking policy is repeatedly emphasized.

The substance of the other criticisms which Lansburgh makes is as follows: The capital accumulated in German credit banks through deposits—he insists on nearly every page—is not utilized in *accordance with the wishes of the depositors*. On the contrary, the short-term loans to the banks are to a considerable extent converted into long-time advances to industry, and accordingly into further industrial investments. It is, however, "not a question (p. 17) whether the credit or advances made by the banks are beyond cavil." In this connection the distrustful remark is merely made (p. 16) that it is impossible to tell from the bills what their character is. In another place, however (p. 15), it is expressly admitted that the "banks have up to the present followed sound principles in maintaining the proper liquidity of their resources;" furthermore (p. 11) that "for economic and ethical reasons it is absolutely necessary that promotions and improvements should go on;" that "the banks, as a matter of fact, in determining the amount of capital to be invested in an establishment or branch of industry, are guided by its earning power" (p. 10), and finally that "provided due care is exercised in the make-up of the different classes of investments," we may regard the conditions as sound (p. 15) "so long as the existing practice is continued of investing 40 per cent of the depositors' money in bills and the other 60 per cent in loans to customers." According to the author, however,

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the criticism of a national banking policy should be primarily based upon considerations of general industrial interests rather than of private interests (p. 17). He therefore insists that bill credit and advances be granted only to such enterprises "as would have been granted such credit by the individuals who constitute the banks' creditors, if they had been disposing of their money independently, without the intervention of the banks." This (*ibid.*) would not yet mean that "every interest would come into its own, that agriculture would receive its proper share in the same way as industry, the government in need of funds, as well as the private individual seeking credit. At any rate, however, there would be nothing arbitrary about it." For, as stated in another passage (p. 20), "the depositor may have had in mind buying German bonds or mortgage bonds or acquiring an interest in a business enterprise." In a still more prophetic manner, we are told on page 21, that "without the intervention" of the banks, the deposits "would surely have been devoted to different uses. They would have been invested in government bonds and would have become available to the government for other than purely industrial purposes. A part of the deposits would have gone to the small dealers, craftsmen, and agriculturists."

As to these claims it would really be sufficient to ask, How does the author know? It is, however, necessary to add that the author would surely have arrived at quite different conclusions if he had carefully investigated these points, and likewise his fundamental assumptions which we shall examine now more closely, for upon

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closer examination it is hard to take his contentions seriously.

As the author has properly observed, in an article²³⁸ which appeared almost at the same time his pamphlet was published, the available resources are generally composed of "very many small sums of money, each of which taken alone would remain unproductive." These are made available for productive uses only because the credit banks have for decades persisted in the laborious work of bringing them together. As I have shown elsewhere, the intervention of the banks has made it possible for these small amounts to render to industry in general far greater service than could have been rendered by them singly in the hands of the depositors, each one trying to utilize his amount without the help of any intermediary.²³⁹ Were it not for the intervention of the banks these amounts would have remained idle in the hands of the depositors, their small size making them unsuited for productive investment.

As this money has become available only through the activity of the banks, it is impossible to set up as a principle governing its management and investment that it should be used only for those purposes and undertakings for which the various creditors of the banks might have intended them, "had they acted independently and without the intervention of the banks in the disposition of their funds." It is more than likely that, had it not been for this intervention, they would in most cases have made no use whatever of their money, and least of all used it for industrial investment, but, following tradition, would

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have let it lie idle and yielding no interest, a situation which even Lansburgh would scarcely think ideal.

If nevertheless the "wish of the individual depositors" be accepted as decisive in the matter of investing their deposits, in spite of the fact that this wish is not communicated to the banks, and can scarcely be divined by them, no one would seriously contend that the present situation would be improved and not rather be made much worse. For without being able to do so with absolute certainty the banks with their experience and expert knowledge can ascertain far more correctly than the individual depositors the conditions of the market for different sorts of investments, the general state of industry, the actual condition and the prospects of a given branch of industry, trade, or agriculture, and the trustworthiness of borrowers to whom bill credit or credit on current account is to be granted.²⁴⁰

Moreover, it is evidently wrong to assume that the depositors, if left to their own decision, "might" have or "surely" would have wished a different disposition of their deposits than that actually made by the banks. In the first place by far the larger part of the deposits in German credit banks is made up of the working reserves of business men and of other temporarily available funds of capitalists—in other words, of the funds of persons thoroughly capable of reading a bank balance sheet. In regard to the investment of deposits, these statements convey the information which Lansburgh, too, has been able to get from them. Thus it is certain that the majority of depositors do not object to the way in which their deposits are invested, in particular to the investment

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in industrial credit in the shape of bills or of current accounts. Unless this were so, noting the condition appearing from the bank statement, they would betake themselves with their funds to cooperative credit societies, or to the savings banks in case they wished that the greater part of their deposits be invested in mortgages or if they regarded the savings banks as safer.

It is highly instructive in this connection to note the prevalent opinion among the Federation of German Savings Banks as voiced in the testimony given before the Bank Inquiry Commission by an expert, closely associated with the savings banks, that about one-third of the deposits in the savings banks are temporary in character, intrusted to the savings banks by persons belonging to the middle or even higher classes, "who know exactly why they deposit their money in the savings banks, even if only temporarily." The percentage is particularly interesting because it corresponds almost exactly to the proportion of the deposits in the credit banks which may be designated as "savings deposits." If this be so, and I have no reason to doubt it, it proves that, as a matter of fact, a large number of persons who are thoroughly familiar with financial affairs²⁴¹ prefer to put into the savings banks funds that are only temporarily available pending permanent investment—funds better suited for deposit in credit banks.

From this we may further infer that in intrusting such deposits to the credit banks, or in leaving them there, the class of depositors just mentioned, or those still better situated, do so with a full appreciation of the way in which these funds are invested. Nothing becomes, therefore, of the assertion that were it not for the banks this

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very class of persons would have turned their money over to the small dealers, craftsmen, and farmers, or to "the Government." Lansburgh himself admits it as true in a special case that the classes from which the depositors of the bank are drawn know exactly what they are doing, for elsewhere²⁴² he remarks that "as an immediate result of every boom in industry and trade, part of the money deposited with the banks is withdrawn and invested in the most profitable branches of business." This is another reason why we cannot admit that through the activity of the banks "these savings are forced into investments which they would not have sought of their own accord" (p. 12).

Finally, if it be true that the German credit banks have given their credit predominantly to industry and trade (we must not forget the latter, particularly the export and import trade), it is a question whether, aside from a generous participation in government loans, this after all is not necessarily the chief sphere of operation for the credit banks.

We have seen how mortgage and other land credit, with a constantly increasing specialization, has been widely extended and developed in a "truly exemplary way" (Lansburgh, p. 5) to meet the needs of agricultural and urban real estate. Their credit wants, and particularly those of agriculture, are met by the cooperative credit societies, the land mortgage associations (*Landschaften*),²⁴³ and the banks and other institutions which they have founded, the mortgage banks, and the Central Prussian Bank for Cooperative Societies, and other institutions of the same kind. We have also seen that, thanks to the

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16,000 cooperative societies, almost the same may be said of facilities for credit on personal security (organized for the purpose) of craftsmen and small business men, and that through the postal transfer and check system an urgently needed improvement will be introduced in the facilities for making payments. We have furthermore given the reasons why dealings with the credit banks and bank credit are little adapted to the needs of these classes, and are therefore but little resorted to by them.

What is the inevitable conclusion from all this so far as the banks are concerned? Their domain is industry and trade (Lansburgh, p. 5), though not their exclusive domain, as is evident from the fact that they have lent their credit to the State, the municipalities, etc.

It has been clearly shown that it was not the banks that brought about the industrialization of Germany, but certain elementary economic causes working with irresistible force.

It is equally certain that even under the least favorable circumstances the banks have stood by the Empire and the Federal States in raising funds. This alone proves that another of Lansburgh's contentions is incorrect, namely, that as a result of the credit activities of the banks the reserves of individuals and private establishments are no longer invested in securities yielding a fixed income. The very opposite of this is proved by the appendices to the report on the imperial financial reform bill. Nothing, then, remains of all of Lansburgh's contentions, beyond the fact admitted on all sides that the industrialization of Germany has proceeded too rapidly. This is due to a number of causes (no one can determine in what

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proportion): to the rapid growth of population, the tremendous demand for credit made by trade and industry, occasioned in turn to a large extent by the justifiable struggle against foreign competition, and finally to occasional mistakes by the banks in granting credit.

This may suffice in criticism of Lansburgh's contentions.

I shall now turn to the much better-grounded reasoning and proposals of the late Felix Hecht, whose views, based on sound knowledge of the theory and practice of German banking, were recently made public²⁴⁴ in connection with his earlier treatment²⁴⁵ of the subject.

In this connection a welcome opportunity is offered to supplement these "introductory observations" on industrial credit in a number of points. This at the same time justifies a more careful examination of Hecht's proposals in this part of the book.

Hecht's proposals are in effect that there should be established a *central institution for long-time credit* which should issue debentures indorsed to bearer, and render assistance as nearly as possible to all branches of German industry. These debentures are to be issued either on the basis of securities taken over from the particular industrial establishments, or directly and without such underlying securities. They are to bear the indorsement and guarantee of the central institution. Bearing a higher rate of interest, maturing earlier (an amortization of 7 to 8 per cent as a rule being provided), and being attended with greater publicity,²⁴⁶ the debentures of the central institution would, in Hecht's opinion, have great advantages over existing industrial bonds. Moreover, owing to the wider

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distribution of risks, the security of these obligations would be greater. In the first place the central institution would extend its activities to all kinds of industrial undertakings which might present an assured earning power. Furthermore, the earning capacity of these establishments could be investigated by it more carefully than by the credit banks. Unlike the credit banks, the central institution could have at its command a large staff of technical and commercial experts, who would be in a particularly favorable position to accumulate a very large and valuable stock of specialized experience. The supposed urgent necessity for establishing such an institution is based on the great difficulties which the credit banks encounter to-day in adopting a rational policy as regards the granting of industrial credit.

We must accordingly begin by testing the correctness of these premises. For this purpose it will be necessary to discuss the conditions and the general principles underlying industrial bank credit, particularly as contrasted with commercial bank credit, in so far as these have not been adequately dealt with in these "preliminary considerations," and in my remarks in the *Verhandlungen der Mitteleuropäischen Wirtschaftskonferenz* (Transactions of the Central European Economic Conference) in Berlin (May 17 and 18, 1909)²⁴⁷ to which I refer the reader.

With reference to this the following points may be made:

1. The technique of commercial credit, which has been generally well developed by the German credit banks, is not identical, as Hecht rightly maintains, with the technique of industrial credit. The latter is far from being as well developed by the German banks as the former.

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(a) Whenever industrial credit is given, the creditor is obliged to make sure, throughout the continuance of the loan that the credit allowed has actually been used for the purpose for which it was solicited. This he is seldom in a position to do. In commercial credit, on the contrary, this is not necessary, or at least not to the same extent. Even when short-time industrial credit is given to serve as working capital, the creditor is at all times obliged to keep watch over it and to see that it is not used in a manner at variance with the purpose and character of the loan, by being put into permanent improvements, for this would mean the tying up of an equal amount of the bank's capital. Such supervision can be exercised only with great difficulty.

(b) For this reason, also because of the resulting risk, which is greatly augmented by the lack of technical knowledge on the part of the bank, it is decidedly inadvisable for credit banks to participate directly to any large extent in industrial enterprises. The instances in which the banks became industrial entrepreneurs have for the most part not turned out to their advantage. Direct participation (not always voluntary) in the sense of taking over permanently stocks and bonds of the enterprise, is less objectionable in itself, but even this is likely to prove, under unfavorable conditions, a burden upon the bank's resources and may result in serious impairment of the liquidity of the bank's assets.

(c) In commerce the general practice is to give short-time credit on personal security, well suited to commercial needs. It is necessarily renewed frequently or increased, or if not, a proportionately higher rate of com-

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mission is stipulated. But such credit is in many respects far too costly for industry, and often directly oppressive. In industry such credit is needed only for the transitory purpose of paying wages and salaries and obtaining the working capital required either regularly, at more frequent intervals, or only once a year, for freight and insurance premiums, for the purchase of raw material, and other means of operation. Even this short-term transitory industrial credit to provide for wages and working capital is not entirely conformable to the rules and requirements of short-term commercial credit, for here frequent renewals and increased borrowings are out of question. Still, as a rule it can be repaid more quickly than credit intended for capital outlays. Nevertheless it is objectionable for credit banks, for it often happens that it can not be taken out of current income, and thus tends to develop into permanent credit (*Anlage-Kredit*), contrary to the intention of either party, or at least of the bank. In case payment is defaulted at maturity, a suit-at-law is for the most part out of question, not only for business reasons, but also because such a suit might lead to far more serious consequences.

(d) In view of the need for constant supervision with reference to the stipulated use of the loan (see remarks under section "a") which is far more urgent in industrial credit than in commercial credit, a stipulation that a given industrial establishment should not deal with various banks and bankers would seem particularly proper.

Hecht²⁴⁸ and Ad. Weber²⁴⁹ criticise the German credit banks on this ground, charging them with having frequently violated this principle, and pointing to the Terlinden case, where no fewer than 14 banks and bankers

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had suffered severe losses through ignorance of one another's action. This criticism is, however, unjustified. From personal knowledge of one of the contracts made with the Terlinden Company I know that with a view to supervision in this respect it was expressly agreed that the company should not deal with other banking establishments. Such an agreement, however, is entirely unavailing in the case of a dishonest debtor, and particularly one who falsifies not only the books but also the underlying records (letters, vouchers, etc.). In that particular case the situation would not have been easily revealed, even if the books had been audited, a step for which there was no occasion in the absence of any knowledge that the contract had been violated.

Effective service in this direction could be rendered only by a central credit bureau established by the credit banks themselves to which they might report the names of the borrowers, and the amount and kind of credit granted, without stating the name of the creditor bank. It would, however, be exceedingly difficult to establish such an institution, not only because of the mutual competition among the credit banks but above all on account of the imperative necessity of business secrecy.

2. The lending of short-term commercial credit is, generally speaking, less hazardous than the granting of industrial credit.

(a) Disregarding the cases where unsecured credit is allowed to a manufacturer, in which case the terms and conditions are the same as in commercial credit, and considering the problem of secured loans, we are concerned primarily with secured credit given on the hypothecation of the factory and the grounds belonging to it—property

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on which, as a rule, the mortgage banks will not lend.²⁵⁰ (We may disregard here the comparatively few instances in which policies or securities are pledged.) Even where a first mortgage is offered, which is not always the case, the granting of the loan is not entirely unobjectionable. If it becomes necessary to sell at auction the mortgaged property, together with the machinery, at a time when it is idle, little more is likely to be realized on the factory and plant than the value of the material and the generally low common value of the ground. In any event, the property which serves as security for the loan does not represent the same value to every future purchaser.

Credit ultimately secured by realty (*Realkredit*) may be based further on the issue by the industrial corporation of interest-bearing bonds secured by mortgage. The flotation of such securities is, however, justified only "in the case of a business with an established earning power, which is independent of any particular management that may be in control for the time being".²⁵¹

Loans based on bonds not secured by mortgage represent of course nothing more than credit on personal security (*Personalkredit*), and if no security of any kind is pledged, it is nothing more than unsecured personal credit. Such credit, however, should be granted only under the same conditions under which commercial loans are granted; that is, only after a careful investigation of the trustworthiness and efficiency of the management, the earning capacity of the business, as well as the profitableness and general market prospects of the particular branch of industry.

(b) Industrial credit secured by lien on realty (*Industrieller Realkredit*), is particularly hazardous, when the

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industrial establishment concerned does not fall within the scope of operation and experience of the creditor bank or of its branches. In such cases the investigation into the underlying security of the loan can not be made with an adequate technical knowledge of the business and the lack of it will cause losses much sooner and in larger amount than in the field of commercial credit.

(c) Having failed to give sufficient attention to the above-mentioned conditions under which industrial credit may be given, the creditor bank is very frequently obliged to urge or bring about the reorganization of an establishment as a stock company in case the latter has not yet assumed that form. This involves risk for both parties, particularly when the change to the corporate form is to be made in the face of conditions which may unfavorably affect the market for the stock and bonds to be issued. Such conditions are the presence of strong or even overwhelming competition on the part of other corporations in the same line of business, the general, political, or economic situation, the immediate industrial outlook in the trade, or the character of the management. Very often the expediency, from the business point of view, of transforming a firm into a corporation does not receive sufficient attention in case of enforced reorganizations effected for the purpose of mobilizing long-term loans, or short-time credit which has gradually been diverted from temporary to capital outlays, contrary to the wishes of both parties, or, at least, of the lender; even less thought is given in such cases to the earning power of the future corporate enterprise, which is bound to be affected by the

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increased expense, or to the question whether the enterprise is at all adapted to the corporate form of organization.

Where the main consideration in the formation of a stock company is the necessity of mobilizing a loan and liquidating or shifting it, the situation is particularly dangerous for the lender. On the one hand, the bank may be obliged to carry the newly issued stock and bonds for a long time, which will diminish its power to realize quickly on its assets and interfere with its freedom of action. On the other hand, if it succeeds in floating the securities it may impair seriously or even permanently its ability to float future issues (*Emissionskredit*). The same objections are present, though not with the same force, whenever a bank, for the purpose of mobilizing a long-term or standing loan, is obliged to urge or assist an existing corporation in the increase of its capital stock or in the issue of additional bonds, since in this case as well the bank is obliged to market the securities without much delay.

On the other hand, there certainly were many cases of industrial enterprises that developed slowly and gradually and by the judicious aid of long-term loans reached a point where the condition of the enterprise, the prospective earning power of the additional plant or improvements, and the general industrial situation afforded sufficient evidence that the organization of a stock company or the issue of new stock or bonds was desirable and feasible.²⁵² In the meantime such an establishment can obtain the funds it may need in the shape of acceptance credit paying interest on no more capital than has actually gone into new construction or improvements.

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3. Under existing requirements for admission to the exchanges in Berlin, Hamburg, and Frankfort-on-the-Main industrial securities to be listed, must be in issues having a minimum par value of 1,000,000 marks (\$250,000). On the smaller exchanges it is sufficient that the issues have a par value of 500,000 marks. As a result small concerns may often be obliged to dispose of their bonds among local circles merely without listing them on any exchange, which is often a difficult task, or else they may be forced to have recourse to short-time credit, which is not adapted to their needs, or even to get along without credit. The latter contingency would, of course, happen only in case the provincial banks or bankers failed to lend their assistance.

Upon careful study of these considerations we must admit that the central institution proposed by Hecht may prove beneficial in many ways. Hecht's view is that such a special institution would not prove a serious competitor to the credit banks, but would on the contrary develop a field of usefulness of its own which would supplement their work in many ways. This is hardly correct, at least not so far as moderate-sized industrial establishments are concerned.

On the other hand we can not admit the *necessity* of such a central institution. During the next decades great progress will undoubtedly be made among the credit banks in the direction of the organic development of long-term industrial credit, which Hecht found wanting. He himself, referring to the past, emphasized at the beginning of his monograph the fact that "during the last three decades the organization of credit in Germany has made unexpected progress." This advance in my opinion has occurred and

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will continue to occur not only in the field of commercial credit, but in that of industrial credit as well.²⁵³ This is particularly true of the latter, for many of the obstacles which have hitherto stood in the way of the development and organization of industrial credit are of a general character, and would have to be met by the proposed central institution in exactly the same way as by the credit banks, and perhaps under far greater difficulties. In the first place such an institution would not have at its command the experience of decades and the far-reaching connections which the credit banks have. The credit banks will undoubtedly be in a position to avail themselves of the same experts whom the central institution might employ. This applies primarily to the trust and auditing companies which the banks have themselves established, and is at least equally true of those other organizations, which, according to Hecht, are to cooperate with the central institution, like the federation and association of electrical engineers, the society of naval engineers, the association of German gas and water engineers, the association of German mechanical and railroad engineers, the federation of German mechanical engineers, the German association of mining engineers, and the association of German chemists. In many important points the central institution would, to say the least, have no advantages over the credit banks in making long-term industrial loans. On the other hand it would be sure to make some of the same mistakes that have been made by the credit banks, and some of these on a much larger scale. If perchance it should avoid some of these mistakes, it is likely to commit other mistakes of possibly far more serious consequences to the industrial community.

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To begin with, it is evident that in the desire to find a market for its obligations and to place them in competition with existing securities it would have to make every effort to show large and continuous dividends.²⁵⁴ It would therefore have to be exceedingly keen for business. As a result, during times of the high tide of prosperity it is likely to proffer loans unsolicited or to thrust funds upon industrial enterprises more often than was the case among the credit banks. Thus the abuse charged to the credit banks will prove still more serious in its effects on general industrial conditions and might lead to the lending of credit to establishments which would never have received it from the credit banks.

A more apparent and graver danger lies in this that a special institution of this character can by no means be as familiar with the general industrial and financial conditions as the credit banks. And yet, in granting credit, this factor must be considered just as carefully as the special conditions obtaining in the industry or the branch of it concerned in the loan. It is to be feared that the central institution will not take the general business situation into consideration or will fail to give it due weight.

Among the reasons assigned to prove the necessity for establishing a special institution of this character it is urged that industrial concerns are now forced by the banks to resort to short-term commercial credit, which is not adapted to their needs. As against this contention, it may be asked whether the effect of such a special institution would not be to force establishments to seek long-term credit for purposes for which only short-term

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loans should be used, as, for example, for the purpose of procuring current working capital. I think this at least possible, and I am convinced that Hecht's charge (unjust in my opinion) of the "mechanical standardization of credit" (*Schablonisierung des Kredits*) brought against the credit banks (see his "Memorial," p. 7) is likely to prove true to a greater extent in the case of a special institution of the kind proposed than it ever was in the case of the credit banks.²⁵⁵

Again, as I shall show later in the course of this book, a special institution would undoubtedly introduce new and strong competition for the local provincial banks and private bankers that make a specialty of extending credit to the small and moderate-sized industrial establishments (in case where they do not obtain such credit from the cooperative societies), particularly credit connected with the issue of sound industrial bonds in amounts of less than 1,000,000 marks or 500,000 marks, issues too small to be listed and dealt in on the exchanges (see p. 248).

Attention is also called to another point—the importance of which Hecht by no means underestimates—the need of having the underlying conditions for industrial credit investigated by persons and officers located where the establishment is situated. This need could not be met by such a central institution nearly as well as by our large banks with their numerous branches, agencies, silent partnerships (*Kommanditen*), deposit banks, and allied institutions. Not having affiliations and subsidiary institutions, the necessity for local investigation would oblige the central institution to establish gradually all over Germany a far more extensive network of local branches

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than those established or ever contemplated by the credit banks. The desirability of such a step is very doubtful, but unless this were done the facilities of the central institution for obtaining accurate information and carrying on its investigations on the spot would be inferior to those of credit banks.

A further point of criticism raised by the *Frankfurter Zeitung* of September 16 and 25, 1908, was that the bonds which it was proposed to issue would in effect have all the characteristics of bonds payable to bearer, without any governmental authorization therefor having been given or even requested. Another just criticism is to the effect that it ought to be shown "that the loans to be made with the proceeds of the sale of securities have back of them sufficient security to justify people to invest their savings therein," before "a new kind of obligation is introduced, which would shift to the public the risk of long-time industrial credit, formerly borne directly by the lender." It is contended that Hecht has not proved this point, for it is not enough to refer to the fact that the same objection was raised at one time against the mortgage banks. The conditions are entirely different, both on account of the difference in the character of the security, and the state supervision to which the mortgage banks are subject, and the complete difference in legal status, a point which will be gone into further below.

To this I may add the following. One of the advantages claimed for the central institution is that its bonds would be issued against loans of the most varied kinds, and resting on different kinds of security. Should this indeed be the case, and were the prospectus to give an account of

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all the industrial enterprises concerned and in all the details demanded by the requirements for listing the securities, the complexity would be so great that it would be as difficult to determine the real value of the bonds as to ascertain the actual condition of the central institution itself.

Baron von Pechman (op. cit., p. 94) has properly called attention to the point that the credit to be given by the central institution would prove the less attractive to industrial concerns the shorter the period of amortization to which they would have to agree besides the 5 per cent interest and a high commission. And yet in enumerating the disadvantages of short-term commercial credit for industry, Hecht lays special stress, and very properly, on its costliness.

Finally it must not be forgotten that Hecht's project has long ago been realized abroad, even though only in the form of a provincial bank. However, that is the form which Hecht himself contemplated, at least at the start. Now this foreign bank has not met with any great degree of success.

About ten years ago (1898) a special institution of the kind contemplated by Hecht was established in Austria—the Bohemian Industrial Bank (*Böhmische Industriebank*) in Prague—a provincial bank with the moderate capital of 12,000,000 kronen (\$2,436,000). Of late (since 1906) it has had as one of its special purposes the flotation of bonds based upon industrial loans repayable in annual instalments. Up to the present the entire volume of its bonds, secured by mortgages, had not exceeded 16,639,000 kronen (\$3,378,000). In September, 1906, it established a branch in Vienna, entering thus into direct

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connection with the money market of Vienna. Lopuszanski, secretary to the Ministry in Vienna, who gives an account of this bank,²⁵⁶ withholds final judgment as to its merits, notwithstanding the reasonable length of time the institution has been in existence.

Moreover in accordance with the provisions of a special enactment in Austria of December 27, 1905,²⁵⁷ governing the issue by the banks of certificates of funded indebtedness, three large institutions were given the privilege of issuing bank bonds (Reichsgesetz-Blatt 85. Stück, Jahrg. 1905), based on industrial loans secured by mortgage. The limitation imposed is that the aggregate amount of the bonds must not exceed the total amount of the mortgages on the industrial property by which the loans are secured. The three institutions referred to are the *Allgemeine Privilegierte Oesterreichische Bodenkreditanstalt*, the *Wiener Bankverein*, and the *Zivnostenská Banka* in Prague. Of these only the latter began to issue such bonds as early as 1908. Although four years have elapsed since the law was enacted it can not be said that there has been any great activity along the new lines.

I do not believe in the practicability of the new venture. In view of our conditions in Germany, at any rate, I would not advocate the adoption of a law which would authorize banks to issue certificates of funded indebtedness, particularly as no great use of such a privilege is likely to be made in Germany, so far as can be foreseen. We may recall in this connection that the issue of such certificates of funded indebtedness was proposed by Pereire, and that provision was made for it more than 50 years ago in the charter of the *Crédit Mobilier* and of the *Darmstädter*

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Bank. Everybody is agreed that it was fortunate that such issues were never made. As it is, the concentration and decentralization of the banks has led to a complexity and obscurity in the bank statements that is constantly increasing. The issue of certificates of funded indebtedness based on diverse industrial undertakings, the standing of which can not be easily found out, would not tend to lessen this obscurity.

Finally, certain weighty objections of a purely legal nature remain to be discussed.²⁵⁸

The following are the only possible forms in which the bonds might be issued:

I. BONDS SECURED BY MORTGAGE.²⁵⁹

1. Supposing the central institution issues its own bonds, two cases are possible:

(a) In consideration of a loan made to an industrial establishment, it might take bonds issued by the latter (and secured by mortgage) made out to the central institution or to its order. On the basis of these bonds the central institution might issue its own bonds, depositing with a trustee as security the bonds of the establishment.

(b) Another way would be this: The establishment issues bonds secured by mortgage in favor of a bank, which would make the loan in the first instance. Against these bonds indorsed by the bank the central institution would in turn issue its own bonds.

In my opinion there can be no doubt that, inasmuch as the purpose of the central institution's "activity" is "directed" ²⁶⁰ exclusively or in part to the making of mortgage loans on the real estate of industrial establishments and to

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the issue of bonds on the basis of the mortgages acquired, the institution would be a mortgage bank according to the wording, meaning, and purpose of article 1 of the mortgage-bank act of July 13, 1899. As such it must obtain a charter. As its sphere of business is not to be confined to any one of the Federated States, it must obtain its charter from the federated council (*Bundesrat*). This being so, the central institution would be subject to the limitations of the mortgage-bank act. In this respect it would make no difference whether the mortgage bonds issued by the various establishments receiving loans were bonds secured by a specific property or by the full assets of the institutions. These considerations apply to the two cases, (a) and (b), because article 1 of the mortgage-bank act applies equally, no matter whether the mortgage is originally made out in favor of the central institution or the mortgage is obtained by the central institution from a third party (cf. *Komm. Bericht.*, p. 1, sec. 5; par. 1, No. 1, *ibid.*).

If this view is correct, the purpose of the bank, to make loans to industrial establishments and to issue bonds against them, would in these most important cases be almost completely nullified. Even if we follow Ernest Sontag²⁶¹ in rejecting Hecht's interpretation²⁶² of section 12, paragraph 1, clause 2, of the mortgage-bank act, the policy of the mortgage banks, as shown in note 250, p. 827, would continue unaltered, according to which, with few exceptions, no loans are granted on industrial establishments.

2. Suppose now that the central institution does not issue its own bonds. We might then have a case where the bonds secured by mortgage would be issued by the

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industrial establishment itself to the order of the central institution, and the latter would no more than indorse the bonds. It would make itself liable for them in the same way that a bank assumes liability for a bill.²⁰⁸ In this case the mortgage-bank act would not apply, for it would not involve the issue of bonds by the central institution against mortgage loans made by it or by some other party. The central institution would be acting only as an intermediary, guaranteeing the bonds issued directly by the various establishments. These securities, to be sure, would gain in value and become more readily marketable, for the reason that they had been passed on and indorsed by the central institution, but scarcely more than the industrial bonds floated by a well-known bank.

On the other hand, so long as the bonds are issued by various borrowers, and merely indorsed by the central institution, it would be impossible to combine and treat as one aggregate loan of 1 million marks the issues of, say, four establishments where each issue was for 250,000 marks. This does away with a second argument advanced in favor of the creation of a central institution, namely, that by combining a number of loans it would enable the securities of smaller establishments whose bond issues were for less than 1,000,000 marks to be listed and dealt in on the exchanges.

II. BONDS NOT SECURED BY MORTGAGE.

It might be thought that this difficulty could be obviated in the following manner: The central institution would have the four establishments each issue in its favor

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bonds for 250,000 marks, unsecured by mortgage. The institution might then in turn deposit these bonds with a trustee, and issue against them its own bonds to the amount of 1,000,000 marks. These could then be listed and traded in. The objection against this plan, however, is that, if one of these establishments should become bankrupt, the claim based on these bonds would entitle the central institution to no greater a share in the assets of the bankrupt firm than would fall to the other non-preferred creditors of the establishment. In other words, if the industrial establishment becomes insolvent, the claims arising from the bonds which it has issued and pledged with the central institution are on a par with all other non-preferred claims against the establishment. There would thus be little inducement to the public to purchase such bonds, even if these should be admitted to the exchange, which is doubtful. Should they be listed, it seems to me that the exchange accepting them would at least insist that, inasmuch as it might be erroneously assumed from the fact that the bonds were pledged to the central institution that they were secured by a preferred lien on the property (*dingliche Sicherheit*), the absence of it should be expressly stated in the prospectus. This would, of course, spoil the market for such securities.

The outcome of these legal considerations is as follows:

1. In the case of an issue of mortgage bonds, the central institution, as such, could be active only in the case described under I 2. Here, however, it would serve primarily only the interests of the larger establishments. These are, as a rule, closely connected with the banks, and

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have hitherto received too much rather than too little credit.

2. As regards the issue of bonds without mortgage security there is no real necessity for adding further to a class of bonds which, contrary to what the purchaser generally believes, do not confer upon him any right of lien on the property (*dingliches Recht*), the more so that it would be of no benefit to the small trader as such.

3. To allow the issue of bonds in cases I No. 1 a and b, there would be need for amending existing legislation in order to enable the central institution to avoid the necessity of obtaining a charter as a mortgage bank. In view of the existing superabundance of industrial bonds, there is no adequate justification for such amendment.

Should the central institution enter upon a career as such, in spite of all the existing economic and legal objections, it can not, in my opinion, look forward to a rapid or notably successful activity.

(B) THE CURRENT ACCOUNT BUSINESS.²⁶⁴

Current account transactions between the bank and its clients are one of the main sources of the commissions earned by the bank in the general course of business. At the same time the current account is the basis for the various relations by which both parties are gradually drawn into closer union. Through the current account the bank serves in the first place in the capacity of "maid of all work" in the business household of its customers, performing a thousand and one services each for a small consideration. This menial position, as a rule, is, however, only a temporary stepping stone in its progress to

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a position of influence, at times even of dominance, and one offering great advantages of the most diverse kinds.

For this reason the current account more than any other branch of business represents the field in which the various banks fight their competitive battles, particularly the battle for the industrial clientele. Once regular relations are established through the current account, a direct road is opened to power and profit for the bank. This road leads past the various forms of loans, which of themselves, especially the right to close the account, give a certain amount of influence to the bank. It leads further to increased power and profit through reorganizations, promotions, flotations of securities, consolidations and permanent participations in industrial undertakings through stock ownership, or representation on the supervisory board, or both. Through these transactions it leads to the conquest of entire branches of industrial activity, to close affiliation with commanding industrial concerns, cartels, and syndicates, and marks the beginning of the supremacy of groups of banks.

In the systematic development of the current account business in industrial districts, attained only gradually, and after much labor and trouble, we see at the same time a powerful lever in the systematic industrial policy of the banks. The successful carrying out of this policy tends also to establish, strengthen, and extend the supremacy of the banks over the private banking houses usually found in this field.

The essential features of the current account business are the following:

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In the course of the current account transactions, the German credit banks first of all provide their customers with the facilities for making and receiving payments (*Zahlungsverkehr*). They receive payments, and make payments on their account, collect their bills, interest on mortgages, and claims. For such of their customers especially as are engaged in foreign and over-sea trade, they draw bills, checks, drafts, and letters of credit. By putting their signature to the commercial paper of their customers they convert this paper into safe securities, negotiable everywhere.²⁶⁵ They accept bills drawn upon them by their customers or clients of the latter. They place at the disposal of their customers the transfer facilities (*Giroverkehr*) provided by the bank, its branch offices and affiliated banks, though this need is but seldom felt, in view of the giro facilities offered by the Reichsbank.

They also provide foreign bills of exchange for such of their customers as need them for their foreign trade transactions. These have retained the character of instruments of payments to a far greater extent than the domestic bills. These foreign bills are held by the German credit banks not only for the convenience of their customers, but also to maintain the liquidity of their own assets. They keep them in their portfolios not indeed to the same extent as the Reichsbank, but nevertheless in considerable amounts in order to be in a position to draw gold from abroad, in case of a money stringency or a panic. The amount of foreign bills is seldom reported in the statements of the German banks. The annual report of the Dresdner Bank for 1908 states that out of a total in bills of 248,666,816 marks (in 64,951 bills) on

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December 31, 1908, there were bills in foreign currency to the actual value of 24,999,370 marks. In the same way the Disconto-Gesellschaft reports that on the same date, out of a total of 158,928,057 marks held in bills, there were foreign bills to the value of 18,347,484 marks. In 1903 more than half (54.5 per cent) of the bill portfolio of the Berliner Handelsgesellschaft was made up of foreign bills.

To meet the wants of their customers, the German credit banks furnish surety bills (*Wechsel-Avale*) for their customers, more particularly in favor of the customs and railroad authorities to guarantee the payment of customs duties and railroad freight charges, on which deferred payment has been allowed.²⁶⁶

They also undertake to collect foreign and domestic bills, deducting their expense and commission. However, under the terms of the current account, which are nearly always identical on this point, they do not assume responsibility in the case of foreign bills or bills on smaller places in Germany, for presenting them on time, or for having them protested. At the request of their customers they make remittances by telegraph in order to meet outstanding obligations in foreign countries.

In their current account transactions they reduce, for their customers, the risks arising from export and import trade by discounting or loaning on the bills drawn by the exporter upon foreign purchasers. They allow the importer credit against which the foreign merchant may draw, and, on the delivery of the bill of lading, they put their acceptance on the bills of the foreign seller to the amount of the invoice, thus making it possible for these bills to be discounted.

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They allow their customers credit on current account for a considerable period of time, or they give them short-time credit on current account or independently of it, by discounting the bills of their customers or their clients, or by granting them loans on collateral or in the shape of the so-called reports. In a few instances, following the example of the Deutsche Bank, they have begun lately to discount for their customers even outstanding business accounts.

They accept securities and documents of their customers for safe-keeping in their vaults, as a rule gratuitously in case a commission is paid on transactions on current account. In case they undertake at the same time to look after these securities, they charge an exceedingly small commission for this service.

Under the latter head we have the following operations: The cashing of coupons as they become due and the presenting for payment of bonds drawn by lot, or repayable for other reasons; the collection of mortgages and temporary interest (*Genussscheine*) the drawing of incomes (*Geltendmachung von Bezugsrechten*); the exchanging of converted securities or the presenting of such securities for stamping, in compliance with legal requirements. In the case of a reduction of capital they deposit the securities of their customers either for stamping or cancellation. They further secure new sheets of coupons with the talon (or certificate of renewal), they supervise the drawings (with certain reservations), they make additional payments on securities not fully paid up, they pay assessments on mining stock, advance cash for coupons payable in terms of foreign money, etc.

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In accordance with their general and current account regulations, the German great credit banks require a special order of the depositor of securities, in case of conversions, insurance, giving notice in the name of stockholders before the general meeting;²⁶⁷ also in case of instalment payments on account of securities not fully paid, of assessments on account of mining stock, and in case of reductions of capital when an exchange of stock for a smaller amount of new stock is to be made (*Zusammenlegung von Aktien*).

According to Waldemar Müller,²⁶⁸ the Dresdner Bank alone manages securities of customers aggregating in value to nearly 2,000,000,000 marks, not counting the securities held by its deposit offices. The German credit banks or their deposit branches and exchange offices (*Wechselstuben*) take care of sealed deposits in special fire- and burglar-proof boxes and vaults, with keys held by the bank and by the respective depositors, a function performed abroad, and particularly in England and America, by special safe-deposit companies.

In accordance with special rules German credit banks buy and sell securities on commission and make loans thereon, according to terms described more fully below, which are essentially the same for all the large banks. Loans on mining stock, where they are not completely barred, and on American railroad shares, are as a rule subject to special agreements.

Customers having a current account with the credit banks may, if they wish it, open a check account. Balances on such accounts do not bear interest. On the other hand, the bank charges no commission on the turnover of such

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accounts. An accounting is rendered usually each quarter. Deposits of cash to this account, if made before 12 o'clock, are credited as of the date of deposit or the next business day; when made later, they are credited as of the business day next following. Cash paid out on this account is charged to the day on which it is paid.²⁶⁹

German credit banks, mainly through their exchange offices and deposit branches, frequently act as intermediaries for their customers in securing for them mortgage loans, and often obtain for them or lend them directly money for building purposes. They make themselves responsible either in the form of surety or of deposit of so-called "Aval-bills" to the customs or railroad authorities for the payment of customs duties or freight charges, where credit has been allowed to their customers; or for the proper fulfillment on time of contracts entered upon by their clients for supplies or work. At the wish of their customers and on payment of a moderate fee they insure securities left with them for deposit and care against reduction in value in case of drawings.

They finance the reorganization into stock companies of business firms in which their customers are interested; also the organization of new stock companies. They underwrite the issue of newly created shares and bonds in a great variety of forms and on the most diverse terms.

Finally, they supply or secure for their clients necessary or helpful information regarding new business connections which the latter may be contemplating and on the standing of individuals or firms to whom credit is to be extended, also on foreign connections and markets. They grant or

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obtain for their customers various advantages and facilities, both in their commercial relations and in their mutual intercourse, and notably in connection with the flotation of securities.

As a result of the mutual competition of the banks, commissions on German current-account transactions have to-day fallen to a level lower than ever. This is very deplorable, for it may lead to the neglect of what is the mainspring of the banking business, the current-account transactions, and to the preferment of other more speculative branches of banking. A point has been reached where a great many services for which a charge is made abroad are performed in Germany gratuitously, and the commissions, where paid, are so slight that often they do not cover even in part the share of the general expense which these services involve. Thus as a rule the commission for the business done on current account is figured on the larger side of the account, being one-half of 1 per mille for bankers and 1 per mille for others. For bill acceptances the commission is one-fourth of 1 per cent per quarter. As a rule this charge is remitted by most large banks in the case of their regular customers, who are allowed to issue time drafts on the bank. It is exacted only when they have no adequate funds on deposit in the bank on the day when the acceptance is made.²⁷⁰

In the absence of a special understanding, interest is allowed on credit balances normally at a rate 1 per cent below the Reichsbank discount rate, and charged on debit balances at 1 per cent above the Reichsbank discount rate. Usually, however, provision is made for a maximum rate in the one case and a minimum rate in the other.

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Payments on current account are usually credited as of the same day or as of the next business day when they are made after 4 o'clock. Money paid out is always charged as of the day on which the payment is made. Bills collected are entered according to special agreement, bills discounted as of the day on which they are discounted.

Where the debit balance on current account against a customer is not merely temporary or when the customer needs credit either at stated periods (seasonal credit), at irregular intervals, or continuously, terms must be agreed upon as to the amount, the rate of interest, the security, the commission to be charged, etc. These are usually made in writing and mostly as soon as the account is opened.

In the course of time and under the pressure of successive legislative enactments and new legal requirements, the banks have developed fairly uniform forms of contracts²⁷¹ for their "business and current account transactions." Naturally, however, reservations are made in regard to special terms affecting commission, interest, the amount of credit, and the conditions of repayment.

Credit on current account is given only to classes of business to which bank credit is applicable, and is either unsecured (*Blankokredit*) or secured. The bank, however, seeks always to find security against the risk it assumes in the character and extent of its current account transactions and in the differences that naturally appear among its current account clients. The common policy of the banks is to have as nearly as possible an equilibrium between the amounts it must provide for current account customers in the shape of advances or payments and the

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active balances of the deposits of other current account customers, as well as deposits expected from them.²⁷²

Under such conditions, comparatively little of the bank's own capital is tied up in current accounts. This safeguards the bank's ability to realize quickly on its assets and secures to it freedom of action. While this favorable situation is not present every year, or in the case of every bank, yet, on the whole, and on the average for a number of years, the condition has been nearly approximated by the great German banks.

In this connection Müller²⁷² justly says: "For this reason the customers most highly valued are those who, requiring credit during the buying season, not only repay the advances during the selling season, but in addition accumulate balances to their credit. This is true of a large number of commercial firms and of many branches of industry, notably in Berlin. The seasons for various branches of business being different, a large bank with branches and connections in all industrial centers of Germany enjoys the advantage of a proper distribution of its accounts among all branches of industry, and of the best possible adjustment of credit and debit accounts. Moreover, the periodic covering of loans exerts a reassuring influence, whereas loans that are running throughout the year require greater caution and constant vigilance."

The magnitude of current account transactions appears from the following: At the end of 1908 the current accounts in the Deutsche Bank, including accounts in the deposit branches in Berlin and its suburbs, numbered 171,305. At the end of 1907 the Dresdner Bank had 31,631 current account customers at its central office and

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67,212 accounts in its exchange offices (*Wechselstuben*), or, in all, 98,843. At the end of 1908 the number of accounts at the central office had risen to 35,542.

The security for credit on current account, or for credit given on current account through acceptance, collateral loans, or bill discounts, consists as a rule of shares, bonds, merchandise, bills, or the outstanding accounts of the borrower, that is, of claims arising from the sale of merchandise and manufactures, or of raw materials, half-finished or finished products, belonging to the firm receiving credit, or of life-insurance policies, patents, mortgages, dwelling houses, factories, land, or sureties including secondary and counter sureties (*Nach-und Rückbürgschaften*) and the like.

Under normal conditions, whenever the banks exercise due caution—and most of them do—it may be shown that it is not the secured credit on current account but the unsecured credit which has proved the safest.

German credit banks grant unsecured credit (*Blankokredit*) as a rule only after a study of the financial statement of the applicant for credit and a thorough investigation of his trustworthiness, his financial standing, and his business, which must present no obscurities to the inquirer, and when it is established beyond doubt that, so far as it is humanly possible to foresee, the loan will be repaid and repaid on time. This practice of granting unsecured credit is far more extensive in southern and central Germany than in northern Germany, but it is seldom granted to other than business men, at least not in considerable amounts.

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When security is demanded for a loan, it is a sign of some doubt on the part of the bank, excepting the cases when under general or special instructions of the board of supervisors or under orders from the central office, the executive officers of the bank or of the branch are forbidden to make any unsecured loans or to make them beyond certain amounts, or without special permission.

Hence the demand frequently made for a separation in the bank statement of secured and unsecured loans can not be based on the assumption that such data would indicate to what extent the management was complying with the dictates of business prudence in demanding security, as such information would tell nothing regarding the character of the security—which is the all important thing.

Although mistakes have undoubtedly been made in giving unsecured credit,²⁷⁴ the mistakes made in German banking practice, and for that matter also in the practice of foreign banks, in the lending of credit may be traced, so far as my experience goes, far less frequently to improper unsecured loans than to the facts pointed out in our "introductory considerations." Among these have been excessive liberality and eagerness in lending credit, the giving to or even forcing upon establishments of long-time instead of short-time credit, violations of the principle, which should always be observed, of distributing risks, and, under the head of secured credit, the false choice or false distribution of collateral—for which, however, the competition of other banks may often be responsible—accepting, for example, as security second mortgages, mortgages on building lots, unlisted or highly speculative secu-

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rities, or, worst of all, accepting as "security" shares and bonds of the company which was seeking credit. A practice equally dangerous is the accepting of securities as collateral at prices manifestly far higher than what they might be expected to bring at forced sale, and the like.

I believe therefore that in general fewer dangers for the bank are involved in unsecured credit than in secured credit. The most questionable secured loans are those that have developed out of original unsecured loans.²⁷⁵

The subject of unsecured credit arising from acceptances will be dealt with more in detail further on. Such credit is subject to its own rules and considerations. Satisfactory as this form of loan may be to a bank at any given moment, it can not be denied that to give a large or the largest part of its credit to customers, in the form of acceptances, may become a source of danger, for it may happen that just during a crisis when the bank needs all of its resources, it may be called upon to redeem its acceptances owing to the inability of the drawers to redeem the bills.

The current account business, including the credit given on current account, presents considerable advantages for a credit bank, though in promoting this business there is need of the utmost attention and caution. Once developed, however, it gradually yields regular earnings, which are of particular help during adverse times, insuring to the bank certain minimum dividends, and thereby affording the management a certain repose and assurance even when the more speculative branches of its business and more particularly the flotation of securities fail to bring adequate returns.

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While it is true that the stability of dividends increases with the growth of the deposit business, the latter in its turn is influenced by an extension of the current account business. On the other hand, the increase of dividends is dependent mainly upon the expansion of the current business and particularly the business on current accounts.

The proportion which interest ²⁷⁶ and commissions bear to the total gross profits may be seen from the following table. So far as commissions are concerned, only the smallest part is due to transactions on current account; by far the larger part comes from the banks' brokerage business. For 1908 the profit from the bill business is also included. The percentages are as follows:

	1906.	1907.	1908.
	<i>Per cent.</i>	<i>Per cent.</i>	<i>Per cent.</i>
Deutsche Bank	69	73	70.6
Disconto-Gesellschaft	64	68	61.4
Dresdner Bank	79	88	84.8
A. Schaaffhausen'scher Bankverein	77	88	84.4
Darmstädter Bank	55	69	66.6
Berliner Handelsgesellschaft	73	79	82.9
Nationalbank für Deutschland	71	96	94.3

Moreover, since a regular flow of business on current account can take place only under favorable conditions in trade and industry, the transactions on current account give the credit banks an excellent insight into the economic situation as it presents itself at any moment. At the same time the bank thereby develops a following of customers who are able to take over the securities floated by it.

Business on current account and more particularly industrial loans on current account tend to promote concentration.²⁷⁷ They force credit banks to enter into close

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alliance with the old and established provincial banks in the industrial sections—an alliance of vital importance also to the latter. This was in fact the real reason for the first community of interests effected—the alliance of the Deutsche Bank with the Bergisch-Märkische Bank and the Schlesischer Bankverein in 1897. Again, the provincial banks and private bankers must gradually lose ground in the competitive struggle for supplying industrial credit in proportion as such loans increasingly become long-time loans, which force the lender to tie up large sums for an indefinite period in capital loans and in flotations of securities which often do not allow of immediate realization. With the increasing concentration of industry the situation becomes more acute, as increasingly larger resources are required for industrial development and expansion.

Finally, industrial loans pave the way for the employment of the bank's credit in the reorganization of industrial establishments on a corporate basis, or the flotation of new securities in their behalf. Industrial credit thus naturally ends in drawing the banks into closer relations with all industrial interests, linking the credit banks with industry in a well-nigh indissoluble union for weal or woe. This union finds effective and visible expression both toward outsiders and insiders in the mutual representation on the supervisory boards by the leading directors on both sides.²⁷⁸

Similar remarks apply to commercial credit whenever used merely for the organization of corporations or the reorganization of firms as corporations and the flotation

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of securities. This has been the case in not a few instances, as for example in the case of certain navigation concerns.

The following data for different years in the second period show the amount of loans (*Debitoren*), in the main, though not exclusively, loans on current account, for all banks (numbering 169 at present) having a capital of at least 1,000,000 marks each; also the relation which these loans bear to the share capital of the credit banks:

Year.	Number of banks.	Loans (in 1,000 marks).	Capital of banks (in 1,000 marks).	Ratio of loans to capital.
				<i>Per cent.</i>
1883.....	71	886,360	796,447	111.3
1895.....	94	1,992,660	1,345,445	148.1
1908.....	169	6,604,652	3,253,673	203.0

In the introductory considerations (p. 233 and following) we have dealt with the objections and criticisms urged on the alleged ground that the loans are made primarily in an altogether one-sided and improper manner in the interests of industry (more correctly trade and industry).

For all German credit banks having a capital stock of at least 1,000,000 marks each, the total assets were invested as follows:

	Loans.	Bills.
At the close of—	<i>Per cent.</i>	<i>Per cent.</i>
1895.....	50	19
1906.....	53	21
1907.....	53	20
1908.....	52	21

Thus during a twelve-year period scarcely any change worth mentioning is seen. The assets of the great banks were placed as follows: ²⁷⁹

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	Loans.			Bills.		
	1906.	1907.	1908.	1906.	1907.	1908.
	<i>Per ct.</i>					
Deutsche Bank	43	40	45	29	33	29
Disconto-Gesellschaft	55	59	59	20	18	18
Dresdner Bank	45	51	49	22	19	24
Darmstädter Bank	55	57	48	17	19	22
A. Schaaffhausen'scher Bankverein	67	68	62	11	8	13
Berliner Handelsgesellschaft	45	41	44	17	28	21
Nationalbank für Deutschland	43	45	45	19	25	18

(C) THE ACCEPTANCE BUSINESS.

In the field of credit there are essentially three kinds of bank acceptances in use among German credit banks.

1. In the first place we have the acceptances in domestic and foreign commodity transactions, that is to say, mercantile acceptances (*Warenakzpte*).

We shall describe in another place the use of acceptances in foreign trade and the difficulties which had to be overcome before German bills in terms of marks could attain to the stage of approximate equality with English pound bills, and how long it took before these mark bills, at first unknown and disliked and having but a limited discount market, reached the point where they are no longer subjected everywhere to a higher rate of discount than the pound bills on London.

A condition in which business men support directly the burden of credit transactions and bear unaided the risk involved is in general a sign that industrial organization is as yet undeveloped. This is the situation in which products and commodities are sold on long terms by the manufacturer to the wholesaler, or by the latter to his

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retail customers, the seller drawing a bill on his customer (often running for six months),²⁸⁰ anticipating the maturity of it, by discounting the long-time claim with a bank or banker.

For a long time this was the exclusive procedure in Germany. It involves on the one hand the serious disadvantage that the entire commercial and industrial class becomes accustomed to this very long interval for loans and payments, often of six months' duration. Like an interminable disease, this practice affects also the final link in the commercial chain, the trade of the retailer with his customers. On the other hand this practice imposes unusual hardships on over-sea trade and increases its cost. The exporter has to draw on his foreign customer bills in foreign currency for the latter's acceptance. Owing to the limited market for such notes, he finds it difficult to discount them, and has to pay higher rates of discount. In addition, he has to bear the loss resulting from fluctuations in the rate of foreign exchange which may take place in the interval.²⁸¹

This early phase in the development of industrial organization has been outlived in Germany, at least to the extent that for some time past, though in the main not before the present period, the wholesale trade and large industrial concerns no longer have been the sole and direct grantors of credit, having as a rule given up the practice of accepting the drafts of their customers or of drawing on the latter. It is much more usual for the German wholesale trade and the large industrial establishments to draw upon the banks or bankers with whom they regularly deal. The bank's acceptance is then remitted to the creditor,

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or arrangements are made with the bank whereby the creditor may draw directly on the bank, the latter accepting the draft which is then discounted by the drawer.

This practice which has become common in large-scale industry and the wholesale trade,²⁸² whereby the immediate mercantile bill has gradually been replaced by the bank acceptance, has in the course of time introduced a certain amount of improvement in the direction of shortening the time for credit and payment in the wholesale trade and in industry conducted on a large scale. The circumstance which has done most to bring about this change is that only two- or three-month acceptances of banks and banking houses whose acceptances are regarded as prime discounts (so-called *Privatdiskontos*), can be discounted at the private discount rate.

In England, according to the account of Edgar Jaffé,²⁸³ considerable advance has been made toward dispensing with mercantile bills altogether, transactions between the large firms coming more and more to be on a cash basis. This third stage of development has been arrived at in Germany only by the large cartels and syndicates which may be thus said to undertake the solution of an important economic problem, that of restricting credit transactions between producers and their customers.

Thus, for example, the steel works' union, as stated elsewhere (note 172, p. 819) reduced the terms for payment on domestic purchases to fifteen days, at the same time cutting down to a large degree the trade discounts allowed. To foreign dealers trade discounts are no longer given at all.

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The large German banks have among their holdings a very large number of bills accepted by other banks (great banks or affiliated banks) and discounted or rediscounted by themselves. These bills arise from the above described custom, prevailing among the wholesale trade and large industrial establishments, to draw on the banks, or to make special arrangements with them whereby customers may draw on the banks, the latter accepting the bills which are then discounted. Some recent writers who advocate the strict separation of "mercantile" from "finance" bills have improperly classed the above described bills—true mercantile bills—among the finance bills, on the ground that they are accepted and indorsed by banks.

The following is a good illustration. In order to attract gold to America from abroad in 1908, deliveries of copper, cotton, petroleum, rice, and other raw materials and food-stuffs were effected much more quickly than usual and the equivalent was collected much more promptly by drawing against the shipments. As a result, an unusual number of legitimate American commercial bills were drawn on the leading German banks and accepted by the latter. Other banks were glad to discount this paper. Obviously it would be wrong to follow the customary tradition and call such drafts "finance bills" merely because they were issued with the manifest purpose of attracting gold, or to go further and stigmatize them as kite flying or accommodation paper, as was frequently done at that time and up to very recently in Germany as well as in England. (See p. 213.)

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It would be very easy to multiply examples. They prove that the term "finance bill" may often be a misnomer even when applied to bills which the banks are instrumental in circulating by their acceptance and indorsement in cases where the purpose of the bill is clearly to raise money. It would follow, from what has been stated before, that the term would have to be applied to most bills that circulate in Germany at the present time. Thus for example, according to a statement made before the bank inquiry commission, out of German bills to the amount of about 400,000,000 marks which the Deutsche Bank alone held in Berlin, about 300,000,000 marks' worth consisted of acceptances of German banks—a situation readily understood in view of the foregoing considerations.

What has been said applies not only to bills originating from domestic commercial transactions, but perhaps even more so to commercial paper originating from oversea commerce, and accepted by German banks. According to the statement just cited, 200,000,000 marks of paper of this class had been accepted by the Deutsche Bank alone.

It is clear from the foregoing considerations that the greater part of the bank acceptances are found among the bill holdings of the banks. In 1907 bills to the value of 2,621,630,000 marks were held by all the German credit banks having a capital of at least 1 million marks each, of which acceptances alone amounted to 2,035,290,000 marks or 78 per cent of the total bill holdings. It may therefore be assumed that as a rule between 70 and 75 per cent of the entire bill holdings of German credit banks are made up of bank acceptances, a conclusion that agrees with the data given above.

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Heiligenstadt is justly of the opinion that in order to be regarded as a "legitimate" bill, as distinguished from a finance bill, a bill—i. e. every claim that is presented in the money market in the form of a bill, must have "as its basis an economic good (*Wirtschaftsgut*).” I should discard entirely the expression finance bill and use instead the term nominal bill (*Leerwechsel*). However, the point should be emphasized that this "economic good" need not necessarily be a present or "concrete good" or a present or concrete commodity transaction. It may just as well be an advance given by the bank to domestic or foreign industrial or commercial firms with the view of future production or of a future commodity transaction.

In testifying before the bank inquiry commission, Heiligenstadt himself pointed out another case where even in the absence of such a loan, a bill issued would not be a "finance bill," still less a "nominal bill." Thus a merchant, manufacturer, or provincial banker, who has a balance to his credit in a bank, may draw a bill on the bank in order to convert this deposit into a form most liquid and convenient for him. Under the same head belong the cases mentioned by Lotz.²⁸⁴ Thus a banking house may take over securities from a debtor, and sell them to a third party. It may then draw on the purchaser, who may in turn be a banking firm. Or again, in taking over a loan, a bank may settle for it with its acceptance. As a matter of fact, in both of these instances the transaction involves "as much the circulation of a commodity peculiar to this branch of business as in the case of grain or cotton bills," although all these bills may be found to bear the names of bankers only. It would be impossible to

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deal with all the cases belonging under this head with anything approaching completeness.

In view of the foregoing it would be well to regard as nominal bills only such long- or short-time bills, which are not based on present or future production or on present or future sales of commodities in industry, agriculture or trade, or are not drawn with a view to liquidating credit balances resulting either from these transactions or from other causes. Neither is it material whether such bills have been accepted or issued by banks or by other firms, or drawn by one bank on another. In the case of long-time bills, however, drawn by one bank on another, or on private bankers, the presumption is that they are nominal bills.

As a matter of fact, neither the Reichsbank nor any other discount bank is able to distinguish a "nominal bill" of this kind externally from a "legitimate bill" any more than a legitimate stock-exchange time-transaction can be distinguished from an illegitimate deal of the same class. Hence there will always be cases where even the most expert bill broker will be unable to tell with certainty what kind of bill he is handling.

In connection with the expert testimony before the bank inquiry commission, two members of the commission, Heiligenstadt and Fischel, pointed out cases not at all rare, which show particularly well how little the banks are able, in many cases, to tell the true character of a bill from the instrument itself, which may often come to them from second or third hands, unless they know the character of the business which gave rise to the bill. "Let us take the following example: A spinner imports cotton from America

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and gives his acceptance for it. He spins the purchased cotton into yarn in two weeks, and sells and delivers the yarn to a weaving establishment, drawing on the latter for the goods. The weaving concern makes it into cloth and sells the woven fabric to some print works, drawing on the cotton print concern for the goods delivered. Here we have three bills, each of which must according to every characteristic be classed as the most substantial bill in the world; and yet in the last analysis they are based only on a single commodity" (Fischel).

As a matter of fact, according to the definition we have given above, we could not characterize any of the above bills as a "nominal" bill. The phenomenon in question of one commodity furnishing the economic basis, or being the "economic good" of a series of bills, may in case of a boom period or in times of stress, such as was the case in America in 1908, be intensified by the feverish hurrying of the processes of production characteristic of such periods, as witnessed likewise in our own electrical and other industries.

Let us assume that in consequence of such acceleration a process that normally requires three months is crowded into one month. At the expiration of three months, instead of the usual one bill for three months issued by one producer, there will be in circulation three bills, drawn at the successive stages of the process of production (by the producer of the raw material, the maker of the partly finished product, and the manufacturer of the finished goods). This, by the way, is one of the reasons why we may almost always observe at the height of a boom period a great increase in the number of bills in circulation.²⁸⁵

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2. The second class of German bank acceptances are the industrial acceptances of the bank, particularly those intended to furnish funds for the following purposes:

(a) To provide temporarily for current operating expenses, viz., for salaries, wages, insurance premiums, the purchase of raw material, and the like, purposes for which short-time acceptance credit is in every way appropriate.

(b) To provide necessary working capital not merely for temporary needs. As a rule, for this purpose long-time credit should be resorted to. The use of short-time acceptance credit in such a case, as we saw above (p. 242), involves considerable danger. It is not necessary to dwell here on both these points, as they are treated at length in the introductory considerations and in the discussion of Hecht's proposal of a central institution for long-time industrial credit. What I wish to emphasize particularly here is this: The volume of acceptances of German credit banks in circulation has been swelled, to no slight extent it seems, for the reason that, as abundant experience has shown, acceptance credit, when granted for other purposes than that of supplying temporary deficiencies in operating funds, is often not repaid at maturity, but extended, i. e., the acceptance, before it becomes due, is replaced by a new bill issued by the borrower of industrial credit. This bill is again accepted by the bank, discounted, and with the proceeds the old acceptance is taken up.

The danger involved here is greater for the reason that this form of granting credit is particularly attractive to the banks, for it does not require the immediate tying up of their own funds.

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3. The third category of German bank acceptances occurs when the acceptance credit of the credit banks is made use of by bankers, mainly by provincial bankers, to finance their own stock exchange speculations or those of third parties (so-called speculative acceptances—*Spekulationsakzept*).²⁸⁶

In this case the possible consequences, and the dangers involved, are the same as those described under 2a, where the acceptance credit of the bank is granted to a manufacturer to provide needed working capital. There is no doubt that throughout the second period the use by bankers of short-time credit on the strength of bank acceptances was resorted to on a very large scale and to an ever-increasing extent, partly as a result of the shortcomings of stock exchange legislation. The three-month acceptances of the credit banks are discounted at the private discount rate and the proceeds are deposited by the bankers in the bank in order to give them at once a balance to their credit. On the other hand, the bankers are debited with the acceptance only as per date of its maturity. In this way the bankers attain their end of getting money very much cheaper, for to use bank credit in another form would cost them as a rule 1 per cent more than the official bank rate.

In so far as this practice helps to meet the regular and healthy demands of investment, there can surely be no objection. The procedure becomes, however, objectionable from the point of view of the general economic interests, when it promotes extensive speculation and overstraining of the stock market by the general public. There can be no doubt that this has been indeed the effect to a large extent.

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The fact is that for a long time past one-third of the loans on current account given by the banks has almost regularly been in the form of acceptances.²⁸⁷

For all the German credit banks having a capital of at least 1,000,000 marks each, the ratio between total loans and acceptances according to the Deutscher Oekonomist was as follows:

[In millions of marks.]

	Number of banks.	Loans, including acceptances.	Acceptances.	Per cent of acceptances in total loans.
At the close of—				
1895.....	94	1,992	706	35.4
1896.....	98	2,127	752	35.4
1897.....	102	2,351	825	35.1
1898.....	108	2,847	984	34.6
1899.....	116	3,295	1,153	35
1900.....	118	3,602	1,294	35.9
1901.....	125	3,356	1,136	33.9
1902.....	122	3,550	1,176	33.1
1903.....	124	3,929	1,300	33
1904.....	129	4,396	1,400	33
1905.....	137	5,238	1,601	30
1906.....	143	6,073	1,848	30
1907.....	158	6,437	2,035	33
1908.....	169	6,605	1,891	28

For all the great Berlin banks, taken in the aggregate, the ratio at the end of 1909 was 33 per cent; at the end of 1907, 34.5 per cent; at the end of 1908, 31 per cent. For the individual banks this ratio was as follows:

	1906.	1907.	1908.
	<i>Per cent.</i>	<i>Per cent.</i>	<i>Per cent.</i>
Deutsche Bank.....	28	34	28
Disconto-Gesellschaft.....	47	38	33
Dresdner Bank.....	42	40	37
Darmstädter Bank.....	24	22	27
Berliner Handels-Gesellschaft.....	34	41	39
A. Schaaffhausen'scher Bankverein.....	30	36	22

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The amount of acceptances of the six Berlin great banks (including their branches) outstanding at the end of each year was as follows:

[In million marks.]

	Deutsche Bank.	Dresdner Bank.	Disconto-Gesellschaft.	Darmstädter Bank.	A. Schaaffhausen'scher Bankverein.	Berliner Handelsgesellschaft.
At the end of—						
1895	122	75	49	41	32	41
1896	116	76	44	36	33	41
1897	130	99	47	35	31	43
1898	128	117	53	34	40	46
1899	142	122	61	34	41	55
1900	141	131	89	37	60	56
1901	142	104	85	37	57	62
1902	145	114	103	54	46	57
1903	180	129	101	59	49	62
1904	185	149	142	70	81	64
1905	197	170	162	89	82	64
1907	264	209	194	78	149	74
1908	232	189	171	89	79	76

Acceptance credit increased almost continuously, notably in the eighties and nineties, even as compared with the capital of the banks.²⁸⁸ On this point reference may be made to the table printed on page 288. The differences as compared with the figures reported by Ad. Weber (*Depositenbanken*, p. 117) are explained by the fact that in this table surety bills (*Avale*) furnished by the banks, are included with acceptances.

Large as the share of the mercantile acceptances must have been, there can be no doubt that relatively, as well as absolutely, a very large proportion of the total acceptance credit given by bankers in this period was made up of credit in the form of industrial acceptances of the doubtful sort described under 2b, and of the no less doubt-

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ful "speculative" acceptances described under 3. Least objectionable was the steady and by no means slight increase of German bank acceptances in oversea trade. Here they were used to provide reimbursement for advances on merchandise in transit, the bank in these cases receiving documentary security, viz, bills of lading. For the Hamburg, Bremen, and London branches of the great banks, devoted primarily to oversea business, a regular correlation can be traced between the growth of that branch of business and the growth of acceptances.

A diminution in speculative acceptances can be expected only as a result of self-education in the banking profession. This, I feel sure, will be effectively aided by the voluntary publication, at regular intervals, of summary balance sheets. In my opinion the view that credit in the form of acceptances and "reports," could be made "subject to certain rules"²⁸⁹ through legislation is not tenable.

The table printed below (p. 288), shows the amount of acceptances for the eight great banks of Berlin (the Commerz- und Disconto Bank and the Nationalbank are added), and the amount of the acceptances of these eight banks relative to that in 1883, which is taken as 100. It also shows the relation of acceptances to their capital stock, their own business capital (*das eigene werbende Kapital*, capital plus surplus funds) and finally to their entire earning resources (*das gesammte werbende Kapital*), i. e. their capital stock, surplus, deposits and credits on current account.

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Year.	Amount of bills outstanding (acceptances including "avals" and checks). ²⁹⁰				
	In marks.	In percent-ages of the figures of 1883.	In percent-ages of the aggregate capital of the 8 great banks.	In percent-ages of the aggregate capital and surplus funds of the 8 great banks.	In percent-ages of the aggregate capital, surplus funds, deposits, and credits on current account of the 8 great banks.
1883.....	189,795,100	100.0	61.2	53.3	26.6
1884.....	220,532,000	116.2	68.5	59.7	26.9
1885.....	227,229,700	119.7	70.4	61.2	26.5
1886.....	234,412,800	123.5	70.4	60.4	26.6
1887.....	245,569,000	129.4	69.2	58.8	27.8
1888.....	254,347,500	134.0	69.3	58.5	25.1
1889.....	274,778,100	144.8	63.5	52.1	23.2
1890.....	254,338,000	134.0	57.5	46.8	22.7
1891.....	248,280,300	130.8	52.9	43.1	21.7
1892.....	299,049,800	157.6	62.4	50.9	25.8
1893.....	301,806,600	159.0	63.0	51.2	25.4
1894.....	354,241,200	186.6	74.0	60.0	25.8
1895.....	452,919,300	238.6	78.1	63.6	28.6
1896.....	441,416,900	232.6	74.2	59.9	26.7
1897.....	488,521,000	257.4	70.8	57.4	26.9
1898.....	535,649,400	282.2	70.5	57.0	25.1
1899.....	597,832,100	315.0	73.4	59.0	25.9
1900.....	670,299,500	353.2	82.2	66.0	27.8
1901.....	627,917,300	330.8	77.0	61.7	25.2
1902.....	673,741,800	355.0	77.3	62.7	24.9
1903.....	745,542,000	392.8	84.5	67.3	24.4
1904.....	885,733,300	466.7	88.7	69.8	24.0
1905.....	1,052,922,800	554.8	99.9	78.8	24.6
1906.....	1,162,922,900	612.7	104.4	81.1	23.9
1907.....	1,275,564,600	672.1	114.5	88.4	26.5
1908.....	1,188,077,900	626.0	105.7	81.4	23.5

The table reveals the same development which was noticeable with regard to the bill circulation, namely, that the amount of acceptances in 1903 had not only risen again to a point reached in 1889, but had even largely gone beyond it. In 1908 there was a considerable decline in the amount of acceptances of these eight Berlin banks.

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In conclusion it is of interest to note the ratio of bank acceptances issued by all German credit banks (with a capital of at least one million marks each) to the average bill circulation (in millions of marks).²⁹¹

Year.	Average bill circulation, assuming an average period between date and maturity of 75 days.	Bank acceptances on December 31.	
		Millions of marks.	Per cent.
1895.....	3,050	706	23
1896.....	3,275	752	23
1897.....	3,505	825	23
1898.....	3,875	984	25
1899.....	4,187	1,153	28
1900.....	4,660	1,294	28
1901.....	4,595	1,136	25
1902.....	4,301	1,176	27
1903.....	4,453	1,300	29
1904.....	4,640	1,400	30
1905.....	5,140	1,600	31

(D) THE DISCOUNT BUSINESS.²⁹²

German credit banks, like others of the same class, have a special motive for investing their own and their depositor's funds in the bill discounting business, since they are at the same time banks of deposit, and thus are obliged to invest a large part of their deposits in securities maturing at an early date. As the various bills discounted become due on different dates, the outflow of cash is balanced by an assured inflow of cash to redeem bills, with a resulting increase in the cash reserve and the opportunity for new investments.

The first rank in this line of investment is held by those bills that are regarded as prime discount bills *throughout the German discount market*. Such are the acceptances of the six foremost Berlin banks, namely, the Deutsche Bank,

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Disconto-Gesellschaft, Darmstädter Bank, Dresdner Bank, Berliner Handelsgesellschaft, and the A. Schaaffhausen'scher Bankverein, as well as two private banks in Berlin, Mendelssohn & Co. and S. Bleichröder.

In a general way, bills of the above description are regarded as representative generic values, in the sense that the standing of the seller who places them on the market in any particular case has no effect on the terms of discount, that is to say, the rate and the commission, as would be the case with other bills offered for discount. However, since in the case of these prime bills the rate of private discount forms only the upper, not the lower limit, the statement just made does not imply that they may not occasionally be discounted below that rate.

The second rank is held by those bills which are regarded as prime bills in the *local markets* of Berlin, Hamburg, and Frankfort-on-the-Main (in addition to those of the preceding class) and are discounted at the private rate, provided they fulfil the existing conditions of the bourse as regards time and amount, a condition which applies also to those of the preceding class.

According to the regulations of the Berlin Bourse (similar ones prevail in Frankfurt-on-the-Main), these prime bills (or private discounts) must be payable in Berlin or at a place where there is a branch of the Reichsbank, must be at least 5,000 marks in amount, and run not less than two nor more than three months. However, in fixing and quoting actual market rates of private discount; no difference is made between sixty-day and ninety-day bills and between "representative" and "nonrepresentative" private discounts, a practice which to my mind is

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not correct. This quotation of the private discount rate is made in Berlin, not officially, indeed, but yet after a uniform fashion, by a private central agency, solely interested in the discount business and acting under instructions from those engaged in the business.²⁹³ The rate of private discount prevailing at the bourse is occasionally underbid, as a result of competition, in the bill-discounting operations which take place outside of the bourse. The Reichsbank, however, does not buy bills in Berlin below the Reichsbank rate of discount.

The acceptances of the largest mercantile establishments and industrial undertakings are not regarded as prime discounts. However, as noted in the previous chapter (p. 276), these firms do not generally regulate their obligations by means of their own acceptances, but, as a rule, by those of their banks.²⁹⁴

Aside from these acceptances of the leading commercial and industrial firms just mentioned, which are of rare occurrence, the acceptances of most of the first-class and second-class provincial banks and bankers, while regarded as nonrepresentative bills in the above sense, are admitted to the benefits of the private rate of discount. In this case the terms of discount are fixed in accordance with personal and objective considerations, often quite incommensurable in their nature. If, for example, one of these banks, or even a bank not belonging to this class, allows—in the opinion of the bourse, which is specially sensitive in this matter—its credit to be unduly strained it is apt to be promptly reminded of this fact by finding the rate of private discount of its acceptances raised, even though but by one-sixteenth of 1 per cent, which thus occasionally

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constitutes a very effective means of checking the overloading of credit in the form of excessive acceptances.²⁹⁵

Furthermore, with regard to this class of paper, and still more with regard to other discount material reaching the bourse and not admitted to the privilege of the private rate of discount, the principle holds that only those bills are discountable at private discount that would pass as "prime bills" even without the acceptance of a bank. Such, in fact, ought to be the policy of the banks themselves in deciding whether a discount is to be made.²⁹⁶

Though there be ample reason for recognizing the best commercial and industrial acceptances as "prime bills," yet the general discount trade gives a decided preference to the bank acceptance as being easier to negotiate, with the result that the commercial and industrial acceptances are being more and more displaced by bank acceptances. This is one of the factors that concurred in producing the result noted above under C (p. 279), that some 70 to 75 per cent of all the acceptances discounted by German credit banks and forming part of their bill holdings are bank acceptances, discounted by the banks at the rate of private discount. As these acceptances are payable in gold, they are in demand even among foreign firms and banks, especially note banks. These acceptances represent the amounts granted by the credit banks on discounted bills, either to customers having a current account or to outsiders having no such account, as well as the foreign bills. Here also the policy is "to take care that the terms of settlement, never exceeding three months in duration, shall be distributed over all the months of the year, and, in particular, that relatively large amounts

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shall become due at the end of each quarter, when settlements are heavier" (*die schweren Quartalstermine.*)²⁰⁷ The material in the shape of bills available for discounting is very large in Germany.

The sum total of bills of exchange in Germany, put into circulation in the course of any one year, was calculated by W. Prion ²⁰⁸ for twenty-one years, from the proceeds of the stamp tax on bills of exchange as follows:

[In millions of marks.]

1885 12, 060	1890 14, 020	1895 15, 241	1900 23, 204
1886 11, 826	1891 14, 606	1896 16, 386	1901 22, 965
1887 12, 065	1892 14, 284	1897 17, 526	1902 21, 505
1888 12, 198	1893 14, 585	1898 19, 374	1903 22, 266
1889 13, 206	1894 14, 748	1899 20, 937	1904 23, 201

For 1905 the estimate was 25,506,000,000 marks, that is to say, the formidable figure of 25½ billion marks, of which the Reichsbank bought 9,175,000,000 marks' worth, or 35.9 per cent.

For 1905, on the basis of the stamp tax of 14,100,000 marks and a total amount of bills of 25,500,000 marks (deducting 10 per cent for rounding off), and assuming an average of seventy-five days for the circulation period of the bills, it is found that the average bill circulation was 5,100,000,000 marks (31 per cent of which were bank acceptances).²⁰⁹ Accordingly for 1907 (stamp tax 19,700,000 marks, total amount of bills, less 10 per cent, in round numbers 31,500,000,000 marks) we get in round numbers the sum of 6 billion marks.

It may be well, however, to caution the reader against drawing any general conclusions regarding the higher or lower economic development of a country from the larger or smaller amount of bills circulating in it. Such con-

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clusions, though not infrequently made, are bound to be in most cases deceptive. The amount of bills circulating in a country is determined by an infinite variety of factors, such as the more or less pronounced "industrialization," the greater or less degree to which industry and commerce are habituated to bill credit, or to its complete or partial replacement by cash payments; the higher development and greater refinement or the greater or less costliness of the other forms of credit, such as the collateral and report business; the favorable or unfavorable state of the balance of international payments; the greater or less degree to which the population is habituated to the use of bank notes, etc.

Were it not so, one would have to infer that the United States with its relatively small bill circulation, is backward in its economic development. On the other hand, from the fact that in France from 1876 to 1907 the average per capita bill circulation has increased considerably more than in Germany, one would have to infer that in France there had been an enormous and rapid economic development. Both conclusions would be wrong.

France, for example, being a creditor nation (while Germany is a debtor nation), has a large favorable balance of payments, since both the number of her population and her industrial activity, especially her export industry, have for some time been stationary, and the available resources of the nation are in large part invested in the form of savings deposits and government bonds, while commercial and industrial enterprises and stock companies attract them far less than in Germany. The favorable balance of payments is reenforced by the far

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greater amount of foreign securities in the possession of France, and by the receipts from the enormous influx of foreigners, especially in Paris and on the Riviera.

Hence, before drawing general conclusions regarding any country, after ascertaining the amount of bills circulating in it, we shall have to examine its peculiar economic conditions and the peculiar organization of its systems of payment and credit, as we are trying to do in this book for Germany.

This being premised, let us note the following:

The amount of bills held by all the German banks, including note banks³⁰⁰ and mortgage banks,³⁰¹ was as follows:³⁰²

Business year.	Number of banks.	Amount of bills (in millions of marks).	Business year.	Number of banks.	Amount of bills (in millions of marks).
1883.....	113	1,203	1896.....	146	1,970
1884.....	113	1,246	1897.....	150	2,190
1885.....	113	1,248	1898.....	156	2,360
1886.....	116	1,277	1899.....	164	2,946
1887.....	115	1,364	1900.....	165	3,087
1888.....	114	1,307	1901.....	171	2,776
1889.....	137	1,583	1902.....	167	2,812
1890.....	136	1,670	1903.....	170	2,972
1891.....	135	1,661	1904.....	175	3,081
1892.....	134	1,650	1905.....	182	3,507
1893.....	133	1,611	1906.....	188	4,074
1894.....	137	1,736	1907.....	203	4,459
1895.....	135	1,857	1908.....	214	4,310

We see from this that in the boom year 1899 the amount of bills in all the banks (including note banks and mortgage banks) rose to 2,946,000,000 marks; that in 1900, immediately before the crisis, it even rose to 3,087,000,000 marks and that during the crisis of 1901 it fell to 2,776,000,000 marks.

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However, as early as 1903, as noted when speaking of the acceptance circulation of the banks, the amount of bills had again risen to 2,972,000,000 marks, having thus not merely equaled but even exceeded the amount of the greatest boom year, 1899. This was on the whole a normal and satisfactory development. Only an unhealthy increase in the amount of bills, not accompanied by a quiet and steady progress in economic development, would be a matter of regret.

Finally, the amount of bills in the German credit banks alone (with a capital of at least 1,000,000 marks each) and the total amount of bills in the great Berlin banks alone, during the last eleven years, was as follows (according to the *Deutscher Ökonomist*:³⁰³

Year.	Amount of bills in German credit banks (in million marks).	Amount of bills in the 6 great Berlin banks (in million marks).
1898.....	1,055	660
1899.....	1,327	716
1900.....	1,583	867
1901.....	1,462	828
1902.....	1,483	859
1903.....	1,518	865
1904.....	1,773	1,075
1905.....	1,995	1,231
1906.....	2,447	1,466
1907.....	2,621	1,509
1908.....	2,742	1,422

In 1908 all the German banks together held bills to the amount of 4,300,000,000 marks, the German credit banks together more than 2,700,000,000, the six great Berlin banks in round numbers 1,500,000,000.³⁰⁴ Assuming, for 1905, a total bill circulation of 5,100,000,000 marks

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and the bill holdings of the six great Berlin banks in the same year at about 1,000,000,000 (1,064,000,000)—as against 1,231,000,000 marks, given in the above table, Prion estimates the share of those six great banks in the total bill circulation for 1905 at 20.8 per cent. On page 279 we noted that as a rule about 70 to 75 per cent of the bill holdings of the German credit banks consists of bank acceptances. In that connection we also discussed the various classes of these bank acceptances.

In the Reichsbank the average amount of domestic bills was as follows: 1905, 775,723,000 marks; 1906, 946,201,000 marks; 1907, 1,060,076,000 marks.

The latter amount was classified as follows:

	Amount.	Per cent.
	<i>Marks.</i>	
(a) Commerce, transportation, and insurance.	187,948,000	17.73
(b) Banking and credit institutions (as central agencies for the credit demand of business)	559,975,000	52.82
(c) Trade and industry	284,376,000	26.83
(d) Agriculture and allied trades.	11,130,000	1.05
(e) All other credit users.	16,647,000	1.57
Total	1,060,076,000	100.00

The profits from the bill brokerage business, that is to say, first and foremost the profits obtained from discount transactions, have not hitherto been always separately stated in the balance sheets of the German credit banks, but have in many cases been combined with the interest earnings, or with the profits gained from trading in foreign bills and specie. (*Devisen und Sorten*). Such, for example, is the practice of the Berliner Handelsgesellschaft.

In England, on the contrary, according to Edgar Jaffé's investigations,⁸⁰⁵ the amount of bills at the disposal of

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banks for the purpose of discounting has shown an almost continuous decline.

One reason for this is that the English deposit banks, which discount only for their customers, receive from them only a part of their bills for discounting and as a rule the less desirable part, while the larger part of the best bills is turned over by these customers directly to the bill brokers, so that the deposit banks are even obliged to buy from these brokers a part of the bills necessary for the investment of their funds. The deposit banks themselves also sell to the bill brokers all bills on foreign countries, as the banks themselves do not discount these.

Another reason, already mentioned, why the amount of bills circulating in England has declined is, because, owing to the more advanced organization of the system of payment and credit in that country, cash payment, at least among the largest firms, is tending more and more to take the place of bills, so that the very best commercial bills are progressively disappearing from the English money market.

Similarly bills drawn by importers of raw material on the selling commission merchant, the so-called brokers' paper, are gradually dropping out of use, being in large measure replaced by collateral loans on the strength of warrants on merchandise stored.

Finally, the number of bills drawn in England on foreign countries is very small compared to the number of bills drawn by foreign countries on England (about 1 to 9), because the prices of goods exported from England, owing to the larger market for London pound bills, are calculated in pounds sterling, and payment accordingly is ordinarily made in the shape of a bill on London.

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As a result of all these conditions, the English banker wishing to invest his funds is limited in the main to the "domestic bills, steadily declining in number and quality, while his main interest in foreign bills lies in the acceptance business."³⁰⁶

As regards the English deposit banks, there was formerly a great abuse in the granting of credit by acceptance of drafts, and as a consequence the acceptance business, too, has declined to such extent that it is to-day conducted only on a very modest scale and under the safeguard of securities. Thus the acceptance business, even in so far as it is carried on against shipped goods—that is to say, against bills of lading, etc.—rests almost entirely in the hands of the so-called merchant bankers³⁰⁷ and of the foreign banks,³⁰⁸ while secured or unsecured loans in current account (loans or advances) constitute to-day the principal form of credit of the English deposit banks, which is granted exclusively to their regular customers. However, owing to the easy transition from short-term to long-term credit and the danger of tying up funds in the latter, the same difficulties and complaints arise in England as in the granting of industrial credit by our own credit banks.³⁰⁹

In contrast with these English conditions, we saw that in Germany the bill circulation and the bill holdings of the banks, especially the credit banks, are very large, and that of the total assets of the German credit banks in 1907 (as well as in 1895 and 1896), in round numbers, 53 per cent appeared under the head of loans (*Debitoren*) and 20 per cent under the head of bills.

The rate of private discount resulting from supply and demand of short-term credit at home and abroad—that

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is to say, the rate of interest to be paid for short-term credit in the way of discounting of private bills—is, of course, subject to frequent and wide oscillations. From it, in conjunction with other factors, especially the Reichsbank discount and the exchange rates, important conclusions may be drawn regarding the business conditions, especially the state of trade and industry. This is undoubtedly true, even though, as we have seen, the bill acceptance is not merely a means of granting credit to trade and industry but serves also to a large extent to procure the means for bourse speculation. But while the rate of private discount corresponds in a general way to the condition of the money market at any given moment, the Reichsbank discount rate is determined not only by that consideration but also by the general economic situation and by the task, incumbent on the Reichsbank, of regulating credit and protecting the money standard.

It has been pointed out, and it must be admitted, that the difference between the official rate of discount established by the Reichsbank for short-term bill credit and the rate of private discount quoted in the open market in Berlin for short-term private bills has been almost uniformly greater during this period than at any other European money center.

The differences were as follows:

Year.	Berlin.	Paris.	London.	Vienna.
1876-1880.....	1.19	0.51	0.51	0.36
1881-1885.....	.98	.43	.64	.51
1886-1890.....	1.04	.50	.93	.50
1891-1895.....	1.11	.55	1.03	.38
1896-1900.....	.71	.09	.60	.26
1901-1905.....	1.01	.60	.43	.50
1906.....	1.11	.28	.22	.21
1907.....	.91	.06	.40	.22

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It is also true that a difference of over 2 per cent between official and private discount occurred in Berlin seven times in the period 1895-1900 and nineteen times in the period 1903-1907, while no such difference was ever recorded in London and Paris.³¹⁰ In explanation of this phenomenon it was stated that this low rate of private discount, occurring in part simultaneously with a high rate of bank discount, was due to deliberate endeavors on the part of banking circles to lower the rate and to keep it low, for their sole benefit, in plain opposition to the official discount policy of the Reichsbank, even in cases where the Reichsbank raised the rate of bank discount, either to prevent an outflow of gold abroad or to draw foreign gold into Germany.

It is not difficult to prove that the above-mentioned great difference between the rates of private discount and Reichsbank discount is not due to the cause alleged, though it is much more difficult to assign the true reasons for that phenomenon with even a comparative degree of probability.

First of all, it is not true that the banks, and especially the great banks, are essentially interested in keeping the rate of private discount low by artificial means; on the contrary, being buyers of bills, in which they invest their funds, they are interested, like every buyer, in being able to deduct the largest possible amount of interest on these bills.³¹¹ As a matter of fact, very large amounts of private bills are held not only by the great banks and the other credit banks but also by the Reichsbank and the other four note banks as well as by the mortgage banks, cooperative credit societies (*Genossenschaften*),

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savings banks, insurance companies, commercial and industrial enterprises, etc.

This extensive participation of other buyers of bills clearly proves that a low rate of private discount does not always nor exclusively "benefit" the credit banks, let alone the great banks. On the contrary, it benefits, first and foremost, the commercial and industrial firms, which, profiting by that low rate, draw on the banks, while the banks are benefited only when, either in response to demand or of their own accord, they pass the bills on among their customers or into foreign countries.

Thus a deliberate or intentional "thwarting" of the discount policy of the Reichsbank by the large banks by way of an artificial lowering of the rate of private discount is out of the question, especially since they may be in the market both as buyers and sellers of bills, the latter especially in case of orders on commission (*Kommissionsaufträgen*). As a general rule, the large banks, having regard to the interest which they have to pay on the deposits held by them and the interest which they in turn draw for the credit which they grant on bills, collateral loans, and contango (Reports), are essentially interested in making the rate of private discount conform as closely as possible to the rate of bank discount, since their outlay on account of interest depends on the rate of bank discount, while the receipts in the way of interest depend on the rate of interest prevailing in the market. Prion³¹² justly points out that the great banks, in calculating the interest on the advances granted by them, charge the lombard rate of interest of the Reichsbank, and that when the difference between bank dis-

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count and private discount greatly exceeds the average, the customers have a strong incentive to profit by the cheaper acceptance credit, which would lead to an unwelcome increase both in the offer of bills and in the acceptance obligations of the banks.

On the other hand, it is not to be denied that the great banks and other large discounting concerns exercise a certain influence on the fluctuations of the rate of private discount and its quotation at the bourse, seeing that in this field, as in others, they are in a position to compensate more or less the orders for the purchase or sale of private bills by means of the sums which they themselves invest in or withdraw from the private-bill business, and to bring only the remainder on the market.

There are also exceptional cases in which the great banks, as well as governmental and municipal offices in Germany and abroad, are decidedly interested in keeping the rate of discount as low as possible, and may attempt, at any rate, by heavy offerings of cash or other measures, perhaps with the cooperation of all the large discount dealers (*Grossdiskonteuere*), to lower the rate of private discount or to keep it low, for example when the issue of public bonds, domestic or foreign, bearing a higher rate of interest is in contemplation. However, the success of such attempts will not depend solely on the power of the large discount dealers, even if acting in concert, since the discount market is intimately connected with the entire money market, and consequently the rate of private discount depends on a number of other factors, such as the rate of bank discount and its probable development, the foreign exchange rates, the rates of interest for call money and

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monthly settlement loans, etc. In view of this, and the usually very large amounts of the bills marketed, a notable or long-continued artificial lowering of the rate of bank discount will be found impracticable, even with the cooperation of all the large discount dealers. In fact, if it were practicable, it would prove a very serious matter, especially on those occasions when it is above all desirable that the great banks should go hand in hand with the Reichsbank and lend their energetic support to measures which it deems requisite in the interest of the general economic well-being.

If, for example, as a necessary and natural consequence of an unfavorable turn in the balance of international payments, the foreign exchange rates (*Devisenkurse*) are so high that there is danger of an outflow of gold, especially of a withdrawal of foreign gold held on deposit in Germany, the raising of the official rate of bank discount will as a rule suffice to stave off for the time being or postpone the coming of the moment at which the exportation of gold begins to pay, unless indeed there be a demand for gold at any price, as from America in 1907. This precaution, however, can accomplish its object only when, as is usually the case, the rate of private discount is simultaneously raised to, or maintained at a correspondingly high level, as indeed generally happens.

If in such cases the raised rate of bank discount considerably exceeds that of foreign bank discount, foreign countries, as a rule, in order to share in the advantage of the high rate of discount in Germany, will temporarily increase their gold deposits in Germany, independently of the state of the balance of payments, so that in such case the

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raising of the bank discount rate may lead to a temporary gold importation from abroad; again, however, on the supposition that the private discount rate, too, rises to or is maintained at a correspondingly higher level.³¹³

In these cases, however, in which the prevention of a rise or of the maintenance of a high level of private discount rate would be especially dangerous, the great banks and other large discount dealers, as a rule, have no motive even to attempt the exercise of such an influence, because the probability is that, when the raising of the bank discount rate is desirable in order to stimulate the importation of gold from abroad or to prevent the exportation of gold, the situation will generally be such that security issues are out of question.

The real reason for the great difference between the rate of private discount and the rate of bank discount in Germany is probably to be sought, first and foremost, in the fact that in Germany, as contrasted with France, there is a relatively much larger number of persons or establishments, seeking to discount, whose competition in taking up good bills prevents the formation of a rate of private discount corresponding more closely to that of the Reichsbank. A further reason may be found in the fact that the rate of private discount is made, at least in a general way, in conformity with the ratio of supply and demand existing in the market. On the other hand, the rate of bank discount, while fixed by the Reichsbank with an eye to the regulation of credit transactions and the maintenance of the gold standard, depends in the foremost place on the favorable or unfavorable condition of our total

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balance of payments, whose primary expression is to be seen in low or high exchange rates.

However, another important factor must be considered. In Germany, whose trade and industry make far larger credit demands than is the case in France, this demand is satisfied, in the first instance, by a great multitude of credit banks, in the most diverse forms, a feature in which Germany again differs from France. Thus trade and industry in Germany, as regards their demand for credit, especially in so far as that demand is to be satisfied by the discounting of short-term bills, depend on the Reichsbank only in the second place. As soon as this condition changes—that is to say, as soon as the absorbing power of the credit banks is exhausted, as may happen especially in boom periods—the offer of short-term prime bills on the market will not be balanced by a corresponding number of discount dealers. As a result, the rate of private discount will rise and thus the difference between it and the Reichsbank rate will grow less. This, it is true, will be the case only so long as the Reichsbank in its turn is not compelled to raise its rate of discount in order to restrict the demand for credit made on it, especially active in boom times.

In so far, however, as the credit banks, especially the great banks, do exercise an influence on the rate of private discount and the difference between it and that of bank discount, it is indeed their duty to aim at lessening this difference and to give their unstinted support to the discount policy of the Reichsbank, whose influence on the private discount market, one of the most important fields of credit granting, has doubtless been considerably dimin-

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ished through the concentration of the great banks. This is the very field in which it is desirable, in the interest of the general public, that the strict policy of dividends—that is to say, of purely private interests—be subordinated to public economic policy in cooperation with the Reichsbank, the more so, as in this field some of the functions of the Reichsbank, viz, the regulation of credit, have to a considerable extent been transferred to the great banks.

It must be acknowledged that the great banks and other great discount dealers have hitherto shown a decided disposition to be in the closest possible touch with the management of the Reichsbank. Even Prion bears witness that these banks occasionally are reluctant to buy treasury bills (*Schatzanweisungen*), “especially when the Reichsbank, from motives of discount policy, desires to throw considerable sums on the market in order to influence the rate of private discount.”³¹⁴

(E) THE LOMBARD AND REPORT BUSINESS.³¹⁵

The lombard loan (loan on collateral), like the bill discount, affords to trade, agriculture, industry, and private capital the opportunity of personal credit, for short terms, sometimes also for longer terms, but it differs from the discounting of bills in this, that this personal credit is only granted on security.

The collateral may consist of merchandise, which in the import and export trade is replaced by bills of lading. These the merchant or manufacturer pledges in order to obtain bank credit, which, as a rule, is cheaper than merchandise credit (*Warenkredit*). This bank credit he thereupon uses for a great variety of purposes. His object in

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pledging the security and taking the loan may be, as we have seen, either to diminish his personal risk in over-sea transactions or to increase temporarily or anticipate the realisation of the working capital tied up in certain industrial or mercantile transactions. This form of credit-granting by the banks may give rise to the same dangers that we described above, in connection with the acceptance and discount credit (transformation of the original short-term working credit (*Betriebskredit*) into investment credit (*Anlagekredit*). Another purpose for which security is pledged is to avoid loss through the sale of merchandise at low prices at an unfavorable moment.

The collateral may also consist of securities or bills, the latter being in fact the only kind of pledges admitted in the lombard business of the bourse.

Lombard loans may also be secured by insurance policies (at surrender value) or mortgages, the latter being the most common form in the case of lombard credit in the building trade, although involving some risk, since it is not always possible to realize on mortgages at any given time. Finally the collateral may consist of any other kind of paper and claims of all kinds.

In all these forms of secured credit the first thing to be considered is the value of the collateral, the person of the borrower being only of secondary importance, which is not the case in ordinary discount credit. However, even in the case of lombard loans the person of the borrower plays some part at the bourse, inasmuch as the amount of the loan, the amounts to be put up (*Einschuss*), the interest to be paid, and the other conditions of the lombard business, in a word, the acceptance or rejec-

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tion of the paper offered, are not decided without reference to the property of the borrower, his solvency and trustworthiness. On the other hand, in the lombard business of the banks, with their regular customers, aside from the value and quality of the pledge, and the duration of the loan, sometimes extending to as much as three months, the terms of the loan are mainly determined by the longer or shorter duration and degree of intimacy of the business connection, the amounts involved in past business transactions, and the commissions paid, as well as the other advantages which the bank has derived or expects to derive from this connection.

For obvious reasons, even short-term lombard obligations can not be regarded as liquid short-term investments to the same extent as ninety-day bills, and accordingly article 17 (44, No. 3) of the bank act prohibits the Reichsbank and the other four note banks from using these lombard obligations for their note reserve. They bear no indorsements, but only the name of the debtor, and in case of nonpayment at maturity they necessitate a forced sale of the objects pledged, which, in the case of merchandise, and even of securities, according to the state of the market, may lead to poor results or none at all, if there happens to be a simultaneous sale of the same kind of merchandise or securities, or a slack demand, or a general unfavorable condition of the market.³¹⁶

The fact that money thus advanced is tied up for the period agreed on is another circumstance tending to make it inadvisable for banks to invest large amounts of their depositors' funds in the lombard business. Furthermore, the objects pledged can not be repledged, except

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by special agreement, which is not customary. On the other hand, bills, or at any rate private bills, being readily transferable at any time at the bourse or elsewhere, represent a method of short-term investment which is much more liquid, that is to say, more easily realizable.

This difference must not be lost sight of in considering and estimating the liquid assets of banks. At any rate the investment of money in the lombard business as a rule is only for a short time, limited, in the practice of the German credit banks, to days, weeks, or a month, while credit in the way of bill discounting is as a rule granted for a longer period, since bank acceptances, in order to pass as private bills, must run two to three months.

At the bourse three forms of lombard loans are distinguished:

1. Call money (*Tägliches Geld*), payment of which may be required at any time. These loans are mostly made by great banks or bankers, on collateral of securities or bills, and the rate of interest on them is determined by supply and demand of available call money and published each day. As a rule this rate of interest is below the rate of private discount charged on two-months' or three-months' loans, except at the end of the month and on other occasions of strong demand for money, for example, when instalments on securities issued become due. However, despite the difference of periods for which money is loaned, the amounts invested in lombard call money and in short-term private bills may constantly alternate and interchange, according as the lender finds the rate of interest in the one or the other field more favorable for his purpose, thus making the rates interdependent.

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2. Ultimo loans (*Ultimogeld*), granted from the end of one month to the end of the next, usually at a rate of interest varying with the existing conditions of the money market, being as a rule lower than the rate of contango money and below the Reichsbank rate of interest on collateral loans, but higher than the rate of private discount.

3. Money loaned for a longer but fixed term, which at the Berlin bourse is as a rule furnished, first and foremost, by the *Seehandlung* (Prussian State Bank). That institution, as a rule, grants lower rates of interest than the bourse. When the time the bills have to run agrees with the duration of the lombard loan, the *Seehandlung*, in discounting bills, charges the same rate of interest as in case of the fixed-term lombard loan—that is to say, as a rule in both cases the rate of private discount. In this point, again, it differs from the bourse. On the other hand, the *Seehandlung* is more exacting than the bourse as regards the quality of the securities pledged and the standing of the borrowers. At the bourse, on the other hand, the rate of interest for ultimo collateral loans is as a rule higher than the rate of private discount, but, except in case of strong demand, lower than the Reichsbank rate of interest on collateral loans. The latter, too, makes loans only on certain classes of paper (art. 13, No. 3b, of the bank act), and the limit to which loans are allowed is considerably lower than at the bourse.

The opportunity thus offered by the *Seehandlung* of obtaining favorable rates of interest is taken advantage of by the great banks, which are able to comply with the severe requirements of the *Seehandlung* as regards the standing of the borrower and the quality of the collateral.

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The usual requirement is that this collateral shall consist of domestic or foreign government bonds, or of mortgage bonds, but it may also consist of prime bills, which, having already been indorsed in blank by the banks or their customers when discounted, do not have to be indorsed again. Thus in the latter case, through a wholly unostentatious use of bills as collateral, a form of credit is created which the great banks normally use in preference to rediscounting private bills in the open market; normally, as we have seen, the great banks, when they cannot avoid a step of this sort, prefer to rediscount long-term private bills in foreign markets or among their own customers.

Aside from the above-mentioned forms, in vogue in the lombard business at the bourse, the banks grant lombard loans for longer terms, up to three months, in which the lombard rate of interest is fixed by agreement, usually higher than the rate of private discount.

The ultimo money loaned in the lombard business of the bourse, against collateral in securities or bills, is used to a very large extent by speculators in securities, either to terminate or to prolong a speculation, provided, of course, that they possess such securities. If such is not the case, and the bull speculator (*Haussier*) is nevertheless willing to continue the prolongation, he accepts the securities bought as per ultimo, obtaining the funds for the purchase price by a loan on collateral repayable on the last of the following month, for which he has to pay the usual rate of interest for ultimo loans on collateral, pledging the securities accepted and buying again the same securities as per next ultimo. This lombard rate

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of interest will, of course, be the higher the more active the bull speculation at the bourse.

The bull speculator may use another method. Having to take up certain securities on the last of the month, he sells them to a third party (his bank) for delivery on the last of the month, receiving payment or being credited at the so-called settlement price (*Liquidationskursus*). At the same time he buys back the same securities from the third party at the same price, plus the so-called report money, as per ultimo of the next month. The amount of this charge has to be such that the bank shall be compensated for the month's delay in receiving back the purchase price of the securities pledged, so that it has to receive the interest for the intervening period. The rate of interest—that is to say, the rate of the report money—is determined by the market value of each individual security or in percentages of the face value (according as the security itself is quoted in one way or in the other).

On the other hand, the bear speculator—that is to say, the person who, expecting a fall in quotations, has sold securities which he does not own, for delivery on the last of the month, but does not wish to procure them on the last of the month because the market, instead of falling, has risen, or is not in position to procure them because he has no money, proceeds as follows: He procures the securities to be delivered on the last of the month by buying them from a third party that owns such securities (his bank), to be delivered to him on the same date. The bank thereupon debits him with the purchase price and at the same time buys the papers

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back from him for delivery on the last of next month, at the same price, with deduction of the monthly interest to be calculated according to the method above indicated (the so-called *deport*). The greater the scarcity of securities on the last of the month, and the greater therefore the need for them on the part of the bear speculators, the higher will be, as a rule, the interest which the owners of the securities will require to be deducted (*deport*), which in such cases may thus be lower than the rate of lombard interest for ultimo loans prevailing at the same time.

To the speculator, all these cases represent, economically, a prolongation of his speculation; juridically, in the last two cases (report business) the combination of a cash sale with a purchase for delivery (report) or a cash purchase with a sale for delivery (deport).

The lender in such case is simply dealing with two different methods of granting credit, that is to say, of investing such money as he may have at his disposal for the time being. In the report business he runs somewhat greater risk, because he has to furnish a sum of money exactly equal to the quoted value of the security, but then, as a rule, he draws somewhat higher interest, for as a rule the report money is higher than the rate for ultimo money in the lombard business, because the former includes a premium for risk.

On the other hand, if the lender furnishes ultimo money on collateral in the shape of securities, he runs less risk—a matter of special importance to the owner of investment-seeking funds—because he is able to fix the amount of the loan on the securities according to their quality, not being

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required to stake his money on them to the full amount of the market value. However, since the rate for ultimo money as a rule is lower than the rate of report money, he usually draws less interest than in the report business.

From the point of view of both the speculator and the lender, either case represents either intentionally or at any rate in effect a fostering of speculation in securities, through the taking or granting of short-term credit.

Hence the increase of the report business, especially in case of a boom, is as a rule a grave symptom of a decided increase in speculation. Accordingly, a writer in the "Frankfurter Zeitung" justly finds no cause for congratulation in the fact that in the case of 10 banks in Berlin and Frankfurt the sums invested in the report business rose from 148,550,000 marks at the end of 1892 to 284,590,000 marks at the end of 1894, an increase of nearly 100 per cent, while from 1888 to 1889 the increase was only 55 per cent (from 344,760,000 to 533,240,000 marks).

The great banks as a rule will not act as brokers for those of their customers who wish to invest money in reports, because that would diminish the amount held in current account on which they have to pay but slight interest, while they themselves, as a rule, are able to make better use of their depositors' money in the way of the lombard, discounting or report business.

On the other hand, so far as their own temporarily available resources are concerned, the great banks invest heavily in the two forms of short-term credit, that is to say, in ultimo loans, whose rate of interest influences also the rate of private discount,³¹⁷ and in report money. In particular, when the domestic rate of interest is higher

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than abroad, the banks often invest very large sums of foreign capital in report loans, although in such cases the borrower has to assume the risk of a variation in the exchange rates.

The tax on the report business to the full amount of the transaction stamp (*Umsatzstempel*), based on the combined amounts of sale and purchase, led to the result that at the German bourses the ultimo loans have declined in importance in the lombard business, as compared with the report loan, especially since the rate of tax applying to the report business might also be applied to the case of the ultimo loan.

This result was rather regrettable, all the more because lombard loans, unlike report loans, have not one and the same date of repayment, and because the pledges by which they are secured cannot as a rule be realized as easily as the securities of the report loans. Finally, the conditions of the report loans are typical, established once for all by the terms of the bourse, while the terms of lombard loans, as we have seen, have to be fixed by special agreement applying only to each individual transaction.

Recently similar factors have been operative in the same direction. By the federal stamp tax law of June 3, 1906 (schedule 4a, sec. 4), the stamp tax on the report business has been reduced to one-half of the former rate, the tax being based on the more highly appraised of the two transactions into which the report business is juridically divided. On the other hand, the so-called improper lombard business (*uneigentliches Lombardgeschäft*), in which the recipient of the securities may return other securities of the same kind, is, according to the practice of

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the revenue authorities, subject to the full tax according to the schedule. Only the taxing of the lombard business proper, of little importance at the bourse, in which the recipient does not enjoy the right referred to, is subject to the law of the individual States. In Prussia, according to the exemption clause to schedule 58 of the stamp-tax law of July 31, 1895, the documents certifying such lombard loans are exempt from tax, provided that they are repayable within at most a year and that the value of the security given is at least equal to the loan granted.

Lombard loans on the security of bills (which thereupon are not further indorsable) with the view of granting but not of securing credit play a very unimportant part among the operations of the great banks.

The former bourse law having absolutely prohibited the dealing in futures in the case of certain securities and greatly hampered it in the case of others, the cash business (*Kassageschäft*) has for years been the favorite sphere of speculation in securities at the bourse, the bankers of the medium and smaller class having to resort for that purpose extensively to call money in the lombard business in speculating either on their own or their customers' account.

The terms usually charged on lombard business by the great banks are about the same as those of the Berliner Handelsgesellschaft, reprinted below from W. Prion's work.³¹⁸ They may, of course, be more or less modified in individual cases, the lender enjoying considerable latitude in this respect, since these terms merely state the maximum amounts of loans ("up to").

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If the market value of the securities no longer shows the margin agreed on as compared with the loanable value, a corresponding additional deposit (*Einschuss*) is to be furnished, either in cash or in securities. The declaration to be signed by customers in the case of a lombard loan (unless the conditions of the current account are deemed sufficient) has been reprinted by Friedr. Leitner ³¹⁹ and others.

MAXIMUM AMOUNTS LOANABLE ON SECURITIES QUOTED AT THE BERLIN BOURSE.

I. Up to nine-tenths of the quotation of the day: Bonds of the German Empire and of the German Federated States; mortgage bonds issued by Prussian mortgage banks and cooperative credit associations, as well as the bonds of German cities and Prussian counties (*Kreise*); bonds of German (other than Prussian) mortgage banks; stock and debentures of nationalized railways; bank notes of foreign states; gold and silver, in coin and in bars; debentures of German railways.

II. Up to four-fifths of the quotation of the day: Bonds of foreign governments and cities; foreign railway bonds; foreign farm and real estate mortgage bonds; German railway shares.

III. Up to three-fourths of the quotation of the day: Foreign railway shares; bank shares.

IV. Up to two-thirds of the quotation of the day: Debentures of industrial concerns quoted at not less than 90 per cent. Shares of industrial concerns quoted at not less than 150 per cent; if the quotation is higher, the excess above 150 per cent is loaned on only to one-half the

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amount and with the restriction that the loan is not in any case to exceed 150 per cent of the face value. Securities quoted more than 20 per cent below par are not accepted as collateral. Mining shares and securities not quoted at the Berlin Bourse are loaned on only under special agreement.

According to the official statement submitted to the Bank Inquiry Commission under date of March 31, 1908, the sum total of lombard loans of the Reichsbank (on 5,650 pledge receipts) amounted to 255,687,100 marks, distributed as follows:

	Marks.
1. Agriculture and allied industries (249 receipts).....	1,803,300
2. Industry and trades.....	17,853,600
3. Commerce, transportation, and insurance.....	21,562,800
4. Banking and finance, viz.:	
(a) Joint-stock banks ³²⁰	99,618,900
(b) Other financial institutions.....	88,422,000
5. Public savings banks.....	12,620,500
6. Cooperative credit societies of all kinds.....	5,108,900
7. Private persons.....	5,788,700
8. All others (corporations, foundations, etc.).....	2,908,400
Total.....	255,687,100

The exhibit shows also how greatly, in the transactions of the Reichsbank, the lombard business is eclipsed by the discount business, a result due, no doubt, in part to the fact that lombard loans are not permitted to be used as reserve for notes.

In 1907, as was shown (p. 297), the average of domestic bills held by the Reichsbank was 1,060,076,000 marks, while during the time from December 31, 1907, to April 7, 1908, the Reichsbank bought 1,389,357 domestic bills to the amount of 2,897,985,044 marks.

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Unfortunately, in the German bank balances lombards have hitherto been for the most part combined with "reports" (under the head "lombards and reports" or merely "lombards" or "reports") in one total. This is all the more incorrect, because, although both kinds of investment represent as a rule forms of short-term credit, lombards occasionally run for longer periods (up to three months). Furthermore, although in many respects the two kinds of investment serve the same purposes, yet, as we saw, there are essential differences in these purposes as well as in the nature of the investments.

As regards the composition of the "reports," such an expert as Felix Hecht³²¹ has justly pointed out that they may include securities not easily realized, and furthermore securities issued by the banks themselves and sold on credit to their customers. However, the same may be true of the lombards.

Again, in the balance sheets and reports of the credit banks (with the exception of some great banks) it has hitherto to a large extent been the practice to make no difference between lombard loans on merchandise relating almost exclusively to articles the prices of which are quoted in the market or at the bourse and lombard loans on securities, the latter including also securities not quoted at the bourse or securities issued by banks but not yet listed at the bourse. However, in the bimonthly summary balances since published by the great banks (beginning with February 28, 1909), the "advances on merchandise and shipments" are separately stated, and hence it may be assumed that the same will be done hereafter in the annual balance statements. At the same time the combination of

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“reports and lombards” into one item has been retained, probably on account of the practical difficulties that would be involved in their separation.

Finally, some credit banks were accustomed formerly to record advances on merchandise under the head of “secured loans in current account” (*gedeckte Debitoren*).

Thus, in studying past records, we have to bear in mind that in the balance sheets of most banks the two items were lumped, and thus the growth of lombards and reports for the four great Berlin banks stated below (in millions of marks) can be traced only for the two items combined:

DEUTSCHE BANK.

1870.....	2.7	1880.....	26.2	1890....	40.7	1900....	69.4
1871.....	13.2	1881.....	32.5	1891....	26.1	1901....	98.3
1872.....	19.9	1882.....	29.8	1892....	43.6	1902....	184.6
1873.....	8.7	1883.....	30.6	1893....	34.3	1903....	184.0
1874.....	14.5	1884.....	34.8	1894....	69.8	1904....	190.4
1875.....	16.4	1885.....	11.2	1895....	60.8	1905....	238.7
1876.....	32.2	1886.....	33.1	1896....	68.9	1906....	227.3
1877.....	11.0	1887.....	30.8	1897....	101.2	1907....	154.9
1878.....	15.5	1888.....	47.1	1898....	114.1	1908....	222.1
1879.....	34.8	1889.....	66.1	1899....	103.5		

DISCONTO-GESELLSCHAFT.

1870.....	7.6	1880.....	24.8	1890....	31.9	1900....	31.5
1871.....	8.4	1881.....	29.5	1891....	14.9	1901....	31.4
1872.....	37.8	1882.....	12.5	1892....	11.4	1902....	49.9
1873.....	16.1	1883.....	18.2	1893....	18.6	1903....	58.2
1874.....	14.5	1884.....	45.1	1894....	48.6	1904....	73.7
1875.....	.6	1885.....	26.8	1895....	36.0	1905....	38.5
1876.....	1.5	1886.....	31.3	1896....	23.3	1906....	57.7
1877.....	2.1	1887.....	10.2	1897....	27.4	1907....	49.5
1878.....	5.3	1888.....	35.3	1898....	31.7	1908....	58.0
1879.....	14.7	1889.....	34.7	1899....	40.6		

DRESDNER BANK.

1873.....	0.4	1882.....	12.0	1891....	21.6	1900....	40.03
1874.....	.7	1883.....	15.1	1892....	33.0	1901....	34.8
1875.....	1.1	1884.....	19.1	1893....	28.9	1902....	73.0
1876.....	1.6	1885.....	5.9	1894....	54.2	1903....	62.1
1877.....	1.9	1886.....	15.3	1895....	49.9	1904....	96.5
1878.....	2.7	1887.....	9.6	1896....	42.3	1905....	103.0
1879.....	5.4	1888.....	37.8	1897....	51.8	1906....	119.5
1880.....	4.1	1889.....	59.6	1898....	57.6	1907....	56.6
1881.....	22.5	1890.....	38.2	1899....	73.8	1908....	113.8

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DARMSTÄDTER BANK.

1870..... 2.0	1880..... 30.3	1890..... 27.6	1900..... 27.6
1871..... 7.9	1881..... 25.3	1891..... 22.7	1901..... 19.0
1872..... 14.7	1882..... 24.8	1892..... 27.6	1902..... 38.9
1873..... 15.3	1883..... 31.3	1893..... 24.1	1903..... 37.9
1874..... 9.6	1884..... 34.9	1894..... 30.5	1904..... 45.7
1875..... 10.3	1885..... 24.6	1895..... 31.4	1905..... 72.2
1876..... 7.6	1886..... 22.9	1896..... 30.5	1906..... 73.3
1877..... 8.9	1887..... 26.8	1897..... 23.1	1907..... 48.5
1878..... 18.5	1888..... 39.7	1898..... 32.3	1908..... 65.2
1879..... 28.0	1889..... 41.0	1899..... 31.0	

For all the German credit banks (with a capital of at least 1,000,000 marks each), the lombards and reports during the last eleven years amounted to the following sums (in millions of marks):

1898..... 668.8	1902..... 691.5	1906..... 1,099.4
1899..... 736.8	1903..... 708.2	1907..... 1,162.6
1900..... 597.7	1904..... 773.9	1908..... 1,348.5
1901..... 594.0	1905..... 970.9	

At the six great Berlin banks the lombards and reports during the last eleven years amounted to the following sums (in millions of marks):

1898..... 415.6	1901..... 294.3	1904..... 477.8	1907..... 594.4
1899..... 463.1	1902..... 432.0	1905..... 588.3	1908..... 660.8
1900..... 302.0	1903..... 443.0	1906..... 679.3	

Of the total assets the following amounts (in millions of marks) were invested in lombards and reports:

	1894.		1895.		1908.	
	Amount.	Per cent.	Amount.	Per cent.	Amount.	Per cent.
In the Deutsche Bank.....	69.7	15.19	60.7	10.50	222.12	12.00
In the Disconto-Gesellschaft..	48.5	15.20	36.0	9.67	58.10	6.5
In the Dresdner Bank.....	54.0	20.08	49.8	14.77	113.8	10.9
In the Darmstädter Bank....	30.4	15.20	31.4	15.09	65.25	9.6
In the Berliner Handelsge- sellschaft.....	21.1	12.93	25.0	12.50	53.40	12

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(F) THE BROKERAGE BUSINESS (*Kommissionsgeschäft*).

The brokerage business of the German credit banks, especially of the great banks, has never remained confined within the narrow scope assigned to the broker (*Kommissionär*) by paragraph 383 of the Commercial Code (*Handelsgesetzbuch*), according to which the term broker (*Kommissionär*) designates exclusively a person who makes a business of buying and selling, in his own name but for another's account, merchandise and securities.

On the contrary, the German credit banks have from the beginning also engaged, in their own name and for other persons' accounts, in business not consisting of the purchase and sale of merchandise or securities, but which are nevertheless subject to the legal provisions regulating the brokerage business, according to the present Commercial Code (art. 406).

As instances of such operations, the following may be enumerated: The payment of the indemnity to Spain by the United States for the cession of the Philippines, effected through the mediation of the Deutsche Bank, as set forth by Ad. Weber;³²² the cooperation of various great German banks in the preparation and execution of the nationalization of the private railways, first those of Prussia and later those of other German States, begun in 1879 and continued for several years, a cooperation which was very extensive and not confined to the purchase of shares; the cooperation of the Dresdner Bank and the A. Schaaffhausen'scher Bankverein in the acquisition of an adequate amount of stock of the Hibernia-Gesellschaft, undertaken at the instance of the Prussian

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Government, and again not limited to the purchase of stock; the cooperation of the Disconto-Gesellschaft in the settlement of the French war indemnity in 1871-72; the mediation of the Disconto-Gesellschaft in the conversion of the stock of the Roumanian Railway Company into Roumanian government bonds (1879-1881); the reorganization of the Northern Pacific Railroad Company effected by the Deutsche Bank, partly on account of third parties, etc. In the main, however, the business carried on by the credit banks and especially the great banks is the brokerage business proper, conducted on the bourse. The scope of this business has been enlarged by all the numerous factors tending toward an increase of power and concentration, some of which we have already mentioned, while others yet remain to be discussed. Such are especially the relations to industry, constantly growing more intimate, and the deposit offices established gradually in large numbers by all the great banks, with the exception of the strictly centralized Berliner Handelsgesellschaft. For although Waldemar Müller³²³ may be right in stating that the business of the deposit and exchange offices (*Wechselstuben*), "so long as it was confined to the use of interest and the commission business in securities, did not cover the considerable expenses for rent, personnel, etc.," yet the originators of these deposit offices acted on the expectation that the makers of the deposits and the users of their safes would little by little tend to utilize the other facilities of the offices for arranging all their business and property matters, especially investments of capital, that is to say, entrust them with the brokerage of their bourse transac-

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tions. This assumption, founded on the desires and wants of their clientele, has in the main proved well founded, as well as the further expectation that the clients of the deposit branches would also little by little become habitual and trustworthy customers for the securities issued by the central offices, their financial standing and solvency being well known to the local offices.

The deposit branches have often been criticised as tending to encourage to a considerable extent speculation in securities on the part of their customers, and to urge the participation of customers in bourse speculations, after the manner of "touting bankers" (*Animierbankiers*). It would be difficult to prove the justice of this criticism. As a matter of fact, the central authorities of the great banks and of the other credit banks, in view of article 94 of the bourse law, as well as from an intelligent regard for their own interest, have from time to time issued the strictest instructions to the managers of their deposit branches and exchange offices to refrain from encouraging bourse speculation on the part of their customers or others. These instructions are periodically repeated. It can not be doubted, however, that, notwithstanding all instructions and warnings, certain managers of deposit branches have offended in this respect. This is likely to occur again, especially in the case of those managers who, besides their salary, draw a commission merely from the net profits of their deposit branches, a practice which it would be well to discontinue. It must not be forgotten, however, that the public and the customers themselves often dictate to the managers, and not only resent every exhortation or warning, but issue their orders in peremp-

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tory form. It may also happen that the speculators, without the knowledge of the manager of one deposit branch, enter into speculative enterprises with other deposit branches and use the knowledge gained at one branch either to check the other or for conclusive action, beyond the control of the first manager.

Withal, the aim of these deposit branches and exchange offices must be to minister solely to the legitimate investment of funds and to the other needs of their customers, as they arise in the course of business, and to cultivate all the branches of the regular (current) bank business, with the exception of the security issue business and the security business for own account. To their credit it must be said that a growing portion of these establishments, especially the older ones, have been following the policy just commended.

Extreme caution must be practiced in the investment business, both as regards the securities issued by the banks themselves and other securities. It can not be maintained that this caution has always been sufficiently observed in the past. In particular it ought to be laid down as a principle that those persons who are compelled by their financial situation to follow anxiously every oscillation in quotations and who are severely affected by every diminution in interest income should not be advised to invest in dividend-paying securities, because these are subject to great fluctuations not only as to dividends but also as to the market value, corresponding to the fluctuating rate of dividends. On the other hand, those persons who insist on acquiring dividend-paying paper, either because of speculative tendencies or of their

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needs of seeking higher returns than are usually offered by government bonds and other securities bearing a fixed rate of interest, would do well at any rate to "mix," that is to say, to buy small amounts of safe stock of various industrial enterprises, in order not to stake everything on one card. The better returns in one branch of industry or in one company will then offer them a kind of insurance against diminished returns in other companies. The principle of the distribution of risk applies also to the private capitalist, and it is the duty of managers of deposit branches to exert their influence in this direction, whenever their advice is asked.

Aside from these cases, it is the practice among the managers of the great banks, so far as I know, to instruct the managers of deposit branches and exchange offices, though not always with success, to abstain from all recommendations and advice beyond a mere statement of facts within their knowledge regarding the securities to be bought or sold, especially when such securities have been issued by the great banks themselves, since in such case the very fact of issue expresses the favorable opinion of the issuing bank. When customers ask for information, it is the branch bank manager's duty to point out to them, to the best of his knowledge, those factors which, after careful examination, he thinks will be apt to determine the intrinsic value, safety, prospective yield and market of the securities to be purchased or sold, including in the appropriate case, the conditions under which they are admitted to trading at the bourses at home or abroad. He should on principle decline to utter any prognostications regarding the future development of the market value, no

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matter how urgent the questions which are almost always addressed to him on this point. This caution is especially demanded in view of the fact that the very shrewdest experts in the money market, possessing the most minute knowledge of the innumerable factors that influence the market value, profess to be unable to lay down any rule as the result of their experience, except that, as they say at the bourse, "it always turns out the other way."

In the brokerage business at the bourse, the Berlin great banks³²⁴ and a wide circle of other establishments are guided by certain "business regulations," which in the main are identical, as shown by the printed blanks. They embody the following principles:

1. All orders given to the bank for the purchase or sale of bills, foreign bills of exchange (*Valuten*), or securities are executed by the bank in its own name, unless the contrary is expressly agreed on, or unless the bank itself in the individual case makes an express statement to the contrary.³²⁵ Any phrases used in the transaction, such as "I bought or sold for you," that might indicate an agreement with a third party, do not alter this rule. In each instance the bank has the right to charge, in addition to the commission, the regular expenses, especially the usual brokerage (*Kurtage*) and stamp tax.³²⁶

2. Any bourse transaction undertaken by the bank for its customers is subject to the rules in force at the time in that kind of business at the domestic or foreign bourse where the transaction is to be executed, even when the business is transacted by the bank in its own name. The bank has the right to prolong term engagements

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made at the bourse, if it sees fit, or to cancel them entirely or in part, unless the customer gives explicit modifying orders regarding the pending engagement, which order must be received at the latest on the last but one extension day—the so-called day of premium declaration (*Prämienerklärungstag*). The bank has the same right of cancellation before this term, if the person giving the order fails, on demand, to pay such supplementary margin (*Einschuss*) as may be required (see No. 3, below, second paragraph).³²⁷

3. In order to safeguard all claims against the customer through the current business connection,³²⁸ as well as for any bill obligation that may be pending (unless a special arrangement has been made), the bank has the right of pledge or retention in regard to any securities, including interest coupons, annuity (*Rentenscheine*) and profit-share certificates, and all other valuable paper which may have come into its possession or keeping in the course of business or in any other way.³²⁹ However, if such securities are turned over to the bank expressly in the name or on account of other persons, the bank possesses the right of pledge or retention in virtue of those claims only which may have arisen in connection with the respective securities.³³⁰ Securities deposited in German banks without being provided with a German stamp are not subject to the right of pledge and retention.³³¹

If the margin (*Einschuss*) or the balance due the bank, including any pending bill obligations, is not paid when due, a written demand for it is sent by registered mail. If this remains without effect, the bank, in order to satisfy its claims, has the right, without further warrant or period

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of grace, to sell the pledges at any time and place in accordance with the provisions of articles 1221 and 1235 of the civil code.³³² Article 1237, section 2, and article 1238 of the civil code are not applicable to this case. Neither has the customer the right, according to article 1246 of the civil code,³³³ to require any departure from the regular form of sale of the pledge.

The demand just mentioned is deemed to have been delivered if it is sent by registered mail to the last address known to the bank, even if the letter comes back marked "Can not be delivered."

The acquisition of the pledged object by the broker himself is permitted, according to article 400 of the commercial code, only in the case of goods which have a market or exchange price and in the case of securities which are officially quoted; the broker has to prove that the price which he charged to the client is the market price prevailing at the time of the execution of the order; this time is the date "at which the broker delivered the notice of the execution for forwarding to the client" (art. 400, sec. 2, paragraph 2 of the commercial code), a provision which, like a number of others (articles 387, 400, secs. 3b and 5; articles 401, 405, sec. 2), is intended to prevent the so-called "*Kursschnitt*"—that is to say, speculation by the broker to the detriment of the client.

As a wilful contravention of article 400, section 2, paragraph 2, is subject to penalty (according to article 95, sec. 1, No. 2 of the bourse law), most of the great banks have established a special bureau whose duty it is to see that the law is strictly observed by their representatives at

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the bourse. This or some other bureau also makes sure that the proper stamps are used.

According to articles 3 and 4 of the law "relating to the duties of business men (*Kaufleute*) in the safe-keeping of securities belonging to third parties" of July 5, 1896 (the so-called bank deposit law), the broker who carries out an order for the purchase of securities (of the kind specified in art. 1) is bound to send to his client within three days a list of the items purchased, with indication of the nominal value, the numbers, and any other marks of distinction (*Stückeverzeichnis*—itemized statement). According to the business regulations of the great banks, and most of the German credit banks, however, the banks as a rule require of their clients a written waiver of the sending of the itemized statement in case the securities purchased have not been fully paid, and the client remains indebted to the broker for the rest, the purchased paper being left as pledge in the custody of the broker. The business regulations expressly state that the object of this waiver is to prevent the passing of legal title in the purchased securities to the client, which, according to article 4 of the bank deposit law, would be the effect (at the latest) of the sending of the itemized statement. As it is, however, the broker—that is to say the bank—retains title until the purchase price has been fully paid. Until this is done, the items purchased are not credited to the deposit account of the client and do not become his property. Accordingly they are not kept, on behalf of the client, separate from the bank's own holdings or those of third parties, and are not entered in the deposit book according to their distinctive marks (art. 1 of the bank deposit law). On the contrary, they are booked

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by the piece without indication of number, this record being often known in the great banks by the name of Account C (*Konto C*), in contradistinction to the custody account, pure and simple, of the items belonging to the client (provincial banker) himself (Deposit Account A), and Deposit Account B. The latter comprises the items in regard to which the provincial banker (the client of the great bank) making the deposit or transmitting an order for purchase has made the declaration (in compliance with art. 8 of the bank deposit law) that the items are the property of others or that the purchase is to take place for the account of others. This Deposit B, therefore, is "not free;" that is to say, it does not serve the bank as security for all its claims against the provincial banker. In order that the broker (the central banker) may dispose of items booked under Deposit Account B, it is necessary in all cases, according to legal decision, that the client (the provincial banker) shall have declared, that he in turn had been given express consent to such disposition.

According to article 3, section 2 of the banking law, the waiving of the requirement of an itemized statement (*Stückeverzeichnis*) may be done by bankers in any form, even verbally, and once for all, but in the case of persons who are not bankers only expressly³³⁴ in writing and only for each individual case.

Only when the remainder of the purchase money has been paid, the purchased items, on demand of the client, are transferred from the item account (Account C) to the Deposit Account A.

As regards the method of keeping securities booked under or transferred to Deposit Account A, the great

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banks as a rule adopt the arrangement by classes, that is to say, securities of the same kind but belonging to different customers are kept together, the items belonging to any particular customer being, of course, marked by bands bearing the customer's name and the nominal value of the items. This method of keeping by classes enables each item to be found more readily and is therefore preferred to the method of keeping all the securities belonging to one customer in a portfolio marked with his name. At the same time, for the purpose of having a check on the holdings, all banks carry both "living" account books, in which each customer has one account for all his securities, and a "dead" account book in which each class of securities has an account, the names of the customers being entered under each class, with the items of that class standing in their names.

In the case of mere safe-keeping of securities, or where an order for purchase is followed by safe-keeping, many provincial banks and private bankers are in the habit of obtaining from the customer an authorization to return securities of equal value in place of those deposited or pledged, or to use them for their own (the bank's) profit.³³⁵ Such authorization has to be made in conformity with article 2, section 1 of the bank deposit law, expressly in writing and for each individual case, only when the person in question is not a banker. The great banks, however, do not make a practice of obtaining such authorizations.

The banks, although not required by law, regularly furnish a memorandum giving the issue numbers of the securities, generally by signing and returning one of the two slips (*bordereaux*) which accompany the order.

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No perfectly reliable conclusions can be drawn from the balance sheets hitherto in vogue concerning the extent of the brokerage business of the great banks. On the one hand, the heading "Commissions" (*Provisionen*) covers not only the commissions derived from the brokerage business in its widest sense, but also in many cases all or part of the commissions derived from the discounting of bills, which really ought to be booked under the bill account, because these commissions are not always deducted from the particular bill entries, but are calculated only at the reckoning of the whole account (from the amount of the total transactions).³³⁶ Again, the commissions earned in the current account business are in many cases booked under the commission account, so that this account, homogeneous as it looks, is really a "collective account."

What has been said here of the commissions earned through the discounting of bills holds true also of the purchase and sale of securities, the commissions due to the banker being either calculated from the total transactions of the account, on the larger side, or being at once added to or deducted from the calculated total amount of each individual statement.³³⁷ In the former case the net profit in the way of commissions is transferred in one sum at the reckoning of the account to the collective account "Commissions;" in the latter case the commissions are booked in a separate account, but in that case, if a wrong impression is to be avoided, they have to be picked out singly and transferred to the commission account. This distinction while of no importance as regards the question of the total amount of profit from the brokerage business, does exert an influence, of course,

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on the amount of commissions. Thus, for example, according to a resolution of the Stamp Union (*Stempelvereinigung*), the total transactions in dividend-paying securities are no longer carried in ordinary account, as was done so long as a commission was calculated only from the total transactions of that account (on the larger side), but a special commission is charged, both for the purchase and for the sale of dividend-paying securities, which are booked in a separate account, the dividend-paying security account.

With the reservations resulting from the above statements, an approximate idea of the extent of the brokerage business in the German credit banks may be gained from the following table, since a very large part of the commissions (*Provisionen*) booked on the commission account (*Provisionskonto*) is undoubtedly derived from the brokerage business proper.

According to the *Deutscher Oekonomist*,³³⁸ the German credit banks having a capital of at least 1,000,000 marks each showed the following totals (in millions of marks):

Year	Gross profits	Commissions (<i>Provisionen</i>).	Ratio of commissions (<i>Provisionen</i>) to gross profits.	Year.	Gross profits	Commissions (<i>Provisionen</i>)	Ratio of commissions (<i>Provisionen</i>) to gross profits.
			<i>Per cent.</i>				<i>Per cent.</i>
1885....	77.81	19.7	25.3	1897....	179.37	40.4	22.5
1886....	78.69	20.5	26.0	1898....	218.38	50.5	23.1
1887....	80.97	20.7	25.5	1899....	261.77	57.9	22.1
1888....	110.48	24.2	22.0	1900....	262.02	60.0	22.9
1889....	141.00	32.1	22.8	1901....	258.40	58.9	22.8
1890....	141.04	32.2	22.8	1902....	256.76	57.7	22.5
1891....	112.15	28.8	25.7	1903....	253.21	62.7	24.7
1892....	111.93	26.7	23.8	1904....	273.50	68.2	25.0
1893....	110.03	27.8	25.2	1905....	330.20	81.4	24.7
1894....	112.29	28.1	25.0	1906....	377.08	91.4	24.3
1895....	150.83	34.3	22.8	1907....	382.28	97.5	25.5
1896....	158.93	35.4	22.3	1908....	417.20	103.7	24.9

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From this it appears that the commissions (*Provisionen*), with the exception of the years of depression of 1891 and 1892, kept on rising, very rapidly from 1885 to 1890, less rapidly but very steadily for the period following 1892; but since the total gross profits from 1885 on (with slight interruptions in 1891-1893, 1901 and 1903), also rose very considerably, the ratio of commissions to gross profits remained nearly uniform throughout the period 1885-1908, showing, in fact, a slight decline.

At any rate, almost one-fourth of the gross profits throughout that period resulted from commissions derived, no doubt, for the most part from the brokerage business (*Kommissionsgeschäft*).³³⁹

(G) THE TRANSFORMATION, FOUNDING, ISSUING, SYNDICATE, AND SECURITY BUSINESS.

(1) *The transformation and founding business.*

The objections to the German "mixed banking system" are twofold. On the one hand it is urged that the deposits are not sufficiently secured by liquid assets, which implies a lack of soundness in administration. This point will be dealt with at greater length in section 8. On the other hand, it is pointed out that the transformation and founding business extensively conducted by the German credit banks involves grave dangers both for the credit banks themselves and for the community at large. This point we shall now proceed to discuss.

In previous sections (pp. 4 and 5) we noted that the prompt undertaking of the transformation and founding business—that is to say, the financing business proper³⁴⁰—by the German credit banks, corresponded to an urgent

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need of the industrial and commercial interests of Germany. The very earliest German credit banks were created, first and foremost, for the purpose of promoting trade and industry, as indicated by the very firm name of the Darmstädter Bank: "Bank for Trade and Industry." The establishment in Germany of special banks of deposit was out of the question, mainly because, in view of the low level of prosperity of the population, such banks would not have yielded sufficient profits.

Furthermore, in the very beginning of the volume we pointed out that the special nature of the transformation and founding business demands a vast amount of technical, business, and general economic knowledge and experience, which could only be accumulated little by little in the credit banks. The need for such experience, combined with the continuous watching of the money market and an accurate knowledge of the capital market, as well as of the factors connected therewith, such as the capacity of the market for taking up new securities and the conditions determining the market value of these securities, etc., was of itself sufficient to create "special economic organs," which, to use Schaeffle's expression, were to perform "the special function of the initiative in the joint-stock industry."

Moreover, the necessity of a division of labor, of combination and decentralization of establishments, of supplying the wholesale demand and of overcoming or warding off foreign competition, gave rise to industrial large-scale production, whose favorite form is the stock company, because it obtains credit more easily than the individual entrepreneur, and on that account is more

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susceptible of expansion. This was another reason why in Germany the task of transforming existing establishments into stock companies, or of founding new stock companies, fell to the share of the banks, as central reservoirs of funds available for productive purposes, the stock companies themselves representing a concentration of small amounts of capital, each in itself insufficient for productive utilization.

Large-scale industry and capitalism, bearing to each other the reciprocal relation of cause and effect, were thus enabled, by the aid of the German credit banks, to unite in an inseparable alliance, which impressed its characteristic stamp on the entire economic development of Germany during the two epochs under discussion.

We saw (pp. 38 and 115) that in Prussia, up to the intervention of the credit banks, during the entire quarter of a century from 1826 to 1850, only 102 stock companies, with a combined capital of about 638,000,000 marks, were formed. In contrast with this, the first epoch here considered (more accurately the period terminating with the beginning of the second half of 1870), was marked by the founding of 295 stock companies with a capital of about 2,404,760,000 marks, due, first and foremost, to the activity of the German credit banks in the field of transformation and issue.

But even this was merely the first puff of wind before the beginning of the storm.

Beginning with the second half of the year 1870 up to 1874, 857 stock companies were formed in Germany, with a capital stock of 3,306,810,000 marks. This overproduction in transformations³⁴¹ and new flotations in these

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four and one-half years, as well as the great abundance of money and the fever of enterprise and speculation, were of course either created or at least reinforced by the sudden inflow of the 5,000,000,000 francs of the French war indemnity. Combined with other factors, that overproduction was one of the most important causes of the great crisis of 1873.³⁴²

In the first epoch (from the middle of the nineteenth century to the year 1870), when industrial enterprises to a large extent lacked sufficient capital and energetic entrepreneurs, the banks, in many, perhaps the majority of cases, had to take the initiative in the work of transformation and founding. A natural incident of this process was that the banks often took a share, at times a very considerable share, in the transformed or newly founded enterprises through the purchase of stock or other direct participation. As noted above (p. 72), the 1852 report of the A. Schaaffhausen'scher Bankverein expressly states (p. 3) that it is the function of a large bank "to induce the capitalists of the country to direct idle capital toward those enterprises, which, when properly launched, in response to real needs, and offering the guarantee of expert management, bid fair to bring adequate returns." It was that very bank, the oldest German credit bank, which as early as 1851 took a share in the founding of the Hörder Bergwerks- und Hüttenverein, in 1852 in that of the Cölner Bergwerks-Verein, the Cölnische Baumwoll-Spinnerei, the Cölnische Maschinenbau-Aktiengesellschaft, the Cöln-Müsner Bergwerks-Aktiengesellschaft, and the Cölnische Baumwoll-Spinnerei und Weberei, wisely making choice of local enterprises in its near vicinity, which

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it was in position to keep under steady surveillance. In this way it avoided those severe losses to which other banks, not equally cautious, were subjected at that time.

Thus the Darmstädter Bank, shortly before the crisis of 1857, took part in seven industrial enterprises which in 1856 it had transformed into stock companies or newly founded. These enterprises had a combined capital of 2,500,000 thalers, in round figures. Among them was a woolen and cotton factory, a spinning and weaving factory, a mining company, the Oldenburg-East Indian Shipping Company, and two machine factories. This permanent investment in stock meant afterward corresponding amounts permanently written off. In one case, that of the Mannheim woolen factory, the entire stock was lost.

The Disconto-Gesellschaft in 1857 founded the Heinrichshütte mining and smelting works with a capital of about 1,750,000 thalers. In 1863, after heavy losses, it was found necessary to separate that enterprise from the Disconto-Gesellschaft and to place it in control of the business managers, with participation of the Disconto-Gesellschaft on a silent partnership basis. In 1872, the establishment was merged in the newly founded Dortmunder Union Aktiengesellschaft für Bergbau- Eisen- und Stahlindustrie, which was destined to cause still greater trouble to the bank.

The Mitteldeutsche Kreditbank suffered heavy loss through the acquisition of the Ludwigshütte at Biedenkopf, which in 1858 had been transformed into a stock company under the name of Oberschlesischer Hüttenverein, the share of the bank amounting to one-third of the stock. The same happened with the Wasungen cigar

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factory, in which the bank acquired a share interest in 1856.

This initiative in the business of transformations and foundings, often dearly paid for by the banks, was largely reinforced and facilitated by the defective legislation of that time, which made practically no provision for the true indication nor the strict civil and penal responsibility of the persons concerned in the founding. It was only the new law (*Novelle*) of 1884 that defined the term "founder" (*Gründer*), provided for the complete publicity of the founding process, and introduced strict civil and penal responsibility of the founders and their associates. The argument accompanying that law describes the previous legal condition in words which deserve to be rescued from oblivion (pp. 87-88):

"The founding process was concealed; the true indication of the founders was not legally required; the leading promoters acted without any sense of responsibility and were exempt from any kind of control. The temptation to put private interest above that of the company to be established was too powerful. No person was appointed and no measures taken to guard the interests of the company. For a long time after its foundation the newly-formed company possessed no corporate autonomy and remained defenseless in the hands of persons whose only object was their profit as founders. At the same time the public, which these persons, without any risk or responsibility, had in every possible manner sought to attract to a participation in the company, either formally organized or to be organized, had no reliable data whereby to form a correct estimate of the enterprise.

In a number of the criminal proceedings that took place during the crisis just past [1873] it was not even possible to

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ascertain the names of the authors and publishers of the prospectuses by means of which the public had been invited to subscribe.”

So long as it was possible to start industrial transformations and foundings under the screen of anonymity and freedom from any strict responsibility, there was of course also an opportunity for “industrial stock jobbery” (“*industrielle Ausschachtungen*”) which Sattler,³⁴³ with a somewhat strange exaggeration, describes as the essence of transformation in general; and, above all, overcapitalization of the worst kind was the order of the day. There was no inquiry into the prices allowed for the property contributed (*Apports*), nor into the compensations allowed for the founding and the preparations for it, nor into the intermediate profits made. The premium on the shares issued by the company did not flow into the reserve fund of the company, as it does now, but into the pockets of the original owners who were credited therewith on account of the property contributed by them (*Apports*). As, moreover, the names of the founders and the intermediate profits were in nowise required to be published the transformation and founding business could not fail to become a special trade offering peculiar attractions. On the other hand, it is not surprising that of the 857 stock companies, with a capital of 3,306,810,000 marks, which, as we have seen, were established in the time between the middle of 1870 and the beginning of 1874, that is to say, before the new Joint Stock Companies Law of 1884, not fewer than 123 were in liquidation as early as December, 1874, and 37 were bankrupt (*im Konkurs*)³⁴⁴.

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As may be gathered from what has been said, the great banks in the first epoch very largely footed the bills for the transformations and foundings of that time. It must be further admitted that, after quickly earning the profits, often very large, from the transformation or founding, they did not leave the enterprises to their fate, as they might easily have done under then existing legislation, but retained a share in them, often to a larger extent than was compatible with the principles of liquidity. This was done not only in order to retain the necessary influence over the industrial enterprise, but also, as expressly stated in many reports of that time, in order to exercise a permanent supervision over the management of those enterprises, a measure which was deemed indispensable in the interest of the issue credit of the banks, since the transformation or founding was in most cases followed by issues of stock or bonds. This was the main reason why it became customary even in the first epoch to appoint some of the directors of the credit banks as members of the supervisory boards of industrial enterprises.

Even in the second epoch (1870 to the present date) there was no lack of instances of permanent direct participations of the banks in industrial enterprises, leading to the same untoward results as in the first epoch, though during this more recent period they have been the exception.

Thus the Disconto-Gesellschaft involved itself in great loss and trouble ever since 1872 because of the foundation of the Dortmunder Union, and after 1890 because of its participation in the Internationale Druckluft- und Elektrizitäts-Gesellschaft (Popp) and in the Venezuela Rail-

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way. The same happened to the Dresdner Bank by reason of the taking over of the Anglo-Deutsche Bank (1892) and the consequent participation in the Export and Warehouse firm (Export- und Lagerhaus-Gesellschaft) J. Ferd. Nagel, which cost that bank about 2½ million marks.

The Deutsche Bank was for years involved in great difficulties and annoyances through the foundation of the Deutsch-Oesterreichische Mannesmann-Werke, established under its direction and with its participation in 1890, the bank having the presidency in the supervisory board. In 1900 the capital stock of that concern had to be reduced from 34,000,000 to 25,000,000 marks.

In the case of the Berliner Handelsgesellschaft, which remained in the main a flotation bank even in the second epoch, the loss in 1873 arose not so much from voluntary participations in new foundations, in which it lost in round figures 158,000 thalers, or 1½ per cent of its capital at that time, as from securities of newly founded companies that could not be disposed of—that is to say, involuntary participations—such as are apt to occur in the issue business. It suffered also exceedingly large losses through the founding of the German Local and Street Railway Company (*Deutsche Lokal- und Strassenbahn-Gesellschaft*) and the Petroleum Exploration Franchise and Oil Land Company (*Petroleum-Bohr Gerechtsamen- und Oelland-Gesellschaft*), in 1880.

It can not be doubted (see p. 242, under b) that the permanent assumption of large risks in enterprises by credit banks is incompatible with the fundamental principles of sound banking policy. Transgres-

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sions of this rule have almost always brought their own atonement, often of a cruel nature. For this reason the credit banks, during the second epoch, in order to avoid direct participation, have to a large extent resorted to the intervention of trust and finance companies for the purpose of exercising their promoting activity and for the financing of subsidiary banks.

The reorganization of an existing enterprise is a less serious undertaking for a bank than a new foundation, because the earning capacity of the enterprise has already been tested for some time before transformation. On the other hand, it is more risky than a new foundation, if the transformation is compulsory. Such may be the case when the industrial enterprise is compelled to resort to this expedient for the purpose of canceling the bank credit granted to it. It may also happen that a bank which had granted to the enterprise long-term or short-term operating credit, which in default of repayment has little by little been transformed into permanent loans, is compelled to demand the transformation in order, first of all, to mobilize that credit in the form of stock, and then to realize on that stock as soon as the state of the market may permit.

The special danger of such a compulsory transformation, as noted in another connection (pp. 243 to 247), lies in this that under the pressure of necessity it is not possible to give due consideration to the dangers that may arise from the transformation, in view of the overwhelming competition of other stock companies, or of the general political, economic, and business conditions, and the market conditions and prospects of the special branch of industry.

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There arise the further questions, whether the enterprise is suitable for the form of a stock company, whether it can be made to pay in view of the greater running expenses which may with certainty be expected to result from the transformation, and, finally, whether a sufficiently capable management is on hand and can be permanently retained. All these questions are apt to receive insufficient consideration in the case of compulsory transformations, with dire consequences sooner or later.

On the whole, however, the transformation and issue business during the second epoch proceeded much more quietly and conservatively than during the first epoch, the reason being that the banks had little by little acquired greater technical and business experience in this field, and were less and less required to take the initiative in foundings and transformations. That initiative was transferred to a constantly increasing extent to industry itself, which became more and more independent in proportion as it was enabled to determine the necessity and manner of investments of capital. In many cases also, as we have seen, foundings or transformations were occasioned, during the second epoch, in obedience to the requirements of the cartel policy, by purely technical considerations, as for example, the consolidation of a number of small competing enterprises into one large concern, the consolidation of different stages of the process of production in one establishment, the combination of iron furnaces with coal mines and conversely, etc.

Moreover, beginning with 1884, the intentional or culpably negligent overvaluation of property contributed (*Apports*) was made very difficult, the concealment of the

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names of the founders and their associates and of the founders' profits, or of profits made pending the organization, was rendered virtually impracticable under existing legislation, and the value of shares or compensations granted as an equivalent for property contributed or taken over was made subject to thrice-repeated audit by persons strictly liable civilly as well as criminally.

These new conditions helped the industrial concerns to meet the crisis of 1900 infinitely better than that of 1873. But in addition, the new law of July 18, 1884 (art. 185b, Nos. 1 and 2), had placed the stock companies under obligation to establish a legal reserve fund, to which a certain part of the yearly net profits and the premiums on any new stock was to be transferred (see art. 262, commercial code). As a result, very considerable reserve funds had been accumulated, especially by industrial companies, by the time the crisis of 1900 burst upon them, strengthening their financial status, and consequently also their power of resistance in critical times.

2. The issuing, syndicate, and security business.

(a) THE ISSUING BUSINESS IN GENERAL.

The issuing business is discussed in this place, because its development by the German credit banks has been such that it became a branch of the regular banking business from the very start, and because the issuing business in very many cases involves the granting of credit, though this is not implied in its nature. Accordingly it seems appropriate to discuss the issuing business in connection with the other credit business of the banks.

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It was normally to be expected that the issuing business would grow in importance in Germany as a consequence of increasing prosperity, because the higher and middle classes in Germany have long been in the habit of investing their available funds permanently either in enterprises, participations, real estate, buildings and mortgages, or in securities. Bank deposits in Germany are made up mainly of the temporary investments of the available funds belonging to these classes and the operating reserves of the trading classes. By far the commonest form of permanent investment is in securities.

(a) METHODS USED IN THE ISSUING BUSINESS PROPER, AND IN THE PRELIMINARY STAGES.

The issuing business of the banks, which in Germany absorbs a very large portion of banking activity, is by no means one of those occupations in which large profits can be raked in without trouble and "without corresponding work."³⁴⁵ On the contrary, it requires a vast amount of labor, sagacity, and caution on the one hand and of financial, economic, and mercantile knowledge on the other. In particular, those who conduct it must have a clear insight into the situation and prospective development of the money and capital market, the relation between supply and demand in both markets, and into the working of those factors that may influence the rates of bank and market discount, the exchange rates, as well as the absorbing capacity of the ordinary and extraordinary circle of customers.

Thus, even before underwriting the proposed issue, a careful and detailed examination is required, which pre-

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supposes a large amount of expert knowledge and practical experience. The decision whether the undertaking (that is to say, the financing) is advisable or not depends in each case not only on the examination of the intrinsic value of the securities to be underwritten, the reasonableness of the price demanded, and the solvency and trustworthiness of the debtor (state, commune, corporation, company, etc.), but on a large number of other important factors, which require close examination.³⁴⁶

First and foremost, in accordance with the fundamental principles of banking policy, to wit, the distribution of risk and the maintenance of the liquidity of the assets which might be endangered by the tying up of funds for a considerable period, it is necessary to inquire whether a quick distribution of the proposed issue—that is to say, a smooth and prompt completion of the financing and issuing business—may be expected in view of the situation of the home market (occasionally also of foreign markets), the general economic and political conditions, the existing and prospective ease or stringency of the money market, the known or probable issue of like or similar securities, some of which may bear a higher rate of interest, or be presented under better auspices, or correspond more closely to the existing favor or inclination of the public, etc.

When the question of undertaking the issue has already been answered in the affirmative, the fixing of the most advantageous conditions of underwriting and of payment requires the closest study and discussion. The very manner of underwriting will differ according to the situation of the money and capital market and according to the

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periods for taking over and payment. In particular, these and a number of other factors have to be considered in order to decide whether it is advisable to underwrite the entire amount in question unreservedly (in a lump or in partial amounts, to be determined by agreement), or only a part without reserve, the other "under option." In the latter case it becomes important to decide whether the prices of the "options" may be the same for all the partial amounts to be taken up gradually, or whether the prices of the "options" may be graduated in a manner advantageous to the financing establishment, while the seller in such cases will frequently demand rising "option" prices. As regards the mode of payment and the periods of taking up and paying for the partial amounts assumed or to be assumed at option, the bank will have to try to secure the most advantageous conditions, having regard to the conditions of subscription that may afterwards be deemed practicable.

If during the negotiations there occurs an unfavorable turn either in the financial situation of the debtor or in the money and capital market or in the political or general economic situation, and the bank while unwilling to undertake the issue desires to bind the other party, it may be found advisable to grant for the time being a certain credit to the party in question, and this will necessitate the determination of the conditions of payment of interest and principal. At the same time, however, the bank may either try to secure the right of preemption of the future loan, against which the credit is to be reckoned at a rate which is known to be seriously offered by a third party (which the bank will, of course, try to avoid as much as

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possible), or an option on the entire future loan or a part of it, at a price or graduated prices to be determined beforehand. The manner of this graduation and the amount of the graduated prices may again give rise to protracted negotiations.

As regards the principle of the distribution of risk, the bank will have to consider whether it is not already overloaded with securities of the same kind, or even, if earlier issues of the same debtor have not been completely placed, or whether such overloading of the market with the same or similar securities exists or is to be expected. On the other hand, it is to be considered whether the risk of the underwriting may not be diminished by the formation of an underwriting syndicate (*Uebernahmekonsortium*) or subsidiary participations (*Unterbeteiligungen*).

If the underwriting has been decided on, the juridical features of the contract may sometimes present serious difficulties, especially as regards the juridical form of the act of pledging demanded by the bank of property items intended to secure the loan. In that case foremost attention must be paid to the law (possibly foreign law) prevailing at the place where the items pledged are located, and at the same time all the measures will have to be agreed on which are necessary and admissible in order to afford security also to the individual holders of the certificates of partial indebtedness to be issued—for example, the appointment of a representative, whose rights and duties will have to be defined. Again, it may be necessary that the so-called war clause be introduced, especially if a considerable period elapses before subscription, as is apt to be the case when the issue is to be made in different

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countries simultaneously, so that official listing will have to be secured from several authorities. In virtue of this war clause the bank would have the right to withdraw from the contract in case any of the countries concerned becomes directly or indirectly involved in war. It must be borne in mind, however, that other unfavorable events may occur, and hence it will be advisable to endeavor to secure the insertion of a general withdrawal clause—for example, to the effect that the bank has the right to withdraw in case the quotation for the leading government securities, such as German Imperial bonds or consols, shall have fallen below a certain point.

Furthermore, the contract will have to provide that the debtor shall agree to furnish all documents, balance sheets, and other evidence required for the purpose of the subscription or demanded by the respective listing authorities (*Zulassungsstellen*); to remit to the issuing house some time before maturity the amounts required for the payment of coupons or certificates drawn by lot, together with the commission due to the bank for this service, which also has to be specified; finally, to publish in designated periodicals those periodic notices which are legally required, in particular, statements of the number and designation of the securities which (in the manner agreed on—that is to say, by lot or by free sale) shall become subject to redemption. In regard to such redemptions, drawings, etc., the debtor will also have to agree to make these redemptions, as well as the payments on coupons, at the home of the underwriting bank, etc.

After the underwriting has been agreed on, the next thing to determine will be the price at which the issue is

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to take place in order to complete the transaction as expeditiously as possible. On this point the following observations may prove of value:

A purely arbitrary fixation of the issue price is hardly ever practicable; on the contrary, the limits within which anything like a free determination of the issuing price is possible are, as a rule, decidedly narrow.

In the case of shares or bonds of a new enterprise the lower limit is fixed by the price paid by the underwriter, with the addition of interest, stamp tax, fees and commissions, and a suitable profit. This profit, especially in the cases covered by article 41, section 1, of the bourse law,³⁴⁷ must also include a suitable premium against risk. The upper limit is defined by the market quotations of enterprises of the same or similar nature, already listed at the bourse, and the price of which will correspond in the main and in the long run to the intrinsic value, the dividends distributed, and the prospective earnings.

In the case of domestic state and communal loans the upper limit of the issuing price, unless determined by the debtor himself, will be fixed by the quotations reached by former loans of the same debtor or by corresponding loans of other states or communes enjoying about the same credit. It may happen, however, that these quotations are kept artificially low with a view to the impending new loan, or that they are merely nominal and could not be maintained in case of large transactions. The lower limit in this case, too, is the price to the underwriter, plus interest, stamps, fees, and a profit, which, if possible at all, varies in the case of domestic state and communal loans between one-eighth, one-fourth, and, in rare cases, one-half

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of 1 per cent, while even in the case of foreign state loans a profit of three-fourths of 1 per cent is a rarity.

The issue prices of securities offered for sale simultaneously at several bourses at home and abroad have, of course, to be so fixed at home that a disturbance of the domestic sales through foreign sales during the period of subscription and for some time after is not to be apprehended.

In case of an issue of bonds of a debtor who is already represented by listed securities bearing a higher rate of interest, the holders of these may be tempted, immediately upon the publication of the new issue, to sell their old securities, if they can do so with profit, and to buy the new securities bearing a lower rate of interest, in case the price of issue is such that a rise may be expected. As this operation is apt to disturb and disorganize the whole market in these securities, it may be desirable to guard against it by an appropriate price of issue and by other conditions of subscription.

It may, indeed, happen that in the issuing of securities the price has to be fixed at a higher figure than might normally have been the case, especially when in time of a rising market, by reason of an actual or expected increase in the earnings of enterprises and the intervention of speculation, the entire level of quotations rises. This will of necessity have a marked effect on the premium on newly issued securities, especially on those issued in connection with an increase of capital of existing companies.³⁴⁸

The time at which an issue (subscription) is to take place is of great importance as regards the question of underwriting in general and as regards the issue and the price of

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issue. It is to be ascertained whether the bank or market discount, which may be low at the time of the underwriting, or the pertinent foreign exchange rates, might not, through existing or impending causes, tend to become more unfavorable at the time for which the issue is planned. If the debtor desires the issue to take place at a certain time, perhaps coincident with the end of a quarter, when there is notoriously a strong demand for cash in the money market, it may be well to inquire whether it would not be better to fix the date at the beginning of the next quarter, for example, at the beginning of January, when, by reason of payments on coupons, of bills, salaries, mortgages, interest, rent, etc., there is wont to be greater ease in the money market.

If this be not feasible, it remains to be considered whether the taking up of the securities should not at least be made easier for the subscribers or purchasers through a graduation of the periods of taking up and payment, or through facilities in the way of calculating the interest, etc., whether a larger bonus should be paid to the bankers whom it is proposed to interest in the placing of the securities,³⁴⁹ whether the requirement of a cash deposit at the time of subscription should be waived, etc.

Furthermore, steps should be taken, especially through a low price of issue, to prevent the market from being disorganized, after the close of the subscription, by immediate realizations of so-called "concert subscribers" (*Konzertzeichner*), that is to say, persons who, in expectation of a rise of the paper issued, subscribe solely for the purpose of selling their subscriptions at once on the bourse, no matter how insignificant the profit. One way of preventing this

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is to give some kind of preferential treatment to those subscribers who are willing to agree not to sell the securities allotted to them for some months, but to deposit them with the issuing firm.

Finally, as regards the time after the issue, especially when an underwriters' syndicate (*Uebernahmekonsortium*) has been formed, it remains to be considered up to what amount—usually stated in the syndicate contract—the securities shall be bought up in the market in order to prevent an immediate or premature fall of the quotation below the price of issue, in so far as this fall is not justified by the general situation or by the state of the bourse.

According to the practice and banking etiquette prevailing in Germany, an issuing firm is not merely justified but positively in duty bound, by the requirement of the "care of an ordinary issuing firm," to effect such purchases of its own issues. This practice can not be regarded as an attempt to produce an artificial rise of quotations or to effect their artificial "regulation." There is always the danger that speculators may attempt, immediately or very soon after the issue, to depress the market value by speculative sales or realizations, while there may be no intrinsic reason for a decline. To guard against this, it is well to have some one in the market ready to take up these speculative securities, at least within certain limits. Of course this precaution must not be carried so far that speculators might be encouraged to speculate "on the back" of this very syndicate which is ready to purchase. The execution of this part of the issuing programme thus requires special knowledge of the bourse and special caution and alertness.

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The considerations here sketched have to be applied to a greater or less extent before, during, and after each issue. In addition, special difficulties may arise in certain cases, especially in connection with the underwriting of foreign loans, when care has to be used to insure against fluctuations in exchange, or against the thwarting of the issuing operation through arbitrage operations of domestic or foreign concerns, made possible by the condition of the market.

At any rate, the multitude of factors to be taken into consideration in this field suffices to show how incorrect it is to suppose that this important branch of the activity of the German credit banks can be conducted without corresponding work, sagacity, and prudence.

There have been cases in which the principles controlling the issue of foreign loans were not observed by German issuing firms, any more than by foreign firms, possessing much longer experience; but aside from these, it will have to be admitted that in the immense number of instances, especially in the second epoch, there were but very few cases in which the issues could be said to have been undertaken in a rash or otherwise questionable spirit.³⁵⁰

The prospectuses published for the purpose of issue, which, it must be said, are for the most part read only afterward and only when something unfavorable has happened, have almost invariably contained, in conformity with the law, the data necessary for forming a judgment regarding the intrinsic value of the securities issued. They have also abstained from any undignified advertising, which for that matter would not be allowed by the authorities on whom the admission to the bourse depends.

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The German credit banks know from their own experience, or from that of other banks, that nothing is likely to injure the reputation of a bank so severely and so lastingly among its customers and among the general public, as a failure to discharge in the most conscientious manner its duties in connection with the issue of securities.³⁵¹

(β) THE EXTENT OF THE GERMAN ISSUE BUSINESS.

According to the *Deutscher Oekonomist*, the market value of all the capital raised in Germany by way of issues since 1889 was as follows (in millions of marks):

1889.....1,741	1894.....1,420	1899.....2,612	1904.....1,995
1890.....1,520	1895.....1,375	1900.....1,777	1905.....3,190
1891.....1,217	1896.....1,896	1901.....1,623	1906.....2,741
1892.....1,016	1897.....1,944	1902.....2,110	1907.....2,135
1893.....1,266	1898.....2,407	1903.....1,665	1908.....3,415

From 1883 to the end of 1907, there were issued in Germany securities to the selling value of 40,000,000,000 marks in round figures.

For the years 1900–1907 both the *Frankfurter Zeitung* and the *Deutscher Oekonomist* have arranged the issues by classes of securities, in the tables reprinted in the following pages.

Issues of securities made in Germany, as ascertained or estimated (in millions of marks).

(See Supplement to Proceedings of Bank Inquiry Commission of 1908 [items I-V of question sheet].)

Class of securities.	1900.		1901		1902.		1903.	
	Face value.	Market value	Face value.	Market value	Face value	Market value.	Face value.	Market value.
<i>(a) According to Frankfurter Zeitung.</i>								
German state loans	187.30	172.50	554.95	506.01	575.00	532.82	348.00	343.36
Foreign state loans	44.70	30.94	68.30	42.06	344.35	313.47	144.12	136.25
Municipal and provincial bonds	322.70	318.16	354.47	352.05	419.95	416.44	342.86	340.48
German mortgage bank bonds	270.00	270.00	292.00	292.00	373.00	373.00	461.59	461.59
Foreign mortgage bank bonds	7.24	7.12	7.87	7.57	6.75	6.73	29.33	29.39
Other bonds	199.94	201.15	448.58	441.83	211.74	211.54	258.53	256.67
Bank shares	115.03	147.74	29.09	37.13	39.20	61.46	26.32	33.06
Railway and street-railway shares	65.12	68.18	23.57	26.23	21.55	22.53	89.61	116.31
Industrial shares	254.44	367.90	76.04	103.82	81.21	94.36	135.14	195.33
Total	1,466.47	1,583.69	1,854.87	1,808.70	2,072.75	2,032.35	1,835.50	1,912.44
<i>(b) According to Deutscher Oekonomist.</i>								
GERMAN SECURITIES.								
State loans	216.30	200.40	554.00	505.57	580.00	536.40	340.00	317.63
Communal loans	222.38	220.35	294.37	293.58	197.89	196.13	214.14	208.56
Mortgage bonds	126.10	126.10	210.50	210.50	411.04	411.04	564.72	564.72
Railway bonds	88.70	85.02	14.99	14.81	8.77	8.71	2.00	1.94
Industrial bonds	178.20	178.77	189.31	193.29	164.25	158.10	65.16	64.96

Issues of securities made in Germany, as ascertained or estimated (in millions of marks)—Continued.

Class of securities.	1900.		1901.		1902.		1903.	
	Face value.	Market value.	Face value.	Market value.	Face value.	Market value.	Face value.	Market value.
<i>(b) According to Deutscher Oekonomist—Con.</i>								
GERMAN SECURITIES—continued.								
Railway shares	49.60	55.63	2.91	3.02	43.90	48.01	3.99	3.43
Bank shares	138.04	174.51	30.60	36.36	81.45	114.33	46.61	67.57
Insurance companies' shares								
Industrial shares	297.47	461.06	116.05	155.18	160.40	184.47	155.28	195.32
Total	1,316.29	1,501.84	1,412.73	1,412.31	1,647.70	1,657.19	1,391.90	1,424.13
FOREIGN SECURITIES.								
State loans	185.20	168.36	37.50	29.26	367.54	339.00	88.16	80.77
Communal loans	3.00	2.85	13.82	12.86	62.96	61.22	36.50	35.32
Mortgage bonds	5.63	5.50	8.36	7.16	6.29	6.16	8.74	8.75
Railway bonds	0.00	9.00	156.59	149.73	29.82	29.30	87.93	83.44
Industrial bonds			1.00	.97	3.27	3.20		
Railway shares	58.96	65.06			4.72	6.68	12.60	16.95
Bank shares	14.00	20.90	6.00	9.00	6.75	7.43	12.00	16.44
Industrial shares	3.60	3.60	2.56	1.85	.51	.51		
Total	280.39	275.27	225.83	210.83	481.86	453.50	245.93	241.67
Grand total	1,596.68	1,777.11	1,638.56	1,623.14	2,129.56	2,110.69	1,637.83	1,665.80

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Class of securities.	1904.		1905.		1906.		1907.	
	Face value.	Market value.						
<i>(a) According to Frankfurter Zeitung.</i>								
German state loans	285.00	283.87	454.00	454.68	668.00	668.97	546.00	541.06
Foreign state loans	100.76	87.24	724.21	676.39	169.32	163.61	51.11	49.83
Municipal and provincial bonds	217.08	216.77	421.36	418.45	431.23	429.79	505.57	496.66
German mortgage bank bonds	467.38	467.38	513.02	513.02	359.74	359.74	287.24	287.24
Foreign mortgage bank bonds	21.87	21.34	5.62	5.62	6.75	6.77		
Other bonds	203.59	199.24	333.15	331.31	258.07	257.29	172.84	172.96
Bank shares	136.55	201.45	151.99	203.44	206.24	289.77	81.96	107.31
Railway and street-railway shares	70.78	68.91	6.80	11.06	37.35	42.46	3.61	4.70
Industrial shares	192.58	267.60	327.30	492.52	440.74	624.28	164.66	240.20
Total	1,695.59	1,813.80	2,937.45	3,106.49	2,577.44	2,842.68	1,812.99	1,899.96
<i>(b) According to Deutscher Oekonomist.</i>								
GERMAN SECURITIES.								
State loans	343.00	335.64	428.80	429.66	637.00	638.11	551.00	546.22
Communal loans	242.63	239.48	258.83	257.40	346.83	347.00	430.86	425.44
Mortgage bonds	506.24	506.24	569.49	569.49	404.59	404.59	326.33	326.33
Railway bonds	8.60	8.52	12.00	11.81	9.50	9.02	1.00	.99
Industrial bonds	109.14	110.14	114.06	115.24	182.27	183.10	170.90	172.79
Railway shares	3.50	3.83			1.70	2.16	.61	.62
Bank shares	129.47	196.51	116.83	146.50	184.19	282.19	108.89	152.49
Insurance companies' shares	2.38	2.80			1.50	1.86	3.06	3.06
Industrial shares	224.27	359.80	309.18	552.09	389.94	652.80	284.14	431.32
Total	1,579.23	1,762.96	1,809.19	2,082.19	2,157.52	2,520.83	1,876.79	2,059.26

Issues of securities made in Germany, as ascertained or estimated (in millions of marks)—Continued.

Class of securities.	1904.		1905.		1906.		1907.	
	Face value.	Market value.	Face value.	Market value.	Face value.	Market value.	Face value.	Market value.
<i>(b) According to Deutscher Oekonomist—Con.</i>								
FOREIGN SECURITIES.								
State loans	105.09	99.15	866.30	711.13	37.50	36.21	80.80	78.03
Communal loans					20.00	18.79		
Mortgage bonds	42.05	39.51	20.00	19.40	6.75	6.75	4.00	3.80
Railway bonds	47.75	47.77	206.82	202.13	49.69	48.18	34.00	32.46
Industrial bonds			41.00	41.67	4.00	4.16		
Railway shares	20.00	17.20	46.20	74.34	30.00	34.65	8.00	15.03
Bank shares	12.85	18.15	26.00	30.62	24.25	38.13	16.05	23.34
Industrial shares	8.60	10.33	12.00	29.20	22.88	33.78		
Total	236.34	232.11	1,218.32	1,108.49	195.07	220.65	142.85	152.66
Grand total	1,815.57	1,995.07	3,027.51	3,190.68	2,352.59	2,741.48	2,019.64	2,211.92

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In these tables³⁵² the amounts of shares, bonds, and mortgage bonds set down are those officially reported in the market. It is important, however, to note that the following were omitted: Conversions; issues effected privately, outside of the official market (which were only stated when they were advertised in public journals); mere introductions of securities already quoted at German bourses; finally, new securities which made no demands on the market, inasmuch as they were issued solely for the purpose of exchange against shares, etc., of another enterprise.

The figures given by the *Frankfurter Zeitung* are seen to differ from those of the *Deutscher Oekonomist* very considerably, both in the enumeration of the different classes of securities and in the amounts under the head of the same classes of securities.³⁵³

A word of explanation is required in regard to the issues of foreign state loans (see article 2 11. G. 2d, below), noted in both tables, because on the authority of these tables the complaint has been made, even before the Bank Inquiry Commission, that these issues have evidently had a decided effect in making our balance of payment more unfavorable.

The prospectuses thus far issued concerning the introduction of foreign securities at the bourse give no indication of the amounts that have really been placed in Germany. On the contrary, according to the regulations for listing hitherto in force, the entire foreign loan, even if it was offered simultaneously in different places at home and abroad, had to be noted at the German bourse, for example, in Berlin, even when only, say, one-third of the entire loan was intended to be placed in Germany and

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was so placed. It is true that, in virtue of this notation, the other two-thirds also had acquired "the right of domicile in Germany," as one member of the Bank Inquiry Commission expressed it. However, the effect of this favors not only the foreign country, which in such case might throw on the German market the two-thirds placed in that foreign country, but it also favors Germany, because the one-third actually paid for in Germany may also be utilized abroad, if desired, since the conditions of listing at the foreign bourses are as a rule identical with those in Germany.

If we were to change our regulations for listing, foreign countries would doubtless do the same, and the consequence would be that the foreign market would be closed to us as regards the part of the foreign loan placed in Germany, a result which might be attended with grave consequences in critical times and in time of war.

Furthermore, in regard to the statements made in the tables, it is to be noted that foreign countries, if they expect a profit, also partake of the foreign loans placed in Germany. It must also be remembered that foreign securities always tend to return to the home country, as was extensively illustrated in the case of the Austrian, and in recent years also in the case of the Italian securities.

How large a part of any foreign loan has been permanently placed in Germany can thus not easily be estimated, and this is the reason why the two tables (see note 353 on p. 837) differ so much.

(b) THE ISSUING OF INDUSTRIAL SECURITIES.³⁵⁴

The business of issuing industrial securities is the keystone of the vast structure of the industrial relations between banks and industry, whose foundation is the

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current-account business. The reverse process, namely the case in which the issue of new securities of an enterprise transformed into a stock company becomes the bridge for a regular current account and credit business between the two parties, is of much rarer occurrence. The dangers to the banks arising from both classes of business are equally great, being perhaps even greater in the current-account business, for the simple reason that, as we saw, no fixed rules for industrial credit have yet been developed in the German banking business, assuming even that such rules could possibly be evolved. On the contrary, the technique of the issuing business, its premises and limits, have become more and more familiar to the German credit banks, often through sad experience. Their details are thus well known, both as regards the issue of new securities of an existing enterprise to be transformed into a stock company (which, according to art. 41 of the bourse law can take place only one year after the entry of the company on the register and after the publication of the first balance sheet), or those of a new enterprise, or, finally, those arising from an increase of capital, fusion, or reorganization. Of course the risk in the issuing business will be less when the bank acts merely as broker, that is to say, on account of the industrial enterprise, though in its own name.

Speaking of reorganizations, it may be remarked that the German credit banks, especially the great banks, have rendered important service in that direction to distressed enterprises, as well as to the public in general, especially during the second epoch. After effecting the reorganization, which often involved great expenditure of time,

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capital and labor, and could only be carried out in the face of great difficulties and opposition, the banks, by staking their own issuing credit, restored the earning capacity of the reorganized enterprises and put an end to the prevailing disorder in the trading of shares, bonds, and mortgages. This was illustrated not only by the reorganizations of the Berlin mortgage institutions, effected by the cooperation of all the great banks and banking houses of Berlin, after the collapse of 1901, but also by a series of other reorganizations, such as those of the Lothringischer Hüttenverein Aumetz-Friede and the Differdinger Gesellschaft (now Deutsch-Luxemburgische Bergwerks- und Hütten-Aktiengesellschaft in Bochum und Differdingen). After their financial and technical reconstruction, these companies contributed materially toward raising the pig-iron industry of Luxemburg and Lorraine to its present commanding position.

On the whole, however, the relations of the banks to industry take the slower way of current-account credit and the many forms of short-term credit above described, in which the temporary demand for operating credit is satisfied. Only little by little is the long-term credit developed which finds its natural commercial expression in the issue of shares and bonds.

By such an issue the connection between the banks on the one hand, as principal representatives of the capitalist system of economic organization, and industrial production on the other hand, is drawn so tight that they are thereafter joined "for better or worse." Sooner or later this connection finds further expression in the appointment of members of the bank directorate to the supervi-

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ory council of the industrial enterprises, while occasionally some "captains of industry" are appointed as members of the supervisory councils of banks. The former practice, as was pointed out elsewhere, is virtually caused by the necessity for the banks to maintain the influence which they have gained through the issue; also by a regard for their issue credit, which makes it the duty of the bank, according to the well-established and sound practice of German banking, to retain such permanent control. The converse practice—that is to say, the appointment of leading personalities of an industry as members of the supervisory boards of banks, where, as a rule, they have much less influence than the representatives of banks in the management of industrial companies—is not merely an act of courtesy toward the latter, but also the manifestation of the mutual desire for an outward expression of the close business relations that have been established and the expression of a desire on the part of industry to maintain the closest possible agreement in views and aims as regards the industrial policy of the banks.

Appendix IV gives a statistical view of the extent to which such permanent contact between the two parties, in mutual desires, demands, and interests, has been established during the second epoch by the appointment of representatives of the great banks to the supervising boards of industrial companies. The table also shows the extent and degree of intimacy (manifested especially in the filling of the office of president) of the industrial relations of the great banks to the several branches of industry.³⁵⁵ This form of "friendly" relations through the filling of positions on the supervisory board, it must be confessed,

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was sometimes effected only after considerable unpleasant argument, as, for instance, when the Dresdner Bank gained two places on the supervisory board of the Laurahütte.³⁵⁶

The slow and laborious work which often has to precede the moment at which the question of an issue becomes practical can not be too highly estimated as regards its economic value. The cautious forward movement, step by step and stage by stage, of a private industrial enterprise or an industrial stock company, that may have been founded by the aid of a bank, toward higher and higher aims is aided by a gradually growing current-account and acceptance credit in proportion as the yearly surplus from operation does not suffice for the necessary reconstruction and additional construction. The burden of interest thus imposed on the enterprise is in the nature of things accommodated to the state of improvements or enlargements of the time being. The larger and permanent investment credit subsequently granted to the strengthened enterprise is merely the natural closing act of this process of healthy and organic development assuming the form of an issue of stocks or bonds. Examples of this may be found in abundance in the connections of every great bank with industrial enterprises especially in the mining, machinery, and electrical industries.

On the other hand, the banks have found an especially important and extensive field of activity in the promotion of industrial combinations, consolidations, and fusions, which, as a rule, are carried out exclusively or preferably through the agency of issue credit. This tendency of the business policy of industrial enterprises, manifested in

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various ways even during the first epoch, became especially pronounced in the second epoch through the development of the cartels. Thus, as early as 1853 the Phönix Company in Laar, established as a stock company, arose from a combination of four iron furnaces and the Nassau iron-ore mines. In 1898, with the powerful aid of the banks, it absorbed the Westfälische Union.³⁵⁷ Similarly, the Hörder Verein, founded in 1852, decided in 1864 to undertake the introduction of the Bessemer process, and accordingly acquired a number of iron-ore mines (*Kleineisensteingruben*). The possession of these, however, ceased to be a necessity when the Hörder Verein, with the assistance of the banks, acquired in 1879 the Thomas and Gilchrist patents.³⁵⁸

Again, the great increase in the number both of the so-called "furnace mines" (*Hüttenzechen*)—that is to say, iron furnaces which acquired coal mines—and of the so-called "mine furnaces" (*Zechenhütten*)—that is to say, coal mines which acquired iron furnaces—during the second epoch was in many cases rendered possible only by the aid of the issue credit of banks. The same was true of the so-called combined plants, which became necessary after the introduction of the Thomas process and which gave to them so great a superiority over the so-called "pure works" (*reine Werke*), whose condition became more and more difficult.

In the same way the banks promoted the great number of fusions, whose object was either to get rid of troublesome competition, to combine successive stages in the process of production, or to diminish the cost of production.³⁵⁹ Such fusions were especially frequent in the min-

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ing industry; for instance, in the case of the Gelsenkirchen Mining Company and in the electrical industry, which from the very beginning was in close touch with the banking interest.

The regular current-account connection of the banks with the great industrial establishments gradually led to the result that the influence of private banking houses, till then considerable, was crowded into the background, despite the long-continued business connection between these private banks and industry. The issue business of the banks, which required larger and larger capital and increasingly permanent investments—that is to say, the assumption of a great and long-continued promoter's risk—tended still more to weaken and eliminate the medium- and small sized private banking houses, a process which extended far beyond the limits of the individual industrial districts, and which was intensified and accelerated in a marked degree by the above-mentioned provision of the bourse law (art. 39, now 41).

The assumption of fiscal agencies (*Zahlstellen*) for the payment of dividends and interest on bonds and for the redemption of drawn bonds, though at times unconnected with any issue, may nevertheless be regarded as an incidental effect of the issuing business, tending to promote not so much the process of concentration as the profits of the banks, but at the same time leading occasionally to new current-account connections. Hence, so long as the requisite caution is observed, the fiscal agencies, combined with the positions on the supervisory boards, supply a means whereby the industrial connections of the great banks may be measured. From the lists

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of the six great banks of Berlin for 1903-4 Otto Jeidels ascertained the following numbers of industrial fiscal agencies of these banks, which, however, are probably incomplete (especially as regards the Disconto-Gesellschaft and the Berliner Handelsgesellschaft):³⁶⁰

Number of fiscal agencies.

1. Deutsche Bank	250
2. A. Schaaffhausen'scher Bankverein	211
3. Dresdner Bank	191
4. Darmstädter Bank	161
5. Disconto-Gesellschaft	111
6. Berliner Handelsgesellschaft	95

As regards the class of industrial securities issued, it may be said that, as a rule, the issue of shares is preferred for obtaining the capital for permanent improvements, while the issue of bonds (redeemable by amortization within a fixed period) is preferred for obtaining the means for improvements of considerable duration, indeed, but yet terminating after the lapse of a certain time. It must, however, always be kept in mind that the issue of bonds, unlike the issue of stock, burdens the enterprise permanently with fixed interest charges, so that it requires great caution. According to Otto Jeidels, in the case of the six great Berlin banks above named, the issues of industrial bonds in the boom period of 1899 amounted to about one-fourth of all syndicate business (40 bond issues out of a total of 161 syndicate participations), and in 1901, the year of the crisis, as much as four-fifths of all syndicate participations (83 out of 101).³⁶¹

According to the *Deutscher Oekonomist*, the actual capital raised by means of issues of German industrial *shares* was as follows (in millions of marks):

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1892..... 2.5	1897..... 266	1902..... 184	1907..... 431
1893..... 34	1898..... 372	1903..... 195	1908..... 560
1894..... 36	1899..... 276	1904..... 360	
1895..... 143	1900..... 461	1905..... 552	
1896..... 213	1901..... 155	1906..... 652	

According to the table from the *Deutscher Oekonomist*, given above (pp. 360 and 361), the actual capital raised in the shape of German industrial *bonds* issued from 1900 to 1908 was as follows (in millions of marks):

1900.... 178.77	1903... 64.96	1905... 115.24	1907.... 172.79
1901.... 193.29	1904... 110.14	1906... 183.10	1908.... 314
1902.... 158.10			

The foreign industrial bonds admitted to trading at the bourse from 1897 to 1907 amounted to a nominal value of 135,100,000 marks, of which 6,300,000 marks represents the value of converted bonds (*Statistisches Jahrbuch für das Deutsche Reich*, 29 Jahrgang, 1908, p. 238).

The total number of industrial issues by the six great Berlin banks³⁶² in the nine years from 1895 to 1903 was as follows:

	1895	1896	1897	1898	1899	1900	1901	1902	1903.
Deutsche Bank	10	13	13	17	19	25	17	16	20
Disconto-Gesellschaft	15	9	15	21	23	26	19	14	9
Darmstädter Bank . .	8	7	10	27	15	27	14	20	20
Dresdner Bank	25	17	17	25	31	29	14	14	15
A. Schaaffhausen'scher Bankverein..	25	19	21	30	50	29	18	14	14
Berliner Handelsgesellschaft	16	16	24	24	23	22	19	15	11

Finally Jeidels endeavored to ascertain the geographic distribution³⁶³ of the industrial relations of the great banks and the distribution, by classes of industries, of the industrial companies³⁶⁴ connected with the banks, both from the data regarding their representation on the super-

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visory boards and the fiscal agencies, though the latter method can yield no reliable results. There can be no doubt that the distribution of industrial relations is most regular in the case of the Deutsche Bank and of the Disconto-Gesellschaft, and next to them in the case of the Berliner Handelsgesellschaft and the Darmstädter Bank, although the latter shows on the whole more South German and (as a consequence of the absorption of the Breslauer Disconto-Bank), also Silesian industrial relations, which is also true of the Deutsche Bank. The industrial relations of the Dresdner Bank, naturally, are mostly with the Kingdom of Saxony, those of the A. Schaaffhausen'scher Bankverein with Rhineland and Westphalia.

The distribution of the industrial relations by branches of industry is most regular in the case of the Deutsche Bank and the Disconto-Gesellschaft, both banks having extensive relations with foreign railway companies, and the Deutsche Bank also with electrical companies. In the case of the Darmstädter Bank the relations to tramways and breweries predominate, in the case of the Berliner Handelsgesellschaft the relations to the "heavy industries," such as iron and other metals (*schwere Industrie*), electric companies, and tramway enterprises.

Among particularly close connections during the second epoch we may mention the following:

The Deutsche Bank with Siemens & Halske, the North German Lloyd, the Hamburg-American Steamship Company, the Huldshinsky Works, the Deutsche Petroleum-Aktien-Gesellschaft, the German and Oversea Electrical Company (*Deutsche-Ueberseeische Elektrizitäts-Gesellschaft*), the Electric Elevated and Underground Railway Com-

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pany (*Gesellschaft für Elektrische Hoch- und Untergrundbahnen*).

The Disconto-Gesellschaft with the Gelsenkirchen Mining Company (*Bergwerks-Aktien-Gesellschaft*), which on January 1, 1905, entered into community of interest relations with the Red Earth Furnace Stock Company of Aachen (*Aachener-Hütten-Aktien-Verein Rote Erde*) and the Schalker Mine and Furnace Company (*Gruben- und Hütten-Verein*) the Dortmunder Union, the Aschersleben Potash Works, Ludwig Loewe & Co., the Machine Factory and Flour Mill Construction Works (*Maschinenfabrik und Mühlenbau-Anstalt*) Luther in Braunschweig.

The Dresdner Bank with the Kattowitzer Mining Company, Felten & Guillaume, the German-Austrian Mining Company (*Deutsch-Oesterreichische Bergwerks-Gesellschaft*), the Lauchhammer Stock Company and the *Laurahütte*.

The Berliner Handelsgesellschaft with the General Electric Company (*Allgemeine Elektrizitäts-Gesellschaft*) the Harpen Mining Company (*Harpener Bergbau-Gesellschaft*), the Hibernia, the Consolidation Mining Company (*Bergwerksgesellschaft Consolidation*), the Upper Silesian Iron Industry (*Oberschlesische Eisenindustrie*), the Upper Silesian Coke Works (*Oberschlesische Kokswerke*), the Accumulator Works, Limited (*Akkumulatoren-Fabrik Aktien-Gesellschaft*) in Berlin.

The A. Schaaffhausen'scher Bankverein with Aumetz-Friede, the Harpen Mining Company (*Harpener Bergbau-Gesellschaft*), the Hoesch Steel Works (*Stahlwerk Hoesch*), the Bochum Union (*Bochumer Verein*—absorbed in 1907 by the Phönix), the Phönix, the *Hoerder Mining and Fur-*

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nace Company (*Bergwerks- und Hütten-Verein*), the International Exploration Company (*Internationale Bohrgesellschaft*), the Hercynia Company (*Gewerkschaft Hercynia*).

The Darmstädter Bank with the German-Luxemburg Mining and Furnace Company (*Deutsche-Luxemburgische Bergwerks- und Hütten-Aktien-Gesellschaft*), and the Peaceful Neighbor (*Friedlicher Nachbar*), the A. Riebeck Works (*A. Riebeck'sche Montanwerke Aktien-Gesellschaft in Halle*), the Company for Brewing Industry (*Aktien-Gesellschaft für Brauindustrie*), Griesheim-Elektron Chemical Works (*Chemische Fabrik Griesheim-Elektron*), and the Chemical Works formerly H. and E. Albert (*Chemische Werke vormals H. and E. Albert* (Biebrich)).

The representatives of the banks on the supervisory boards of the industrial companies have always taken special care to fulfill one very effective part of the "advisory function"³⁶⁵ of the supervisory board, viz, to provide for the disposal of the products of the industrial companies in question to suitable industrial enterprises on which the banks were able to exercise some influence.

As regards industrial issues, Eberstadt³⁶⁶ first ascertains the net amount received by any particular industry from the issues undertaken in its behalf, which amount he calls net capital claim [*Kapitalreinanspruch*]—(net capital receipts [*Kapitalreinempfang*] would be a more correct term)—consisting of the nominal value plus the (purchase-price)—premium or minus the agio; whatever goes beyond that "net claim" or "net receipts," as a result of a rise in the market value, he regards as pure "speculation," due to the "gambling propensity of the public" (p. 15).

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In this way, of course, he arrives at enormous "speculative amounts." How false this view is may be seen at once from the fact that the quotations of any particular day, mostly based on insignificant transactions, can not be regarded as a measure even for large amounts, let alone the entire stock, and because the "speculators" very largely reinvest the profits of their speculative sales in industry. Above all, however, the statement is untrue because the quotation depends first and foremost on the varying intrinsic value of the securities, that is to say, on the condition of the enterprises in question, and does not depend on the "gambling propensity" either solely or even in large part.³⁶⁷

It is because he disregarded the above considerations that Eberstadt was able to arrive at the conclusion (p. 42) that from January 1, 1895, to April 1, 1900, nearly 1,000,000,000 marks, that is to say, for the average of that period about 186,500,000 a year, were employed solely for "speculative purposes" in stock, mining and smelting enterprises alone (he does not even include "Kuxe," i. e., mining shares). In contrast with this, he estimates the "demand for capital by industry" for the same period and for the same branches of industry at only about 419,500,000, or about 80,000,000 marks a year.

The latter statement is as erroneous, and moreover as misleading, as the former. The demand for capital in the mining industry, as we had repeated occasion to note in speaking of the economic development during that epoch, falls far short of the amounts supplied by issues, which in bad years are only possible to a limited degree or not at all. On the contrary, it is supplied also by way of

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current-account, discount, acceptance, report and collateral credit, etc., to a much larger extent than is indicated by Eberstadt. It is, of course, difficult to ascertain the amounts thus placed at the disposal of industry in general and of the mining industry in particular, either for the period as a whole or for each year, since the amounts in question are not separately booked. Certain it is that they always played a great part. The most summary comparison between the demand for short-term credit, recorded on a previous page for a number of industries, with the amounts of credit granted during that period, suffices to show that the issues alone came nowhere near covering that demand, and that the banks throughout that period granted industrial credit³⁶⁸ to the utmost possible limit, occasionally even to a degree incompatible with a sound distribution of risk.³⁶⁹

As regards the financing of shares and bonds of real estate companies (*Terraingesellschaften*), it may be said that in this direction the great banks have hitherto, in many, perhaps most cases, not pursued any far-sighted economic aims, and that to a large extent they have not concerned themselves with the great questions of land policy.

(c) THE FLOATING OF GERMAN STATE AND COMMUNAL LOANS.

In describing the development of the German banks during the first epoch (1848 to 1870), we saw that all the great banks then in existence regarded it as an essential part of their program and business policy to take part in the business of floating state loans. State-

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ments to this effect are found in some of the early annual reports of these banks.³⁷⁰ On page 62 we gave a review of the most important state and communal loans, which were taken over during the years 1854 to 1869 by the Darmstädter Bank and the Disconto-Gesellschaft, i. e., the two leading banks of that period. Success in this field was achieved, however, as is expressly stated in the jubilee report of the Disconto-Gesellschaft³⁷¹ in the face of decided "opposition on the part of the old-established and well-known private banking houses, which until then had held a monopoly of the financial business and in every manner attempted to ward off the invasion of the new banking companies." The banks in many cases won in this struggle only by showing a far greater liberality toward the individual States and communes in the fixing of the terms of loans and in reducing the hitherto customary rates of brokerage.³⁷² As a result numerous state loans were taken over even during the first period, as for instance, loans contracted by Prussia, Bavaria, Saxony, Wurtemberg, Baden, Brunswick, Hamburg, Bremen, Austria, etc., as well as municipal loans offered by Danzig, Worms, Mannheim and others. As early as 1859 a Prussian mobilization loan of 30,000,000 thalers was taken over by the Disconto-Gesellschaft in conjunction with other then existing Berlin banks and banking houses, this joint operation being the forerunner of the "Prussian syndicate" (*Preussenkonsortium*) subsequently formed under the leadership of the *Seehandlung* (Prussian State Bank). This syndicate became effective in

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1868, when it took over Prussian loans to an amount of 45,000,000 thalers. In the following year it took over additional Prussian loans to a total amount of 5,000,000 thalers, made necessary by the annexation agreement (*Rezess*) with the erstwhile free city of Frankfort-on-the-Main.

Between the years 1868 and 1901 the Disconto-Gesellschaft, the Darmstädter Bank, and other credit banks, as well as a number of private banking houses, at times with the partial cooperation of the Seehandlung, took over and issued 255,000,000 marks of Bavarian State loans alone. As regards the war loan of August 3 and 4, 1870, amounting to 120,000,000 thalers, its issue was effected without the cooperation of the banks by means of a national subscription at the rate of 88 per cent. The jubilee report of the Disconto-Gesellschaft mentions on page 35 that at the preliminary negotiations regarding this loan, held in the Prussian ministry of finance, the two representatives of German banks and banking firms present declared "that the success of this loan could be assured only in case it was issued at a rate of 85 per cent."

The report continues:

"This rate was recommended upon the plain business consideration that the issue price would have to be fixed on a parity with the market prices then quoted for similar Prussian state securities. The authorities, however, reckoned only with the prevailing national sentiment and, disregarding the actual conditions of the money market, fixed the subscription price at 88 per cent. The result was that the nominal amount subscribed on the two subscription days, August 3 and 4, did not exceed

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68,000,000 thalers, which at the subscription price of 88 per cent yielded a net amount of only 60,000,000 thalers."³⁷³

In October, 1870, a funded federal loan of 20,000,000 thalers was issued with better regard for the condition of the money market. In November, 1870, and January, 1871, additional war loans totaling 142,000,000 thalers were issued in the form of 5 per cent treasury bills, payable in five years. These loans were taken over and placed by a German syndicate of banks and banking houses with the collaboration of English banks. No use was made of the last war credit of 120,000,000 thalers (law of April 26, 1870) because of the receipt of part of the French war indemnity.

Between 1871 and 1880 no less than 640,000,000 Prussian and 142,000,000 Imperial loans were taken over and issued by the Prussian syndicate and by the other syndicate for the loans of the Empire. The total amount of public loans underwritten and placed by syndicates of banks and banking houses on behalf of Hanseatic towns, and the States of Wurttemberg, Saxony, and Hessen reached nearly 1,000,000,000 marks.

After 1880, notwithstanding the successful experience had with the old method, it was thought that in order to prevent the growth of a monopoly of banks and banking houses it would be feasible to place a large portion of newly issued Prussian and other State loans with the various applicants by way of competitive subscription (*im Wege freier Begebung*). The result was in the main merely a considerable depression in the market and of the prices of German State bonds.

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In February, 1899, the Deutsche Bank alone took over 75,000,000 marks of 3 per cent Imperial bonds and 125,000,000 marks of 3 per cent Prussian consols.

In September, 1900, the entire amount of 80,000,000 marks of 4 per cent treasury bills, payable in 3½ to 5 years, was awarded to the New York banking house of Kuhn, Loeb & Co. This measure was strongly criticized, notwithstanding the fact that the German money market as a result was greatly relieved by the influx of gold from abroad.

The amount of German communal loans issued during this period in which the Disconto-Gesellschaft participated—and this for 40 cities only, specified in the jubilee volume, page 42—up to the end of 1900, was, in round figures, 300,000,000 marks, while the amount of mortgage bonds of cooperative land credit associations (*landschaftliche Pfandbriefe*) and provincial and district loans (*Provinz- und Kreisaneihen*) issued during that period with the cooperation of the Disconto-Gesellschaft reached almost 1,000,000,000 marks.

Combining domestic State and communal loans issued during the last 15 years of the second period, we find the following totals, according to the Deutscher Oekonomist:

Net amounts realized (effective Beträge) in millions of marks.

1894..... 295	1898..... 261	1902..... 733	1906..... 985
1895..... 139	1899..... 660	1903..... 526	1907..... 972
1896..... 160	1900..... 420	1904..... 575	1908..... 1,770
1897..... 167	1901..... 799	1905..... 687	

The net amounts of German state loans only, as distinct from German communal loans, issued yearly during the important period 1900 to the end of 1908, according to the

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statements of the Frankfurter Zeitung, printed above on pages 359 and 361, as well as of the Deutscher Oekonomist, were in thousands of marks:

Year.	Figures of the—		Year.	Figures of the—	
	Frankfurter Zeitung.	Deutscher Oekonomist.		Frankfurter Zeitung.	Deutscher Oekonomist.
1900.....	172,500	200,400	1905.....	454,680	429,660
1901.....	506,010	505,570	1906.....	668,970	638,110
1902.....	532,820	536,400	1907.....	541,060	546,220
1903.....	343,360	317,630	1908.....	1,079,000	1,258,990
1904.....	283,870	335,640			

This is not the place to discuss the causes of the enormous growth in the yearly issues of state loans. Suffice it to say that the constant pressure weighing on the market of imperial and state loans already issued or about to be issued has been one of the main causes of the low market prices of German imperial and state issues, prices which in no way corresponded to their intrinsic value. Neither did the reduction of the interest rate from $3\frac{1}{2}$ to 3 per cent tend to commend these securities to German investors, who were used to a higher interest rate paid by various solid industrial securities and in most cases could not afford such a low yield on their capital.

The German communal loan issues during the same period are given in the following table, which states in parallel columns the data of the Deutscher Oekonomist and those of the Frankfurter Zeitung. The latter, however, includes under the same head loans issued by cities and provinces:

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*Net amounts realized (effective Beträge) on German communal loans during
1900-1908.*

[In thousands of marks.]

Year.	Figures of the—		Year.	Figures of the—	
	Deutscher Oekonomist.	Frankfurter Zeitung.		Deutscher Oekonomist.	Frankfurter Zeitung.
1900.....	220,350	318,160	1905.....	257,400	418,450
1901.....	293,580	352,050	1906.....	347,000	429,790
1902.....	196,130	416,440	1907.....	425,440	496,660
1903.....	208,560	340,480	1908.....	511,710	606,430
1904.....	239,480	216,770			

A comparison of the annual amounts of communal loans with those of state loans discloses the striking fact that the former differ in size but little from the latter. There is no doubt that many of our communes have become obsessed during the recent period, especially during the last decades, by a sort of mania of greatness. As Waldemar Müller³⁷⁴ says, "Every mayor thinks he has failed to live up to the requirements of his office if he does not borrow a million every couple of years for slaughterhouses, sewers, the construction or purchase of electric plants and city railways, nay, even for paving and schoolhouses, the expenses for which ought to be defrayed out of current revenues."

At all events, considering the large amounts added to German communal loans almost every year, of which by far the larger portion has been taken over and emitted by the German banks, it can not be seriously contended that in this field the German banks have not taken sufficient care of the "domestic market."

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(d) THE FLOATING OF FOREIGN SECURITIES.

(α) *Principles underlying the flotation of foreign securities.*

In section 7 of this part (p. 527 and foll.) an attempt is made to answer the question, whether the so-called "export capitalism" is to be regarded as necessary, admissible, and unobjectionable on general principles, and in particular beyond the amount required to compensate for the excess of imports over exports.³⁷⁵ In that section, however, the above question is discussed and answered only as a matter of principle, while in the present chapter we are concerned with the question, what special principles are to govern the issue of foreign securities, and what limits are to be drawn in this field.

In my opinion the three fundamental requirements for a sound policy in this regard are as follows:

(1) The issue of foreign securities in the domestic market, like the establishment of branches of domestic enterprises and participations abroad, is permissible only after the domestic demand for capital has been fully satisfied, since the first duty of the banks is to use the available funds of the nation for increasing the national productive and purchasing power and for strengthening the home market.

(2) International commercial dealings as well as international flotations ought to be but the means for attaining national ends and must be placed in the service of national labor.

(3) Even when the two foregoing conditions have been fulfilled, the greatest care will have to be used in selecting the securities to be floated. Our experience in

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the eighties with Argentine, Greek, Portuguese, Chilean, Servian, and similar securities proves the paramount necessity of drawing a sharp distinction between individual countries and securities.

It may be granted that so far as the eighties are concerned, when we entered that particular field in competition with other nations, we obtained, in the main, only those foreign loans which the other countries, with their old established international relations, either had left to us or at least did not seriously contest, and that for these reasons our choice was confined within rather narrow limits.

At present, when as the result of slow, careful, and laborious efforts, our financial relations with foreign countries have improved to a gratifying extent, we must more than ever be careful to underwrite as a rule only securities of such countries as possess what may be called a rich and extensive "hinterland," either in the shape of good colonies or of large provinces presenting a hopeful field for agricultural, industrial, and commercial enterprise, or countries which possess strong reserves in other shape and are thus in a position to endure and speedily emerge from hard times.

Furthermore, whenever practicable and in so far as we are not bound by previous engagements toward foreign countries, the time and amounts of underwriting as well as the interest rates on foreign loans should be fixed with due regard to the economic and financial conditions prevailing at home. In particular (barring those previous engagements just mentioned), in times of industrial prosperity, a proper regard for the discount policy of the

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Reichsbank and for our balance of payments ³⁷⁶ should induce our banks to show the utmost conservatism in the flotation of foreign securities and in the granting of long-term credits to foreign countries, a principle which has not always been sufficiently observed by the German credit banks. Still, in criticising the methods used heretofore, we must bear in mind that, when a foreign country, possibly after a long interval, applies to us for urgently required funds, at a time deemed opportune to itself, it is only in the rarest instances that we shall be in a position to say that the time is not opportune for us and that the applicant had better call at some other time. Such a procedure might result not only in spoiling our relations to the respective foreign country, but eventually in the loss of our entire position in the international market. Furthermore, in cases where the purpose of the loan permits it, such pressure as we are able to exert should be brought to bear in order to provide in the loan contract that any orders for works and contracts, the expense of which is to be defrayed by the loan, be placed in Germany, in the interest of our industry.

As the jubilee report of the Disconto-Gesellschaft justly remarks (p. 45), it was "precisely the action of the banks in underwriting foreign loans and introducing them to the German market that proved so signally effectual in promoting the development of German industry." Thus, among other things, the Russian, Austrian, Hungarian, Portuguese, and Roumanian railway loans of the nineties, as well as the financing of the Venezuelan, Anatolian, and Bagdad railways, the constructions at the Iron Gate, the long-continued work carried on by the Shantung Railway

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and Mining Companies, have brought to German industry a large number of lucrative orders. In other cases, however, as a result of political and competitive conditions, all efforts to secure a participation of German industry have failed, though on some particularly opportune occasions, as for instance, that of the Kongo Railway,³⁷⁷ the banks insisted, as a condition of their own financial cooperation, that German industry be given a share in the work.

On the whole, despite painful experience, we have to agree with Schmoller's general conclusion ³⁷⁸ that, in order to maintain and strengthen her position in the world markets, Germany will have to increase rather than restrict her foreign financial business, provided, of course, the above stated general and special requirements are observed.

Other countries have had just as bad if not a worse experience in this field; moreover it goes without saying that the mastering of all the difficulties in this field requires an apprenticeship. This point seems to have been largely overlooked by Sartorius Freiherr von Waltershausen in his otherwise valuable work entitled "The economic system of investments of capital abroad."³⁷⁹ The suggestions made in that book are largely—notwithstanding his denial—the mere expression of a strong and, in my opinion, wholly groundless lack of confidence in the management of our banks as hitherto conducted, which, I maintain, have on the whole achieved great results in the interest of the nation, notwithstanding some occasional faults and errors. Moreover, some of his suggestions, in my opinion, are in a large measure impracticable.

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This is true in the first place of the suggestion that inasmuch as there exists no suitable representation of the interests of purchasers of securities, the protective committees representing foreign bondholders whose interests are endangered should interfere in a preventive capacity (op. cit., p. 310 et seq.) by carefully advising their constituents before the purchase of newly issued securities. This suggestion was thoroughly punctured by Kaemmerer, who points out that such an organization—the lack of which the author deplures—does already exist in the shape of our banks. For it can not be said that the banks advise their customers against their own better knowledge in questions of purchase of securities, underwritten by them or by other banks, or that, as a rule, they are not far more expert in this field than the members of any protective committees.³⁸⁰ Moreover, according to our legal provisions, the very purpose of the prospectuses is to exhibit the main points underlying the intrinsic value of the securities. As a rule this is done, but the trouble is that, as a rule, nobody reads them. The people who are speculating on a rise of securities neither read prospectuses nor do they listen to the counsel or warnings of third parties, let alone protective organizations.

A like criticism applies to the proposition (op. cit., p. 305) that the underwriters, in order to become permanently interested in state and communal issues, should be legally required to retain permanently some part, even though but a small part, of the issue (one-half to 2 per cent according to a graduated scale) and to deposit it, say, at the Reichsbank. The author may rest

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assured that not only bankers will "shake their heads" at such a proposition (op. cit., p. 30). It reminds one of the other proposition that the banks should redeposit at the Reichsbank part of the deposits entrusted to them by their customers. If this keeps on we may arrive at an ideal state in which all the capital or the greater part of it is redeposited and thus made safe. It is true that this will insure the fullest degree of liquidity, security, and proper management, but the only trouble will be that one will no longer be able to do any business. Do the critics really believe that it suffices to turn the knob of legislation or to draw up a few governmental regulations in order to attain the proper management of our banks—in regard to which, for that matter, the critics are by no means agreed? *Vestigia terrent*, in no other field, as was repeatedly shown, have state control and legal interference proved such dismal failures, as in that of banking. Though I am anything but an advocate of laissez-faire principles, I have too exalted a conception of the State and its attributes to wish to see it exposed to further chances of tests of this kind, which as a rule can only result in humiliation.

Notwithstanding this criticism of the individual proposals of the author, it gives me pleasure to acknowledge that fundamentally, i. e., so far as the prerequisites and aims of the issues of foreign loans are concerned there seems to be no difference of views between us. I may say that these fundamental principles were formulated by me in the main as early as 1906 in the second edition

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of this work, prior to the appearance of Waltershausens' book.

My aim in the above discussion was merely to prove that in this department of banking, as well as in others, the lessons and experience of the past may enable us to draw correct conclusions regarding the future and to discourage outsiders from proposing all sorts of impracticable reform measures.

On the other hand, granted that in consequence of the issue of "exotic" securities, German investors suffered considerable losses during the eighties, especially from 1886 to 1889³⁸¹ it seems to me rather immaterial whether the data regarding the amount of these losses are exact or perhaps, for various reasons, inexact. As Ad. Weber has pointed out, hardly a single investor bought at the highest price and sold at the lowest price; furthermore, the calculation disregards the large number of those who bought these securities for speculative purposes only and who disposed of them after the considerable rise in the market (of 10 per cent and more) which in many cases followed immediately after their issue. It may also be pointed out that the table of the *Deutscher Oekonomist*, reproduced by Ad. Weber (op. cit., p. 133) contains securities which had not been under a cloud (*notleidend*) even for a single day, such as the Lisbon municipal loan. In the same manner I do not ascribe any decisive importance to the unquestionable fact noted by Schmoller in the well-known introduction to the Proceedings of the Bourse Inquiry Commission (p. XXV) that against the losses should be placed the

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gains of about a billion marks which had accrued to Germany from investments in American and Russian securities alone, made during the period from 1860 to 1892.³⁸²

However, with a view both to the past and to the future, it is necessary to note that the time at which those issues took place was characterized by an abundance of money, caused by a preceding period of economic depression which lowered the value of money and the rate of discount. This was also the period of railway nationalization and of actual or threatened conversions.³⁸³ The combined effect of these factors was to start an impetuous desire on the part of the investment-seeking public for securities yielding a higher rate of interest.

In this connection it is interesting to recall the fact recorded in Gilbert's book above cited,³⁸⁴ that in England, also mainly as a result of a plethora of available capital and the resulting low interest rate, as early as the years 1822 to 1825, inclusive, there were issued foreign, mainly "exotic," loans, totalling £25,994,511, i. e., over half a billion marks within four years,³⁸⁵ which later on gave occasion for many a sad experience. It is true that among these loans there is found a 5 per cent Prussian loan of £3,500,000 issued in 1822, a 3 per cent Danish loan of 1825 to the amount of £5,500,000, and a 5 per cent Russian loan of 1822 amounting to £3,500,000, but the rest, i. e., the greater part, were essentially "exotic values," viz, 5 per cent loans of Australia, Brazil (2), Greece (2), Mexico, Portugal, and Spain (2), and 6 per cent loans of Buenos-Aires, Chile, Colombia (1), Guatemala, Mexico, Peru (2), etc. There had also been in

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England a considerable reduction of the interest rate on a large proportion of British consols, which doubtless had long been foreseen, viz, in 1823 the conversion of £135,000,000 of 5 per cent into 4 per cent consols, and in 1825 the conversion of £80,000,000 of 4 per cent into 3½ per cent consols.

(β) *Amount of foreign securities issued in Germany.*

The combined effective amounts of all foreign issues (except issues of foreign shares of stock), viz, the issues of foreign state and communal loans, railroad bonds, etc., since 1894, i. e., for the last fifteen years, according to the *Deutscher Oekonomist*, were as follows:

Million marks.	Million marks.	Million marks.	Million marks.
1894..... 338	1898..... 891	1902..... 445	1906..... 149
1895..... 300	1899..... 203	1903..... 199	1907..... 129
1896..... 489	1900..... 185	1904..... 186	1908..... 205
1897..... 608	1901..... 199	1905..... 874	

The combined value of the foreign securities listed at the German bourses from 1897 to 1907 according to the *Statistisches Jahrbuch für das Deutsche Reich* (vol. 29, 1908, p. 228), shows a total of 28,957,700,000 marks, of which 8,224,600,000 marks represents the value of converted securities. This leaves a net value for newly listed securities of 20,733,100,000 marks. The majority of these foreign securities were listed simultaneously at foreign bourses.

The 29,000,000,000 marks or thereabouts of listed foreign securities show the following distribution:

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[In thousands of marks face value.]

Class of securities.	Total amounts.	Conversions (included in total).
1. State loans.....	19,896,300	6,583,600
2. Provincial and municipal loans.....	699,900	54,000
3. Mortgage bonds of Landschaften (cooperative land credit associations) and kindred institutions.....	754,500	202,300
4. Mortgage bonds of real estate credit banks.....	332,700	8,600
5. Bank shares.....	360,200	8,600
6. Bank debentures.....	24,300	.....
7. Railroad shares.....	2,680,300	.....
8. Railroad debentures.....	3,928,600	1,342,400
9. Industrial shares.....	145,800	^a 18,800
10. Industrial debentures.....	135,100	6,300
Total.....	28,957,700	8,224,600

^a Transformations.

The effective value of foreign state and communal loans alone according to the *Deutscher Oekonomist* was as follows:

Million marks.	Million marks.	Million marks.	Million marks.
1894..... 195	1898..... 278	1902..... 400	1906..... 55
1895..... 98	1899..... 102	1903..... 116	1907..... 78
1896..... 264	1900..... 171	1904..... 99	1908..... 169
1897..... 233	1901..... 42	1905..... 711	

For the period comprising the largest activity in the issue of foreign securities, viz, the years 1886-89, the nominal value of these issues shows the following totals:

	Marks.
1886.....	516,400,000
1887.....	456,300,000
1888.....	696,100,000
1889.....	749,100,000

It appears thus that during these four years the nominal value of foreign issues offered to German investors was in excess of 2,417,000,000 marks,³⁸⁶ or 45 per cent of the nominal value of 5,431,000,000 marks of issues of all kinds. The many serious objections to these figures are found

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stated in a previous chapter (see above pp. 363). It may suffice to mention here that as a matter of fact a considerable part of these issues was not placed in Germany and therefore not paid by the German public.

If the above-given figures of the *Deutscher Oekonomist* (see pp. 360 to 362) are used, which comprise all classes of foreign issues including foreign shares (the amount of which does not figure in the above table), we obtain for the period 1900-1908 the following totals:

Effective amounts.

	1,000 marks.		1,000 marks.
1900.....	275, 270	1905.....	1, 108, 490
1901.....	210, 830	1906.....	220, 650
1902.....	453, 500	1907.....	152, 660
1903.....	241, 670	1908.....	228, 020
1904.....	232, 110		

The effective amounts of both domestic and foreign securities issued during the same period are stated above on pages 360 and 362 by the same authority as follows:

	1,000 marks.		1,000 marks.
1900.....	1, 777, 110	1905.....	3, 190, 680
1901.....	1, 623, 140	1906.....	2, 741, 480
1902.....	2, 110, 690	1907.....	2, 211, 920
1903.....	1, 665, 800	1908.....	3, 415, 820
1904.....	1, 995, 070		

A comparison of these two sets of figures proves that the German banks, partly as the result of their experience with a part of the foreign loans issued during the eighties, have become much more careful in issuing such loans. As a matter of fact the amounts of foreign securities issued during 1900-1908, as given in the above table, in most cases are not quite one-half and in some cases even much less than one-half the corresponding amounts for 1886-1890.

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It also appears from the table just given that the amount of foreign securities issued during the year 1907, 152,660,000 marks, when as a result of the American crisis there was a great money scarcity in Germany as well, fell much below the like amount in 1906, 220,650,000 marks, while the amount for 1908 represents but one-fifth of the corresponding amount for 1905.

During the high-tide period of the issue of foreign securities (1886-1889), as stated before, the proportion of these issues to the total issues effected in the country was no less than 45 per cent. In 1905 the proportion was only a little above one-third, in 1906 a little less than one-tenth, and in 1907 only about one-fifteenth of all issues effected in Germany during the same years.

The above figures prove likewise that during the very years which we found to have been characterized by a particularly gratifying increase in the productive and purchasing powers of the nation, the "export of capital" from Germany has considerably abated, and that during these years the banks have been acting in accordance with the principle laid down above (p. 384, No. 1) for the regulation of foreign issues in general. In so doing they were partly influenced, to be sure, by the high rate of discount, "obeying necessity, not their own impulse."

(e) AMOUNTS OF LISTED SECURITIES ISSUED BY EACH OF THE GREAT BERLIN BANKS.

Appendix V at the end of the volume contains exact information regarding all securities issued by each of the six great Berlin banks and admitted to the privilege

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of being traded in and quoted *at the Berlin bourse* during the years 1883 to 1908.

Appendix VI gives similar information for the securities emitted by the six great Berlin banks and admitted to like privileges *at all German bourses* during the years 1897 to 1908. For earlier years than 1897 official data were available for the Berlin bourse only.

(f) THE SYNDICATE BUSINESS (*Konsortialgeschäft*).

As stated above (p. 349) the two essential requirements of any sound banking policy are the liquidity of the resources and the distribution of risks with regard to persons, funds involved, time and place, even in the case of the most promising undertakings and the most brilliant market condition, when there is every prospect for a speedy and smooth transaction of the business. As a necessary consequence of these two requirements, when a bank contemplates the underwriting of a business of some magnitude, it tries to strengthen itself by alliances, because there is always the possibility of a change in the political and economic weather conditions, and in the prospects and constellations bearing on each particular transaction.

Accordingly we noted that in 1859 the German credit banks, probably for the first time, formed two bank syndicates. The first was organized by the Darmstädter Bank for the liquidation of several engagements, which fell due in 1860, especially of the Rhine-Nahe bonds. The 1860 report of the bank makes special mention of this agreement in the following terms: "This form has decided advantages, since it diminishes the risk of the individual

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participants and facilitates the accomplishment of the common task." The second syndicate was formed by the Disconto-Gesellschaft for the purpose of underwriting a part of the loan of 30,000,000 thalers required for the mobilization of the Prussian Army and gave the first impetus for the subsequent formation of the so-called Prussian syndicate (*Preussen-Konsortium*).

The members of such syndicates, as a matter of course, are under obligation to fix or bind their quota for the common use of the syndicate during the term of the syndicate agreement, which is fixed, but may be extended by unanimous resolution. The execution of the common operation is intrusted, as a rule, to a syndicate manager or managers, whose action is subject to the approval of the executive board of the syndicate, or, if the latter be small, of the other syndicate members, as regards all measures of importance or such as exceed the normal course of the syndicate business. In most cases the maximum amount of underwriting that may become necessary is fixed beforehand. This maximum may, however, be exceeded, as a rule, by majority vote or by assent of the executive board in case the management of the syndicate deems it necessary or profitable.

The frequent allotting of subsidiary or secondary participations (*Unterbeteiligungen*) by the individual members of the syndicates may be caused by considerations of greater liquidity and of better distribution of risk. But quite often such action may be due to mere business considerations, when it is desired by such courtesies to acquire a claim to reciprocal treatment on the part of the favored domestic or foreign houses, or else to reciprocate a similar

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courtesy already received. Very frequently this action is a means of conferring a favor on customers regarded as specially valuable, or of indemnifying certain customers for participations which had yielded poor profit or been terminated with a loss. Such "subparticipants" (*Unterbeteiligte*) acquire no rights against the syndicate, but only against the member of the syndicate by whom the subsidiary allotment is made. The latter is under obligation of keeping them informed and accounting to them and to fulfill toward his subsidiaries everything "required by common honesty with regard to commercial etiquette" (par. 157 of the Civil Code) and conversely to abstain from doing anything that might conflict with this principle.

An important class of syndicates are the so-called guarantee syndicates (*Garantiekonsortien*) which are formed by several banks in the interest of industrial or commercial undertakings, in order to assure the success of an increase of capital. In such cases the legal priority right of the old stockholders may be excluded—the syndicate offering them the new shares at the price they were taken over by the syndicate (*zum Uebernahmepreis*) plus a certain surcharge. If the legal priority right remains, the guarantee syndicate agrees to take over those shares which are not accepted by the old shareholders. In many cases the acceptance of syndicate participations is by no means voluntary. Whenever there are permanent groups (e. g. for Asiatic, Russian, Austro-Hungarian business or for business in the domain of the electrical industry), any bank belonging to the group is bound to accept its participation quota in the underwriting or issue unless there

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is a special arrangement—which is rarely the case—whereby it is free to abstain from a particular operation of the group. The obligation remains even when a bank objects to the particular operation as a whole or to any of its features, to the time, or, what is not less important, the price, or to any other terms of the issue.

Since the formation of syndicates and the ceding of subsidiary participations may be a feature of every underwriting and issue transaction and is of daily occurrence in connection with an immense number of finance operations of this sort, it would serve no useful purpose—even were it practicable—to attempt to state the number and amounts of syndicate operations and participations during the first and second periods. Such an attempt would be futile for several reasons:

In the first place until recently such syndicate participations of the banks were often lumped in the bank reports with “securities owned,” which was decidedly wrong from the accounting point of view. Only in the summary reports (*Rohbilanzen*) of the great Berlin banks, published since the end of February, 1909, has this practice been discontinued. On the other hand, certain amounts, properly coming under the head of “syndicates” were often booked with “securities,” and vice versa. The true principle would be to book under the head of “syndicates” all those participations which call for additional installment payments or which are not at the disposal of the bank, while securities allotted to the bank as a result of a syndicate participation either without the above restrictions, or when these restrictions no longer apply, should go under the head of “securities.” Finally, in many cases, the

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items "syndicates" and "securities" are either not specified at all or only insufficiently specified in the balance sheets. The mere enumeration of the syndicate participations loses all interest and value, unless combined with information showing the distribution of risks with regard to persons, funds involved, time and place, which is, however, impracticable from the business point of view.

Neither is it practicable, as will be shown more fully in section 8, to carry out the suggestion of giving a statement of the installments remaining due and unpaid at the end of the year on account of syndicate participations, since, for obvious reasons, the amounts of these obligations may not be known to the syndicate management itself and at all events could, in most cases, not be ascertained on the 31st of December.

For these reasons I am in a position to give only a few numerical data; and even these data must be used with caution because of the shortcomings found until recently in the accounting methods of our banks.

The number and amounts of syndicate participations of the Deutsche Bank in State, communal, and railroad securities, as well as in "shares and bonds of various companies," during the crisis year 1900, and the years immediately preceding, i. e., during the period 1897 to 1901, inclusive, were as follows:³⁸⁷

Year.	Number of participations.	Amounts in thousands of marks.
1897.....	107	30,220
1898.....	127	33,920
1899.....	146	29,810
1900.....	160	32,080
1901.....	179	33,870

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The syndicate account of the Dresdner Bank for the years 1896-1900 was composed as follows:³⁸⁸

[Amounts in million marks.]

	1896.		1897.		1898.		1899.		1900.	
	Number.	Amount.	Number.	Amount.	Number.	Amount.	Number.	Amount.	Number.	Amount.
1. State securities, land mortgage bonds, and preference bonds (Prioritäten).....	12	8.7	14	6.9	9	4.9	9	6.9	6	1.3
2. Shares and bonds of railways and other transportation enterprises.....	10	3.8	5	.9	10	4.9	13	6.2	12	4.8
3. Bank shares.....	10	4.98	9	4.5	8	3.8	7	3.1	7	5.3
4. Securities issued by real-estate companies (Terraingesellschaften).....	5	2.19	5	1.4	6	2.1	7	2.3	5	2.4
5. Industrial and insurance companies; over-sea enterprises.....	23	8.18	24	10.9	35	16.3	50	20.8	46	2.4
Total.....	60	27.85	57	24.6	68	32.0	86	39.3	76	16.2

According to the summary reports of seven great Berlin banks as per June 30, 1909, the syndicate participations of these banks³⁸⁹ on that day showed the following figures, as compared with corresponding figures under date of December 31, 1908.

[Amounts in thousands of marks.]

Banks.	Syndicate participations.	
	June 30, 1909.	Dec. 31, 1908.
Deutsche Bank.....	23,000	36,840
Disconto-Gesellschaft.....	48,500	64,430
Dresdner Bank.....	36,300	33,590
Darmstädter Bank.....	44,900	46,840
A. Schaaffhausen'scher Bankverein.....	24,100	33,590
Nationalbank für Deutschland.....	31,800	33,290
Commerz- und Disconto-Bank.....	13,900	12,130

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(g) THE SECURITY BUSINESS.

The security transactions of the banks may be said to be partly voluntary, partly involuntary in character.

The voluntary transactions of this class include the investment of the liquid bank resources in correspondingly liquid investment securities—i. e., such as can be speedily realized and, secondly, speculative security transactions. The latter may assume the form of the perfectly legitimate though largely speculative report and arbitrage transactions, or that of regular bourse speculation, or finally that of acquiring securities for the purpose of obtaining a temporary or permanent influence on industrial undertakings.

The involuntary security transactions of the banks comprise (1) the holdings of such securities as the bank is unable to dispose of, including securities either issued by the bank itself or turned over to it as its share of syndicate participations, (2) the purchase of securities immediately after their issue, for the purpose of preventing an undue depression of their market value.

Generally speaking, considerable security holdings are not regarded as a favorable sign, although during critical periods large holdings of this class may represent an increased proportion of particularly liquid assets, or a special reserve for deposits. Thus, for instance, the Deutsche Bank in its 1908 report mentions holdings of 32,000,000 marks in treasury bills and defends this course as proper and correct. As a rule, however, excessive holdings of securities will be interpreted to mean either that the times have not been propitious for the issue business of the bank, or that it maintains excessive

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speculative engagements, or that it is involved to an excessive extent in speculative transactions on its own account—a line of business which can be regarded as permissible only to a very limited extent—or, finally, that it has been unable to find sufficiently profitable employment for its funds. It is for these reasons that a large proportion of the writing off done by the banks occurs under the head of securities' account.

In accordance with sound banking policy the investment securities include also foreign securities, payable in gold and dealt in at several bourses, which are therefore of an international character. During critical or warlike periods such securities form a valuable reserve and increase the banks' capacity for intervention and action. But, as stated above, a large portion of these holdings may be composed of shares of stock, through the possession of which the bank intends to exercise temporary or permanent influence upon an undertaking either by shaping the decisions of a given general meeting of stockholders, or by "controlling" it outright, or by obtaining representation on its supervisory board.

Of all the German banks the Darmstädter Bank is probably the one that since its foundation and up to the present time has published more detailed statements regarding the composition of its security holdings³⁹⁰ than any other bank.

The Darmstädter Bank gives the following groups: (1) German public securities, real estate mortgage bonds, and railway debentures; (2) foreign state and communal bonds, first mortgage bonds of foreign railways, and bonds of German industrial undertakings; (3) stock shares of

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German and non-German industrial and mining concerns; (4) bank shares; (5) sundry holdings.

The Deutsche Bank groups its security holdings under the following four heads: (1) State and communal bonds, mortgage bonds and railway bonds; (2) shares of railroads, banks, and industrial concerns; (3) bonds of industrial concerns; (4) sundry holdings.

The Dresdner Bank distinguishes among its security holdings only three groups, viz: (1) State bonds, mortgage bonds, railway and industrial bonds; (2) shares of banks, railroads, other transportation companies, and insurance concerns; (3) shares of industrial corporations.

It would therefore be of but little value to give figures of securities held by the various banks, since, as was remarked on page 399, the account "securities owned" in many cases appears understated, inasmuch as a certain portion of the securities, properly belonging under that head, is booked under the head of "syndicate participations." On the other hand, it is equally true that securities which properly belong under the head of "syndicate participations" are at times found booked under the head of "securities owned." A similar shifting is frequently noticed between the account "securities owned" and that of "permanent participations in other banking institutions and concerns," if the two accounts are separated at all. The bimonthly summary statements, now published by a number of banks, separate the two accounts.

During the period of great activity preceding the crisis of 1901 the account "securities owned" showed a large increase over that shown for the previous years. Thus the Dresdner Bank showed the following changes

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(in millions of marks) under that head for the years 1896-1900:

	1896	1897.	1898.	1899.	1900.
Group I	9.9	9.8	15	12.8	16.1
Group II	2.7	4.9	2.9	6.1	6.5
Group III.....	5.8	8.7	8.2	19	10.7

This table shows a considerable increase largely in the amount of industrial shares held.

In the case of the Darmstädter Bank the like account for the period 1896-1902, classed by its five groups, shows the following changes (in millions of marks):³⁹¹

	1896.	1897.	1898	1899	1900	1901.	1902.
Group I.....	1.8	1.3	1.1	5.9	1.2	4	4.4
Group II.....	1.4	.9	4.8	3.2	3.1	2.3	3.3
Group III.....	5.1	3.9	3.3	5.4	5.4	4.8	9.4
Group IV.....	2.6	1.9	1.9	1.7	1.7	1.6	2.9
Group V.....	1	1	.7	1	.9	.7	.8

The summary balance sheets (*Rohbilanzen*) of the undermentioned banks published under date of June 30, 1909, show the following figures (in millions of marks) for the account "securities owned," though without detailed grouping, as compared with the figures for the end of the preceding year.³⁹²

	Situation on June 30, 1909.	Situation on Dec. 31, 1908
Deutsche Bank.....	51.3	55.68
Disconto-Gesellschaft.....	23.8	29.49
Dresdner Bank.....	54.4	61.03
Darmstädter Bank.....	51.5	47.77
A. Schaaffhausen'scher Bankverein.....	43.0	42.33
Nationalbank für Deutschland.....	26.5	21.17
Commerz-und Disconto-Bank.....	31.8	33.39

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In closing this chapter the following points regarding the investment and issue activities of the banks must be emphasized:

The successful accomplishment of the important and various tasks devolving upon the banks, becomes possible only when there is a strong bourse—i. e., an organization of the utmost strength and elasticity during normal times and of the utmost power of resistance during critical and bad times. It is only through the concentration of the converging streams of offers, demands, and news that resultant prices will present a fairly accurate picture of underlying conditions. But this function of balancing offer and demand can be performed by the bourse in a satisfactory manner only in case there can be enlisted for permanent as well as temporary service sufficient amounts of capital to be used in transactions, which, like trading in futures, prevent as much as practicable violent and sudden variations in the quotations of securities and are apt to give timely warning of impending disturbances of the financial equilibrium. As Schmoller puts it in his *Grundriss*, Volume II, page 37, in the security market the option business represents “a more refined technique of the modern business for future delivery;” it is “an instrument of increasingly correct calculation of future probabilities, a means of controlling the most important elements of price formation” and a form of business, “which may be improved, regulated, and placed on a higher moral level but can not be dispensed with.” The same author very properly says, on page 493 of the same work: “Every improvement in the organization of the market has in view a more correct price formation, while any lessening of

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extreme price variations results in the lessening of the damages caused by crises.”

It is often said that the strength of a bourse lies in the fact, that in times of general business prosperity it will register invariably a strong upward movement of values notwithstanding all obstacles caused by fiscal and bourse legislation. But such a view is due to imperfect knowledge and excusable only on that ground. Economic laws are superior to governmental laws. No bourse or fiscal law can prevent altogether the upward movement of business, nor a corresponding advance of values—which is merely emphasized by speculation—of concerns sharing in that advance.

This error is the more regrettable, because the need of a strong bourse is felt more and more in view of the impending grave competitive struggle. Now, the strength of a bourse is shown precisely in the fact, “that during prosperous periods it is successful in preventing impetuous and excessive advances of values, during bad times—in averting excessively rapid and sudden declines in values, and during a crisis—in preventing the unreasonable discouragement of the public and thus an undue depreciation of values.” (Memorial of the Zentralverband December, 1903, p. 35.) It is only necessary to recall the disastrous 9th of February, 1904, the date of the outbreak of the Russian-Japanese war, in order to get a clear idea of a strong bourse—and its reverse.

SECTION 3.—BANK GROUPS.

The subject of this chapter are not those bank groups, which are formed as the result of the permanent clustering

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of a number of so-called "concern-banks" (*Konzernbanken*) around a leading bank, representing a permanent community of interest and action of the banks concerned and embracing the entire field of banking operations. These groupings are the result of concentration tendencies and will be discussed at length in a subsequent chapter.

Nor will the discussion of this section take in the so-called "syndicates" (*Konsortien*) which, as was pointed out above, are formed with the view of distributing the risk, of preserving the liquidity of resources and in the interest of smoother and more rapid performance of a single given financial operation. It has been shown that whenever the risk or the engagements assumed are especially large, syndicates composed of a shifting number of banking firms are constantly formed for each given case either under the name of a "guarantee-syndicate" or "loan-syndicate."

The bank groups, which are to be discussed in the present chapter, are permanent combinations, formed by certain banks and banking firms for certain operations or classes of operations, and involving a more or less close alliance among the individual banks. Among the reasons of such formations the following may be mentioned:

1. In the beginning of the first period they were the only means of enabling the new banks to share in the participation of domestic and foreign loans in competition with the powerful private houses, especially the Rothschilds, who until that time had an almost uncontested monopoly in that field. This was the occasion which gave rise to the so-called *Preussenkonsortium*

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(Prussian syndicate) for the underwriting and issue of the Prussian consols, to a somewhat differently composed group, formed during the second period, to underwrite the loans of the German Empire and to the so-called Rothschild group for undertaking the issues and kindred operations of the Austro-Hungarian Government.

(a) The Prussian syndicate, as already stated, owes its origin to a syndicate of large Berlin banks and banking houses formed in 1859 under the leadership of the Disconto-Gesellschaft on the occasion of the Prussian army mobilization loan of 30,000,000 thalers.³⁹³ It took a leading part in the loan operations of the sixties and seventies, continuing its activity to the most recent years in floating most of the Prussian state loans. This arrangement, however, was by no means exclusive, as the Prussian Government during the eighties, also during most recent years, in order to prevent a monopoly, repeatedly appealed to the market direct. On other occasions the Government would dispose of portions of its loans to individual banks and banking houses, although the permanent effects of such a policy on the market were rather unfavorable. Sometimes a member of the group would underwrite singly an entire imperial or Prussian loan. The latter mode was followed in May, 1900, when the Deutsche Bank undertook the issue of 200,000,000 marks of German imperial bonds and Prussian consols.

The Prussian syndicate, as at present (in 1909) constituted, is headed by the Royal Seehandlung (Prussian main bank), and after the elimination of defunct firms includes the following banks and banking houses:

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Bank syndicate for Prussian state loans.

Königliche Seehandlung (Prussian main bank).	Jacob S. H. Stern, Frankfort-on-the-Main.
Bank für Handel und Industrie.	L. Behrens & Söhne, Hamburg.
Berliner Handelsgesellschaft.	Norddeutsche Bank, Hamburg.
S. Bleichröder.	Vereinsbank, Hamburg.
Commerz- und Disconto-Bank.	M. M. Warburg & Co., Hamburg.
Delbrück, Leo & Co.	Allgemeine Deutsche Creditanstalt, Leipzig.
Deutsche Bank.	Rheinische Creditbank, Mannheim.
Direction der Disconto-Gesellschaft.	Bayerische Hypotheken- und Wechselbank, Munich.
Dresdner Bank.	Bayerische Vereinsbank, Munich.
F. W. Krause & Co.	Königliche Hauptbank, Nuremberg.
Mendelssohn & Co.	Ostbank für Handel und Gewerbe, Posen.
Mitteldeutsche Kreditbank.	Württembergische Vereinsbank, Stuttgart.
Nationalbank für Deutschland.	
A. Schaaffhausen'scher Bankverein.	
Sal. Oppenheim, jr., & Co., Cologne.	
Lazard Speyer-Ellissen, Frankfort-on-the-Main.	

(b) The bank group for underwriting the loans of the Empire, as at present constituted, is headed by the Reichsbank, and after the elimination of various defunct firms includes the following banks and banking houses:

Syndicate for imperial loans.

Reichsbank.	Mendelssohn & Co.
Königliche Seehandlung (Prussian main bank).	Mitteldeutsche Kreditbank.
Bank für Handel und Industrie.	Nationalbank für Deutschland.
Berliner Handelsgesellschaft.	A. Schaaffhausen'scher Bankverein.
S. Bleichröder.	Sal. Oppenheim, jr., & Co., Cologne.
Commerz- und Disconto-Bank.	Lazard Speyer-Ellissen, Frankfort-on-the-Main.
Delbrück, Leo & Co.	Jacob S. H. Stern, Frankfort-on-the-Main.
Deutsche Bank.	L. Behrens & Söhne, Hamburg.
Direction der Disconto-Gesellschaft.	Norddeutsche Bank, Hamburg.
Dresdner Bank.	Vereinsbank, Hamburg.
F. W. Krause & Co.	

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M. M. Warburg & Co., Hamburg.	Bayerische Vereinsbank, Munich.
Allgemeine Deutsche Creditanstalt, Leipzig.	Königliche Hauptbank, Nuremberg.
Rheinische Creditbank, Mannheim.	Ostbank für Handel und Gewerbe, Posen.
Bayerische Hypotheken- und Wechselbank, Munich.	Württembergische Vereinsbank, Stuttgart.

(c) In Austria there has existed since 1848 a close relationship of the financial administration of the Government with the Vienna house of Rothschild, which until 1855, when the Österreichische Kreditanstalt was added, conducted practically all the financial operations for the government. It was only in 1864 that the Disconto Gesellschaft, at the head of a syndicate of German banking houses, entered into competition with the Rothschild house and the Kreditanstalt, and was allotted, out of a total silver loan of 70,000,000 florins, the portion of 23,500,000 florins. It was this successful competition which brought about the entrance of the Disconto-Gesellschaft into the group known subsequently as the Rothschild syndicate. During the following years a number of other banks and banking houses joined, including the Allgemeine Österreichische Bodenkredit-Anstalt of Vienna, the Ungarische Allgemeine Kreditbank, and the Bank für Handel und Industrie. The latter institution, as early as 1854, had joined the Rothschild firm in underwriting a loan for the Government of Baden, and in 1862, that is to say, much earlier than the Disconto-Gesellschaft, had participated in an issue of 83,000,000 florins of the Austrian 5 per cent 1860 lottery loan by the Rothschild firm and the Kreditanstalt. Later on the group was joined by the banking houses of S. Bleichröder, Sal. Oppenheim, jr., of Cologne, and Mendelssohn & Co., and

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during the most recent period—for state loans—by the Austrian Postal Savings Bank.

The Rothschild syndicate represents to-day a firm organization for the common management not only of Austro-Hungarian finance operations of a public character, but also of all other finance operations which it cares to undertake in either of these two countries. It is composed at present of the following concerns:

Rothschild group.

Direktion der Disconto-Gesellschaft.	de Rothschild frères, Paris.
Österreichische Kreditanstalt für Handel und Gewerbe.	N. M. Rothschild & Sons, London.
M. Wodianer.	Allgemeine Österreichische Bodenkredit-Anstalt, Vienna.
S. M. von Rothschild, Vienna.	Sal. Oppenheim, jr., Cologne.
Ungarische Allgemeine Kreditbank in Budapest.	Mendelssohn & Co.
S. Bleichröder.	Österreichische Postsparkasse (for state loans).
Bank für Handel und Industrie.	

(2) The organization in 1890 of a group for Asiatic business was the natural consequence of the founding, in 1889, by a number of large banks and private banking houses, of the Deutsch-Asiatische Bank. A great many difficulties had to be overcome before this bank could be founded. In the first place there was the nearly always successful tactics of the Chinese negotiators in charge of the national finance and railroad business of playing off against each other the individual competitors in the various countries. On the other hand, for a long time no concerted action with English banking circles nor even of German banks with each other could be attained, the latter having formed two separate groups under the leadership of the Disconto-Gesellschaft and of the Deutsche Bank respec-

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tively. The organization of the *Deutsch-Asiatische Bank* and the formation a year later of the *Syndikat für Asiatische Geschäfte* (syndicate for Asiatic business) put an end to the competitive struggle between those two groups. Inasmuch as independent action of other German banks had but little chance in the future, united action of German interests became assured not only with reference to Chinese, but also all Asiatic financial operations, the new powerful syndicate, led by the *Disconto-Gesellschaft*, undertaking the common planning and managing of loans and advances to the central governments, provinces, and railroad companies in China, Japan, and Korea and the organizing of railroad and mining companies in China. The structure of this syndicate is, however, somewhat loose, as it is left to each member to keep aloof from any individual transaction.³⁹⁴

The successful activity of this syndicate was frustrated for the time being by the outbreak in the nineties of the Chinese-Japanese war. In March, 1896, the syndicate succeeded for the first time, with the gratifying cooperation of the English Hongkong and Shanghai Bank, in taking over £8,000,000 of the total Chinese loan of £16,000,000. An agreement was also reached with the English bank for future common action in Chinese business on the basis of equal participation, resulting, soon afterwards, in 1898, in the common taking over of the remainder of the Chinese war indemnity to Japan in the shape of a 4½ per cent loan of another £16,000,000.

Since then the Asiatic syndicate has managed successfully a number of other financial transactions.

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(3) The formation of groups for the permanent common handling of other domestic state loans—as for instance, the underwriting of the Bavarian and Baden loans and of foreign state and railroad loans (such as Swiss, Argentine, Mexican, Russian, Roumanian, Portuguese, etc.)—occurred more frequently during the second period. These groups, however, if we except the Russian group headed by Mendelssohn & Co., did not attain the same solidity of structure and consequent exclusive power as the group formations mentioned in paragraph 2. Their origin was often due to a combination into one group of syndicates, originally opposing each other, or to the subsidiary banks of a great bank combining into a single-issue group for certain underwriting purposes. The same remarks apply to group formations for the taking over of municipal loans, as, for instance, of Cologne, Hamburg, Frankfort-on-the-Main, and Munich. In the latter case the groups are composed of local houses, strengthened in some cases by the joining of friendly outside banks. However, these groups show frequent changes of membership, since they were never strong enough to completely shut out competition.

As this chapter is devoted exclusively to the discussion of permanent bank groups, no specific mention is made of those syndicates which, originally formed independently of each other, for the taking over of state or municipal loans, frequently coalesced into one group for a single transaction, in order to do away with mutual out-bidding. Such transitory combines may be characterized as mere price conventions.

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On the other hand, syndicates originally formed as *societates unius rei*, for instance, for the taking over of a municipal loan, may gradually coalesce into solid and permanent group formations. During the second period, particularly, it became more and more customary to maintain the combination after the first successful cooperation in case the character of the transaction was such that its recurrence at regular intervals might confidently be expected. This was unfortunately true of municipal loans, the recurrence of which could be predicted with almost mathematical certainty. In such cases each party of the syndicate felt at first only morally bound to refrain from independent bidding or from joining another syndicate, but to either suggest or await an invitation to a meeting of the syndicate, unless it had informed beforehand the management of the old syndicate of its contrary decision. The management of such syndicates, unless a change was expressly provided for, as a rule remained unchanged for subsequent transactions.

(4) A large number of bank groups originated during the second period as a result of the changed relations of the banks to industry as set forth in previous chapters. In this field the formation of groups, while due to designed industrial policy, had become more pronounced and definite since the nineties, and in turn caused a more refined differentiation and growing intensification of this policy. The principal cause was, however, the enormous demand for capital by industry in general, and the electro-technical industries in particular. Accordingly we find such bank groups closely allied with the so-called "heavy"

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industries (mining, iron and steel) as well as with the "light" industries, especially the electrical industry, breweries, secondary railways, and petroleum enterprises.

Until about 1900 there had been formed, to correspond with the seven combinations of electrical undertakings to be discussed later on, seven bank groups, each backing the respective industrial combination and attending to the issue business of the industrial combination as well as to its other financial operations. In particular the Siemens & Halske stock company was backed in 1900 by a group of 11 banks headed by the Deutsche Bank; the combination formed under the leadership of the Allgemeine Elektrizitätsgesellschaft (A. E. G.) was backed by a bank group consisting of 8 banks headed by the Berliner Handelsgesellschaft; the combination known as the Union-Elektrizitätsgesellschaft (U. E. G.) was backed by a bank group headed by the Disconto-Gesellschaft, etc.

In the same year the so-called "Loewe-Gruppe" (i. e., the group of industrial undertakings controlled by the firm Ludwig Loewe & Co.) was backed by the same six banks and banking houses which stood behind the Union-Elektrizitätswerke. This banking syndicate, formed at first for purposes of common underwriting, subsequently conducted also the other financial operations of the industrial group.³⁹⁵ It appears that since the nineties the ever increasing extension of the plant and the annexing of a number of hitherto independent concerns made it impossible to have the largely increased demands for capital met either by the original firm or by any single banking institution, the latter partly for the reason that a number of bank-

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ing institutions were simultaneously interested in several enterprises of the electro-technical industry.

In the field of secondary railways (Kleinbahnen) several groups were formed. One of them is headed by the Berliner Handelsgesellschaft, which founded the *Westdeutsche Eisenbahngesellschaft*. Another is headed by the Darmstädter Bank, which organized the *Süddeutsche Eisenbahngesellschaft* at Darmstadt; a third, headed by the Nationalbank für Deutschland, is backing the *Allgemeine Deutsche Kleinbahngesellschaft und vereinigte Eisenbahn- Bau- und Betriebsgesellschaft* at Berlin (General German Secondary Railway and Consolidated Railway Construction and Operation Company).

The object of the first group was to assist the firm of Lenz & Co., engaged in the construction and operation of secondary railways; that of the second group, to assist the similar enterprises of the firm Herrmann Bachstein; while the group headed by the Dresdner Bank has founded trust companies for the floating of German and Austro-Hungarian railway securities (*Zentralbank für Eisenbahnwerte*), also the firm Orenstein & Koppel (now consolidated with the firm Arthur Koppel), engaged in the construction of field and secondary railroads.

In the field of the petroleum industry the two foremost groups are those headed by the Deutsche Bank and by the Disconto-Gesellschaft. These organizations are the expression of the industrial entrepreneur activity of the great banks, an activity which during this period has for good reasons been slackening. The aim is to counterbalance the monopoly position in the petroleum market of the American and Russian producers.

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In 1903 the Deutsche Bank became interested on the one hand in the Roumanian petroleum company *Steaua Romana* by taking over a large portion of newly issued stock and by having one of its directors made chairman of the supervisory board, and, on the other, in the Galician petroleum company "Schodnica."

Subsequently, on January 21, 1904, together with the Wiener Bankverein, the Darmstädter Bank, the Nationalbank für Deutschland, the Mitteldeutsche Kreditbank, and the banking firm of Jakob S. H. Stern in Frankfort-on-the-Main, it founded in Berlin the *Deutsche Petroleum Aktiengesellschaft* (with a share capital of 20,000,000 marks), into which it merged its participations in the Roumanian, Russian, and Galician, also in some Hanover petroleum enterprises. The new company soon after made an agreement with the *Petroleum-Produkten-Aktiengesellschaft* in Hamburg for the transportation of the Roumanian petroleum.

About the same time (1903) the Disconto-Gesellschaft, together with the firm of S. Bleichröder, participated in the petroleum industry company "*Bustenarii*" and in another large Roumanian petroleum company, the "Telega Oil Company (Limited)," which made an agreement for the transportation of the petroleum with the Shell Transport and Trading Company, which in turn owned shares of a nominal amount of 2,600,000 marks, out of a total nominal capital of 3,000,000 marks in the *Petroleum-Produkten-Aktiengesellschaft*.

In 1905 the Roumanian petroleum refining company "Vega" and the "Society for the Development of the Roumanian Petroleum Industry *Credit Petrolifer*" were

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organized, the first under the combined auspices of the Disconto-Gesellschaft, S. Bleichröder, and the Compagnie Industrielle des Pétroles at Paris, for the purpose of refining crude petroleum. In the same year the Disconto-Gesellschaft group merged its Roumanian petroleum participations in the "*Allgemeine Petroleum-Industrie-Aktiengesellschaft*," founded by it with a capital of 17,000,000 marks.

A third group, headed by the Dresdner Bank, and comprising the A. Schaaffhausen'scher Bankverein, the *Internationale Bohrgesellschaft*, and several industrial and banking firms, founded in Roumania a third petroleum company under the name of the "*Petroleum-Aktiengesellschaft Regatul Romana*," with a capital of 24,000,000 lei (francs).

In 1906 the European Petroleum Union, with a capital of 37,000,000 marks, was founded by Russian petroleum producers, closely connected with the crude-oil producing firm of Nobel Brothers in St. Petersburg and the banking house de Rothschild Frères in Paris, in company with the Deutsche Bank and other (Russian, Roumanian, and Galician) petroleum interests, with the object of consolidating the various European selling organizations controlled by them.

In all the above-described cases special care was taken to distribute the risk by the formation of groups, to mobilize the participations by the organization of stock companies, with the view, undoubtedly, of disposing of at least part of the participations as the companies grew in strength, and of retaining only an amount required for the continuance of permanent influence.

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The industrial-bank groups are thus seen to differ from other bank groups in that they represent a combination of the industrial entrepreneur activity—which as matter of principle it would be better to leave to industry itself—with that of bank financing proper and a special banking initiative (*Bankinitiative*). It is the latter that has caused the unprecedented growth in Germany of some new industries, such as the electro-technical, or the creation of hitherto nonexisting industries, such as the petroleum industry.

SECTION 4.—THE OVER-SEA AND FOREIGN BUSINESS OF THE GERMAN CREDIT BANKS.³⁹⁶

I. THE PART TAKEN BY THE BANKS IN DEVELOPING GERMAN OVER-SEA IMPORT AND EXPORT TRADE.

As stated before, a special section (Sect. 7) will be devoted to the discussion of the question whether, to what extent, and under what circumstances the so-called “export capitalism”—i. e., the investment of German capital in foreign enterprises, businesses, and securities, particularly the founding of subsidiary companies destined exclusively for over-sea business, is necessary and proper. For the present we will merely note the fact that the German great banks, since the beginning of the second period, devoted themselves energetically to the promotion of our industrial and commercial relations with over-sea countries. We shall attempt now to describe briefly the commercial objects of this activity and the gradual development of this part of German banking policy.

The earliest formulation of this policy, which extends far beyond the previous limits of German banking, is

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found in paragraph 2 of the charter of the Deutsche Bank. There can be no doubt that the founders of that institution, in view of the general economic position of Germany, regarded this as their foremost aim and a necessary and true policy, for its execution was stated to be part of the program of the new bank in the following terms:

The object of the company is the transaction of all sorts of banking business, particularly the fostering and facilitating of commercial relations between Germany, the other European countries, and over-sea markets.

The purpose of this program was to fill a gap in the organization of German credit and banking clearly perceived by the founders and more particularly by the early managers of the bank. This "bold stroke" and the economic insight disclosed can not be appreciated too highly.³⁹⁷

The Deutsche Bank has followed its ambitious program³⁹⁸ with the utmost vigor and tenacity, preparing its future success by a number of deliberate and far-sighted measures.

The activity of the Deutsche Bank as an intermediary on behalf of import and export trade was soon taken up also by the Disconto-Gesellschaft, which in many lines of banking activity during this period showed a degree of development as large, or nearly as large, as the Deutsche Bank. Previously, German industrial and commercial interests in foreign, especially over-sea countries had to fall back almost exclusively upon the intermediary of English and, in some cases, French banking institutions. For while bills in terms of German currency had no foreign market, English bills particularly, had almost boundless and unlim-

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ited circulation, since English banks were represented in one form or another in all parts of the world.

As the first result of its activity, the Deutsche Bank secured for German commerce and industry a firm position in the world market, and introduced German bills into the channels of over-sea commerce where they were almost unknown up to that time. This was especially difficult at the beginning of the period, when the gold standard did not yet exist in Germany, for bills in terms of the multifarious German currencies (see p. 39) were unknown and disliked in international business, (which is transacted mainly by means of bills,) and were therefore subject to higher rates of discount than the London sterling bills.³⁹⁹

In order therefore to improve these conditions, the first requisite was to open credit at London to the German importer and exporter. This the Deutsche Bank attempted to do at first through an agency of its own at that place. When this attempt failed, through difficulties of formal nature, the bank acquired an interest in the German Bank of London, Ltd., without, however, attaining fully the desired object.

On the other hand, the German exporter and importer was to be given an opportunity⁴⁰⁰ "to obtain such credit in Germany by the introduction of German currency bills in over-sea markets and by offers to buy the bills drawn on German exchange centers." The Deutsche Bank attempted to attain both these objects by establishing in 1872, i. e., before the introduction of the German gold standard, branches in Yokohama and Shanghai which were to buy bills drawn on Germany, so that the Ger-

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man exporter, who had calculated the selling price of his goods in marks, might be paid abroad in marks, while the importer might credit the foreign seller at the bank with the amount of the invoice in marks and meet payment in marks upon bills subsequently drawn by the seller.

Both branches in eastern Asia had to be closed in 1874, i. e., after an existence of barely two years, mainly because the continuous depreciation of silver had diminished the invested capital. Similarly the La Plata bank, opened in 1872 by the Disconto-Gesellschaft and taken over by the Deutsche Bank in 1874, had to be liquidated in 1885. But in the meantime the Deutsche Bank opened branches in German centers of over-sea trade—one in Bremen (in 1871) and another in Hamburg (in 1872). In the same year a silent partnership (*Kommandite*) in New York was formed. By 1871, in order to obtain the means required for these enlargements of its business, its capital had been doubled from 5,000,000 to 10,000,000 thalers.

Finally, in 1873, it succeeded in opening in London a branch of its own, whose business operations soon assumed considerable proportions. The clients of the bank, who imported goods from over-sea markets, were now in position to draw their bills either in marks on Germany (Berlin, Bremen, Hamburg) or in pounds sterling on London, as it appeared to them more advantageous in accordance with the respective discount and exchange rates in the two countries. Thus the first and most difficult stage in this development was successfully passed.

It must be said that even the program of the Deutsche Bank was regarded with little favor in banking and

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bourse circles. The sentiments prevailing among these circles at that time are accurately reflected in a South German newspaper, which has been used by Model as the only journalistic source not only as regards this subject but also in discussing the activity of the banks during the earlier period. This paper⁴⁰¹ stated, not more than four weeks before the foundation of the Deutsche Bank, that the houses which were chiefly interested in the projected bank were "not regarded as able" to manage an institution of this class "in accordance with modern requirements" and "that its founders would save themselves from a splendid fiasco if they were to take over their own shares, since there was absolutely no sympathy for the project in Berlin."

The same paper, in speaking of the doubling of the share-capital in 1871, stated that there was no need for such an increase, "even if it were true that the bank intended to establish silent partnerships in the regions peopled by the Riff pirates, Kaffirs, and Blackfoot Indians."

After the initial failures, when the branches in Eastern Asia had to be closed (in 1874), the following remarks were made: "The Deutsche Bank, in closing its branches in Shanghai and Yokohama, confesses its inability to execute its original high-sounding program, since it was primarily founded for the purpose of freeing German commerce in foreign countries, particularly in China, Japan, and the East Indies, from the tutelage of English and French bankers. The question of liquidation of the bank is now being seriously debated; at all events, a reduction of its capital would seem to be advisable."

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A still sharper criticism of the Deutsche Bank by the same paper in 1875 reads as follows: "One of those banking establishments, which has anything but fulfilled its program, and whose right to exist can only be based on the fact that, though long moribund, it still manages to exist, is the so-called Deutsche Bank in Berlin."

The Deutsche Bank, however, has not allowed itself to be diverted from its path either by its early failures or by criticism. Mainly through its branches and agency in Bremen, Hamburg, and London, it fostered the over-sea business consistently and with ultimately brilliant success. In a subsequent chapter we shall relate the attempts of the Deutsche Bank, and after it of a number of other banks, to lend their energetic and ever-growing support to German import and export trade by means of branches as well as through the founding of subsidiary banks. The principle which may be said to have dominated their entire activity has been correctly formulated by Emil Herz⁴⁰² as follows: "The part of the confidential adviser in business (*der wirtschaftliche Vertrauensmann*) both at home and abroad must be taken by the banker."

As soon as German trade felt certain of banking support in its import and export activity on the part of the branches of the banks in the great centers of oversea trade (Hamburg, Bremen, London), or of the German subsidiary banks working hand in hand with the parent banks in Germany, it naturally emancipated itself from the foreign intermediaries by enlisting the usually much cheaper services of the German banks and their branches or of their subsidiary banks.

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Let us first take the case of the exporter.⁴⁰⁸ He sells his goods as a rule on long terms for delivery at over-sea places, where after possibly several months' sailing they are paid by the buyer only when unloaded and then only by means of the buyer's acceptance. Through his connection with a German bank the exporter is now enabled to turn over his bill of lading to that bank with an order to deliver the same to the buyer through its over-sea connection, say its subsidiary bank, after payment of the amount of the bill or after acceptance of the draft, the latter in case the goods have been sold on longer terms. In case of nonpayment, of which he is to be advised by cable, the order further provides that the goods are to be insured and stored at the over-sea place of destination at the expense of the seller.

In such cases the exporter is usually able to procure at least part of the purchase price, and thus fresh operating capital, long before the arrival of the goods, the bank granting him an advance upon the floating goods. This advance is made upon the pledging by indorsement of the bills of lading, which secure the delivery of the goods at the point of destination and upon the transfer of the accompanying insurance policy either according to fixed loan terms or according to such terms as may have been agreed upon on the particular occasion. These advances vary between 40 and 75 per cent of the invoice, a copy of which is to be handed to the bank.

It goes without saying that such advances are granted as a rule only on such goods which are not easily subject to the risk of decay, waste, breakage, loss of weight, or leakage.

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Provided the documents are genuine and the exporter's personal credit is good up to the amount advanced, the bank, when taking the above precautions, will run but little risk. The risk will naturally be greater, in case the advance is made on goods which are not yet definitively sold. In the latter case, when, for instance, the exported goods are directed to the oversea representative of the domestic export firm, who is to try to sell them only upon arrival, the loan will be made as a rule by a subsidiary institution of any of the German banks (as for instance the Deutsch-Ueberseeische Bank, the Deutsch-Asiatische Bank, the Bank für Chile und Deutschland, etc.). These banks, at the request of the oversea agent of the domestic exporter, who turns over to them the bills of lading, will receive and store the goods upon arrival at destination, and in turn will honor the bills drawn upon the German exporter's oversea representative who takes the goods from the storehouse and gradually makes good the credit on the drafts as he sells the goods.

In such cases the loan transaction is particularly risky when the agents order too large a stock and thus cause a reduction in the price of the export goods, which may be even intensified, in case the banks have to undertake the forced sale of the goods after failure of the subsequent payments. In these cases the bank may suffer loss if the recipient of the advance proves of insufficient solvency, or the pledged goods—of insufficient value.

Besides granting advances upon merchandise the banks render assistance to the export trade in various other ways. They will, for instance, give him reimbursement (*rembours*) credit (see p. 428, below) against the documents

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by attaching their acceptance to the draft of the seller, who is thus enabled to discount it at the private rate. The bank may also accord its acceptance to the domestic exporter on the basis of bank credit, extended not by him to the foreign buyer, but by the latter to him, the bank being ordered by the foreign buyer to accept the drafts of the domestic exporter up to a certain amount, against receipt of the shipping documents, which order is usually confirmed by the bank to the exporter ("confirmed letter of credit").

However, the most prominent function of the branches of the German banks at Hamburg, Bremen, and London, also of the oversea banks, is the financing of imports from oversea countries, especially of raw materials.⁴⁰⁴

This is done in the following manner: The domestic buyer of the article (importer) procures in the first place from his German bank a "draft" credit (*Trassierungskredit*) in the form of "rembours" credit up to approximately the amount of the invoice in favor of the oversea seller of the article (wool, cotton, grain, rice, coffee, ore, etc.), with the understanding, that the seller, or the latter's bank, shall have authority to draw upon the bank of the importer to the extent of the purchase price. The bank will accept the foreign bill, which the oversea seller or his bank will send to it after the loading of the goods, or have presented to it for acceptance by a German banking connection, only in case a full set of the bills of lading together with insurance policy, invoice, description of weight and quantity and, if need be, the certificates of origin, are turned over to it.⁴⁰⁵ In this way the delivery of the goods to the bank is assured,

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as are also the identity of the article and the terms of sale, as described by the importer, as well as the fact that the particular transaction is a real, bona fide commercial transaction, corresponding to the importer's statement.

After the bank has accepted the bill, which as a rule runs for thirty or one hundred and eighty days after sight, the seller is enabled to discount it either abroad or at another German bank, the first bank having to honor its acceptance on maturity.

In case the importer, as is normally the case, has resold the goods to another domestic buyer, the goods must be forwarded to this new buyer. In that case the bank will have to deliver to its customer the shipping and other accompanying documents, for the purpose of forwarding them to another trusted party. This does away with its collateral security, and up to the time of payment or the remittance of a draft by the buyer the bank has to grant blank credit, which, however, is usually of but short duration. When this remittance is received, the bank discounts it, credits the amount to the importer as per date of maturity, and as a rule finds itself in possession of the cash a good while before maturity of its own acceptance.

In case the buyer has not resold the goods, they are stored after their arrival in Germany, under the supervision of the bank or of its representative, the bank receiving a new security in the shape of the storehouse certificate, the bill of lading having been delivered to the master of the vessel at the time of unloading.

In the case of these import transactions the granting of credit may likewise be required, as for instance when the German importer has to pay at once, at the time of

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loading abroad, the purchase price for the goods bought. In such case his German bank accords him "reimbursement" credit (*Rembourskredit*) by ordering its oversea affiliation to pay the purchase price upon receipt of the documents, the importer returning the purchase price upon arrival of the goods, or in case of sale to a third party (see above) on return of the documents.

Finally, if the importer has sold the goods to another country, prior to their shipment, his German bank will forward the bills of lading to its affiliated bank in that country and order it to hand the documents to the buyer or his bank upon payment of the purchase price or against acceptance.

It is in this manner that transactions relative to the importation of cotton from America, of wool from Australia, Cape Colony or Argentina, of grain from Russia or America, of rice from eastern Asia, of copper from America, of ores from Spain and Sweden, are effected to an annual aggregate amount of several billions of marks.⁴⁰⁶ As the underlying documents and declarations are examined with extreme care (much more needed in this than in other classes of business transactions) the settlement is made as a rule without any hitch, since, as Waldemar Müller justly remarks, the bank in granting the combined reimbursement and acceptance credit, runs a risk only in case the documents happen to be forged, or if after the goods are handed to the importer "in trust" (*zu treuen Händen*), the latter as well as his buyer fail at the same time. Against such emergencies the banks may take some, though not always sufficient precautions.⁴⁰⁷

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Loans on merchandise collateral may be combined with "reimbursement transactions" ("*Remboursgeschäft*") in case the importer or his foreign agent desire to lay in abroad a stock of raw materials. In the latter case, upon receipt of the acceptance the goods are held insured in store at the disposal of the bank by its shipping agent (to whom the documents are sent) until such time as the client has released them in total or in part by remitting the corresponding amount of the purchase price.

It is clear that the "reimbursement" business can be successfully handled only by first-class banking houses whose acceptances are known as prime bills abroad as well as at home, and are therefore taken without question, even in larger amounts. For such bank acceptances are to be preferred *per se* to the acceptance of the commercial house which receives the goods, and usually also for the additional reason that they can be realized at the private rate of discount. As a rule these banks and banking houses will grant such credit in terms of German currency; only in exceptional cases, as in some countries of South America, Asia, and Australia such credits will be in terms of pounds sterling and bear the acceptance of their London agency.⁴⁰⁸

Since as the result of continuous efforts mark bills have gained a respected position in foreign markets alongside of sterling bills, British aid and intervention is no longer required in nearly the same proportion to settle the balance of payments on account of German imports and exports. The time may be said to have passed, at least in the majority of cases, when German exporters, in order to collect their foreign claims, and foreign exporters when

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selling goods to Germans, had to draw on London, or when German importers had to settle the credits of their sellers via London.

When the Deutsche Bank made its first efforts to gain for mark bills an equal standing as compared with sterling bills, it had not merely to struggle against foreign lack of confidence and the competition of the English banks, it also became the object of attack on the part of domestic banking and other interests on the ground that, as a result of the above-described fostering of our oversea import and export trade, in accordance with its program, its acceptance account at times became so greatly swelled as to exceed, and sometimes even greatly exceed, the amount of the share capital of the bank, even after the large increases of its capital during the later period. But as was shown above, the acceptance business for the promotion of oversea commerce, which is transacted chiefly by means of international bills, contains no excessive elements of risk, provided only due caution is observed. Hence in criticising the extent of the acceptance accounts of our banks, regard should be had not so much to the quantity as to the quality of the drafts which the banks accept.

II. THE OPENING OF BRANCHES IN HAMBURG, BREMEN, AND LONDON, AND THE ORGANIZATION OF OVERSEA AND FOREIGN BANKS, AND OF DOMESTIC SUBSIDIARY BANKS FOR OVERSEA AND FOREIGN BUSINESS.

(1) Participations of the Deutsche Bank.

In the preceding chapter we saw how the Deutsche Bank opened branches first at Bremen (1871), and Ham-

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burg (1872), the German centers of oversea commerce, and London (1873), with the view of fostering German oversea import and export trade. These branches were to serve, so to say, as advanced posts for the observation, exploration, and winning of new territory by the German banks.

(a) In 1886 the Deutsche Bank organized in place of the above-mentioned *La Plata Bank*, which had to be liquidated in 1875, the *Deutsche Ueberseebank* (effective July 1, 1887), with a paid-up capital of 6,000,000 marks (10,000,000 nominal), for the purpose of fostering commercial relations with South America, especially Argentina. This bank in turn was superseded on June 17, 1893, by the *Deutsche Ueberseeische Bank*,⁴⁰⁰ founded in Berlin with a capital of 20,000,000 marks, and increased in 1909 to 30,000,000 marks.⁴¹⁰

The bank has had a continuously prosperous career, as may be seen by the rate of dividends paid:

Per cent.	Per cent.	Per cent.	Per cent.
1893..... 6	1897..... 8	1901..... 8	1905..... 8
1894..... 7	1898..... 8	1902..... 8	1906..... 9
1895..... 9	1899..... 8	1903..... 8	1907..... 9
1896..... 9	1900..... 8	1904..... 8	1908..... 9

The number of its branches totals at present 21, of which 8 are in Chile (Santiago de Chile, Antofagasta, Concepción, Iquique, Temuco, Valdivia, Osorno and Puerto-Montt), 4 in Argentina (Buenos Aires, Bahia Blanca, Cordoba, and Tucuman), 4 in Peru (Lima, Callao, Trujillo, and Arequipa), 2 in Bolivia (La Paz and Oruro), 1 in Uruguay (Montevideo), 1 in Ecuador (Guyaquil), and 2 in Spain (Madrid and Barcelona). The firm name of the branches in foreign countries reads: Banco Alemán Transatlántico.

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The former branch of the Deutsche Ueberseeische Bank in the City of Mexico was merged, in 1906, with the *Mexikanische Bank für Handel und Industrie* (see below under "m"), founded with the cooperation of the Deutsche Bank. In turn the Deutsche Ueberseeische Bank absorbed the firm Guillermo Vogel & Co., in Madrid, in which the Deutsche Bank had previously held a silent partnership interest (*Kommandite*).

(b) In March, 1889,⁴¹¹ the Deutsche Bank, in conjunction with the Dresdner Bank and other institutions, with the view of fostering German commercial relations with Turkey, founded the Anatolian Railway Company (*Société du Chemin de fer Ottoman d'Anatolie*), with headquarters at Constantinople, which, having acquired before December 31, 1892,⁴¹² a small railway opposite Constantinople, undertook to extend it from Haidar-Pasha, near Constantinople, to Ismid (92 kilometers), thence to Angora (486 kilometers) and from Eski-Shehir to Konia (445 kilometers). The capital of the company was at first 45,000,000 and subsequently 60,000,000 francs.

(c) In the same year (1889) the Deutsche Bank, jointly with the Wiener Bankverein, acquired the share interest held by Baron von Hirsch in the *Actiengesellschaft der Orientalischen Eisenbahnen* (Oriental Railway Company), founded in 1879 with a capital of 20,000,000 Austrian gold florins and operating 1,563 kilometers of railways,⁴¹³ and with it the concession for the Macedonian line Saloniki-Monastir. This concession it ceded to the *Société du Chemin de fer Ottoman Salonique-Monastir*, founded February 5, 1891 (with headquarters at Constantinople), with a share capital of 20,000,000 marks and debentures of 60,000,000 francs.

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In North America the Deutsche Bank maintains very active business connections, resulting in numerous financial transactions and underwriting of American public securities, treasury bonds, various railway bonds, and other railway transactions. The temporary depression in the price of Northern Pacific securities caused, for the time being, grave anxiety to the bank, which was terminated by the reorganization of the railroad, effected under its auspices.

At first (beginning with October 15, 1872) the bank secured a silent partnership interest in the banking firm of Knoblauch & Lichtenstein, in New York,⁴¹⁴ amounting to \$500,000 currency (1,845,000 marks), but as a result of financial losses of that firm it had to reduce its participation to \$400,000 (1,680,000 marks),⁴¹⁵ while the liquidation of the firm, which took place October 15, 1882, caused even a loss of about 700,000 marks.⁴¹⁶

In 1890 the Deutsche Bank, mainly because of its connection with many American railroads, especially the Northern Pacific Railroad Company, instituted, in conjunction with Frankfort and American houses, the *Deutsch-Amerikanische Treuhand-Gesellschaft* (German-American Trust Company) at Berlin, with a nominal share capital of 20,000,000 marks, whose main object was to issue its own debentures on the basis of solid American securities to be purchased by it, and, in the second place, to represent the interests of holders of securities issued by American enterprises which had become insolvent. When the first object of the company, mainly in view of the precarious financial situation in the United States, was found to be unrealizable, the capital of the company was

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at first reduced to 1,000,000 marks.⁴¹⁷ Later on, by the by-law (*Statut*) dated December 9, 1901, the company was reconstructed under the new name of *Deutsche Treuhand-Gesellschaft*. While the second of the above-named purposes still remained one of the objects of the reconstructed company (whose capital was increased to 1,500,000 marks), its principal function became the examination of the accounts of stock companies and the undertaking of trustee operations and those of pledge holding. Its activity in these fields has proved eminently satisfactory.

In 1889 the Deutsche Bank, with the view of promoting commercial relations between Germany and Eastern Asia, participated in the founding of the *Deutsch-Asiatische Bank* at Shanghai, with a capital of 7,500,000 taels. (See III, par. 1, below.)

(d) With the view of executing the financial part of the tasks of the Anatolian Railway Company, there was founded at Zurich in 1890, with the participation of the Deutsche Bank, the *Bank für Orientalische Eisenbahnen*, with a nominal capital of 50,000,000 francs of common shares (*Stammaktien*) and 13,000,000 francs of preferred shares (*Vorzugsaktien*).⁴¹⁸ The debenture capital since May, 1907, amounts to 30,000,000 francs.

(e) In 1894, with the view of fostering commercial relations between Germany and Italy, the Deutsche Bank participated in the founding of the *Banca Commerciale Italiana* at Milan, the present capital of which is 105,000,000 lire. (For particulars, see III, par. 2.)

(f) Between the years 1898 and 1904 the Deutsche Bank, together with other banks and firms, participated

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in the founding of the *Deutsch-Atlantische, Ost-Europäische und Deutsch-Niederländische Telegraphen-Gesellschaft*, and the *Norddeutsche Seekabelwerke* (North-German marine cable works). In 1908 it took part in the founding of the *Deutsch-Südamerikanische Telegraphen-Gesellschaft*. (See pp. 458 and 459, No. 6.)

(g) In 1899 the Deutsche Bank cooperated in the launching of the *Schantung-Bergbau-* and the *Schantung-Eisenbahngesellschaft* (Shantung Mining and Shantung Railway Companies) founded by a number of German banks and firms. See pp. 458 and 459, No. 6.)

(h) When in 1901 the Anatolian Railway Company was granted the concession for the extension of its lines from Konia to Bagdad and the Persian Gulf,⁴¹⁹ that company, in conjunction with a number of Turkish, German, Austrian, French, Swiss, and Italian firms, founded the Imperial Ottoman Bagdad Railway Company.⁴²⁰ During 1905 a controlling interest in the railroad between Mersina and Adana was acquired in behalf of the Bagdad Railway, the first portion of which, from Konia to Burgulu, was opened for traffic October 25, 1904. In the spring of 1908, "after four years of laborious negotiations,"⁴²¹ the required state guarantees were at last secured for the further construction of the Bagdad Railway over the Taurus and Amanus mountains to Syria and upper Mesopotamia as far as El Helif near Mardin (840 kilometers from the last point reached by the Bagdad Railway in 1908, 1,738 kilometers from Constantinople, and about 1,155 kilometers from Bassora on the lower Shatt-el-Arab), "assuring thus the furtherance of this great undertaking."

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(i) In 1904 the bank founded the *Ost-Afrikanische Gesellschaft* (East-African Company), with headquarters in Berlin, a colonial company with 21,000,000 marks of nominal capital, the Empire guaranteeing a minimum interest return of 3 per cent and repayment at the rate of 120 per cent.

(k) In 1904-1905 the Deutsche Bank participated in the founding of the *Deutsch-Ost-Afrikanische Bank* with a capital of 2,000,000 marks and central office at Berlin, which is both a credit and note issuing bank for the German colony of East Africa. (See III, sec. 3, below.)

(l) In December, 1905, the Deutsche Bank, in conjunction with the Deutsche Ueberseeische Bank, the banking house of Lazard Speyer-Ellissen in Frankfort-on-the-Main and the Schweizerische Kreditanstalt, with the view of promoting German commercial relations with Central America, founded the *Zentral-Amerika-Bank, Aktiengesellschaft*, with central office at Berlin and a capital of 10,000,000 marks, of which 25 per cent was paid in for the time being. But, as the company was unable to secure the state concession for the transaction of banking operations for its proposed branch in Guatemala, the original object of the enterprise was changed in 1906, so that the present name reads *Aktiengesellschaft für überseeische Bauunternehmungen* ("Company for over-sea building enterprises"). Its present object has thus been considerably narrowed. Dividends paid during 1905 to 1908 were: 0, 0, 5, and 4 per cent.

(m) In 1906 the Deutsche Bank, in conjunction with the banking house of Speyer & Co. in New York, with the view of promoting German commercial interests in

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South America and more especially in Mexico, founded the *Mexikanische Bank für Handel und Industrie* (Banco Mejicano de Comercio é Industria), with its main office in New York. This bank, as stated above, assumed the business of the Banco Alemán Transatlántico in Mexico; its nominal capital is 10,000,000 pesos, the term of its concession is forty years; the dividends paid in 1907 and 1908 were at the rate of 6 per cent.

As regards the foreign participations of the Deutsche Bank in Europe it may be stated that—

(n) The bank had entered into a silent partnership as early as January 1, 1873, with the Paris banking house of Weissweiller & Goldschmidt⁴²² by a participation (*Kommanditeinlage*) of 1,000,000 francs, but this participation was reduced to 500,000 francs as early as 1876, and terminated soon after, owing to the liquidation of that firm.

(o) In 1877 (Oct. 1) the Deutsche Bank entered into a silent partnership with the Vienna banking house of Güterbock, Horwitz & Co. by a participation of 750,000 florins (1,290,000 marks), which was, however, repaid December 31, 1883.⁴²³

(p) In 1895 the Deutsche Bank formed a silent partnership with another Vienna banking firm, Rosenfeld & Co., but subsequently organized a group of German and Austrian banks for the purpose of participating in Austrian and Hungarian business.

(q) In 1895 the Deutsche Bank entered into a silent partnership with the Madrid firm Guillermo Vogel & Co.⁴²⁴ The latter, as mentioned above, was taken over in 1906 by the Deutsche Ueberseeische Bank.

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(r) The bank became interested in the mining business in the early nineties by a participation in the firm Ad. Goerz & Co., of Berlin and Johannesburg.

Almost all the other great banks followed the example of the Deutsche Bank in developing and extending foreign and oversea relations, some of them rapidly and energetically, others hesitatingly and to an inconsiderable extent. The bank which did so most rapidly and extensively was the Disconto-Gesellschaft.

(2) PARTICIPATIONS OF THE DISCONTO-GESELLSCHAFT.

This bank as early as 1873 had participated in the founding of the La Plata Bank, subsequently transferred to the Deutsche Bank.

(a) In 1880 the Disconto-Gesellschaft cooperated in the reconstruction of the *Deutsche Handels- und Plantagen-Gesellschaft der Südseeinseln* (German Commercial and Plantation Company of the South Sea Islands). The capital of this company was 2,750,000 marks. During 1883-1887, at the instigation of Ad. von Hansemann, it cooperated in the organization and founding of the *Neu-Guinea-Kompagnie* (with a capital of 6,000,000 marks).

(b) In 1887 the Disconto-Gesellschaft, in conjunction with the Norddeutsche Bank, founded the *Brasilianische Bank für Deutschland*⁴²⁵ with main office in Hamburg and a capital of 10,000,000 marks, for the promotion of commercial relations between Germany and Brazil. This bank has at present (1908-9) five branches (in Rio de Janeiro, São Paulo, Santos, Porto Alegre, and Bahia). The rates of dividends were as follows:

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Fiscal year ending June 30—	Dividends.	Fiscal year ending June 30—	Dividends.
	<i>Per cent.</i>		<i>Per cent.</i>
1890.....	5	1900.....	9
1891.....	10	1901.....	8
1892.....	16	1902.....	6
1893.....	16	1903.....	6
1894.....	8½	1904.....	8
1895.....	10	1905.....	10
1896.....	12	1906.....	10
1897.....	12	1907.....	10
1898.....	12	1908.....	10
1899.....	12		

(c) In 1889 the Disconto-Gesellschaft participated in the founding of the Deutsch-Asiatische Bank,⁴²⁶ organized by seven Berlin banks with the view of fostering German trade with eastern Asia (cfr., p. 455, No. 1). Particulars regarding this bank are found further below.

(d) In 1890 the Disconto-Gesellschaft entered into silent partnership connections (*Kommandite*) with the banking firm of Ernesto Tornquist in Buenos Aires, and the Antwerp firm H. Albert de Bary & Co., allied with the former, the aggregate participation being 2,187,000 marks. The latter firm was transformed in 1900 into the stock company "Compagnie Commerciale Belge, anciennement H. Albert de Bary & Co.," with a share capital of 5,000,000 francs, the Disconto-Gesellschaft continuing its participation through ownership of stock.⁴²⁷

(e) In 1894 it cooperated in the formation of the *Banca Commerciale Italiana* (see below, p. 456, No. 2).

(f) In 1895 the Disconto-Gesellschaft, together with the Norddeutsche Bank, and in cooperation with several business houses having trade connections with Chile, founded the *Bank für Chile und Deutschland*⁴²⁸ at Hamburg with a capital of 10,000,000 marks. This bank has

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now nine branches in Valparaiso, Santiago, Concepcion, Temuco, La Paz, Oruro, Antofagasta, Victoria, and Valdivia. Its dividends show the following development:

1896, 0 per cent; 1897, 5 per cent; 1898, 2 per cent; 1899-1901, 7 per cent; 1902-6, 8 per cent; 1907, 4 per cent; 1908, 8 per cent.

(g) In 1897 the Disconto-Gesellschaft in conjunction with the firm of S. Bleichröder, founded the *Banca Generala Romana*⁴²⁹ in Bucharest for the promotion of German-Roumanian trade relations. The bank has now (1909) two branches in Braila and Craiova, and an agency in Constanza.⁴³⁰ Its capital is 10,000,000 francs (Lei). Its rates of dividends were as follows:

1898, 6 per cent; 1899, 5 per cent; 1900, 7 per cent; 1901, 8 per cent; 1902-3, 0 per cent; 1904, 6 per cent; 1905, 8 per cent; 1906-8, 9 per cent.

(h) In 1898 the Disconto-Gesellschaft participated in conjunction with a number of domestic and foreign firms in the founding of the Banque Internationale de Bruxelles for the promotion of German-Belgian trade relations. The nominal capital of the new bank was 25,000,000 francs. It paid the following rates of dividends:

1899, 6 per cent; 1900, 4 per cent; 1901-3, 0 per cent; 1904, 4 per cent; 1905-8, 5 per cent.

(i) In 1899 the Disconto-Gesellschaft participated, in conjunction with a number of German banks and banking houses, in the founding of the Shantung Railroad and Shantung Mining companies (particulars for which are given below). During the period 1898-1904 and again in 1908 it took part also in the organization of several telegraph and cable companies (see below, pp. 458 and 459, No. 6).

(k) In 1900 the Disconto-Gesellschaft founded the Otavi Mining and Railroad Company with a capital of 1,000,000 marks, which was increased to 20,000,000 marks as early

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as May 12, 1903, for the purpose of constructing a railway between Swakopmund and Tsumeb. Through the completion of a branch line between Onguati and Karibib a junction was effected in 1906 with the main line Swakopmund-Windhuk.⁴³¹

(l) In 1904 it founded the East African Railroad Company, with a share capital of 21,000,000 marks. A minimum dividend of 3 per cent on this capital, as well as a redemption price of 120 per cent, have been guaranteed by the Empire.

(m) In 1904-5 the Disconto-Gesellschaft took part in the establishment of the German-East African Bank, with the main office at Berlin and a branch at Dar-es-Salaam, which acts as a credit and note-issuing bank for the German East African colony.

(n) In 1905 the Disconto-Gesellschaft, together with the firm of S. Bleichröder, the Norddeutsche Bank, and several Bulgarian firms, for the purpose of fostering German-Bulgarian trade relations, established the Banque de Crédit (*Kreditna Banka*) at Sophia, with a nominal capital of 3,000,000 francs (lev).

(o) In the same year (1905) the Disconto-Gesellschaft in conjunction with the firm C. Woermann at Hamburg, established the *Deutsche Afrika-Bank* with a capital of 1,000,000 marks. This bank opened branches in 1904 at Swakopmund, Windhuk, and Lüderitzbucht and took over the business at those places of the Damara and Namaqua Trading Company (Limited) which had been founded in 1904 by the above-mentioned firm.

(p) By the taking over of stock in 1905 the Disconto-Gesellschaft became interested in the General Mining

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and Finance Corporation (Limited) in London, founded by the Dresdner Bank in conjunction with Albu Brothers, with a capital of £1,250,000. The investment did not prove profitable, as may be inferred from the fact that the value of this stock as carried on the books of the company had to be reduced considerably several times.

(q) In 1906 the Disconto-Gesellschaft in conjunction with a number of German banks, banking houses, and firms took part in the foundation of the Kamerun Railroad Company. (See below, p. 458, No. 5.)

It is noteworthy that to the end of the nineties the Disconto-Gesellschaft adhered to the principle of strict centralization in the internal management of its affairs. In particular it discountenanced the opening of branches for the promotion of over-sea trade. It should be said though, that it had been represented for years at Hamburg by the Norddeutsche Bank, with which it had become closely allied during the first period.

It was only in 1900 that the Disconto-Gesellschaft, in view of the considerable growth of its own over-sea connections, decided upon the opening of a branch in London, followed in 1903 by the opening of another branch in Bremen.

It may be also noted that as early as 1888 the Disconto-Gesellschaft, together with the Norddeutsche Bank entered into an agreement with the firm Friedr. Krupp, which had obtained a state-guaranteed concession for the construction of the Great Venezuelan Railroad between Caracas and Valencia with a total length of 180 kilometers, by which it took over the construction of that road⁴³². The transaction, while resulting in considerable

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contracts and orders for German industry, caused the bank numerous long-continued troubles and annoyances of all kinds.

Finally, it should not be overlooked that the Disconto-Gesellschaft, as a member of the Rothschild Syndicate, participated in a large number of Austro-Hungarian state, railroad, and other finance transactions, took part in 1887 and 1888 in the emission of Argentine loans, and participated in a number of finance and loan operations in behalf of the Finnish, Russian, and Roumanian Governments and railroads. (For particulars see App. V and VI.)

(3) PARTICIPATIONS OF THE DRESDNER BANK.

(a) With the view of promoting its foreign, particularly its over-sea relations, the Dresdner Bank founded the following branches: 1892, one in Hamburg; 1895, one in Bremen, and 1901, one in London.

(b) In 1889 the Dresdner Bank participated in the founding of the Anatolian Railway Company, also of the Company for the Operation of the Oriental Railroads (see above, 1 *b* and *c*), and in the establishment of the *Deutsch-Asiatische Bank*. (See below, p. 455, No. 1.) In 1891 it took part in the founding of the Bank for Oriental Railroads. (See above sub. 1*d*.)

(c) In 1894 it participated in the founding of the Banca Commerciale Italiana. (See below, p. 456, No. 4.)

(d) In 1899 it took part in the founding of the Shantung Mining and Shantung Railway companies. (See below, pp. 458 and 459, No. 6.)

(e) In 1904-5 it participated in the founding of the German West-African Bank. (See below, p. 457, No. 4.)

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(f) In 1905 it entered into a close alliance with the banking house J. P. Morgan & Co., of New York, London, and Paris⁴³³, for the purpose of common action in the field of international finance and issue operations and of extending the German market for American securities. This alliance led to the common participation of the two parties in the now liquidated Sovereign Bank of Canada at Montreal.

(g) About the end of 1905 the Dresdner Bank, in conjunction with the A. Schaaffhausen'scher Bankverein and the Nationalbank für Deutschland, with the view of promoting trade relations with the Orient, especially with Turkey, Greece, and Egypt, founded the *Deutsche Orientbank* stock company in Berlin, with a share capital (now fully paid-in) of 16,000,000 marks⁴³⁴ and two branches in Constantinople and Hamburg, taken over from the *Banque d'Orient* in Athens. Since then additional branches have been opened in Alexandria, Brussa, Cairo, Kalamata, Smyrna, and Casablanca (Morocco). Dividends in 1906 were 4 per cent, in 1907, 4 per cent, and in 1908, 4 per cent.

(h) About the same time (end of 1905⁴³⁵) the Dresdner Bank, with the view of promoting German commerce with South America, founded jointly with the A. Schaaffhausen'scher Bankverein the *Deutsch-Südamerikanische Bank* stock company, with the main office at Berlin, and a nominal capital of 20,000,000 marks, divided into 4 series of 5,000,000 marks each. This bank has at present (1909) 3 branches (in Hamburg, Buenos Aires, and Mexico). In 1908 it entered into close relation with the above-mentioned Sovereign Bank of Canada in Montreal (capital

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\$2,000,000), severed however in 1908 by reason of the liquidation of the Canadian bank. No dividends have as yet (i. e., for the years 1906, 1907, and 1908) been declared by the Deutsch-Südamerikanische Bank.

(i) In 1906 the Dresdner Bank participated, in conjunction with several German banks, banking houses, and commercial firms, in the founding of the Kamerun Railway Company. (See below, p. 458, No. 5.)

(k) It became interested in the mining business by participating, in company with the Disconto-Gesellschaft, in the General Mining and Finance Corporation, London, which had been founded by it jointly with Albu Brothers, with a capital of £1,250,000.

The Dresdner Bank also participated in the emission of the 1905 Chinese state loan, in the 5 per cent loan of the Tehuantepec National Railway Company, and in two (4½ per cent and 4 per cent) Japanese gold loans. (For particulars, see Append. V and VI.)

(4) PARTICIPATIONS OF THE DARMSTÄDTER BANK.

The Darmstädter Bank up to the present has not established any branches for the promotion of over-sea trade. But as early as 1854 it acquired a silent partnership interest (*Kommandite*)—the first of similar interests—in the New York firm E. vom Baur & Co. This firm, however, went into liquidation about the end of 1885.⁴³⁶ In 1900, jointly with the Bankers' Trading Syndicate of London—its own creation—which in turn was closely allied with the banking house S. Japhet & Co. and the Nordwestdeutsche Bank (subsequently the Deutsche Nationalbank, *Kommanditgesellschaft auf Aktien*) of

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Bremen, it took the first steps for the promotion of foreign business.

In 1906, with the view of extending business relations with the United States, it founded, in cooperation with other German and American banking firms, the *Amerika-Bank*, a stock company in Berlin, with a capital of 25,000,000 marks, divided into 5 series, of which 5,000,000 marks were fully paid in, and the rest to the extent of 25 per cent, while 10 per cent premium on the shares, *i. e.*, 2,500,000 marks, was placed into the reserve fund. However, this bank went into liquidation in 1909, and its shares were taken over by the Darmstädter Bank.

The Darmstädter Bank participated in the launching of the following organizations for the promotion of over-sea commercial relations:

(a) 1889: In the founding of the *Deutsch-Asiatische Bank*. (See below, p. 455, No. 1.)

(b) 1898-1904 and 1908: In the founding of several telegraph and cable companies. (See below, pp. 458 and 459, No. 6.)

(c) 1899: In the founding of the Shantung Mining and the Shantung Railway Companies. (See below, *ibid.*, No. 6.)

(d) 1906: In the founding of the Kamerun Railway Company. (See below, p. 458, No. 5.)

Its own foreign, though not over-sea connections, were quite numerous even during the first period.

(a) As early as 1857, for the purpose of promoting business with France, it formed a *commandite* in Paris. The latter, after excellent results, had to be liquidated in 1871, owing to the unfriendly sentiment then prevailing. In

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1873 a new *commandite* was established, which, however, went into liquidation shortly after, in 1877.

(b) In 1870 a *commandite* was formed in Vienna (Dutschka & Co.), which was liquidated in 1902. Its clientele was taken over by the *Wechselstuben-Aktiengesellschaft Merkur* in Vienna, which in 1908 had a capital of 20,000,000 kronen (\$4,060,000) and 9 branches. There is a close alliance between this institution and the Darmstädter Bank.

(c) In 1871 it founded for the promotion of trade between Germany and the Netherlands the *Amsterdamsche Bank* in Amsterdam,⁴³⁷ with which it has since maintained the most intimate relations. Simultaneously, for promoting trade with Belgium a *commandite* was formed in Brussels.

(d) In 1873-74 the bank formed a *commandite* in Milan.⁴³⁸

(e) In 1877 the Darmstädter Bank, jointly with other firms, founded the *Ungarische Escompte- und Wechslerbank* in Budapest.

(f) In 1881 it founded the *Württembergische Bankanstalt*, formerly Pflaum & Co., in Stuttgart (share capital, in 1909, 10,000,000 marks), which in turn formed in the same year a contractual community of interest—the earliest union of this class—with the *Württembergische Vereinsbank*.

(g) In 1890 it acquired a *commandite* interest in the banking house Marmorosch Blank & Co. in Bucharest. In conjunction with the *Berliner Handelsgesellschaft* it transformed that firm into a stock company under the name of the *Banca Marmorosch Blank & Co., Societate Anonima*

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(effective January 1, 1905), whose capital amounts at present to 10,000,000 lei (\$1,930,000).

(h) In 1898 it founded, in conjunction with a number of domestic and foreign houses, the *Banque Internationale de Bruxelles*, with a capital of 25,000,000 francs.

It also became interested in the mining business through the acquisition of shares of the Consolidated Mines Selection Company and of the African Venture Syndicate founded in 1903.

During the second period it participated in all the Austrian and Hungarian emissions of the Rothschild group, and together with several other banks and banking houses took part in the emission of Portuguese state, municipal, and railroad securities, which latter operations for several years proved a source of great trouble and financial losses. It also shared in the emission of the 5 per cent Chinese state loan, the 4½ and 4 per cent Japanese loans of 1905, and other finance operations, for which see Appendices V and VI.

(5) PARTICIPATIONS OF THE BERLINER HANDELSGESELLSCHAFT.

The Berliner Handelsgesellschaft participated in the founding of the following companies for the promotion of German oversea interests:

(a) 1889: Deutsch-Asiatische Bank. (See below, p. 455, No. 1.)

(b) 1898-1904 and 1908: Several German cable companies and cable works. (See below, pp. 458 and 459, No. 6.)

(c) 1899: Shantung Railway and Shantung Mining companies.

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(d) 1906: Kamerun Railway Company.

Among its foreign, other than oversea connections, the following may be mentioned:

It had a share in the founding of the following institutions:

(e) 1872: *Schweizerischer Bankverein* in Basel with a share capital of 50,000,000 francs.

(f) 1898: *Banque Internationale de Bruxelles* (jointly with several other firms).

(g) 1904-5: Banca Marmorosch Blank & Co., Societate anonima in Bucharest (jointly with the Darmstädter Bank).

(h) 1908: Stock company formerly Andréevics & Co. in Belgrade, with a share capital of 4,000,000 francs (jointly with the *Pester Ungarische Commerzialbank*).

Moreover the Berliner Handelsgesellschaft maintains close relations to the stock company *Labouchère Oyens & Co. Bank* in Amsterdam (capital 6,000,000 florins) and since 1903 to the New York banking house, Hallgarten & Co.

It also took part ⁴³⁹

1887: In the founding of the Dutch South African Railroad Company in Amsterdam.⁴⁴⁰

1889: In the acquisition of the Egyptian railroad system.⁴⁴¹

1894: In the founding of the Banca Commerciale Italiana.

1894: In the founding of the Compañía Sevillana de Electricidad in Sevilla and the Compañía Barcelonesa de Electricidad in Barcelona.

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1897: In the founding of the *Bank für elektrische Unternehmungen* in Zurich.

1898: In the founding of the *Aluminium-Industrie-Aktiengesellschaft* in Neuhausen (Switzerland).

1898: In the founding of the *Deutsch-Ueberseeische Elektrizitätsgesellschaft* (German Oversea Electric Company).

1899: In the establishment of the *Deutsch-Ostafrika Linie* (German East Africa Steamship Line).

1903: In founding the *Deutsch-Chinesische-Eisenbahngesellschaft*.⁴⁴²

1904: In founding the *Deutsche Kolonial-Eisenbahnbau- und Betriebsgesellschaft* (German Colonial Railroad Constructing and Operating Company) for the execution of railroad and port constructions in the German colonial possessions.

Since April, 1905, it has been operating under a lease contract the Usambara railroad in German East Africa. In conjunction with the firm Lenz & Co. it has contracted with the Imperial Government for the construction of the railroad *Lüderitzbucht-Kubub*.

The Berliner Handelsgesellschaft took a prominent part in the underwriting of all Russian, Chinese, and Japanese loans emitted in Germany during the second period. It also emitted several Servian state and railroad loans. (For particulars see Append. V and VI.)

(6) PARTICIPATIONS OF THE A. SCHAAFFHAUSEN'SCHER BANKVEREIN.

Although the main strength of this institution from the start has been due to the promotion of domestic rather

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than foreign business, it participated also in the founding of the following concerns engaged in the foreign field:

(a) 1889: *Deutsch-Asiatische Bank*. (See below, p. 455, No. 1.)

(b) 1894: *Banca Commerciale Italiana* in Milan. (See below, p. 456, No. 2.)

(c) 1898-1904 and 1908: A number of telegraph companies and cable works. (See pp. 458 and 459, No. 6.)

(d) 1898: *Banque Internationale de Bruxelles*.

(e) 1899: Shantung Mining and Shantung Railway Companies. (See below, pp. 458 and 459, No. 6)

(f) 1905: *Deutsche Orient-Bank* in Berlin, jointly with the Dresdner Bank (see above sub. 3, g) and the Nationalbank für Deutschland.

(g) 1905: *Deutsch-Südamerikanische Bank*, stock company, in Berlin, jointly with the Dresdner Bank. (See above sub. 3, h.)

(h) 1906: Kamerun Railway Company, jointly with several other banks. (See below, p. 458, No. 5.)

(7) PARTICIPATIONS OF THE NATIONALBANK FÜR DEUTSCHLAND.

This bank took part in the founding of the following institutions:

(a) 1889: *Deutsch-Asiatische Bank*. (See below, p. 455, No. 1.)

(b) 1895: *Credito Italiano* in Rome. The present share capital of the institution is 75,000,000 lire (\$14,475,000); its branches number at present 17.

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(c) 1899: Shantung Mining and Shantung Railway companies. (See below, pp. 458 and 459, No. 6.)

(d) 1904: *Banque d'Orient*, established by it in Athens. (Share capital, 10,000,000 francs; branches in Saloniki and Smyrna.)

(e) 1905: *Deutsche Orientbank*, stock company, in Berlin, founded in conjunction with the Dresdner Bank (see above, sub. 3, g) and the A. Schaaffhausen'scher Bankverein. This bank was detached from the *Banque d'Orient* and took over the latter's branches in Berlin, Hamburg, and Constantinople. Additional branches have been opened since in Cairo, Alexandria, Brussa, Kalamata, Saloniki, Smyrna, Tangier, and Casablanca.

Since 1905 the Deutsche Orientbank has maintained a community of interest with the *Deutsche Palästina-Bank* in Berlin, founded in 1899 by the banking firm Von der Heydt & Co., for the promotion of trade with Palestine and the Levant. The latter bank took over the assets and liabilities of the *Deutsche Palästina und Orient-Gesellschaft (Limited)* in Jerusalem, with a capital of 5,000,000 marks. It has now 4 branches (in Jaffa, Jerusalem, Beirut, and Hamburg), and in turn founded a subsidiary company, the *Levante-Kontor (Limited)*, with a branch in Constantinople. The dividends on its preferred stock show the following rates:

	Per cent.			Per cent.
1899.....	0		1904.....	0
1900.....	5		1905.....	5
1901.....	5		1906.....	6
1902.....	4		1907.....	6
1903.....	0		1908.....	6

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(f) 1909: The bank took part in the increase of capital of the *Crédit Mobilier Français*.

III.—THE COMMON SUBSIDIARY COMPANIES (*Tochter-Gesellschaften*) OF THE GERMAN CREDIT BANKS FOR THE PROMOTION OF OVER-SEA AND FOREIGN BUSINESS.

The following subsidiary institutions were founded jointly by a large number of German banks and banking houses to assist German trade and industry in gaining new markets and to preserve and expand existing markets or to develop our colonies.

1. In 1889 there was founded for the promotion of our trade in eastern Asia the *Deutsch-Asiatische Bank*⁴⁴³ at Shanghai, which at the end of 1908 had twelve branches in Berlin, Hamburg, Tientsin, Tsingtau, Hankow, Hongkong, Calcutta, Tsinanfu, Peking, Yokohama, Kobe in Japan, and Singapore. The share capital amounts to 7,500,000 Shanghai taels, fully paid in. The following great banks participated in its founding: The Deutsche Bank, Disconto-Gesellschaft, Dresdner Bank, Darmstädter Bank, Berliner Handelsgesellschaft, A. Schaaffhausen'scher Bankverein, and Nationalbank für Deutschland.

By grant (*Konzession*) dated July 6, 1906, based on paragraph 3 of the law regarding the colonies and the imperial decree regarding the issue of bank notes in the colonies, dated October 30, 1904, the *Deutsch-Asiatische Bank* was given the right for a period of fifteen years to issue bank notes in denominations of 1, 5, 10, and 25 Mexican dollars and of 1, 5, 10, and 25 taels through its branch offices located in the German possession of Kiauchau and in China. The dividends⁴⁴⁴ paid were as follows:

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	Per cent.			Per cent.
1889	0	1899.....		6
1890	2½	1900.....		7
1891	0	1901.....		7
1892	0	1902.....		9
1893	5	1903.....		10
1894	7	1904.....		10
1895	8	1905.....		11
1896	10	1906.....		9
1897	6	1907.....		8
1898	10	1908.....		8½

2. In 1894, for the promotion of our trade with Italy, there was founded the *Banca Commerciale Italiana*⁴⁴⁵ in Milan. Among the participants there were the same great banks, except the Nationalbank für Deutschland, which was interested in the Credito Italiano. The capital of the Banca Commerciale Italiana at the end of 1908 was 108,000,000 lire. It has now 35 branches, among them one recently opened at Constantinople.

The dividends paid were as follows:

	Per cent.			Per cent.
1895	6½	1902		8
1896	6½	1903		8
1897	7	1904		8
1898	7½	1905		9
1899	8½	1906		9
1900	8½	1907		9
1901	8	1908		9

For the promotion of trade with Tunisia the *Banca Commerciale Italiana* in turn founded in 1907 the *Banca Commerciale Tunisina* with the head office at Paris. During the same year it also participated in the increase of capital of the *Banco Commerciale Italiano* in São Paulo, Brazil, whose firm name has been changed since to the *Banco Commerciale Italo-Brasiliano* (capital 5,000 contos). In 1908 it founded in Constantinople the *Società Commer-*

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ciale per l'Oriente (share capital, 3,000,000 lire) for the promotion of trade between Italy and Turkey.

3. During 1904-5 the *Deutsch-Ostafrikanische Bank*⁴⁴⁶ was founded with the head office at Berlin, a nominal capital of 2,000,000 marks and branches at Zanzibar, Mombassa and Dar-es-Salam. This institution acts both as an ordinary and a central note bank for the German colony of East Africa.⁴⁴⁷ In its latter capacity it is to regulate the money market, to facilitate payments within the colony and to make remittances between the colony on the one hand and Germany and other countries on the other. It has also been granted the privilege of issuing bank notes in terms of rupees in accordance with business demand up to the threefold amount of its capital with minute provisions regarding the reserve for its note circulation.⁴⁴⁸ Among the institutions participating in its foundation there figured also the *Deutsch-Ostafrikanische Handelsgesellschaft* (German East African Trading Company) which had been organized in the same colony likewise with the cooperation of German banks. Among the great banks which took part in the foundation of the East-African Bank we find the Deutsche Bank and the Disconto-Gesellschaft.

4. During 1904-5 the *Deutsch-Westafrikanische Bank*⁴⁴⁹ was formed, a colonial company with a capital of 1,000,000 marks and its main office at Berlin. At the end of 1908 it had three branches (in Hamburg, Lome in Togo, and Duala in Kamerun). Its function is to act as a bank in the colonies of Togo and Kamerun, i. e., to regulate the money market and to facilitate payments in these colonies; also to facilitate remittances between these colo-

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nies on the one hand and Germany and foreign countries on the other. The Deutsch-Westafrikanische Bank does not possess, however, the privilege of note issue.⁴⁵⁰ It may be noted that the participants in its foundation include besides the Dresdner Bank and several commercial firms, also the *Deutsch-Westafrikanische Handelsgesellschaft* (German West African Trading Company) which operates in the same colony.

5. The year 1906 witnessed the foundation of the Kamerun Railroad Company for the construction of a railway from Duala to the Manenguba Mountains with a capital of 5,640,000 marks preferred and 11,000,000 marks common stock. In accordance with act of May 4, 1906, the German Imperial Government guarantees a 3 per cent yearly dividend on the common stock, besides the redemption of the capital at the rate of 120 per cent. (Reichsgesetzblatt, 1906, p. 525.) Of the great banks the following took part in the foundation of the company: Berliner Handelsgesellschaft, Darmstädter Bank, Disconto-Gesellschaft, Nationalbank für Deutschland, Norddeutsche Bank and the A. Schaaffhausen'scher Bankverein. Among the founders figure also the banking firms S. Bleichröder, von der Heydt & Co. in Berlin, Wilh. Schlutow in Stettin, M. M. Warburg & Co. in Hamburg, also the commercial firm C. Woermann in Hamburg, and the *Aktiengesellschaft für Verkehrswesen* (Stock Company for transportation enterprises).

6. Again in the interests of national policy all the banks and firms concerned in the foundation of the Deutsch-Asiatische Bank took part also in the launching of the following enterprises. In all these cases there could be

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no thought of the speedy realization of the capital tied up in these enterprises.

1898: Land- und Seekabelwerke A. G. (Stock Company for land and sea cable works) in Cologne-Nippes (share capital 6,000,000 marks).

1899: *Schantung-Bergbau-Gesellschaft* (Shantung Mining Company) in Berlin, with a share capital of 6,000,000 marks.

1899: *Schantung-Eisenbahn-Gesellschaft* (Shantung Railway Company) in Berlin, with a share capital of 54,000,000 marks.

1899: *Deutsch-Atlantische Telegraphen-Gesellschaft*, Stock Company in Cologne, with a share capital of 24,000,000 marks.

1899: *Norddeutsche Seekabelwerke* (North German Sea cable works), stock company in Cologne-Nordenham, with a share capital of 6,000,000 marks.

1899: *Osteuropäische Telegraphen-Gesellschaft* (East-European Telegraph Company), stock company in Berlin, with a share capital of 1,000,000 marks.

1904: *Deutsch-Niederländische Telegraphen-Gesellschaft* (German-Dutch Telegraph Company), stock company in Cologne, with a capital composed of 7,000,000 marks of stock and 7,250,000 marks of bonds.

1908: *Deutsch-Südamerikanische Telegraphen-Gesellschaft A. G.* (German-South American Telegraph Stock Company), in Berlin, with a capital composed of 4,000,000 marks of stock and 7,800,000 marks of bonds.

1907: A number of German banks participated in the establishment of the State Bank of Morocco.

At the end of the nineties there were in existence only 4 German over-sea banks. In 1903 their number was 6, with 32 branches, while at the beginning of 1906 there were

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as many as 13, possessing a combined capital of fully 100,000,000 marks and about 70 branches.

But even these achievements appear rather unimportant when compared with those of other countries in the same field. Thus, for instance, England, in 1904, had 32 colonial banks with head offices in London and 2,104 in the colonies, besides 18 (30 in 1907) other British foreign banks with 175 branches.⁴⁵¹ France in 1904-5 had 18 colonial and foreign banks with 104 agencies; Holland 16 over-sea banks with 68 branches.

SECTION 5. GENERAL FINANCIAL RESULTS OF THE GERMAN CREDIT BANKS; GROSS EARNINGS AND THEIR COMPOSITION; GENERAL EXPENSES; NET PROFITS, DIVIDENDS, WRITING OFF, AND RESERVES.

The financial results of all German credit banks (with a share capital of at least 1,000,000 marks) for the years 1885 to 1908, inclusive, their number, and the dividends paid by them, are summed up in the following table:⁴⁵²

Year.	Number of banks.	Gross earnings, in thousands of marks.	Net earnings, in thousands of marks.	Dividends.	
				Amount of, in thousands of marks.	Rate of (per cent).
1885.....	71	77,810	56,140	45,430	6.41
1886.....	71	78,690	57,180	47,170	6.43
1887.....	71	80,970	57,740	48,000	6.53
1888.....	71	110,480	75,390	58,970	7.79
1889.....	93	141,000	110,500	81,920	8.77
1890.....	92	141,040	98,300	79,630	7.60
1891.....	95	112,150	74,140	63,070	6.11
1892.....	94	111,930	76,850	61,230	5.80
1893.....	93	110,030	71,770	59,740	5.72
1894.....	96	112,290	85,110	68,620	6.49
1895.....	94	150,330	111,920	83,550	7.61
1896.....	98	158,930	118,350	92,690	7.66

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Year.	Number of banks.	Gross earnings, in thousands of marks.	Net earnings, in thousands of marks.	Dividends.	
				Amount of, in thousands of marks.	Rate of (per cent).
1897.....	102	179,370	134,690	101,830	7.63
1898.....	108	218,380	162,800	126,360	7.86
1899.....	116	261,170	195,470	148,560	8.12
1900.....	118	262,020	185,270	140,520	7.19
1901.....	125	258,400	152,640	110,520	5.66
1902.....	122	256,760	156,170	120,510	6.19
1903.....	124	253,210	170,560	130,880	6.59
1904.....	127	273,500	189,780	145,540	7.25
1905.....	137	330,200	224,730	168,540	7.75
1906.....	143	377,080	255,530	186,880	7.88
1907.....	158	382,280	255,380	190,720	7.45
1908.....	169	417,230	261,010	194,820	7.41

It may be seen from this table that the German credit banks have paid an annual dividend below 6 per cent only three times during the last twenty-four years, namely, for the years of depression, 1892 and 1893, when the rate went down to 5.80 and 5.72 per cent and for the crisis year 1901, when the rate was as low as 5.66 per cent. Even for the years 1902 and 1903 following the crisis the average dividends exceeded 6 per cent, while for each of the last five years the average has been in excess of 7 per cent. During the years of the high crest of business activity, 1889 and 1899, average dividends in excess of 8 per cent were paid, viz, 8.77 and 8.12 per cent. These are exceedingly satisfactory and moreover stable results.

It is further seen that the average 1907 dividends of 7.45 per cent show a decline since 1906, when the average was 7.88 per cent, notwithstanding the fact that the average discount rate of the Reichsbank in 1907 stood at 6.03 per cent, as against only 5.15 per cent for the

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preceding year. This may serve as an additional argument against the contention that the banks are interested in a high bank rate. The truth is that whatever advantage they may derive from the higher interest rates on current account, this advantage is as a rule more than compensated by the fact that in such times emissions are either out of question or else made quite difficult; that in addition the security business is less profitable, that the value of the security holdings is shrinking, necessitating corresponding amounts to be written off, and that at such time losses under the head of debit accounts are also inevitable. A continuous high bank discount rate is therefore as a rule not favored by the banks.

If it is considered that the operating capital of a bank includes also the surplus funds and that therefore in calculating the dividend rates the former must also be reckoned, the following results for the last seven years are obtained, according to the *Deutscher Oekonomist*:⁴⁵³

[Amounts expressed in thousands of marks.]

	1902.	1903.	1904.	1905.
Share capital on which dividends are earned	1,948,476	1,984,642	2,005,136	2,175,315
Surplus at the beginning of the year	380,211	391,362	400,372	448,380
Total of capital and surplus (<i>Gesamtes eigenes Kapital</i>)	2,328,687	2,376,004	2,405,508	2,623,695
Dividends, amount of	120,512	130,881	145,511	168,536
Rate of dividends calculated on the basis of capital and surplus per cent..	5.10	5.51	6.05	6.40
Rate of dividends calculated on the basis of capital only per cent..	6.19	6.59	7.25	7.75

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	1906.	1907.	1908.
Share capital on which dividends are earned	2,371,781	2,559,202	2,627,855
Surplus at the beginning of the year	479,561	554,411	586,750
Total of capital and surplus (<i>Gesamtes eigenes Kapital</i>)	2,851,342	3,113,613	3,214,605
Dividends, amount of	186,884	190,722	194,829
Rate of dividends calculated on the basis of capital and surplus per cent.	6.50	6.12	6.06
Rate of dividends calculated on the basis of capital only . . . per cent.	7.88	7.45	7.41

It appears that on an average more than $1\frac{1}{4}$ per cent of the dividends is to be imputed to the surplus funds.

It is hardly possible for an outsider to calculate the return to the banks themselves on the capital invested, since neither the average amounts of capital employed during a given year nor the interest paid by the banks are known. For the same reason it is impossible to calculate the profits of the various business branches of the banks. Neither are the net returns to the holders of bank shares identical with the dividends received by them, in case a premium was paid, when the shares were purchased. For the period 1871 to 1900 the average income from dividends derived by shareholders of German credit banks amounted to 6.74 per cent; for 1880-1900 to 6.84 per cent, while the net income of shareholders for the last ten years was 6.70 per cent.⁴⁵⁴

For the year 1908 the returns on various shares from the shareholders' point of view⁴⁵⁵—that is, the net returns to shareholders—were as follows:

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Banking, 7.7 per cent; insurance, 19.3 per cent; chemical industry, 15.7 per cent (large-scale chemical enterprises, 11.5 per cent); mining, smelting, salt works, etc., 9.5 per cent; textile industries, 9.4 per cent; electrical industry, 8 per cent; secondary railways (*Kleinbahnen*) and street railways, 4.3 per cent.

The average dividends of the 14 Berlin banks⁴⁵⁶ were invariably higher than those of other banks, as may be seen from the following table, which gives the comparative figures for the last seventeen years:

Year.	Average dividends paid by—		Year.	Average dividends paid by—	
	All German banks with a capital of at least 1,000,000 marks each.	Berlin banks.		All German banks with a capital of at least 1,000,000 marks each.	Berlin banks.
	<i>Per cent.</i>	<i>Per cent.</i>		<i>Per cent.</i>	<i>Per cent.</i>
1892.....	5.80	6.03	1901.....	5.66	5.75
1893.....	5.72	5.73	1902.....	6.19	6.72
1894.....	7.49	8.14	1903.....	6.59	7.23
1895.....	7.61	8.29	1904.....	7.25	8.15
1896.....	7.66	8.48	1905.....	7.75	8.72
1897.....	7.63	8.45	1906.....	7.88	8.77
1898.....	7.86	8.45	1907.....	7.45	7.93
1899.....	8.12	8.59	1908.....	7.41	8.06
1900.....	7.19	7.61			

We may reiterate here what we stated in the earlier part of the volume, viz, that the rate of dividends increases with the increase of the current business of the bank, while the steadiness of the dividends increases with the increase of its regular deposit business.

On the other hand there is no basis of fact for the notion of a recent writer,⁴⁵⁷ according to which the profits of the bank increase in proportion to their combined capital and

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surplus, a fact which he regards of the utmost economic interest. As a matter of fact, the reverse is true: With the progressive growth of profits—that is, with the growth of business, especially their current business—the banks, in accordance with sound business policy, have been increasing their capital.

Of the total gross profits of the German banks (with a capital of at least 1,000,000 marks each) almost one-quarter is due to commissions earned chiefly in the brokerage business. According to the *Deutscher Ökonomist* the gross profits, commissions, and the proportion of commissions to gross profits show the following figures:

Year.	Number of banks.	Gross profits (1,000 marks).	Commissions (1,000 marks).	Proportion of commissions to gross profits.
				<i>Per cent.</i>
1884.....	71	83,000	19,900	24.0
1885.....	71	77,800	19,700	25.3
1886.....	71	78,700	20,500	26.0
1887.....	71	80,900	20,700	25.5
1888.....	71	110,050	24,200	22.0
1889.....	93	141,000	32,100	22.8
1890.....	92	141,000	32,200	22.8
1891.....	95	112,000	28,800	25.7
1892.....	94	111,900	26,700	23.8
1893.....	93	110,000	27,800	25.2
1894.....	96	112,200	28,100	25.0
1895.....	97	150,300	34,300	22.8
1896.....	98	158,900	35,400	22.3
1897.....	102	179,400	40,400	22.5
1898.....	108	218,400	50,500	23.1
1899.....	116	261,800	57,900	22.1
1900.....	118	262,000	60,000	22.9
1901.....	125	258,400	58,800	22.8
1902.....	122	256,700	57,700	22.5
1903.....	124	253,200	62,600	24.7
1904.....	129	273,500	68,200	25.0
1905.....	137	330,200	81,400	24.7
1906.....	143	377,000	91,400	24.3
1907.....	158	382,300	97,500	25.5
1908.....	169	417,200	103,700	24.9

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The gross profits of the Berlin banks show the following figures (in million marks):

1897.....	98.8	1903.....	140.4
1898.....	126.8	1904.....	152.6
1899.....	144.5	1905.....	190.7
1900.....	139.9	1906.....	201.9
1901.....	131.6	1907.....	201.3
1902.....	138.2	1908 ⁴⁵⁸	196.0

According to a calculation of the *Kölnische Zeitung*⁴⁵⁹ the total gross profits of 57 German banks in 1903 originated as follows: From bills and interest, 48 per cent; from commissions, 25 per cent; from issues and participations, 22 per cent.

For the years 1905–1908 the profits from commissions and interest constituted the following proportions of the total gross profits: (a) for all banks: 71 per cent, 75 per cent, 86 per cent, and 76 per cent; (b) for 9 Berlin banks: 67 per cent, 71 per cent, and 78 per cent.

Of the gross profits of the Berlin great banks the following proportions were derived from commissions and interest:

	1906.	1907.	1908. ⁴⁶⁰
	<i>Per cent.</i>	<i>Per cent.</i>	<i>Per cent.</i>
Deutsche Bank.....	69	73	70.6
Disconto-Gesellschaft.....	64	68	61.4
Dresdner Bank.....	79	88	84.8
Darmstädter Bank.....	55	69	66.6
Berliner Handelsgesellschaft.....	73	79	82.9
A. Schaaffhausen'scher Bankverein.....	77	88	84.4

The assertion has been made that as early as 1894 all the banks except the Darmstädter Bank, and in 1905 all the banks, except the Disconto-Gesellschaft and the Darmstädter Bank derived sufficient earnings from their current

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business, that is, the specie, coupon, and bill business, interest and commissions, also from their commandites, to fully pay their dividends. This assertion made by Loeb (see Model-Loeb op. cit. p. 152) is erroneous, as the author fails to deduct from the above earnings the corresponding expenses of operation. These expenses⁴⁶¹ for all German credit banks with a capital of at least 1,000,000 marks each were as follows (in million marks):

Year.	Million marks.	Year.	Million marks.	Year.	Million marks.
1883.....	12.4	1893.....	26.9	1902.....	66.5
1884.....	13.5	1894.....	26.2	1903.....	69.7
1885.....	14.0	1895.....	29.2	1904.....	74.9
1886.....	14.8	1896.....	32.8	1905.....	90.8
1887.....	15.6	1897.....	37.0	1906.....	107.9
1888.....	17.1	1898.....	45.8	1907.....	121.8
1890.....	22.8	1899.....	53.3	1908.....	134.5
1891.....	23.4	1900.....	59.8		
1892.....	24.0	1901.....	64.2		

It is seen that during the course of concentration the cost of operation has been steadily and largely increasing. In 1908 it constituted about 32 per cent of the gross earnings of all the larger banks, compared with 31 per cent in 1907, 28 per cent in 1906, 27 per cent in 1905 and only 18 per cent in 1895. For the 9 Berlin banks the cost of operation in 1908 amounted to not less than 66,800,000 marks, as against gross earnings of 196,000,000 marks, that is, 34 per cent, as against 32 per cent in 1907, 30 per cent in 1906, and 28 per cent in 1905, the individual banks showing proportions more or less favorable than the averages just given.

For the 6 Berlin great banks the cost of operation for 1908 was 55,900,000 marks; that is, 33 per cent of the

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gross earnings, the figures for each of these banks being as follows (in million marks):

	1907.		1908.	
	Gross earnings.	Cost of operation.	Gross earnings.	Cost of operation.
Deutsche Bank.....	53.6	20.0	55.0	21.4
Disconto-Gesellschaft.....	27.8	8.5	29.0	8.9
Dresdner Bank.....	31.5	9.8	31.0	10.5
Darmstädter Bank.....	17.8	7.6	19.3	8.2
Berliner Handelsgesellschaft.....	14.0	2.5	14.7	3.9
A. Schaaffhausen'scher Bankverein....	18.0	3.4	18.3	3.0

The most noteworthy facts brought out by the table is the relatively small cost of operation in the case of the Berliner Handelsgesellschaft, due to its continued strong centralization, and the relatively high cost of operation in the case of the Deutsche Bank, due undoubtedly to its strong decentralization.

The amounts written off by all German credit banks (with a capital of at least 1,000,000 marks each) prior to the fixing of the clear profits were as follows (in million marks):

Year.	Million marks	Year.	Million marks.	Year.	Million marks.
1883.....	3.2	1892.....	8.2	1901.....	51.6
1884.....	3.7	1893.....	10.0	1902.....	24.0
1885.....	6.6	1894.....	8.3	1903.....	12.7
1886.....	4.7	1895.....	9.0	1904.....	11.0
1887.....	5.9	1896.....	4.1	1905.....	11.0
1888.....	8.2	1897.....	2.5	1906.....	12.0
1899.....	5.4	1898.....	5.8	1907 ⁴⁰²	40.2
1890.....	6.7	1899.....	10.7	1908.....	35.1
1891.....	8.9	1900.....	12.8		

This table does not include the amounts written off prior to the fixing the gross earnings by reducing the valua-

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tion of particular assets (so-called silent reserves). The specially large amounts written off in 1901, viz, 51,600,000 marks, are due to the crisis of 1900-1901.

According to the Deutscher Oekonomist, the surplus funds showed the following total amounts and proportions to the share capital:

Year.	Data for all banks.			Data for the Berlin banks.		
	Capital stock (in thousands of marks.)	Surplus (in thousands of marks.)	Proportion of surplus to capital stock.	Capital stock (in thousands of marks.)	Surplus (in thousands of marks.)	Proportion of surplus to capital stock.
			<i>Per cent.</i>			<i>Per cent.</i>
1885	723,950	93,240	12.90	326,740	55,080	17.00
1886	733,690	99,270	13.53	332,750	59,520	18.00
1887	758,000	107,900	14.23	351,750	67,140	19.00
1888	772,400	115,320	15.00	368,180	74,030	22.11
1889	981,450	156,060	15.90	473,120	103,820	22.00
1890	1,054,330	187,880	17.82	507,450	119,650	23.58
1891	1,053,210	191,720	18.20	481,240	117,910	24.50
1892	1,057,090	200,310	18.95	494,390	123,180	24.92
1893	1,046,170	196,330	18.77	486,400	117,560	24.17
1894	1,067,520	199,820	18.72	534,200	120,490	22.56
1895	1,134,820	210,620	18.56	626,860	142,460	22.73
1896	1,240,310	235,250	19.00	656,570	153,040	23.32
1897	1,418,090	270,750	19.10	758,080	172,320	22.73
1898	1,688,170	330,370	19.60	926,530	202,860	21.90
1899	1,906,250	373,930	19.61	1,019,920	225,540	22.11
1900	1,959,550	390,930	19.95	1,019,920	230,680	22.62
1901	1,959,290	380,210	19.40	1,015,800	223,730	22.13
1902	1,980,590	391,360	19.75	1,022,800	239,890	23.45
1903	1,989,960	400,370	20.12	1,019,400	243,310	23.87
1904	2,066,540	448,380	21.68	1,071,200	278,950	26.04
1905	2,223,580	479,560	21.50	1,136,700	294,100	25.80
1906	2,432,140	554,410	22.70	1,175,440	333,750	28.30
1907	2,572,890	586,750	22.80	1,209,100	344,850	28.50
1908	2,646,610	607,070	22.90	1,178,000	342,890	29.10

A very material part of the surplus funds does not come from the business profits, but represents chiefly amounts paid in by the stockholders in the shape of premiums and

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placed with the surplus funds in accordance with the provisions of paragraph 262 of the Commercial Code (formerly article 185, b, secs. 1 and 2 of the *Aktiennovelle* (corporation share act) of July 18, 1884. The surplus funds grew according to the above table in the case of all banks with a capital of at least 1,000,000 marks each from 12.90 per cent in 1885 to 22.90 per cent in 1908, and in the case of the Berlin banks from 17 per cent in 1885 to 29.10 per cent in 1908. On an average, the surplus funds grew more rapidly than the capital stock.

During the year 1900, when the surplus funds in all the banks amounted to nearly 20 per cent (19.95) and in the Berlin banks to nearly 23 per cent (22.62), the surplus funds in other enterprises (according to Ed. Wagon, *op. cit.*, p. 170) were:

	Per cent.
In the wood industry	8.89
In building companies	10.87
In the brewery industry	17.07
In the coal industry	20.48
In the machinery industry	22.94
In the chemical industry	23.38
In the rubber industry	27.15
In the paper industry	27.16

I must say, however, that this very favorable development of the surplus funds of the banks is due to the excellence of our corporation laws rather than to the excellent policy of our banks, as Ed. Wagon would have us believe.⁴⁶³

At all events it is due chiefly to the relatively large surplus funds that the German banks and industrial companies were able to pass through the crisis of 1900 relatively well, in strong contrast to the crisis of 1873, and that their recovery after the crisis took so little time. It is seen that

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the surplus funds of the German banks compare quite favorably with the surplus funds accumulated in the most important branches of industry. It must, however, be borne in mind, that, like the industrial corporations, our banks have endeavored to accumulate so-called "silent reserves" in addition to the legally prescribed surplus funds as shown in the balance sheets. These "silent reserves" can be traced chiefly to the extremely cautious and conservative modes of valuing the assets of the institutions before the gross earnings are calculated.

The fairly steady progress of the former period (1848-1870) contrasts with the rapidity with which Germany's whole economic life and, with it, German banking are advancing in the present period, in about the same way as the speed of the mail coach of the times of the Holy Roman Empire of the German nation, contrasts with the flight of the modern automobile, which while it speeds along, overcoming all obstacles, corners, and surface difficulties, endangers at times both the innocent pedestrian as well as the occupants. Just as in the case of the automobile, so in the case of German banks, public safety and real progress are safeguarded only when the persons in charge combine great technical skill with the greatest virtue of persons in control, that of keeping within bounds.

Not only private but also public interests are at stake. With the power and the influence of the large enterprises grows also the responsibility of the managers, as well as the necessity of supplanting the indiscriminate choice of means by wise self-restraint of the leaders. It is not without significance that a distinction is made

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between banks proper and private banking concerns, and that the bank employees are spoken of as bank officials. They are, in fact, employees of enterprises which by reason of their functions and development "can not be regarded as purely private undertakings"⁴⁶⁴ and toward which the regulations of private law are becoming less and less applicable.

SECTION 6. THE CHARACTER OF THE BUSINESS MANAGEMENT AND BUSINESS DEVELOPMENT OF EACH OF THE GREAT BERLIN BANKS.

Before describing in the next chapter the concentration movement in German banking during the second period, I shall attempt to characterize summarily the particular methods of management and operations of each of the great Berlin banks, as shown in previous chapters, in connection with their various activities.

THE DEUTSCHE BANK.

1. The distinct merit of the management of the Deutsche Bank, which was founded only in the beginning of the second period, is that from its very inception is showed a clear insight both into the needs of the hour as well as of the more distant future. Accordingly its policy has been to make timely and proper provisions for these more distant needs, so that the bank was hardly ever taken unawares by unexpected happenings and in its actions and policies was almost never influenced by untoward developments. The bank was thus never compelled to make sudden changes in its policy, dictated by the pressing needs of the moment, and in all its activities presents a picture of safe, quiet, and steady progress.

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2. There are three main directions in which the above-mentioned qualities of management are brought out most clearly and brilliantly, and in which the Deutsche Bank has become a model for German banking as a whole:

(a) The Deutsche Bank, immediately after its creation, adopted as an integral and essential feature of its banking policy, the systematic fostering of the deposit business through the establishment of deposit offices, (which numbered 74 at the end of 1908), thereby effecting the concentration of a part of the available funds of the nation in the credit banks for productive investments and uses.

The amount of its deposits increased from 4,800,000 marks at the end of 1871 to 74,800,000 marks in the year 1894 and reached the total of 779,500,000 marks at the close of 1908.

(b) It was first among the banks to recognize the necessity for the German credit banks, of following a systematic industrial policy, and immediately upon recognition of this necessity it took the proper practical steps in line with its new policy.

In the year 1897 a community of interests formed simultaneously with the *Bergisch-Märkische Bank* in Elberfeld and with the *Schlesischer Bankverein* in Breslau, both of which had long been active in the chief industrial districts of Rhineland-Westphalia and Silesia, secured to the Deutsche Bank, with one stroke, a firm foundation for permanent industrial connections in these districts.

(c) Although other banks had made scattered efforts along the same lines, the Deutsche Bank was the first to recognize the need of a systematic fostering of industrial exports by the German credit banks and proceeded to lend

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its support to that policy with an energy undaunted either by difficulties or occasional failures. Soon after its creation it established branches in Bremen, Hamburg, and London, followed later by the creation of subsidiary companies in foreign countries or for the foreign trade, such as the *Deutsch-Amerikanische Treuhand-Gesellschaft*, (1890) the *Deutsche Ueberseeische Bank* (1890), the *Deutsch-Ostafrikanische Bank*, (1904-5), the *Central-Amerika-Bank* (1905), and the *Mexikanische Bank für Handel und Industrie* (1906).

The same and even larger purposes were served by the founding of the *Anatolische Eisenbahn-Gesellschaft* (1889), the *Betriebsgesellschaft der Orientalischen Eisenbahnen* (1889), the *Bank für Orientalische Eisenbahnen* (1891), the *Kaiserl. Ottomanische Eisenbahngesellschaft* (1903), the *Bagdad-Bahn* (1903), and the *Deutsch-Ostafrikanische Bank* (1904-5).

In all its activities abroad the Deutsche Bank was governed by the viewpoint which I endeavored to express in another part of this book (Sec. 7) in the words: "The skirmishes of the political advance posts are fought out on financial ground" (*Die politischen Vorpostengefechte werden auf finanziellem Boden geschlagen*). This is shown best by the bank's activities in Turkey, in the case of the Anatolian and the Bagdad railways, etc.

It was the above-mentioned lines of policy which caused the Deutsche Bank (as we shall see in the next Part, IV) to develop a strong tendency toward concentration, particularly by decentralizing its operations. In this connection the bank quite frequently and successfully availed itself of opportune moments for prompt

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and energetic action, even at times when other banks preferred to follow a cautious and waiting policy. For instance, on the same day when the business and banking world was shocked by the news that the Leipziger Bank had closed its doors the Deutsche Bank announced the opening of a branch in Leipzig.

The beginnings of concentration date back to the seventies, when the Deutsche Bank participated in a number of bank liquidations, which will be discussed in detail later on. This action proved the source of considerable profits, and, what was more important, resulted at the same time in the gain of a large clientele of the first order in various sections of the Empire. It also gave the bank an opportunity to obtain a firm foothold in southern Germany by founding in Frankfort-on-the-Main, one of the leading financial centers, a branch of its own on the ruins of the *Frankfurter Bankverein*.

By constantly extending the network of communities of interest and by the conclusion of friendly agreements (*Freundschaftsverträge*) on the basis of the "most-favored treatment," it steadily increased the concentration and through it extended its sphere of activity and influence. With each further phase of concentration the bank also increased the domain of its current-account, bill, contango, acceptance, and emission business. This can be seen very plainly from a comparison of the table below (p. 480), which shows the earnings from its various lines of business, with the table showing the progress of concentration (Appendix VII). The bank recognized from the very beginning, even while it was

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planning large activities abroad, that the fostering of the deposit and the regular business must always constitute the backbone of a German credit bank, and it took no step in its concentration development which did not involve also a vigorous advancement in this direction.

The systematic development of its industrial policy began with the "bold move" of 1897. During the first two decades, however, the bank did little or nothing toward extending its industrial connections through the founding or transforming of industrial enterprises. At that time it sought to improve these connections rather through expanding its current-account and acceptance business. When in 1890 it followed the example of the other banks by founding the *Deutsch-Oesterreichische Mannesmannröhrenwerke* (German-Austrian Mannesmann Tube Works), this "step from its straight path" did not prove profitable.

Since the nineties, however, the German Bank has shown but little difference from the other banks as regards its industrial, founding, transforming, credit, and emission business,⁴⁶⁵ although, generally speaking, it shows far less activity than the other banks in the field of industrial promotion proper. It was only recently that it entered upon this line of activity on a large scale by financing, with apparent success, a number of petroleum companies. (See above, p. 418 and following.)

It should be said that the Deutsche Bank was also in advance of most other banks, in adhering the more strictly to the principles of distribution of risk and liquidity of resources the more it extended its sphere of activity.

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Increases of capital for the purpose of restoring the liquidity of its resources were never resorted to at a time when the liabilities had already grown to dangerous proportions as compared with the liquid assets of the institution, but were secured beforehand, when such an unfavorable change was to be reasonably expected as the natural consequence of the normal growth of business. Such increases often proved unpleasant surprises to stockholders and speculators, causing unjustified apprehension of decreased earnings.

As a result of the mutually interdependent business policies described above, the Deutsche Bank has shown a greater steadiness in the development of its dividends as well as its surplus funds than any other bank. This is proven by the table below, taken from the report of its operations for 1908. Its surplus funds, as shown in its balance sheets (exclusive of the no doubt considerable "silent reserves"), amount at present to 51 per cent of the capital stock of 200,000,000 marks, the latter having grown from an original capital stock of 15,000,000 marks in 1870.

With reference to earnings from the current business and the extent of its oversea business, the Deutsche Bank takes first rank. Its acceptance account as a result of its large oversea business often reached proportions which were deemed excessive in some quarters. The bank undertook the underwriting and emission on a large scale of German state and communal loans. It had a leading part in the emission, among others, of the loans of the following states: Argentina, Bosnia, Bulgaria, Chile,

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China, Mexico, Spain, and Turkey (for particulars see Append. V and VI). It took up in their entirety the German and Prussian loans of 1899, amounting altogether to 200,000,000 marks.

The bank repeatedly suffered losses through the speculations of the managers of its branches and *commandites*; thus in 1882 through the speculations of the managers of its New York commandite, in 1897 through the speculations of the manager of an exchange office (*Wechselstube*) of the Hamburg branch, and in 1891 through the speculations and embezzlements of a Berlin official, which necessitated a writing off of 1,000,000 marks. The losses in the current-account business have been relatively small, and in view of the large surplus have had no appreciable effect on the bank.

On the other hand, like the other banks, it had to write off repeatedly serious losses on account of participations and industrial business. Under this head fall the losses due to the liquidation of its early branches in Shanghai and Yokohama, of its commandites in New York and Paris; the Argentine participations and emissions, the *Deutsch-Amerikanische Treuhand-Gesellschaft* (German-American Fidelity Company), the Mannesmann-undertaking; also losses occasioned through its participations and connections in the United States, especially with the American railways, such as the Northern Pacific Railroad Company. The successful reorganization of this road is due primarily to the energy and sagacity of the Deutsche Bank.

The standing which the German mark bills attained in foreign markets, and which constituted the first stage

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in the increasing independence of our export trade from foreign intermediaries, is primarily the work of the Deutsche Bank and in the second place that of the Disconto-Gesellschaft.

The German Bank participated and as a rule took a leading part in all the joint enterprises of the large banks, initiated for the advancement of the foreign and especially the oversea relations of Germany, as, for instance, in the founding of the *Deutsch-Asiatische Bank* (1889), the *Banca Commerciale Italiana* (1894), the *Banque Internationale de Bruxelles* (1898), the *Schantung-Bergbau und Eisenbahn-Gesellschaft* (1899), the telegraph and cable companies of the years 1898 to 1908, and the *Kamerun-Eisenbahngesellschaft* (1906).

The following table shows in detail the development of the Deutsche Bank:

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Statistical review of the develop

End of calendar year—	Cash, coupons, bills, bank credits, con-tango, treasury bills and securities.	Credits on current account and deposits.	Debits on current account, advances on merchandise, etc.		Acceptances.
			(a) Secured.	(b) Unsecured.	
	<i>Marks.</i>	<i>Marks.</i>	<i>Marks.</i>	<i>Marks.</i>	<i>Marks.</i>
1870....	5,680,689	2,352,265	3,237,181	2,158,120	2,463,740
1871....	22,739,225	22,922,080	11,742,210	7,828,140	7,600,918
1872....	41,602,899	38,671,172	27,842,441	18,293,382	23,512,090
1873....	72,854,311	50,727,055	25,184,925	12,487,373	30,269,944
1874....	81,435,860	56,977,289	17,521,326	17,447,623	37,614,960
1875....	72,117,806	43,547,190	24,555,468	17,091,166	42,475,164
1876....	110,373,161	96,454,424	35,312,592	16,328,058	41,038,337
1877....	65,103,158	41,546,656	41,310,408	13,400,531	38,836,891
1878....	73,577,426	48,471,197	42,776,959	13,117,797	44,032,363
1879....	92,679,843	68,585,210	56,035,000	14,178,119	48,205,643
1880....	85,896,970	63,938,491	49,490,850	16,349,525	45,834,592
1881....	110,913,709	92,471,665	64,282,435	21,235,646	54,216,214
1882....	106,236,471	84,705,101	66,649,401	19,184,402	46,140,476
1883....	129,277,138	107,724,165	80,060,464	28,096,181	69,048,298
1884....	149,917,199	122,280,372	85,725,618	36,503,597	83,658,784
1885....	164,517,101	132,414,350	91,567,601	27,876,166	80,942,605
1886....	159,531,662	137,809,036	91,567,364	26,820,749	82,753,414
1887....	175,801,987	159,040,048	95,685,222	30,173,948	88,821,789
1888....	208,419,928	185,939,718	106,626,950	42,527,464	93,912,184
1889....	217,646,924	217,322,621	139,041,615	40,600,115	105,801,771
1890....	234,758,079	203,247,700	115,164,961	34,061,711	101,076,473
1891....	248,828,238	200,297,992	86,918,718	28,086,866	85,007,988
1892....	252,553,545	205,848,449	103,378,662	29,898,397	96,093,677
1893....	247,762,714	214,453,616	105,769,429	36,691,151	96,325,332
1894....	285,869,072	250,630,525	110,958,904	33,983,676	93,865,465
1895....	296,959,088	295,845,950	177,124,944	46,937,481	122,496,507
1896....	314,997,810	287,217,599	154,761,993	45,006,718	116,646,487
1897....	378,777,898	359,718,954	182,405,232	58,666,995	130,511,769
1898....	436,939,357	444,068,368	203,112,894	61,992,295	128,340,214
1899....	453,857,134	479,947,211	232,196,609	72,764,087	141,883,555
1900....	486,153,982	531,166,114	244,553,839	71,806,556	141,131,301
1901....	573,593,263	630,259,107	254,245,936	72,492,174	142,420,917
1902....	674,679,032	720,476,427	264,996,941	71,060,603	145,301,506
1903....	722,163,979	789,374,381	314,525,405	77,324,283	179,808,067
1904....	840,004,989	893,594,072	334,315,096	96,022,215	185,083,202
1905....	931,983,038	1,064,340,143	382,712,175	117,181,085	197,843,098
1906....	1,029,740,885	1,250,744,129	473,181,109	160,243,675	226,110,088
1907....	1,024,584,737	1,264,405,721	509,798,132	177,054,188	263,537,867
1908....	1,014,205,572	1,268,816,252	515,652,163	160,947,532	231,948,426

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ment of the Deutsche Bank.

Syndicate participations.	Capital stock.	Surplus. ¹⁰⁰	Dividends.	Aggregate turn-over during year.	End of calendar year—
Marks.	Marks.	Marks.	Per cent.	Marks.	
.....	15,000,000	36,215	5	239,342,864	1870
830,932	30,000,000	161,972	8	951,445,036	1871
1,738,834	45,000,000	703,611	8	2,891,276,883	1872
1,894,900		1,308,987	4	3,765,140,668	1873
1,090,216		2,341,569	5	5,509,149,588	1874
2,494,231		3,434,506	3	5,512,596,634	1875
1,720,608		4,411,581	6	7,132,497,077	1876
1,267,186		4,857,429	6	7,325,231,848	1877
3,798,113		5,472,928	6½	7,129,850,865	1878
2,939,071		6,646,742	9	8,834,737,806	1879
6,942,299		7,776,419	10	10,484,497,746	1880
14,375,726	60,000,000	9,354,059	10½	12,898,953,540	1881
14,740,480		13,816,131	10	12,054,513,781	1882
16,146,000		14,381,884	9	13,205,456,803	1883
11,302,239		15,309,710	9	15,650,971,110	1884
8,773,322		15,748,039	9	15,147,999,465	1885
20,886,257		16,212,611	9	16,180,649,366	1886
23,549,785		16,659,769	9	18,062,819,201	1887
21,493,311	75,000,000	23,108,580	9	23,381,792,352	1888
29,710,209		23,852,467	10	28,125,250,988	1889
29,734,251		24,600,094	10	28,304,126,996	1890
26,901,840		25,162,756	9	25,559,236,637	1891
20,799,573		25,592,561	8	25,331,274,743	1892
21,794,852		26,025,280	8	29,152,668,706	1893
13,847,627		26,590,882	9	31,617,185,805	1894
30,938,125	100,000,000	38,634,390	10	37,900,537,501	1895
33,882,758		39,651,027	10	35,497,085,015	1896
31,634,568	150,000,000	45,275,637	10	37,913,360,703	1897
35,868,442		46,458,129	10½	44,395,084,329	1898
31,527,497		48,049,218	11	50,770,285,211	1899
35,056,687		49,340,262	11	49,773,486,885	1900
35,505,516		50,642,845	11	51,815,610,701	1901
32,355,392	160,000,000	55,283,295	11	56,783,415,833	1902
33,058,426		59,030,455	11	59,640,106,144	1903
23,563,873	180,000,000	76,662,853	12	66,897,131,338	1904
35,367,911		78,398,560	12	77,205,585,347	1905
45,341,545	200,000,000	100,000,000	12	85,590,594,109	1906
53,427,886		101,831,917	12	91,611,054,053	1907
36,841,129		103,699,003	12	94,470,721,268	1908

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THE DISCONTO-GESELLSCHAFT.

The Disconto-Gesellschaft was founded at first as a *Kreditgesellschaft* (credit partnership) by the later-day Prussian Minister of Finance, David Hansemann, and in 1856 transformed into a *Kommanditgesellschaft auf Aktien* (limited stock company), under the firm name *Direktion der Disconto-Gesellschaft*. As we showed above, this bank, as early as the first period (1851-1870), took a leading part in the fostering of the current-account business and in the underwriting and emission of German state and communal loans and railway shares.

Until the year 1900, however, i. e., for nearly fifty years, this company apart from commandite participations adhered strictly to the policy of strict business centralization. It was only through the fostering and extending of over-sea relations that it came to establish in 1900 a branch in London. In 1901 the liquidation of the banking house M. A. von Rothschild & Sons in Frankfort-on-the-Main led to the opening of a branch in that city. During the second period it was prominently connected, as a member of the Rothschild syndicate, with all the underwriting and issue business conducted by this group, especially the state loans and the railway enterprises in Austria and Hungary, also with the issue of Russian, Roumanian, Chinese, and Japanese loans.

It fostered industrial relations even during the first period with relatively good success, though refraining as a rule from speculative excesses. In so far, however, as it permitted itself to be led into financing and managing industrial enterprises, it had to suffer the same, and at

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times, even worse experience than the other banks, as, for instance, in the case of the taking over of the *Heinrichshütte* (Heinrich Smelting Works) in 1857; the founding in 1872 and the subsequent development of the *Dortmunder Union*; the *Grosse Venezuela-Eisenbahn-Gesellschaft*, the *Internationale Druckluft- und Elektrizitäts-Gesellschaft* (Popp), founded in 1890, and the blasting works at the Iron Gate in Hungary taken over from the firm G. Luther. Between the years 1891-1894 the *Disconto-Gesellschaft* had to write off losses of about 10,000,000 marks on account of its industrial and other participations.

On the other hand, in 1873 it founded the *Gelsenkirchener Bergwerksgesellschaft* (G. Mining Co.), which became one of the most prominent concerns in the mining industry. Adolph von Hanseemann, who at that time was one of the general partners of the *Disconto-Gesellschaft*, and its most talented manager, became the chairman of the supervisory board of the new mining company. In this way the bank secured numerous connections with industrial undertakings and cartels. These connections became even more important when on January 1, 1905, a community of interests was formed between the *Gelsenkirchener Bergwerksgesellschaft*, the *Aachener Hütten-Aktien-Verein Rote Erde* (Aix-la-Chapelle Smelting Company Rote Erde) and the *Schalke Gruben- und Hütten-Verein* (Schalke Mining and Smelting Company).

The *Disconto-Gesellschaft* actively and successfully participated in the organization of the Rhenish-Westphalian Coal Syndicate, which was finally accomplished in 1893, after many grave obstacles had been overcome.

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In the eighties and nineties it effected a number of issues for the August Thyssen Mining and Smelting enterprises, especially the *Schalken Gruben- und Hütten-Verein* and the *Gewerkschaft Deutscher Kaiser*. In 1874 it participated in a syndicate formed under the leadership of the *Seehandlung* (the Prussian State Bank) for the underwriting and issuing of a 5 per cent loan of 10,000,000 thalers for the Krupp Works. This operation deserves special mention because, on this occasion, for the first time in Germany, the loan took the form of fractional bonds secured by blanket mortgage and provided for common representation of the holders of these bonds, which since then has become the common form of such obligations.⁴⁶⁷

The Disconto-Gesellschaft maintains close relations with the *Rheinische Stahlwerke* (since 1877), the Stumm Works in Neunkirchen, the *Aktiengesellschaft Gute Hoffnungshütte* (Gute Hoffnung Smelting Company) in Oberhausen, the *Bochumer Verein für Bergbau und Gusstahlfabrikation* (Bochum Mining and Cast Steel Manufacturing Company) and the *Kattowitzer Aktiengesellschaft für Bergbau und Hüttenbetrieb* (Kattowitz Mining and Smelting Company), the latter founded with a capital stock of 16,000,000 marks through the reorganization of the mining and smelting properties of the von Tiele-Winckler estate.

The Disconto-Gesellschaft through its connections with Herm. Schmidtman and the Schmidtman mining and other enterprises, especially the potash works in Aschersleben, stands in close relation to the potash industry. In the field of machinery construction it is closely related to the Schichau ship yards in Elbing and Danzig, the Henschel Machine Works in Cassel, the Saxon Machine

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Works (formerly Richard Hartmann) in Chemnitz, the Berlin Machinery Construction Company (formerly L. Schwartzkopff) and the machine and milling machinery works of G. Luther in Brunswick.

The Disconto-Gesellschaft has always taken a prominent interest in the business operations of the Ludwig Loewe Company and in all the enterprises founded by this company, a managing partner of the Disconto Bank serving on the supervisory board of each of these undertakings. Thus it participated in the administration and the security issues of the *Deutsche Waffen- und Munitionsfabriken* (German Arms and Ammunition Works) in Berlin and Karlsruhe, the *Union-Elektrizitäts-Gesellschaft* (Union Electric Company), which took over the electrical department of the Ludwig Loewe Company, the *Gesellschaft für Elektrische Unternehmungen* (Corporation for Electrical Enterprises), etc.

It also cooperated in a large number of stock and bond issues of the firm of Siemens & Halske.

In the sphere of insurance it maintains close relations to the *Aachener und Münchener Feuerversicherungsgesellschaft* (Aix-la-Chapelle and Munich Fire Insurance Company), the *Lebens- und Feuerversicherungsbank* (Life and Fire Insurance Bank) in Gotha, the *Lebensversicherungsgesellschaft Nordstern* (Northern Star Life Insurance Company), which was organized in 1881 in Berlin, etc. It participated in the financing of minor and secondary railways (*Klein- und Nebenbahnen*) only through its close relations to the *Westdeutsche Eisenbahn-Gesellschaft*.

In the sphere of real estate business proper the Disconto-Gesellschaft participated only occasionally, assisting in the parcelling of some land tracts.

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In more recent times the Disconto-Gesellschaft developed an energetic activity in the petroleum field. (See above, p. 418 and following.)

Finally, the Disconto-Gesellschaft has been very active in the sphere of mortgage and agricultural credit. In 1864 it participated in the founding of the *Erste Preussische Hypotheken-Gesellschaft* (First Prussian Real Estate Mortgage Company), which was later (Mar. 4, 1870) taken over by the *Preussische Zentral-Bodenkredit-Aktien-Gesellschaft*; and in 1895 in the organization of the *Landbank*, which was intended to encourage domestic colonization and to promote German landed interests and agriculture in the eastern provinces. The presidency in the supervisory board of the new institution was taken by the managing partner of the Disconto-Gesellschaft, Ad. von Hansemann.

The picture so far presented of the industrial and kindred activities of the Disconto-Gesellschaft, while unusually varied and animated, does not, however, vary materially from the general picture of the activity of the other great banks in the same field.

As regards concentration the Disconto-Gesellschaft, as we shall show later in greater detail, was active as early as 1871, when it organized the *Provinzial-Disconto-Gesellschaft* in Berlin, which in turn became the parent institution of a large number of other provincial discount banks. We shall explain later the reasons why this first step necessarily failed. The failure caused the Disconto-Gesellschaft to refrain for a long time from founding any subsidiary institutions. It was only in 1880 (Feb. 13) that the Disconto-Gesellschaft participated in the reconstruction of the *Handels- und Plantagen-Gesellschaft* (Com-

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mercial and Plantation Company) of Samoa, more particularly in the organization of the *Neu Guinea-Kompagnie* and in the preliminary negotiations during the years 1883 to 1885. By assuming certain obligations this company, on May 17, 1885, obtained a special charter giving it the rights of territorial sovereignty; also the exclusive privilege to acquire landed property.

These activities were followed in rapid succession by the organization of the *Brasilianische Bank für Deutschland* (Brazilian Bank for Germany) in 1887, the establishment of *commandites* in Buenos Aires and Antwerp (1890), the founding of the *Bank für Chile und Deutschland* (1895), the *Banca Generala Romana* (1897), the *Otavi-Minen- und Eisenbahn-Gesellschaft* (Otavi Mining and Railway Company) (1900), the *Banque de Crédit in Sophia* (1905), the *Deutsch-Ostafrikanische Bank*, and the *Deutsche Afrika-Bank* in 1905. Aside from this, the Disconto-Gesellschaft participated in all the enterprises undertaken jointly by the large banks, thus, in the founding of the *Deutsch-Asiatische Bank* (1889), the *Banca Commerciale Italiana* (1898), the two Shantung companies (1899), the telegraph and cable companies (1898-1908), and the *Kamerun-Eisenbahn-Gesellschaft* (1906).

From what has been said it appears that the special characteristics of the Disconto-Gesellschaft were the extensive and far-sighted assistance rendered by it to industrial exports, as well as to all foreign, particularly oversea commerce; also the fostering of the regular banking business, especially the current account business, begun in the first period and developed with great skill and success during the second period.

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The results in the various lines of operations, while very considerable, are not so steady as those of the Deutsche Bank. This is particularly brought out in the presentation, by ten-year periods, of the current account figures, as found in the jubilee report (1901) of the Disconto-Gesellschaft.

During the first nine years (beginning with 1852) the debits on current account amounted to 32,000,000 marks in round numbers. At the close of the decade they showed a decline in 1869 to about 29,000,000 marks, though rising again in 1870 to 30,500,000 marks.

The next decade since 1871, starts with the greatly increased figure of nearly 93,000,000 marks; at the close of 1880 the amount had fallen again to 49,000,000 marks. In the decade following we see the figures rapidly rise from 53,000,000 marks in 1881 to 112,000,000 marks in 1885, and then again decline to 82,500,000 marks in 1890.

Beginning with 1901, however, we find, with the exception of a few small interruptions, an almost steady growth of the debits on current account, which reached a total of 294,000,000 marks at the close of the fiscal year 1908.

The figures of credits in current account show a similar fluctuation. In 1860 they were about 13,000,000 marks, in 1865 they had fallen to 10,500,000 marks, while the closing year of the decade, 1870, showed a decided increase to 39,000,000 marks. In 1877 the amount had declined to 29,000,000 marks, in 1880 it had risen to 55,000,000 marks, and in the next decade, in 1885, again the maximum figure up to that time was shown, namely, 154,000,000 marks, which, however, declined at the close of the decade (1890) to 90,000,000 marks.

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Similarly, beginning with 1891, and with much smaller fluctuations than before, a steady growth of the credit figures is shown, the statement for December 31, 1908, indicating a total of credits on current account of 235,000,000 marks.

In the discussion of the deposit business we gave the reasons why the deposit business of the Disconto-Gesellschaft showed similar and at times even greater fluctuations. We may disregard the first period because at that time, as we have shown (p. 73), there was no systematic fostering of the deposit business.

In 1870 the total deposits amounted to 3,500,000 marks only.

The new period begins, however, with 15,000,000 marks deposits (1870), which rapidly grew to nearly 65,000,000 marks in 1873, but dropped to 10,000,000 marks in 1880. Similar fluctuations occurred in the following decade, which began in 1881 with 20,000,000 marks. By 1887 the amount had declined to 8,000,000 marks, while at the close of the decade (1890) a total of 36,500,000 marks was reached. The next decade again starts with only 17,000,000 marks, but, beginning with 1895, when the Disconto-Gesellschaft, with the view of systematically fostering the deposit business, opened deposit offices, the amount increased steadily to 48,000,000 marks in 1900. According to its 1908 statement, in which, however, the deposits are calculated in a different manner, (p. 207), the deposits of the Disconto-Gesellschaft amounted to 218,500,000 marks.

Similar fluctuations are observed in the case of the commissions, which in 1870 amounted to about 1,000,000

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marks. From 1,333,000 marks in 1871 they increased to 4,660,000 in 1872, declined to 1,500,000 in 1876, rose to 4,500,000 in 1900 and to 6,500,000 marks in 1908.

The dividends on the commandite capital of the Disconto-Gesellschaft in the second period (those of the first period were shown on p. 68) were as follows:

Year.	Per cent.	Year.	Per cent.	Year.	Per cent.
1871.....	24	1884.....	11	1897.....	10
1872.....	27	1885.....	11	1898.....	10
1873.....	14	1886.....	10	1899.....	10
1874.....	12	1887.....	10	1900.....	9
1875.....	7	1888.....	12	1901.....	8
1876.....	4	1889.....	14	1902.....	8½
1877.....	5	1890.....	11	1903.....	8½
1878.....	6½	1891.....	8	1904.....	8½
1879.....	10	1892.....	6	1905.....	9
1880.....	10	1893.....	6	1906.....	9
1881.....	11½	1894.....	8	1907.....	9
1882.....	10½	1895.....	10	1908.....	9
1883.....	10½	1896.....	10		

There is no other German credit bank whose annual dividends ever came near the dividends of 24 and 27 per cent, which the Disconto-Gesellschaft was able to distribute in the years 1871 and 1872.

The capital stock of the Disconto-Gesellschaft on December 31, 1908, amounted to 170,000,000 marks, while the surplus amounted to 57,500,000 marks, or 33.88 per cent of the capital stock.

The manner in which the current banking business of the Disconto-Gesellschaft has increased is illustrated statistically in its Jubilee Report of 1901 (p. 25) by the amount of correspondence carried on in this branch of business.

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Year.	Letters received.	Letters sent.
1852.....	6,135	6,292
1870.....	85,800	87,513
1880.....	204,877	208,240
1890.....	341,318	452,166
1900.....	533,102	626,043

The Disconto-Gesellschaft from the start was prominently connected with the Prussian Syndicate and subsequently with the Rothschild Syndicate, thus participating in the Prussian, Austrian, and Hungarian state loans. It was likewise a member of the syndicate organized for handling the Russian and Italian state loans and those of the German Empire. It took a leading part in the financial operations of the Chinese Government and participated to a very large extent in the issue of Brazilian and Argentine loans. It was also the leading member of the bank syndicate which handled the various Roumanian state and railway loans (for particulars see Append. V. and VI).

In reviewing the activities of the Prussian and the Rothschild syndicates as well as the other great international financial operations of the German banks during the second period, the jubilee volume of the Disconto-Gesellschaft contains the following remarks: "The small proportion of failures in carrying out the numerous enterprises of the last half of the nineteenth century * * * is a lasting glorious testimony to the honest and efficient management of the financial business of this period." A considerable part of this fully deserved praise may be claimed by the Disconto-Gesellschaft.

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THE DRESDNER BANK.

The Dresdner Bank, which was founded in 1872 and in 1881 transferred its center of activity to Berlin, by the establishment of a branch there, claims our special interest in a number of directions.

It achieved remarkable success in the deposit business within an unprecedentedly short period, although it was not until 1896 that it followed the example of the Deutsche Bank in establishing deposit offices. At the close of 1908 it was conducting an extensive deposit business by means of its 16 branches and 44 deposit offices.

Its deposits grew within less than twenty years from less than 3,000,000 marks in 1875 to 94,000,000 at the end of 1894, and reached an aggregate of 224,000,000 marks at the close of 1908, or fifteen years later. It thus overtook the Disconto-Gesellschaft in this branch of business, although the latter had been in this field a much longer time.

In the same rapid and brilliant manner it managed to develop its regular business, the first extensive increase of which, just as in the case of the Deutsche Bank, dates back to the seventies, when it participated in the liquidation of 4 Saxon banks. Its further growth is due largely to the founding of branches, the absorption of a large number of banks and private banking concerns, and the establishment of numerous communities of interest. Its branches numbered 16 at the close of 1908, this being the second largest number for any German bank. It also managed to secure a strong foothold in southern Germany by taking over in 1904 the banking house von Erlanger

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& Sons at Frankfort-on-the-Main with its extensive ramifications, in the place of which it established a branch of its own. In the same year it secured a large clientele among the membership of the mutual credit societies by taking over the *Deutsche Genossenschaftsbank Sörgel, Parrius & Co.* For this new business it established a special mutual credit department.

The credits on current accounts rose from 4,000,000 marks in 1873 to 95,000,000 marks in 1894 and 371,000,000 marks in 1908; the debits from about 9,000,000 marks in 1875 to about 95,000,000 marks in 1894 and 445,000,000 marks in 1908. As a result of great alertness and liberal commission and interest terms, the bank succeeded in securing a large number of customers wherever it obtained a footing, first among the circles of Saxon industry, and soon after among wider circles. Its clientele increased considerably through the absorption in rapid succession of a number of banks and private banking houses, and later through the entering of community-of-interest relations with other banks in Rhineland-Westphalia and in Silesia, by following the example of the Deutsche Bank. The number of industrial undertakings, for which it acts as fiscal agency (*Zahlstelle*), is exceeded only by that of the Deutsche Bank.

Since 1892 it also undertook the systematic promotion of foreign and oversea business, by establishing, just as the Deutsche Bank, though not in the same order of time, branches in Hamburg (1892), where it absorbed the *Anglo-Deutsche* Bank, next in Bremen (1895) and finally also in London (1901).

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Moreover, as early as 1889 it participated in the formation of the Anatolian Railway Company and the Company for the Operation of Oriental Railways (*Betriebsgesellschaft der Orientalischen Eisenbahnen*), of the *Deutsch-Asiatische Bank*, and the *Deutsch-Afrikanische Bank*. In 1891 it took part in the foundation of the *Bank für Orientalische Eisenbahnen*, in 1894 in the organization of the *Banca Commerciale Italiana*, in 1899 in the establishment of the two Shantung companies, and during the period 1898-1908 in the organization of the *Deutsche Telegraphen-Gesellschaften und Kabelwerke*, in the establishment of the *Deutsch-Westafrikanische Bank* (1904-5) and of the *Kamerun-Eisenbahngesellschaft* in 1906.

About the end of 1905, jointly with the A. Schaaffhausen'scher Bankverein (with which it had entered in 1903 into community-of-interest relations, now practically dissolved) and the Nationalbank für Deutschland, it established the *Deutsche Orientbank*, and about the same time, in conjunction with the first-named institution, the *Deutsch-Südamerikanische Bank*.

It also promoted and fostered with growing success the over-sea "rembours" business (see p. 428), without, however, attaining in this field, as well as in the general field of international connections, nearly as favorable results as the Deutsche Bank or the Disconto-Gesellschaft.

In various ways it sought to extend its continental foreign connections. Thus, with the view of promoting business in Austria-Hungary, it entered into close relations with a number of Vienna banks. In order to gain a foothold in the Italian and Swiss markets, it participated in the foundation of the Banca Commerciale

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Italiana and founded the stock company Speyr & Co. in Basle.

In the field of "minor," i. e., urban and interurban railway enterprises (*Kleinbahn-Unternehmungen*) the Dresdner Bank manifested considerable activity by founding the Central Bank for railway securities (*Centralbank für Eisenbahnwerte*) and the Continental Railway Construction and Operation Company (*Kontinentale Eisenbahnbau- und Betriebsgesellschaft*) in Berlin; also by participating in the Orenstein & Koppel Works for field and "minor" railways. In 1898 it took a prominent part in the formation of the Central Bank for railway securities (*Centralbank für Eisenbahnwerte*), a trust company, which issues bonds of its own on the basis of Austro-Hungarian and German railway securities acquired by it. Since 1909 it has been financially interested in the Orenstein & Koppel Works for field and "minor" railways, Berlin, amalgamated with and successors to the former firm Arthur Koppel.

According to Otto Jeidels (*op. cit.*, p. 137), the number of industrial emissions under the auspices of the Dresdner Bank for the years 1895-1903 compares as follows with those of the other great banks: Dresdner Bank, 220; A. Schaaffhausen'scher Bankverein, 187; Berliner Handelsgesellschaft, 170; Disconto-Gesellschaft, 151; Deutsche Bank, 150; Darmstädter Bank, 148.

In the electro-technical industry the Dresdner Bank from the very beginning participated jointly with the Disconto-Gesellschaft and the Darmstädter Bank in the firm Ludwig Loewe & Co. and its subsidiary companies. After the absorption by the *Allgemeine Elektrizitäts-*

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Gesellschaft of the *Union-Elektrizitäts-Gesellschaft*, one of the Loewe creations, the bank became a member of the A. E. G. syndicate.

The bank from the outset maintained and fostered close relations to the bourse. It is this circumstance and the peculiar composition of its security holdings which caused the oftentimes undeserved criticism that this bank, more than any other great bank, showed speculative tendencies. It was also pointed out that the bank had considerable participations in gold-mining enterprises and that its debit accounts were at times largely composed of acceptances for which the bank stood sponsor. Fault was found occasionally also with the extensive participations of the bank in real estate corporations, though its operations in this field were always effected with great skill and success. The Dresdner Bank owned considerable real estate in Wilmersdorf (Berlin), was interested in the Moabit (Berlin) and the Hanover real estate companies (*Moabiter Terrain-Gesellschaft, Hannoversche Immobilien-Gesellschaft*); also in the Park Witzleben (Berlin) Real Estate Stock Company. It founded in 1893 the Berlin Real Estate Company (*Berlinische Boden-Gesellschaft*) and in 1898 the Kurfürstendamm Real Estate Company (*Boden-Gesellschaft Kurfürstendamm*). Among its larger losses there figures one of about 2,500,000 marks, caused to its Hamburg branch through engagements with the export and storehouse company J. Ferd. Nagel, which engagements, however, had been acquired from the Anglo-Deutsche Bank.

The bank distributed the following dividends:

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Year.	Per cent.	Year.	Per cent.	Year.	Per cent.
1873.....	1.5	1885.....	7.5	1897.....	9
1874.....	6	1886.....	7	1898.....	9
1875.....	5	1887.....	7	1899.....	9
1876.....	5.5	1888.....	9	1900.....	8
1877.....	6.5	1889.....	11	1901.....	4
1878.....	7	1890.....	10	1902.....	6
1879.....	9	1891.....	7	1903.....	7
1880.....	9	1892.....	7	1904.....	7½
1881.....	9	1893.....	5.5	1905.....	8½
1882.....	8	1894.....	8	1906.....	8½
1883.....	8	1895.....	8	1907.....	7
1884.....	7.5	1896.....	8	1908.....	7½

A gratifying percentage of these dividends is derived from the profits yielded by the regular or current business.⁴⁶⁸

The share capital of the Dresdner Bank has been raised nine times from 9,600,000 marks in 1872, the year of its foundation, to 70,000,000 in 1904, the first increase taking place as early as 1878. In 1909 its share capital amounted to 180,000,000 marks (increased to 200,000,000 marks by 1910) while its reserves totaled 51,500,000 marks—that is, 28.61 per cent of the share capital.

The bank took a large part in the underwriting and emission of securities. In the international issue field it succeeded particularly in the emission of Mexican railway loans; it also participated, jointly with the Darmstädter and other banks in the emission of Portuguese securities. (See App. V and VI.) During most years, however, it managed to keep its syndicate participations within moderate limits. On the other hand, its security account shows large holdings of industrial shares, which were often used rather skilfully to support its industrial policy.

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On the whole it may be said that the Dresdner Bank has succeeded in very short time in gaining the permanent favor of a large clientele because of the skill and alertness of its management.

THE DARMSTÄDTER BANK.

Among the great banks the Darmstädter Bank during the first, and largely also during the second period took special care in guarding most carefully the liquidity of its resources and the principle of the distribution of risk, at times even refusing to engage in operations that might impair in any way the liquidity of its resources. If engagements of this sort were unavoidable, it showed the utmost endeavor to liquidate as soon as practicable its long-term engagements. This was the reason why soon after its foundation it passed quite successfully the crisis of 1857, and was able during that time to render effective aid both to its clients as well as to various corporations and other banks.

From the outset its reports contained many more particulars regarding its operations than those of almost any other bank. This is especially true of the information—given regularly up to 1900—regarding the composition of its security holdings and its syndicate participations.⁴⁶⁹

It was shown before that during the first period it took a most prominent part in the construction of the German private railways, in the underwriting of a large number of state and communal loans, and in promoting the rapidly developing industry. It may be said that during the first period, and to a large extent even in the beginning of the second period, it was almost exclusively a bank for

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industrial promotions and only to a small extent a bank for the emission of state, communal, and railway securities. During the first epoch the bank, or at least its central office, made but few systematic efforts to develop its current-account business. Its industrial connections originated during those years mainly from its emissions of industrial securities, mainly industrial shares, which the bank from the outset retained in large blocks, thus preserving a permanent influence on the administration of the enterprises. This policy, while frequently the cause of heavy losses, on the other hand enabled the bank to keep a constant watch over those industrial undertakings which it had founded or transformed into stock companies. We showed above that during the single year 1856 it founded seven industrial companies, in which it retained a permanent participation extending to about one-third of the entire share capital, or about 800,000 florins. Since these holdings resulted not from emissions, but from promotions, it may be said that it engaged designedly in entrepreneur activity, the risks of which, it is true, were somewhat lessened by its continuous regard for the liquidity of its resources, but which, nevertheless, were quite apparent.

Neither did it make systematic efforts to foster the deposit business during the first period and even during a considerable part of the second period, for general reasons similar to those which are stated in the 1850 report of the Schaaffhausen'scher Bankverein. (See pp. 73 and 74.) The bank proposed to carry on its business, as far as practicable, with its own means, and in the interest of the safety of the institution did not regard it expedient

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to "bring about an increase of deposits by holding out more attractive terms." It was shown, however, that in the beginning of the second period its deposits amounted to about 11,000,000 florins, as against only 2,000,000 marks in the case of the Disconto-Gesellschaft and about 2,500,000 marks in the case of the A. Schaaffhausen'scher Bankverein. This relatively large amount most likely resulted from its close connections with various railway companies, such as the Hessian Ludwig Railroad Company, and from the credits on current account of large corporations and firms.

It was only in 1900, or much later than the other banks, that the Darmstädter Bank resolved upon the founding of deposit offices and thus upon a systematic fostering of the deposit business. But meanwhile the other banks had gained a considerable start and secured a growing number of permanent and reliable investors for the securities emitted by them and, what is more important, an ever-enlarging circle of current-account depositors.

To the credit of the bank it may be stated that it refrained from issuing long-term bank obligations. The charter of the Darmstädter Bank, following the model of the *Crédit Mobilier*, provided for the issue of such bank obligations which, secured indirectly by the newly created industrial enterprises, were to combine the scattered small capitalist forces in the launching of large enterprises.

The Darmstädter Bank as a rule kept aloof from excessive speculative dealings, except in a few cases, when it was subjected to particularly vehement criticism. Thus during the first period it lost heavily, having like many

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other banks become involved in speculative contango and share transactions, which about the same time, i. e., in 1857, were compensated by improper profits from the trading in its own scrip (*Berechtigungsscheine*), the so-called *Darmstädter Enkel*.⁴⁷⁰

Even during the earlier period the bank took a considerable part in the foreign business in Italy, Belgium, and more particularly in Austria-Hungary, where in the beginning of the sixties, jointly with the Rothschilds and the Kreditanstalt, it had engaged in Austrian state and railroad finance operations, though joining the Rothschild syndicate only some time later. As a result of these and similar financial operations it felt constrained as early as 1855 to have its capital of 10,000,000 florins fully paid up (only 4,000,000 florins having been paid in up to that time), and to increase it to 25,000,000 florins in 1856. On the other hand, in 1857, when, according to the by-laws adopted, the capital was to undergo a further increase to the maximum of 50,000,000 florins, the increase was effected only to the infinitesimal extent of additional 46,000 florins, a larger issue being headed off by the crisis of that year.

The function of its offices in Frankfort-on-the-Main (agency opened in 1854) and in Mainz (branch opened in 1854) was to foster more largely than could be done by the central office in Darmstadt the bill and draft business and especially the current-account business. Until the eighties and even later the bank was extremely conservative in granting acceptance credit, so much so that during the middle of the seventies the acceptance obli-

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gations of the Berlin office and of the branch at Frankfurt-on-the-Main amounted to only a few million florins.

For the promotion of domestic and more especially foreign business relations, a large number of *commandites* were founded, which did not, however, justify expectations, as they proved to be in advance of the time.

As early as 1854 the first commandite in New York was formed with the firm G. vom Baur & Co., in 1857 the first commandite in Paris, and in 1867 a commandite in Vienna with the firm Dutschka & Co. The establishment of other commandites was planned in London, St. Petersburg, Prague, and even in Smyrna and Constantinople, but these plans failed of realization partly because of the unpropitious times, partly also because of legal difficulties. At all events the Darmstädter Bank may claim to have proceeded first designedly in this field in accordance with the program laid down in its very first report for the year 1853, which stated among others "that the bank's organs both at home and abroad were to facilitate the export trade as well as the innumerable relations of German industry to the money market."

How far-reaching the plans of some people were even in those early days may best be seen from the fact that in 1856 two of the founders and members of the supervisory council of the Darmstädter Bank—Gustav V. Mevissen and Abraham Oppenheim—quite seriously sounded the Disconto-Gesellschaft whether it would not be advisable to organize jointly a central bank for foreign commandites with a capital of about 100,000,000 thalers, whose function it should be "to prevent in the future the scattering of the capital of those German banks which strove after foreign

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commandite connections and to bring about the most competent possible representation of their interests.”⁴⁷¹

With the view of decentralizing its business, the bank from the early years until the nineties preferred the commandite system to the establishment of branches. This is largely accounted for by the unsatisfactory experience it had had with some of its branches founded about the end of the fifties and the beginning of the sixties. In 1863, “in order to reduce the number of institutions whose operations might lead to direct commitments of the bank,” it thought it necessary to transform its branch at Mainz into a commandite. It was only in 1890 that it parted with this principle by opening a branch at Hanover, shortly afterwards followed by another in Strassburg (in Alsace). At that time it still had 8 commandites in Heilbronn, Mainz, Dresden, Halle, Mannheim, Bucharest, Berlin, and Neustadt, while in 1909 this number had fallen to 3.

The average rate of dividend for the period 1854–1862 was $6\frac{3}{4}$ per cent.

Between 1863–1872 the bank took over independently many German and foreign, including several Russian and Italian state bond issues, and participated in other similar transactions. Its main activity, however, consisted in the financing and the construction of the German and Austro-Hungarian railway systems, among others the financing of the Gotthard Railway. During that period it also founded a number of subsidiary banks (*Tochterbanken*); for instance, the *Amsterdamsche Bank* (in 1871), the *Süddeutsche Bodenkreditbank*, the *Süddeutsche Immobilien-Gesellschaft*, the *Ungarische Escompte-*

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und Wechslerbank in 1877, and the *Deutsche Gold- und Silber-Scheide-Anstalt*, preceded by the foundation of the Hessian Note Bank (*Bank für Süddeutschland*).

The average dividend for the period 1863-1872 amounted to 8.7 per cent.

During the following decade, 1873-1882, after safely passing through the crisis of 1873, finance operations in Austrian and German railway, state, and communal securities were effected, while beginning with 1879 the conversion of German state, railway, and municipal debentures was started, which attained increasingly large proportions in the following years.

The average rate of dividends for that decade (1873-1882) was $8\frac{1}{4}$ per cent.

As a result of the state purchase of the railroads in Germany and Austria the finance transactions with large railway companies greatly diminished. Instead, the bank, first among the great banks, during the decade 1883-1902, in conjunction with the railway constructing and operating concern Herrmann Bachstein, undertook on a large scale the construction, operation, and financing of the so-called minor railways (*Kleinbahnen*), in the first place in Hesse, Baden, and Thuringia. The same period witnesses the founding by the bank of several industrial companies and the participation in the underwriting of a number of state and communal issues and in the fusion of the Jura-Berne-Lucerne Railway with the Swiss Western Railway. During these years the bank jointly with a number of other banks and banking firms took over the issue of the Lisbon municipal and Portuguese state loans. Apart from the Lisbon municipal loan, interest on which

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has been regularly paid, the other loans proved a source of great losses and annoyance to the bank and greatly hampered its subsequent activity, inasmuch as the bank felt in honor bound to mitigate, as far as practicable, the consequences of the defaults on the part of the State and railways, with regard to the holders of the state and railroad securities.

The average rate of dividends during that decade (1883-1892) was below $7\frac{1}{2}$ per cent.

During the following decade (1893-1902) its activity became concentrated chiefly in the field of minor railways. In 1895 it took a leading part in the founding of the *Süddeutsche Eisenbahngesellschaft*. This company amalgamated the small railways which had been completed by that time and on the whole were then in a fair financial condition. The bank also had a hand in a number of state and municipal issues and of industrial real estate transactions.

About the end of the decade the bank derived considerable profits from a number of reorganizations of several banking and industrial concerns such as the *Deutsche Grundschuldbank*, the *Preussische Hypotheken-Aktienbank*, the *Pommersche Hypothekenbank*, and the mining and iron works *Differdingen-Dannenbaum*, also from taking over in 1902 the *Bank für Süddeutschland* and the *Breslauer Disconto-Bank*. About the same time it entered into a community of interest with the *Ostbank für Handel und Gewerbe* in Posen.

Notwithstanding all these multifarious activities the average dividend rate for the decade was but $6\frac{3}{4}$ per cent.

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During the most recent period the bank paid special attention to the fostering of the current-account and deposit business. Its efforts in this field proved eminently successful, so much so that by skilful management it was able to restore the liquidity of its resources, which had become temporarily impaired. As a member of the Loewe group it participated in all the enterprises of that combination. It also took part in a number of state and municipal loans as well as in several industrial issues. In 1905 it established community-of-interest relations with the *Bayerische Bank für Handel und Industrie*.

The number of its deposit offices at the end of 1908 was 39, exclusive of 7 agencies.

In 1900 it strengthened its foreign connections by the founding of the Bankers' Trading Syndicate in London, in 1902 by entering into close relations with the *Wechselstuben-Aktiengesellschaft Merkur* in Vienna, and in 1903 by establishing community-of-interest relations with the *Nordwestdeutsche Bank* in Bremen. During the years 1904-5 it participated in the transformation of its former commandite in Bucharet into a stock company, which assumed the firm name *Banca Marmorosch Blank & Co., Societate anonima*. During the same period it absorbed the banking firm *Rob. Warschauer & Co.*, which had important foreign business connections, especially in Russia, and in which it had held a silent-partnership interest since 1898.

In 1889 the bank participated in the founding of the *Deutsch-Asiatische Bank*; in 1898, jointly with other domestic and foreign institutions, it took a prominent part in the founding of the *Banque Internationale de Bruxelles*.

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During the years 1898–1908 it cooperated in the launching of the German Telegraph and Cable companies, in 1899 in the founding of the two Shantung companies, and in 1906 in the organizing of the Kamerun Railway Company.

In 1906, jointly with several domestic and foreign banks, it founded the *Amerika-Bank* for promoting business relations with the United States. This institution, however, was placed in liquidation in 1909.

It may be said in conclusion that the Darmstädter Bank from the very beginning acquired a high standing among large circles. Its management, while not always following a uniform business policy, adhered, however, almost steadily to the principle laid down in paragraph 10 of its first by-laws.⁴⁷² As a result, it continued to enjoy public confidence in an undiminished degree, at first in southern Germany and subsequently in the whole country, even during times which proved critical for many commercial undertakings and banks.

THE A. SCHAAFFHAUSEN'SCHER BANKVEREIN.⁴⁷³

This institution is the oldest German credit bank. Its foundation dates back to the year 1848, when it superseded the banking firm A. Schaaffhausen, which at that time had become involved in financial difficulties. The capital of the reorganized institution was fixed at 5,187,000 thalers, of which, however, only 3,199,800 thalers were paid in. As the firm A. Schaaffhausen had maintained extensive industrial connections in Rhineland-Westphalia, the new institution was in a more favorable situation than the other present-day great banks, which were able to

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acquire a steady clientele only after years of laborious efforts. Its primary task was to maintain and develop the connections of the old and well-renowned banking firm, whose clientele it had taken over, by means of transforming industrial undertakings into stock companies or otherwise to mobilize the industrial participations in which the capital of the old firm had been tied up, and to liquidate them as soon as the profitableness of the undertakings and general business and market conditions would permit such action.

On pages 71 and following we enumerated a long list of transformations and new foundations, effected by the A. Schaaffhausen'scher Bankverein during the years 1851-1858. We mentioned there that from the outset the far-sighted and expert management of the institution recognized clearly "that the permanent success of the Bankverein was inseparable from the prosperous growth of Rhenish industry in all its branches." Subsequent development fully proved the soundness of its position. The A. Schaaffhausen'scher Bankverein has grown great with the surprisingly rapid and strong development of the Rhenisch-Westphalian industry, which until the most recent period has been furnishing the very core of its industrial clientele.

The careful fostering of the current-account and underwriting business was a natural corollary of its industrial connections and the necessity to extend and strengthen these connections. The same can not be said of the deposit business, to which the Bankverein paid no systematic attention during the first period for general reasons mentioned in the chapter relating to the Darmstädter Bank. As a matter of fact, its total deposits about the end of the

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first period, in 1869, amounted to 883,616 thalers only. The founding of branches, agencies, and commandites contemplated as early as 1853 did not at first materialize. Neither did the bank succeed, as it then intended, in opening a branch in Berlin, as such action presupposed a change of its by-laws, for which the then required state sanction could not be obtained. The Bankverein passed through the crisis of 1857 without being compelled to cancel any outstanding credits.

During the first epoch, while manifesting great activity in the founding and transforming business, it figured to a relatively small extent in the underwriting field, though participating in numerous syndicates organized during that period by other banks.

Even during the second period the Bankverein was an "industrial" rather than an "emission" bank. At the same time it was careful enough not to permit any undue swelling of its acceptance account. Having its central field of activity in the domain of the rapidly developing Rhenish-Westphalian industry, its importance during the second period as an industrial bank became preeminent. Owing to its old-established industrial connections, it continued during all stages and changes of business, notwithstanding severe competition, as the foremost industrial counsel, financial aid, and agent in the execution of the oftentimes ambitious schemes of a number of industrial establishments. Foremost among the latter is the *Hörder Bergwerks- und Hüttenverein*, founded as a stock company in 1852, whose rapid growth up to 1873 and financial troubles after 1873 claimed the energetic support of the Bankverein up to the reorganization of the concern by

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the Bankverein jointly with the firm of Deichmann & Co., of Cologne. It was only after some time and the general improvement of the business situation that this operation led to a series of profitable emissions and other transactions. Even at present a director of the Bankverein is the chairman of the supervisory council of the Hörder Verein, while, in turn, the general director of the latter is a member of the supervisory council of the Bankverein.

Close relations were established with a number of large industrial concerns, such as the *Harpener Bergbaugesellschaft*, the *Bochumer Verein*, the *Phoenix* and the *Hoesch* steel works. This necessitated the increase of the resources of the bank, and thus fostered its concentration tendencies. Both in the interest of successful industrial issues as well as for other reasons to be considered later closer relations with the leading bourse center became necessary. It was only in 1891, however, that the Bankverein established such relations by opening a branch in Berlin. Notwithstanding this action, the Bankverein by no means became a Berlin great bank. It preserved its essential character of a Rhenish great bank, though its importance at the new center grew, as a matter of course, with the absolute and relative growth of the branch, in contradistinction to the Darmstädter Bank, which by shifting its center of activity from the commercially unimportant town of Darmstadt to Berlin became to all intents and purposes a Berlin great bank, the more so as with the further growth of its business its clientele gradually ceased to be exclusively or mainly south German.

In proportion as the tasks of the Bankverein in the field of industrial credit and issues grew in size and number it had to increase in comparatively rapid succession its paid-in

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capital from 9,600,000 marks to 36,000,000 in 1880, to 60,000,000 in 1895, and to 145,000,000 at the end of 1905.

During the second period it joined the concentration movement by the opening of branches, which numbered 10 at the end of 1908, and of deposit offices, the number of which increased to 13 during the same time; also by the establishment of a subsidiary bank (*Tochterbank*), the *Westfälisch-Lippische Vereinsbank, Aktiengesellschaft* in Bielefeld, and finally by the absorption of several banks and banking houses. It has only one commandite (in Dresden), and after the dissolution of the community of interest with the Dresdner Bank maintains such relations at present only with the *Pfälzische Bank* in Ludwigshafen (1901) and the *Mittelrheinische Bank* in Coblenz (1903).

From what has been said heretofore it may be seen that the Schaaffhausen'scher Bankverein possesses no extensive international connections. This probably was one of the main reasons which induced it to establish the community of interest with the Dresdner Bank, which maintains a large number of such connections. This community of interest became effective January 1, 1904, for a term of thirty years, but was essentially terminated January 1, 1909. One result, however, of the temporary combination was that the Bankverein had to take part in the common foreign enterprises of the other great banks, such as the *Deutsch-Asiatische Bank*, the *Banca Commerciale Italiana*, and to take even a leading part in the establishment of the telegraph and cable companies. It also participated in the founding of the *Banque Internationale de Bruxelles*, the Shantung companies, and the Kamerun Railway Company, and jointly with the Dresdner Bank in the founding

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of the *Deutsche Orient Bank* and the *Deutsch-Südamerikanische Bank*.

The special domain of the Bankverein is, however, the industrial field, especially that of the Rhenish-Westphalian district. It is particularly interesting and instructive to observe the various types of relations, as were shown by the example of the Hörder Verein, which the bank formed during the second period.

The bank as a rule and with good reasons avoided permanent large participations in industrial enterprises. Its holdings of the stock of the *Internationale Bohr-Gesellschaft* (International Exploration Company) at Erkelenz—devised to continue indefinitely—can hardly be regarded an exception, since it needed this stock to support its industrial policy in various directions,⁴⁷⁴ as, for instance, the maintenance of its influence in the second coal syndicate, the penetration into various mining branches in Germany and foreign countries, especially in Belgium, and, finally, for the purpose of developing the Roumanian petroleum business, entered into jointly with the Dresdner Bank. (See above, p. 419.) These latter connections brought it into contact with Silesian industrial interests, likewise interested in the Roumanian petroleum fields. The result was a new combination in 1904, which included, beside the interests named, also the Dresdner Bank, the International Exploration Company, and became known as the Petroleum Stock Company *Regatul Romana*.

The Bankverein also took a leading position in the group of the *Elektrizitäts-Gesellschaft vormals Schuckert & Co.* until 1898, when it withdrew, having failed in its efforts to bring about the amalgamation of the above group with

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the Loewe group. It was only in 1903 that a combination with the Siemens & Halske group was effected. Since 1898 the Bankverein participated in all the enterprises and transactions of the Loewe group, viz, the British Thomson-Houston Company, the Benrath Machine Works, the stock company Boehler Bros. & Co., etc. The A. E. G. (*Allgemeine Elektrizitäts-Gesellschaft*) group and its activity assumed larger proportions in 1904 by the accession of the banks forming the Loewe group, after the taking over of the U. E. G. (*Union Elektrizitäts-Gesellschaft*) by the A. E. G.

As a result of its connection with the Dresdner Bank, the Bankverein was brought into contact with various transportation companies, in the first place with the Great Berlin Street Railway Company. It also became connected with the *Aktiengesellschaft für Verkehrswesen* (Stock Company for Transportation Enterprises) Lenz & Co., and the *Bank für Deutsche Eisenbahnwerte* (Bank for German Railway Securities). It was these corporations which for several operations brought about the joint action of the Bankverein with the close ally of the Lenz & Co. concern, the Berliner Handelsgesellschaft. Jointly with the latter it founded in 1895 the *Westdeutsche Eisenbahngesellschaft*, which, in turn, organized the *Vereinigte Westdeutsche Kleinbahn Aktien-Gesellschaft* (United West German Minor Railways Stock Company) with a capital of 6,000,000 marks, and in 1896 the *Bank für Deutsche Eisenbahnwerte* with a capital of 10,000,000 marks.

Through its current-account business the Bankverein as a matter of course came to arrange for and undertake the transformation into stock companies of industrial

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undertakings of its customers. Under this head fall the transformation of the firm Carl von Born into the *Hütten-Aktiengesellschaft vormals Carl von Born* at Dortmund in 1896; of the firm Bücklers & Jannsen into the *Dülkener Baumwollspinnerei A. G.* (Duelken Cotton Spinning Stock Company); of the firm Burtscheid, Ulrici & Co. in Dülken into the *Rheinische Webstuhlfabrik A. G.* (Rhenish Weaving Looms Manufacturing Stock Company), in 1897; and of the firm Mannstaedt & Co. into the *Kalker Walzwerk* (Kalk Rolling Mills) *Mannstaedt & Co.* in 1898. Other operations of the Bankverein originating in the same manner were: A commandite interest acquired in the firm C. Lückcrath (Limited), cloth dealers, the transformation of the *Siegrheinische Gewerkschaft* (Sieg-Rhine Mining Concern (Limited), into a stock company (1897); the transformation of the *Selbecker Bergwerksverein* into a limited mining company (*Gewerkschaft*); the taking over in 1901 of the bankrupt worsted spinning works, *Eitorf, Karl Schäfer & Co.*, and its immediate transformation into the Worstcd Spinning and Weaving Works Eitorf Stock Company, and the reorganization of the machine tool factory, *de Fries & Co.*, stock company, in Heerdt near Dusseldorf. In the same class belong the amalgamation of two friendly concerns into the United Steelworks von der Zypen and the Wissen Iron Mills Stock Company, and the union of the works of two of its current-account customers into the *Eschweiler-Köln Eisenwerke Aktien-Gesellschaft*.⁴⁷⁶ In 1904 the Bankverein, in the interests of its clients, the *Kölnische Maschinenbau-Aktiengesellschaft* in Cologne-Bayenthal, for the purpose of settling the deficit in its balance sheet, purchased jointly

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with other firms certain grounds owned by the works and transferred them to a newly formed real estate company.⁴⁷⁶

In connection with the operations just described, a number of other transactions were effected partly in the interests of the bank itself, partly in the interests of friendly business houses, as for instance, the sale of its participation in the above-mentioned *Hütten-Aktiengesellschaft vormals Carl von Born* in Dortmund to the likewise mentioned *Hörder Verein*.

The number of industrial issues of the Bankverein during the years 1895-1903 amounted to 187, as compared with 220 effected by the Dresdner Bank, 170 by the Berliner Handelsgesellschaft, 151 by the Disconto-Gesellschaft, 150 by the Deutsche Bank, and 148 by the Darmstädter Bank. Among the 187 industrial issues of the Bankverein 103 were those of industrial bonds.⁴⁷⁷ The number of companies for which the Bankverein effected industrial issues during the period 1895-1903 was 207, compared with 181 served in this manner by the Dresdner Bank, 154 by the Disconto-Gesellschaft, 149 by the Berliner Handelsgesellschaft, 140 by the Darmstädter Bank, and 139 by the Deutsche Bank. It is seen that in this field the Bankverein attained the highest record.

Of the various industries the Bankverein has been in closest touch with the mining and smelting industries. As shown above, it maintained particularly intimate relations with the *Hörder Verein* in Dortmund, also with the *Lothringischer Hüttenverein Aumetz-Friede* in Kneuttingen, which it reorganized in 1901 and again in 1903, and which was amalgamated in the same year with the *Fentscher Hütten-Aktienverein*. The indirect consequence

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of these close relations was that the Aumetz-Friede works ordered its machinery from a client of the Bankverein, the Cologne Machine Construction Stock Company, a practice which is often found among customers of the same bank. The Bankverein maintained also close relations to the Harpen Mining Company, which it had founded jointly with the Berliner Handelsgesellschaft, the iron works *Phoenix* in Laar, the Hösch Steel Works, and the *Bochumer Verein*, and through its connections with the firm *Spaeter & Co.*, part owners of the *Rombacher Hüttenwerke*, with the latter works.

By reason of the above-named and other close connections with the Rhenish-Westphalian industry, the leading element in the coal mining and metallurgical industries of the country, the Bankverein came to play a most important part in the development of the industrial cartels. Thus in 1899 it opened a syndicate office (*Syndikats-Kontor*) with a capital of 1,000,000 marks, which was to undertake the representation of industrial combinations and syndicates. The Steel Works' Union was formed after hard struggles mainly for the reason that the Bankverein held the majority of stock of the Phoenix Works and was thus able to force a resolution in the general meeting of stockholders to join the union against the wishes of the director of the works.

In conclusion, it may be said that the A. Schaaffhausen'scher Bankverein from the start to the present day was the leading institution in the Rhenish-Westphalian industrial region. When in the course of development the policy and management of these industries began to exercise a considerable influence on the other German

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industrial districts, the Bankverein in its capacity as the leading institution in a special branch of business gained also an influential position among the great German banks.

THE BERLINER HANDELSGESELLSCHAFT.

The Berliner Handelsgesellschaft which was founded in 1856, was organized as a stock company "en commandite" for the reason that the latter form of organization did not require a state concession in Prussia. At the time of its organization its capital stock amounted to 15,000,000 thalers (45,000,000 marks) of which, however, only 3,740,150 thalers were paid in. Since the first period it has been a prominent flotation bank (*Emissionsbank*) with the result that in the matter of issuing and placing securities it may boast of methods technically equal if not superior to those used by any other bank. As shown above (p. 75 and following) it participated during the first period in the underwriting of a large number of domestic and foreign state and railway loans, including the issue of Russian railway bonds.

In section 2 of its constitution it was expressly stated that its activities should comprise especially "industrial and agricultural enterprises, mining, smelting, the construction of canals, highways, and railways, as well as the creation, fusion, and consolidation of joint stock companies and the issue of stock or bonds of such companies."

Although during the earlier period it ventured but comparatively little into the industrial field and conducted neither a current-account nor a deposit business, yet it succeeded in earning large and almost steadily increasing

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gains from its business of reorganizing and floating enterprises and from its operations in the underwriting and issue field. Its dividends in the first period were as follows:

	Per cent.			Per cent.
1857.....	5½	1864.....		8
1858.....	5½	1865.....		8
1859.....	5	1866.....		8
1860.....	5¼	1867.....		8
1861.....	5	1868.....		10
1862.....	9	1869.....		10
1863.....	8			

Negotiations for the establishment of “*commandites* in other localities,” provided for in the by-laws and mentioned in the report for 1857, had to be abandoned on account of the crisis of 1857.⁴⁷⁸

Among serious losses which the *Handelsgesellschaft* suffered during that period may be mentioned that of 150,000 thalers on account of the *Dessauer Kreditanstalt*, or more correctly, the latter’s New York *commandite*, besides a loss growing indirectly out of the failure of an export firm in Danzig. This failure involved the banking house of Breest & Gelpcke, of Berlin, which was conducted on account of the *Berliner Handelsgesellschaft* since January 1, 1857. No difficulties were experienced by the bank during the crisis of 1857. During the second period the bank devoted itself systematically and with correspondingly good results also to the current-account business, though keeping aloof from the deposit business. It also took a leading part during the first years in the foundation and transformation of industrial enterprises. These operations, while a source of rich returns, naturally resulted also in some losses. In 1871 it was able to increase its capital to 10,500,000 thalers. Its attempts at

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entrepreneur activity at the beginning of the second period proved, however, disastrous, as mentioned on a previous occasion. The construction of the Muldetal Railway, which was financed by the bank, consumed, according to the report of 1876, a large part of its available resources. This necessitated a call for the payment of 30 per cent on the new stock.

The dividends during the first thirteen years of the second period were as follows:

	Per cent.		Per cent.	
1870.....	9	1877.....	0	
1871.....	12½	1878.....	0	
1872.....	12½	1879.....	5	
1873.....	6½	1880.....	5½	
1874.....	7	1881.....	6	
1875.....	5	1882.....	0	
1876.....	0			

The losses occasioned by the Muldetal Railway enterprise caused the passing of dividends during the years 1876 to 1878, which in the year 1872 were as high as 12½ per cent; in fact, they caused even a deficit.

In 1878, after the sale of the railway to the Saxon government, which entailed a loss to the bank of 6,500,000 marks, its capital stock, which had grown to 15,000,000 thalers (45,000,000 marks), was reduced to 30,000,000 marks, and the profits from this operation were devoted to the creation of a large special reserve fund for pending industrial business.⁴⁷⁹ During the following years, 1879 and 1880, the bank was able again to pay dividends of 5 and 5½ per cent, respectively.

During the year 1880-81 the bank again suffered on account of its participation in two industrial enterprises, viz: The *Deutsche Lokal- und Strassenbahngesellschaft*

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(German Local and Street Railway Company) and the *Petroleum-Bohr- Gerechtsamen- und Ölland- Gesellschaft* (Petroleum Drill Privilege and Oil Land Company), as well as on account of extensive speculations in shares of the bank's own capital and in Russian paper currency by one of the partners of the institution. The losses resulting from these operations necessitated in 1882 a reduction of the capital stock from 30,000,000 to 20,000,000 marks. The above-mentioned speculation alone entailed a loss of 8,250,000 marks.

There is no doubt that many present-day economists, who on such occasions as well as after every general crisis demand government intervention, including official supervision, control, and inspection, or restrictive legislation, would at that time have seen the only salvation in the carrying out of similar demands with regard to the Berliner Handelsgesellschaft and for that matter to all German credit banks. But there is likewise no doubt whatever that such measures would have caused only further disaster, and would have prevented or restricted the splendid development of German banking, which was so very essential to the interests of the nation. In this respect, as in many others, the practical wisdom of the English, resulting from greater business experience, and finding expression in the maxim, "Not measures, but men," has proved far more successful.

Splendid results followed the inauguration of a new management by careful as well as skilful partners (of whom one is still on the board of management) and the adoption of a business policy based on new principles, and this notwithstanding the fact that confidence in the

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bank, which had been almost completely lost, had to be regained by the new partnership.

Even for the first year after the reorganization (1883) a dividend of 7 per cent could be declared, and ever since, with the exception of slight interruptions from time to time, due to general economic conditions, the Berliner Handelsgesellschaft has been following a career of continuous and increasing success.

Its dividends during the following years were as follows:

	Per cent.			Per cent.
1883.....	7	1896.....		9
1884.....	9	1897.....		9
1885.....	8	1898.....		9
1886.....	9	1899.....		9½
1887.....	9	1900.....		8
1888.....	10	1901.....		7
1889.....	12	1902.....		7½
1890.....	9½	1903.....		8
1891.....	7½	1904.....		8
1892.....	6	1905.....		9
1893.....	5	1906.....		9
1894.....	7	1907.....		9
1895.....	8	1908.....		9

On December 31, 1908, the "commandite" capital of the Berliner Handelsgesellschaft was 110,000,000 marks, while the surplus amounted to 34,500,000 marks, or 31 per cent of the capital stock. The debits on current account amounted to 192,250,000 and the credits to 206,250,000 marks.

The peculiar character of the Berliner Handelsgesellschaft among the other great Berlin banks grew out of its relations to:

1. The electrotechnical industry.
2. The so-called "heavy" industries, especially mining and smelting enterprises.

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3. The street railways and minor steam railways.

It was particularly in the first-mentioned field that the Berliner Handelsgesellschaft developed a many-sided and fruitful activity. The great success achieved by the *Allgemeine Elektrizitäts-Gesellschaft* (General Electric Company) was due as much to the marvelously efficient management of its general director, Emil Rathenau and his associates, as to the intelligent and skilful financial cooperation of the Berliner Handelsgesellschaft. The latter, as the chief financial adviser of the General Electric Company, proved as successful as did the Deutsche Bank in the case of the firm of Siemens & Halske.

The Handelsgesellschaft undertook a large number of financial transactions of all sorts as a result of its connection with the General Electric Company. Aside from the numerous issues which it carried through for the General Electric Company and other concerns which were either allied with or subsidiary to it, such as the *Berliner Elektrizitätswerke*, I may mention its organization of separate electrical companies in Seville and Barcelona (1894), in Warsaw and Bilbao (1896), the foundation of the *Bank für Elektrische Unternehmungen* in Zurich (1897); the *Deutsche Ueberseeische Elektrizitätsgesellschaft* (German Transmarine Electrical Company) in Berlin, and the *Aluminium-Industrie-Aktiengesellschaft* (Aluminum Manufacturing Company) in Neuhausen (1898), the *Elektro-Chemische Werke* (Electro-Chemical Works) in Bitterfeld and Rheinfelden (1896), which were consolidated in 1899 and, finally, the *Elektrizitäts-Lieferungs-Gesellschaft* (Electric Light and Power Company), etc.

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After the Union-Elektrizitäts-Gesellschaft (U. E. G.) was taken over by the General Electric Company in the year 1904, the bank group which financed the General Electric Company was strengthened by the alliance with the bank group which financed the Loewe enterprises (viz, the Disconto-Gesellschaft, the Dresdner Bank, the Darmstädter Bank, and the A. Schaaffhausen'scher Bankverein). This group thus represents an enormous power alongside that of the bank group headed by the Deutsche Bank, which finances the Siemens & Halske concerns and the newly organized limited stock company (G. m. b. H.) of the Siemens-Schuckert Works, which grew out of a combination in 1903 of some of the Siemens-Halske works with the Schuckert Company. This latter combination presents many points of contact and common interests with the groups mentioned. The Berliner Handelsgesellschaft is, moreover, represented in the syndicate for handling the Siemens & Halske securities.

In the "heavy" industries, especially in mining and smelting, the Berliner Handelsgesellschaft also played an important and at times even the leading part alongside the A. Schaaffhausen'scher Bankverein. Together with this institution, it is largely interested in the *Harpener Bergbaugesellschaft* (Harpen Mining Company), is closely connected with the *Rombacher Hüttenwerke* (Rombach Smelting Works), and wields an important influence in the Ruhr coal district through its intimate connection with the *Konsolidation* and the *Hibernia* mining companies. In conjunction with the banking house of S. Bleichröder and other banks, it succeeded in preventing the acquisition of the Hibernia mines by the Government.

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The Berliner Handelgesellschaft, furthermore, is well connected with the Upper Silesian iron and coal district through its close business relations with the *Oberschlesische Eisenindustrie-Aktiengesellschaft Caro-Hegenscheidt* (Upper Silesian Iron Company Caro-Hegenscheidt) and the firm Emanuel Friedländer & Co. in Berlin, one of the two sales agencies of the upper Silesian coal combination.

Finally, in the field of street and minor railway enterprises the activities of the Berliner Handelgesellschaft had a particularly wide scope. It assisted the General Electric Company in 1895 by the founding of the Leipzig Street Railway Company and through the issue of the securities of the Karlsruhe, Breslau and Stettin street railway companies and those of the *Allgemeine Lokal- und Strassenbahngesellschaft* (General Local and Street Railway Company). Like the Darmstädter Bank, but at a later date, it undertook also the promotion on a large scale of minor railways (Kleinbahnen).

In this field its relations with the Stettin Railway Construction and Transportation Concern, Lenz & Co. were as close as those of the Darmstädter Bank with the firm Herrmann Bachstein. In view of its own former disastrous experience and that of other large banks, it began its activity in this field by organizing in 1895, in conjunction with the A. Schaaffhausen'scher Bankverein, a trust company at Cologne, known as the *Westdeutsche Eisenbahngesellschaft* (West German Railway Company), which took the place of the Handelgesellschaft in the operating and financing of the Lenz enterprises. In 1896 another trust company, the *Bank für Deutsche Eisenbahnwerte* (Bank for German Railway Securities) was organized,

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while the *Badische Lokaleisenbahnen-A. G.* (Baden Local Railway Company) was founded to take over a part of the Lenz railway system located in Baden and the *Ostdeutsche Eisenbahngesellschaft* in Bromberg (in 1899) to take over another part of that system. In 1899 the *Vereinigte Westdeutsche Kleinbahn-Aktiengesellschaft* (United West German Minor Railway Company) was founded, which controlled as separate enterprises a large part of the railroads of the West German Railway Company. In 1901 the *Handelsgesellschaft* founded, alongside the older limited company, Lenz & Co., a new *Aktiengesellschaft für Verkehrswesen* (stock company for transportation), with a capital of 10,000,000 marks, which took over all the shares of the former company. The *Berliner Handelsgesellschaft* engaged, in a large measure, also in speculative dealings in urban land tracts (*Terraingeschäft*).

We saw above (in the discussion of the A. Schaaffhausen'scher Bankverein, page 515) that with reference to the number of industrial issues effected during the years 1895 to 1903, the *Berliner Handelsgesellschaft* ranked third, with 170 issues (as against 220 effected by the *Dresdner Bank* and 187 by the A. Schaaffhausen'scher Bankverein). It ranked fourth if the number of financed companies is considered, this number being 149.

It is also represented by its managing partners on the supervisory boards of a large number of industrial corporations. The international connections of the *Handelsgesellschaft* are extensive and of a high order. The company took a leading part in the formation of the *Deutsch-Asiatische Bank* in 1889 and of the *Banca Commerciale Italiana* in 1894. It also participated during the years

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1898 to 1904 and in 1908 in the organization of all the German telegraph and cable companies, in 1899 in the organization of the two Shantung companies, and in 1906 in the founding of the Kamerun Railway Company.

Among its connections in the countries of continental Europe we may note the following institutions in the foundation of which it took part:

Schweizerischer Bankverein in Basle (1872), the *Banque Internationale de Bruxelles* (1898), the *Banca Marmorosch Blank & Co.*, *Societate anonima* in Bucharest (1904-5) and the banking company, formerly *Andr evics & Co.*, in Belgrade (1908). Since 1905 it has been operating the Usambara Railway in German East Africa, and in conjunction with the firm of Lenz & Co. it is engaged in the construction of the railway from L uderitzbucht to Kubub.

It participated, in some cases most prominently, in all of the Russian, Chinese, and Japanese bond issues effected during the second period and emitted several Servian state and railway loans. (See App. V and VI.)

The prominent place among the large Berlin banks attained by the Berliner Handelsgesellschaft proves in a striking way the truth established by years of experience that the fate of banks as well as of industrial and commercial enterprises depends chiefly upon the ability and trustworthiness as well as the energy and farsightedness of the management.

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SECTION 7. THE SO-CALLED EXPORT CAPITALISM—THE INVESTMENT OF GERMAN CAPITAL IN FOREIGN INDUSTRIAL AND COMMERCIAL ENTERPRISES, AND SECURITIES. THE ESTABLISHMENT OF SUBSIDIARY BANKS (TOCHTERBANKEN) EXCLUSIVELY FOR FOREIGN BUSINESS, WITH SPECIAL REFERENCE TO ITS CONNECTION WITH THE INDUSTRIAL EXPORT POLICY.⁴⁸⁰

(A) In a previous part (sec. 4, sub. 1) it was shown that the development of the foreign, and especially the over-sea banking business during the second period,⁴⁸¹ which was started by the energetic activity of the Deutsche Bank represents the outcome of a well-designed business policy⁴⁸² on the part of the great German banks which is directly and inseparably connected with the general industrial export policy.

In order to judge whether this business policy has been proper, necessary, or desirable from the point of view of the public welfare, we must bear in mind the facts presented in Part III, Chapter I, page 87 et seq., bearing on the development of the general economic conditions in Germany during the second period (1870 to the present time).

We saw that German agriculture and forestry during this period were not in a position to supply the domestic demand by their own products. We also know that in view of the large and continuous growth of our population, notwithstanding the best efforts and zeal, this deficiency in the domestic supply could not be made up by the application of more intensive methods in agricultural production or by the extension of the cultivated area. Our deficiency in agricultural products,

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therefore, had to be made up to an increasing extent by the foreign importation of foodstuffs.

Moreover, German industry was not in a position to supply its needs at home, especially in the matter of raw materials, and was compelled on the whole—i. e., apart from single branches—to supply the demand for raw materials largely and, in some instances almost exclusively, by importation from abroad.

It is self-evident that we can not pay in cash for these very large imports of agricultural products and raw materials used in manufacture without impairing our national capital resources. These imports must be paid, therefore, in some other way; and this is unavoidable, because we need these imports for the existence of our agriculture and our industry—that is, for the sustenance and the employment of our population.

Such payment has been made thus far in an unimportant degree by the exchange of such raw products as we do not need for home consumption, but mainly by exporting manufactured products⁴⁸³ to the countries from which we import foodstuffs and raw products.⁴⁸⁴

The necessity for these exports of manufactured products is thus growing in proportion to the increasing deficiency in the supply of domestic foodstuffs and raw materials. Under present conditions, therefore, especially in view of the constantly increasing population, our industrial export policy can not be said to have been a device arbitrarily adopted, and therefore one eventually to be abandoned. Nor is it an end in itself, but on the contrary a means, indispensable to our entire economic existence,⁴⁸⁵ of paying to a very material extent for our absolutely necessary imports.

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As stated before, the German banks regarded it as one of their chief functions actively to support both at home and abroad domestic industry⁴⁸⁶ and the export policy adopted by the latter by promoting energetically German foreign commerce. In connection with this general policy they came to establish branches in foreign countries and to organize for the foreign business special subsidiary banks both at home and abroad, which, it is true, in many cases proved at the same time the means of securing new and profitable business. They also cooperated with the government policies regarding the colonies, navigation, canals, the navy, and cable connections, all of which bore the closest relations to the above business policies.

It is plain, therefore, that the activities of the banks in all these fields were of national importance. For upon the successful discharge of the above functions depends not only the maintenance and the extension of our influence and our importance abroad, but, what is more, our entire economic existence.

It may be said that for some time at least the necessity of this development from the point of view of the common national interests did not appeal to wide circles, especially to those classes which were injuriously affected by this development. For it goes without saying that in the course and as the result of the industrial export movement, as in the case of any other fundamental economic change, serious disadvantages manifested themselves. With the steady growth of population the industrial export policy continued to be emphasized more and more until about 1882, when it may be said to have reached its point of culmination. During all these years agriculture,

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notwithstanding all its importance to the economic well-being of the nation, received but scant support, losing much of its former strength, means, credit, and labor. It is that policy which is partly responsible for the fact that the percentage of population engaged in agriculture decreased from about 61 per cent of the entire population in Prussia in the middle of the past century to 28.6 per cent of the entire German population in 1907, while at the same time the population engaged in commerce and industry increased from about 24 per cent (in the middle of the past century in Prussia) to 56 per cent of the German population engaged in gainful occupations in 1907. The latter circumstance has contributed materially to the enormous growth of the manufacturing towns (up to 17 and 18 times the figures for the middle of the past century).

(B) The above-mentioned activities represent, however, only part of the functions of the banks in this field.

For as was made clear from the statistical compilations, which were closely scanned by the banks as well, notwithstanding all efforts in the fields of industry and foreign trade, only part, though quite a considerable part, of our imports of foodstuffs and raw materials could be compensated by means of exports of manufactures and similar products. After deducting the value of our exports of manufactures there still remained a very considerable balance in favor of the foreign countries. The excess of imports for consumption over domestic exports at the close of 1907, as we saw above (p. 112), amounted, in round figures, to 1,300,000,000 marks. To this extent, therefore, the balance of trade was against us.

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Now, there is no doubt that the claim that an unfavorable balance of trade in itself is disastrous for a country can not be maintained as a general proposition, since numerous countries may be cited which show an unfavorable balance of trade, but which with a particularly favorable balance of payments, enjoy the utmost prosperity. These are the countries which utilize the available surplus of large capital accumulations, derived from their industrial, agricultural, or colonial successes, for the improvement of their balance of payments. The more favorable the balance of payments of such a country the less perilous will be an unfavorable balance of its trade. In other words, the more favorable its balance of payments becomes, the less a country may hesitate to let other countries "work for it," that is to say, permit itself to be supplied by other countries with raw materials and foodstuffs, even though as a result of such a policy its balance of trade may become unfavorable. For Germany the problem presented itself of compensating the unfavorable balance of trade by the utmost practicable improvement of our balance of payments, in order to escape ultimate disaster through a constant accumulation of unfavorable trade balances. In this respect, as well, there was no choice of means.

The problem was primarily one of creating debits in our favor on the part of those countries which had a favorable balance in their trade with us,⁴⁸⁷ debits at least large enough to counterbalance the credits due them from us by reason of the excess of their sales over their purchases in their trade with us. In the case of industrially-developed countries, the activities accomplishing this result develop to a considerable extent automatically,

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i. e., as natural consequences of the industrial relations to the less developed foreign countries, and to a smaller extent, as the result of fixed plans and designs.

Foreign countries may become our debtors—

(1) Through business operations which we carry on in and with foreign countries, which include exchange, arbitrage, and commodity transactions with these countries undertaken either for speculative purposes, to secure payment, or to attract gold from them, and through services which we render those countries, or through mercantile, industrial, or transportation enterprises which we establish in the foreign countries or in which we participate.

The German enterprises established in foreign European countries, which were mentioned in section 4, sub. II (p. 432 et seq.), include the foreign branches of the German banks, such as the Deutsche Bank, the Disconto-Gesellschaft, and the Dresdner Bank in London. The foreign German participations include the ownership by German banks of stock in foreign banking institutions, such as the ownership by the Commerz-und Disconto-Bank of shares in the London and Hanseatic Bank, by the Dresdner Bank of stock in the General Mining and Finance Corporation (Limited) in London, etc. According to the report of the Central Federation of German Banks and Bankers (*Centralverband des Deutschen Bank- und Bankiergewerbes*) of December, 1903 (concerning the effects of the stock exchange act and the stock exchange tax act), since the stock exchange act of January 1, 1897, went into effect, numerous time transactions and other dealings of the German public in (American) rail-

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way stock and in mining shares transacted in many foreign countries, particularly in London, Paris, and New York, have to be considered in which, to escape the German tax on securities, the securities to a large extent remained abroad. According to the inquiry of the central federation (see above report, p. 48), which was only partially successful, the securities (for the most part probably of the classes above mentioned)⁴⁸⁸ which the 18 largest banks and banking houses of Berlin, namely, the members of the so-called *Stempelvereinigung*, had in foreign depositories on December 31, 1902, on their own and outside accounts amounted to 602,268,000 marks, while the value of securities which only 149 other German (provincial) banks and bankers had at the same time in foreign depositories amounted to 454,151,000 marks.

According to Paul Dehn⁴⁸⁹ the total investments of French capital in foreign countries in the middle of the year 1902, according to official investigations, amounted to 24,000,000,000 marks (30,000,000,000 francs).⁴⁹⁰ Dehn further states:⁴⁹¹ "It is reported that the English draw annually 1,000,000,000 marks in interest from American securities which they hold, from plantations, factories, constructions, etc., which they have instituted and with which they pay for the foodstuffs which they import from the United States." According to an address of Sir Edgar Speyer before the Institute of Bankers, made on June 7, 1900, on "Some aspects of national finance," the total amount of British working capital invested in foreign countries was estimated to aggregate £2,500,000,000 or 50,000,000,000 marks. According to Helfferich,⁴⁹² the former director of the *Crédit Lyonnais*, Germain, estimated

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that during recent years France invested annually about 1,500,000,000 francs in foreign securities.

(2) Through our acquisition of foreign securities the interest or dividends on which are to be paid by foreign countries, or the capital amounts of which we are to receive when they become due, or when the securities are sold abroad.

It may be objected that these investments in the first place require means which must be drawn from domestic sources and which go abroad (as, for instance, when a foreign loan is taken up at home) in consequence of such investments, and that in the beginning at least we become debtors of the foreign country, while any improvements in this balance begin to show only later from the earnings of our investments, and that, for the time being, our balance of payments is not improved but rather made more unfavorable. But while there are doubtless cases where this argument is effective, yet in the majority of cases the amounts which we invest abroad—that is, which we have to pay to foreign countries in gold—are paid out of the earnings on other foreign securities which are in our possession or through the sale or exchange of other foreign securities, or else are paid with goods which we furnish to the foreign countries, it being as a rule agreed, when loans are made to foreign countries, that our industries shall be favored with the contracts and orders for the payment of which the loans were contracted. A portion of the securities which have been taken up eventually find their way back to the foreign countries, or other changes in the international balance of payments may take place with which we must also reckon. Such changes happen con-

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tinually and daily through the importation and exportation of securities. Absolutely no information exists as to the course in time or the volume of these movements, although such data only would enable us to perceive more fully the significance of the imports and exports of merchandise and specie, i. e., of the international commercial exchanges.⁴⁹³

In so far as the German banks, either on their own account or as intermediaries, have been active in both directions named, and granting that they have observed the necessary care and foresight in preventing or arresting a dangerous decline in those earnings of our foreign investments, which might be applied to improving our unfavorable balance of payments, they have undoubtedly rendered valuable service, absolutely essential in the interests of our national economy. The following important limitations, however, must be made:

The undertaking of or participation in foreign investments is practicable only when there is a considerable surplus of capital at home and permissible only after the domestic demand for capital is fully met. Even if these conditions exist such investments are not to be favored, when in the long run they result in the strengthening of foreign industry and the enhancing of foreign competition against our domestic trade and industry.

Such participations of German capital in foreign countries comprise chiefly banks, manufacturing, colonization, plantation, mining, light, power, and railway undertakings and other land and water transportation enterprises. The earnings from these participations increase the credit side of our balance of payments only to the extent that

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they exceed the earnings of foreign investments in Germany. The latter are chiefly gas works and street and local railway enterprises.

One of the important, if not the most important, item in the balance of payments is represented by the credits which we grant to foreign countries in our commercial dealings with them. Since these amounts can be obtained only from the books of the individual concerns which grant these credits, it follows again that a total of the item in question can at best be but approximately estimated.

On the other hand domestic enterprises and participations abroad, in so far as they do not merely benefit foreign industry, are to be regarded favorably as a rule, especially when proper care is used in their selection, when, in the main at least, they are conducted on domestic account, and when they are either intended or suited to extend the domestic sphere of influence and to serve as a basis for larger activity of domestic industry. These factors do not affect immediately the balance of payments, though sooner or later they are bound to find expression in ponderable items in our necessarily inexact balance of payments.

The above considerations, it is true, do not justify foreign investments, whenever and in so far as the earnings from our foreign investments and enterprises exceed the amounts required to pay for our excess of imports. As a matter of fact the returns from our foreign investments by far exceed the latter amount (see below, p. 545).

But we must always reckon with the possibility that our domestic exports may decline, while our imports will remain the same, or even increase. This would result in a steadily growing adverse trade balance, which

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might become the more portentous the smaller the credit items in our balance of payments, i. e., our foreign investments which render the foreign country tributary to us, and the returns from which can be used to counter-balance the debit items in our trade balance. Furthermore, unless we render foreign countries tributary to us to an increasing extent, the time might come when, with the growing importance of their own home market, these countries would no longer be constrained to furnish us with their foodstuffs and raw materials. As it is, these exports or the money equivalent thereof go to meet their obligations toward us in the shape of profits and interest.

A large decline of our imports would also tend to destroy our industry, and thus our export trade, which furnish food and employment to our population, and which, as it is, is greatly jeopardized by the growth of imperialistic and protectionist tendencies in countries which are at present our principal customers.

(C) It is clear even from what has been said that our foreign investments, as a whole, must necessarily go beyond the lowest limits set by our adverse trade balance. But for a number of special classes of investment, the returns from which serve to improve our balance of payments, the necessity and utility is proven by other important and cogent reasons, which retain their validity, even if the above general considerations be regarded of insufficient strength.

(a) As regards the German insurance business in foreign countries, it is desirable for the domestic insurance business for the reason, among others, that by extending the scope of the business a broader distribu-

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tion of the risks is effected in time and place.⁴⁹⁴ The returns from the foreign business of the German insurance enterprises naturally increase the credit side of the balance of payments only in so far as they are not counterbalanced by the earnings of foreign insurance companies in and on account of Germany.⁴⁹⁵

(b) The oversea banking business makes it possible for our domestic exporters and importers, as well as for our general commercial activity in foreign countries, to dispense with foreign intermediaries for their financial transactions and credit needs. Through the financing of the foreign business of our merchants German bank acceptances have been introduced to foreign markets, with the result that the oftentimes considerable earnings of foreign concerns in this field have been turned into German channels and have thus become available for improving our balance of payments. Thus, for instance, as late as 1888, according to consular reports, the commercial exchanges between Germany and Chile valued in the aggregate at 60,000,000 marks yielded about 500,000 marks of profits to British bankers, merely because all acceptances by means of which these exchanges were effected had to be liquidated in the British market.⁴⁹⁶

In the excellent "*Tabellen zur Wahrungstatistik*"⁴⁹⁷ (tables regarding currency statistics) of the Austrian Ministry of Finance an estimate is mentioned—according to which out of the total value of the oversea trade of the European Continental countries more than 6,000,000,000 marks is yearly drawn on England. According to estimates of the British board of trade, which relate to the year 1898,

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bankers' and other commissions aggregated in that year 18,000,000 pounds sterling (that is, about 432,000,000 marks).

The over-sea banking business, furthermore, opens up possibilities for the investment of the domestic surplus capital (see above, p. 92). This annually growing surplus increases the demand for investment opportunities, which can not be met fully by the issue of domestic state, communal, and other loans.

Our foreign banks are also in a better position to obtain timely information regarding more important contracts, works, and government orders about to be awarded or regarding the impending issue of foreign loans, and are thus able to lend much more effective assistance to German concerns seeking the awards. Through their connections with the foreign markets they are also in a position to call the attention of foreign purchasers to German firms and, vice versa, to bring to the notice of German manufacturers and traders suitable representatives and purchasers in the foreign countries.

Under the same head come also the profits of domestic banks from trading in foreign securities and returns from other foreign business. Against these earnings have to be set, as elsewhere, the corresponding earnings of foreign banks from German business, including the commissions paid to foreign fiscal and disbursing agencies on account of our coupons and bonds, loan conversions, talon renewals, etc.

There is no means of estimating even approximately the volume of the foreign business, including dealings in foreign securities effected by our banking institutions, nor

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of the returns from this business in the shape of interest, commissions, etc. They include chiefly the earnings from underwriting, emitting, converting, unifying, and rehabilitating foreign state, railroad, and private securities; from the financing of foreign operations and enterprises, from the granting of credit to foreign firms, institutions, enterprises, concerns, and individuals by way of current account, bills and other credit operations; profits from the loaning of domestic securities abroad, from the foreign bill business, including brokerage and remittances; from the foreign trade in specie, also earnings of interest, commissions, and brokerage in international commercial transactions; profits from the purchase of foreign bills of exchange and the accumulation of credits (payable in gold) abroad;⁴⁹⁸ from services in connection with the payment of foreign coupons, from the redemption of drawn or otherwise matured debentures, the delivery of new coupon sheets, as well as the talon renewals of foreign securities.

(c) The earnings of the German merchant marine from oversea shipping also constitute an important factor in our balance of payments. The above-mentioned "*Tabellen zur Währungsstatistik*," prepared by the Austrian Ministry of Finance, estimate the freight receipts of the Austro-Hungarian merchant marine in the foreign trade at 60,000,000 crowns and the credit accruing therefrom to the international balance of payments of the country at 30,000,000 crowns.⁴⁹⁹ It is unnecessary to demonstrate that the services of our merchant marine in the oversea trade have proved of immense value in the development of our export trade and have contributed largely to increase our prestige among foreign nations, our national power and influence, as well as our financial strength.

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(d) Furthermore, we must take into account the earnings on account of foreigners traveling in Germany, which are, however, more than fully set off by the corresponding foreign earnings on account of Germans travelling abroad.

(e) Other items in the balance of payments are: The charges of domestic railways for carrying goods in transit to foreign countries; the excess charges for the mutual renting of railway cars; clearance balances received in the international postal, passenger, telegraph and telephone services; the expenditures of foreign vessels in the home ports (minus our own payments in foreign ports); the charges for the construction of vessels on foreign account in our dock yards and our claims from the sale of domestic vessels to foreigners; the claims arising from the international exchange of patents and copyrights; the claims of members of the liberal professions, i. e., technical experts, teachers, physicians, actors, musicians, etc., engaged abroad; the claims resulting from the ownership in foreign countries of land and mortgages, from liquidated inheritances and from marriage contracts concluded abroad, and, according to Ad. Soetbeer,⁵⁰⁰ also the extraordinary payments⁵⁰¹ which one country must make to another as the result of political relations or events (war indemnities, subsidies, pensions, cost of administration).

Finally, an important factor in the balance of payments is presented by—

(f) The investments of home capital in foreign securities, the utility and necessity of which are based on a number of weighty reasons besides those mentioned above.

Any attempt to liquidate the very considerable adverse balance of our trade with foreign countries by means of

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cash remittances instead of the interest and dividends on foreign securities or the sales of such securities would prove to be very expensive. It would lead to serious disturbances in the money market, at times even to crises, and might endanger in a large measure our currency and credit systems. Besides we need proper foreign securities, i. e., such as are payable in gold to secure our financial readiness for war (see p. 22 et seq.) as a necessary means of compensation against eventual withdrawals of large foreign credits.

We need them, furthermore, in order to be able to draw gold from abroad to satisfy the urgent and pressing needs for credit and instruments of payment which usually occur in the last days preceding and the first days following a declaration of war,⁵⁰² as well as to meet the violent demand for cash, which is apt to occur at such times during a temporary loss of confidence in any form of currency except gold. The holdings of such international securities which can be realized at the various international bourses present, therefore, the best protection against the excessive fall during warlike times in the quotations of our domestic securities and against the weakening or glutting of our own stock exchanges.

In this connection it must be remembered what important political results have been brought about by the granting or refusing of loans to foreign states and to what extent the home government may use for political purposes its power of permitting or prohibiting the issue, official listing, and pledging of foreign securities, especially at times when the foreign state, either because of the closing

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or overstocking of other foreign markets, is confined to our exclusive assistance and when it is in our power to inflict great damage on it by our refusal or prohibition. The skirmishes of the political advance posts are fought on financial ground, though the selection of the time and the enemy as well as the manner in which these skirmishes are to be fought depends upon those responsible for the direction of our foreign policy.

Much more than ever before we Germans will have to bear in mind that industrial contracts, commercial enterprises, and capital investments are conveying from one country to another not only capital and labor but also political influence.

Dehn very properly shows how French capital, for instance, has rendered pioneer services to the French foreign policy in Tunis and Morocco, in Turkey and Greece, and, above all, in Russia, while Sombart goes so far as to characterize "the whole Franco-Russian alliance as a bankers' creation" (*Bankiergebilde*),⁵⁰⁸ an assertion which is rather extreme. In the same vein, Georg v. Siemens, in his article on "The National Importance of the Bourse" (in the *Nation*, Oct. 6, 1900), calls attention to the great political advantages which we gained in Italy, after political discord had grown up between Italy and France, when we immediately placed at Italy's disposal our capital and stock exchanges, and that the battle between Russia and England about Persia was primarily fought "on financial ground."

In more recent times we witnessed the beginning of better political relations between France and Italy, brought on primarily through financial reconciliation, particularly the taking over a few years ago by a French

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banking group of a large amount of stock in the *Banca Commerciale Italiana*, created at the start without the cooperation of French capital. We saw only recently that the French Government threatened to withdraw the listing privilege from the Turkish state bonds unless certain contracts were awarded to French industry. The British Government sought to prevent in every way the granting of a banking concession in Persia to the German *Orientbank* for fear that such a grant might lead to a diminution of its own political influence.

The taking over of loans for China and Japan became an object of contention among all great nations, for the well-known reason that financial influence merely paves the way for political influence. France and England are competing in Spain and Portugal—and nearly all the great powers in Turkey—to gain political influence by means of financial aid. Notwithstanding some painful experience in Argentina, the English banks and capitalists have been tenaciously lending financial support to the efforts of their Government to maintain and strengthen the British political sphere of influence in that part of the world. In Canada and Mexico and in Central and South America the Americans are systematically planning by investments of capital and all sorts of financial measures to drive out both European political interference and European commerce.

In view of the above facts and considerations, the question whether issues of foreign securities even beyond the amount required to balance the excess of our foreign imports are economically correct in principle must be answered in the affirmative.

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The presumptions under which, in each individual case, the issue of foreign securities is permissible and unobjectionable from the national point of view have been discussed in detail above (p. 384 et seq.).

(D) With regard to the volume of the foreign investments of home capital,⁵⁰⁴ the report of the Reichs-Marine-Amt of December, 1905, on *Die Entwicklung der Deutschen Seeinteressen im letzten Jahrzehnt* (the development of German marine interests during the last decade) gives, on the basis of consular reports, the following estimates. The latter, of course, are based in turn upon estimates more or less accurate of others furnished to the consuls at their respective seats.

(a) The amount of German capital invested in foreign undertakings, plants, business enterprises, and participations is estimated at 7,700,000,000 to 9,200,000,000 marks, equivalent to an income, reckoned at an average of 6 per cent, of 462,000,000 to 552,000,000 marks.

Concerning this estimate the report remarks as follows (Introduction, p. XI): "In these amounts (7,700,000,000 to 9,200,000,000 marks) the current German merchandise credits, which amount to at least one-fourth to one-third, perhaps even to one-half, the amount of the yearly German exports—that is, to 1,500,000,000 to 2,750,000,000 marks—are included only in part, and the same is true of the credits frequently advanced on account of imports." We have already remarked above that there are no means of even estimating the total credits granted by us to foreigners in international trade, and the same is true of our charges for services of all sorts rendered by us.

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(b) The amount of foreign securities in the possession of German holders is estimated at least at 16,000,000,000 marks (ib., introduction, pp. XII, and 169), equivalent to an income of 800,000,000 marks, reckoned at 5 per cent.

Accordingly the total amount of our foreign capital investments for the year 1905 may be estimated at a minimum of 24,000,000,000 to 25,000,000,000 marks (with yearly earnings of about 1,352,000,000 marks) an amount which very likely falls considerably short of the true amount. (See note 20, p. 803.)

As a matter of fact, as was illustrated before in a few important instances, the true volume of the foreign investments of domestic capital in the main fields, on account of the lack of safe statistical bases, can not be estimated even approximately. This is shown strikingly and in great detail by the "*Tabellen zur Währungsstatistik*"⁵⁰⁵ prepared in the Austrian Ministry of Finance, especially in the chapter dealing with "earnings in foreign countries" (*Erwerbstätigkeit ausser Landes*), although the subject is treated in the report with the utmost care and thoroughness.

SECTION 8. REFORM PROPOSALS CONCERNING BANK DEPOSITS AND THEIR JUSTIFICATION ⁽⁵⁰⁶⁾.

I. GENERAL OBSERVATIONS ^(506 a).

It was pointed out in an earlier chapter how the German banks developed hand in hand with the scanty means of the German people and in accordance with the demands of German trade and industry. In England a different development took place, which, while in equally close touch with English requirements and the given

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concentration in the fields of distribution, credit, and national wealth—all of which was entirely lacking in Germany—led from the outset to a sharp differentiation between the deposit banks and other banks. This is sufficient ground for a large number of Germans, who are wont to underrate domestic as compared with foreign achievements, to point to the English system as the only true one, and to demand its unrestricted adoption at home. Similar views are, however, held in certain notable scientific quarters. It is particularly Adolph Wagner who has been advocating for a long time a reform along English lines, based in his case upon scientific conviction, which, as is well known, is least apt to change under the influence of mere practical experience.

To my mind it was a fortunate fact that the German banks, from the very start, placed themselves at the particular service of trade and industry. But at all events it will be granted that this was due to the historically given German conditions and requirements. As a result of this connection the banks have taken a considerable part in the splendid industrial and commercial development of the country, which is characteristic of the last decades. Starting at a time when domestic agriculture was no longer in a position to provide sufficient food and work for the greatly increased population the German banks contributed indirectly toward transforming Germany from an agricultural country, if not into an exclusively industrial and commercial country at least into one where these two economic interests are of preponderant importance. This is sufficient to arouse against the banking interest all those who detest the whole trend

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of "industrialization." The charge is made against the banks that through their deposit system they deprive agriculture of considerable funds, which they use instead for the support of industry, especially of the export industries. Political circles sharing these views are supported in this campaign by the extremists on the opposite side—i. e., the social democrats, who oppose the banks as the most powerful and dangerous representatives of movable capital.

A regrettable feature of German banking in common with other industries is the gradual ousting of small enterprises by large-scale enterprise. This development has caused a number of members and spokesmen of the "middle classes" (in this case the smaller bankers—for instance, Caesar Straus) to attack the German banks on the ground that they were pursuing an altogether wrong course. Notwithstanding the heterogeneity of political and economic views and the great variety of motives and mutually exclusive purposes of those who have been advocating "reform" in the field of deposits during the last few decades, there is unanimity on one point, namely, that "something must be done" that in some way or other the funds flowing to the banks should be diverted in a larger degree to agriculture, or "national economic ends," to use the more popular catchword. As soon, however, as practical proposals are called for, various currents and parties appear with often obscure and contradictory demands, despite the fact that the several parties and assailants very often contrive to veil their true ends and purposely move in separate columns with the view, however, of combined attack. Moreover, each time a

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crisis occurs, an event which can hardly ever be avoided in economic life under any banking system, there appear on the scene any number of patented critics or persons who have become experts overnight, who, to say the least, try to impress the public that had the German banking system been intrusted to their care it would have worked faultlessly, and who use such favorable occasions to prove their capacity of "saving the country" by means of the most radical proposals.

I. SAFETY OF DEPOSITORS—A REASON FOR REFORM PROPOSALS.

The majority of known reform proposals hitherto made are based on the following considerations:

The German banking system, which, unlike the English system, combines the issuing of securities and speculating activity on own and outside accounts with the receiving of money deposits endangers, of necessity, the safety of the deposits. These are intrusted to the banks with the confidence in their absolute security. The banks, however, use them in providing the means for their own enterprises and for speculation in securities on outside account.⁵⁰⁷ In Germany the detrimental effects of such a system have already become evident in a marked degree through overspeculation, excessive security issues,⁵⁰⁸ crises,⁵⁰⁹ and bankruptcies, which have caused great losses to depositors.

2. THE PARTICULAR PROPOSALS, MADE WITH THIS END IN VIEW BY CÆSAR STRAUS, OTTO WARSCHAUER, AND COUNT VON ARNIM-MUSKAU.

We are therefore urged to adopt the British banking system. The latter, it is said, provides for a strict division of the field and for the complete divorce between

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stock exchange and deposits, and thus guarantees the safety and prudent administration of the moneys deposited. In other words, it is imperative to effect a complete separation between the deposit business and the issue and flotation business. This is the general trend of the proposals of the late Cæsar Straus, a former private banker in Frankfort-on-the-Main, and of Otto Warschauer.

Straus advocates the establishment of a central deposit bank for the whole German Empire by private means, but under government supervision, with a capital of 60,000,000 marks, of which 25 per cent, that is, 15,000,000 marks, is to be paid in; the bank to maintain branches in all important trade and money centers and to transact business in other places through the intermediary of the Reichsbank.⁵¹⁰

Warschauer advocates the establishment of a *Reichsdepositenbank* (Imperial Deposit Bank) with a share capital of 50,000,000 marks, of which 50 per cent, that is, 25,000,000 marks, is to be paid in. Alongside this imperial institution, deposit banks for the individual States might be founded, which would bear the same relation to it as the present private note banks do to the Reichsbank.⁵¹¹ The proposed institution, just as the Reichsbank, should follow a plan of decentralizing its operations through the opening of a large number of local offices in the various confederated States. He presages for the proposed central deposit bank, the deposits of which, in his opinion, would reach the total of at least 1,000,000,000 marks, a dividend of 21 to 22 per cent ("an extremely low estimate," as he expresses himself).

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Judging by the average profits of the London stock banks, he assumes as "extremely probable" a dividend in the long run of 12 per cent. The above prediction may possibly explain the fact that, according to Warschauer, the proposed deposit banks are to be permitted to acquire first-class mortgages as well as to advance money on industrial securities and bank shares, to be sure with the limitation that only "first-class securities" are to be considered. This he thinks will cause a gradual defection of depositors from the credit banks. The latter, in his view, represent merely private interests with no claim to special protection by the Empire, and through their alertness will undoubtedly soon find new and perhaps even more profitable fields of operation.⁵¹²

At the same time both Warschauer and others before and after him made a number of substitute proposals to be applied to those of the existing banks which receive deposits. Most important among these are the following:

The proportion of deposits, in so far as they are savings deposits,⁵¹³ to the share capital—in other words, the maximum amount of deposits a bank might be permitted to receive should be fixed by law at about 200 per cent of the share capital, as against 50 per cent, which is the legal maximum for mortgage banks, since the smaller the working capital the less secured were the rights of the creditors.

Furthermore, the principle of publicity should be adopted more largely than heretofore with regard to "savings deposits" (*Spareinlagen*), which should be stated separately in the balance sheets either by all⁵¹⁴ banks, banking associations with limited liability, and

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mutual credit societies,⁵¹⁵ or by such professional depositaries, who receive the funds of the general public to the extent of 50 per cent over and above their own invested capital, who carry on a flotation and speculation business, or who participate in industrial undertakings,⁵¹⁶ which would again be inclusive of all present-day banks and even bankers. All of them should be held to publish quarterly (as proposed by Count v. Arnim-Muskau before the Bourse Law Committee under date of March 10, 1896) or monthly reports, the form of which should be fixed by law, and which should also state the percentage of savings deposits to share capital.

These summary balance sheets should state:

(a) The total amounts of undertakings or flotations on own or outside account.

(b) The total liabilities on the date of the statement on account of participations or undertakings of any kind whatever.

(c) The amounts of stock held apart from securities of other classes.

(d) The amounts used for contango or collateral credit.

(e) The total liabilities incurred through the hypothecation or "carrying over" (*Reportierung*) of securities and participations owned by the bank or through the hypothecation or "carrying over" of securities and participations owned by outsiders.

Other proposals include the demand, either that the savings deposits, as in the case of the national banks in the United States, should be granted a prior lien as over

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other creditors⁵¹⁷ or else that a certain percentage of the deposits should be invested in a special manner to be prescribed by law.

3. REFORM PROPOSALS BASED ON OTHER CONSIDERATIONS.

Under this head comes the recent proposal made by Heiligenstadt, the president of the Prussian *Zentralgenossenschaftskasse* (Central Bank of Mutual Credit Societies). Without desiring to prejudice further necessary legal enactments, and pointing to American regulations, he demands that at least a beginning of legal regulations be made by requiring that "whoever makes a profession" of lending or administering moneys shall maintain at the Reichsbank a cash reserve of 1 to 2 per cent of all funds held on current account or deposit.⁵¹⁸

This proposal, which was advocated on nearly the same grounds also by two experts before the bank inquiry commission, is not based on the claim that the German credit banks do not present sufficient safety for their deposits, but primarily on the consideration that mainly through the fault of the banks, the proportion in German trade and commerce as a whole of invested capital to the necessary liquid working capital and the proportion of the liquid assets of the banks to their liabilities, which represent their working capital, is unsound and should be improved.

At the same time, and perhaps even in the first place, the proposed reform, together with other measures, advocated by him, is intended, as Heiligenstadt expressly states,⁵¹⁹ "to strengthen the operating resources of the

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Reichsbank" and to raise it to the position of "steward of the national reserve," with the view of providing greater security for the constantly increasing deposits on current-account and other bank deposits.⁵²⁰

It is probably in this sense that the resolution of the Tax and Economic Reform Association (*Vereinigung der Steuer- und Wirtschaftsreformer*) dated February 13 and 14, 1906,⁵²¹ is to be interpreted, in which the imperial chancellor is requested "to provide for the legal regulation of the modes of securing the deposits at the Reichsbank (!) and other banks, especially in view of the growing proportions of the giro and deposit business ever since 1875, that is, the year of the foundation of the Reichsbank.

So far as the Reichstag is concerned it confined itself until the present to point out the presumed insecurity of the deposits by passing on June 17, 1896, the following resolution, proposed by one of its committees:

Whereas the professional use by banks and business men of current account- and other deposits urgently demands protective measures in the interests of the depositors, the Chancellor is requested to inquire into the subject with the view of ascertaining how such measures can best be taken, to examine the principles underlying the present draft and the accompanying report, and to lay before the House as soon as practicable a bill in regulation of the matter.

4. CONSIDERATIONS ON WHICH THE FIRST-NAMED REFORM PROPOSALS ARE BASED.

Before proceeding to a critical discussion of the individual reform proposals, it seems proper to inquire whether reforms in the field of bank deposits—that is, protective measures in the interests of depositors—are at all necessary or even urgent in the present state of affairs or in view of past experience. It is such measures that are

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advocated in the first batch of proposals, mentioned on page 550 and following and in the Reichstag resolution.

(a) SUPPOSED SUPERIORITY OF THE ENGLISH BANKING SYSTEM.

It has been asserted repeatedly that the English banking system, with its division of labor between deposit banks proper and other banks engaged also in the flotation and underwriting business, necessarily presents a larger degree of security for depositors, as compared with the German "mixed" system. For the underwriting and flotation business, it is argued, as is amply proved by the experience of the various countries, carries with it great dangers, which in the case of the regular banking business do not exist at all, or at least, only to smaller extent.

As a matter of fact, however, it has been incontestably proven, especially by Ad. Weber and Edgar Jaffé that it is precisely the English deposit banks—not to mention the most recent experience of the American note banks—which despite their theoretic superiority have in practice shown the most serious evils and abuses.

It is true, that the English joint-stock companies, conforming to theory, have abstained in a *direct* way from flotations and the underwriting business as well as from bourse speculation. But this very fact causes another great evil, namely, that the banks have never shown any interest in the newly founded companies or in the securities issued by these companies, while it is a distinct advantage of the German system, that the German banks, even if only in the interests of their own issue credit, have been keeping a continuous watch over the development of the companies, which they founded.

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On the other hand the English banks have been promoting stock exchange speculation, company flotations and security issues to an alarming extent by their practice of placing at the disposal of the larger jobbers and dealers their daily surplus money against the hypothecation of securities of all kinds.⁵²² This went so far that the Journal of the Institute of Bankers referring to this practice in its issue of October, 1899, page 409, used the following strong terms: "Nearly the whole of the professional speculation on the Stock Exchange is carried on with bank money." Among the securities hypothecated during the last decade there was an enormous number of gold-mine and American railway shares, which during critical times can either not be realized at all or only at great sacrifice; thus it is just in critical times that the joint-stock banks have had to fall back for assistance on the Bank of England.⁵²³ During critical times therefore the joint-stock banks have to depend upon the "single-reserve system," that is, upon a system, which even English authorities have long ago condemned as inadequate and dangerous, the more so as the Bank of England in turn is lending out the funds deposited with it.⁵²⁴ It is these large sums, indirectly placed at the disposal of the stock exchange and speculators, which in the statements of the joint-stock banks constitute the largest part of the item "money at call and short notice."⁵²⁵ In Germany these sums would figure under the head of "Reports and Lombards," whereas Caesar Straus, strangely identified them with the item "*Kupons und Sorten*" (coupons and specie) of the German balance sheets, and therefore regards them as perfectly harmless.⁵²⁶

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It is these amounts loaned by the deposit banks and looking so innocent in the summary balance sheets, which are mainly responsible for the conditions, which Edgar Jaffé⁵²⁷ characterizes in the following caustic expressions:

Nowhere are there so many swindling promotions as on the London Stock Exchange, nowhere else has the general public lost such enormous sums.

On the other hand it is also a fact⁵²⁸ which I believe to have amply proven in another work of mine,⁵²⁹ that during the great crises, through which England, like other countries, has had to pass, an alarmingly large number of deposit banks have failed.

It may also be shown that in other respects as well the much-vaunted merits of the English joint-stock banks are but illusory. The paid-up capital of the English deposit banks is extremely small, both taken by itself as well as in proportion to the liabilities. In 1904 it amounted for 87 deposit banks to 65,250,000 pounds sterling in round figures, equal to 1,305,000,000 marks, or an average of only 15,000,000 marks per bank. On the other hand the proportion of surplus funds to the paid-up capital, but not to the total liabilities is shown to be exceedingly high, ranging between one-half to two-thirds and even up to 100 per cent. This is the sole cause, why even with small gross profits the banks have been able to declare the high dividends⁵³⁰ (on their paid-up capital, of course) to which Warschauer refers, though advocating a much larger paid-up capital for his proposed Imperial deposit bank.

Finally Jaffé⁵³¹ showed that "with the exception of a small number of the very best banks, which have a cash-reserve of 5 to 10 per cent, the English deposit banks kept

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no amounts on hand, which may be regarded as reserves in the above sense." In view of the large amount of time deposits and deposits on current account and the small paid-up capital of the English deposit banks, Jaffé rightly considers it impossible to class under this head the item "money at call" (contango—and other loans to bill-brokers and on exchange), since a portion of the money lent out on the stock exchange could not be realized in the event of a panic.

Neither can the item "cash" (i. e., cash on hand plus credits at the Bank of England), the only one that might be regarded as reserve, be classed as such in its entirety, since part of it is absolutely necessary for the daily use of the banks themselves. But even this, he emphasizes expressly, is probably too favorable a picture, since, according to his experience, a large number of the English deposit banks—and some of the largest banks are the worst offenders in this regard—in order to make the item "cash on hand" appear as large as possible in their public statements, withdraw from the market large amounts at the end of each month and particularly at the end of each half year.⁵³² It may be said, though, that this statement no longer holds true for the most recent time, since under the pressure of public opinion and following the example of the leading institutions, nearly all the English deposit banks maintain at present reserves in the above sense which amount from 10 to 15 per cent of the liabilities. It may thus be seen how far the practical operation of the English system justifies the enthusiasm for it as a model to be adopted by us.

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We shall now take up the discussion of the reform proposals, which start with the assertion that the German banks do not accord sufficient security to their depositors, and examine the validity of the underlying assertions that in Germany, as distinct from England, the proportion of share capital and reserves to liabilities, also the proportion of liquid assets to immediately or shortly due liabilities, is far too small; further, that deposits are used in Germany for syndicate business and stock speculation, and finally that the combination of the deposit business with the underwriting and issuing business has caused great injury to the public.

We shall start with the first and most prevalent charge.

(b) THE ALLEGED SMALL OWN RESOURCES (SHARE CAPITAL AND SURPLUS)
OF THE GERMAN CREDIT BANKS AS COMPARED WITH THEIR LIABILITIES.

The 169 German credit banks with a capital each of 1,000,000 marks and over, of which nearly all are holding deposits (totaling about 2,750,000,000 marks) separately mentioned in their balance sheets, show under date of December 31, 1908:

	Marks.
Share capital.....	2,646,000,000
Surplus.....	607,000,000
Total own resources.....	3,253,000,000

As against these items there stand—

	Marks.
Credits on current account, including acceptances.....	4,510,000,000
Deposits.....	2,746,000,000
Or total liabilities.....	7,256,000,000

In other words, the own resources of these 169 banks constituted almost one-half of their total liabilities, including acceptances and deposits, whereas in England the paid-up

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capital constituted only about 10 per cent of deposits of all kinds (*fremde Gelder*).⁵³³

The 2,746,000,000 marks of deposits in the German credit banks were more than fully covered by the share capital and the surplus.⁵³⁴

As far as the eight great banks are concerned, the proportion between deposits of all kinds (liabilities) to share capital and to share capital plus surplus, or to the bank's own operating capital (*eigenes werbendes Kapital*), may be seen from the following table:

Banks.	Share capital (1,000 marks).	Share capital plus surplus, i.e., own operating capital (1,000 marks).	Deposits (<i>Fremde Gelder</i>) (1,000 marks).	Liabilities in per cent of the—	
				Share capital = 100.	Capital plus surplus = 100.
Deutsche Bank	200,000	301,831	1,274,648	637	422
Dresdner Bank	180,000	231,500	599,643	333	259
Disconto-Gesellschaft	170,000	227,593	463,551	273	204
Bank für Handel u. Industrie. Schaaffhausen'scher Bankverein	154,000	184,358	395,122	257	214
Berliner Handels-Gesellschaft. Comm.-u. Discontobank	145,000	179,157	297,440	205	166
Nationalbank für Deutschland	110,000	144,500	209,103	190	145
	85,000	97,702	210,179	247	215
	80,000	92,820	184,458	229	198

It goes without saying that the own resources of the German credit banks have grown far less than the liabilities, for it must be borne in mind that during periods of depression, when only small dividends were paid, fresh issues of stock were altogether out of question. At all events, there was no inducement then for working with excessively large capital on which no adequate returns could be expected.

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The surplus funds alone of all credit banks steadily increased from 12.90 per cent of the share capital in 1885 to 22.90 per cent in 1908, amounting then to 607,070,000 marks. In the case of the Berlin banks these percentages grew from 17 per cent in 1885 to 29.10 per cent in 1908.

It is my opinion, however, that this splendid showing is due not so much to the superiority of our banking methods, as is thought by Ed. Wagon,⁵³⁵ as to the excellence of our corporation laws. These surplus funds contribute at present more than $1\frac{1}{4}$ per cent of the dividend earnings of all the banks and 1.73 per cent (as against 1.87 per cent in 1906) of the dividend earnings of the Berlin banks.

It should be stated, though, that while the share capital and surplus are "guaranties," and while the increase in their size improves the financial condition of the bank and diminishes the danger of bankruptcy, yet they, as well as the part of the debits which is not required to meet the claims of creditors, are on the main guaranties for the stockholders.

(c) THE LIQUIDITY OF THE RESOURCES OF THE GERMAN CREDIT BANKS—
COEFFICIENT OF LIQUIDITY (*Liquiditätsschlüssel*).

The guaranties for the creditors, especially for the depositors, are represented in the first place by those assets in which the capital of the bank is invested, since the creditors must have assurance not merely of the solvency of the bank, but even more so, that their demand claims will be paid upon presentation and that the other claims which are due on stated terms will be met when due. In other words, the security of the creditors, especially of

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the depositors, depends primarily upon the amount of liquid assets which the bank possesses and the mode of their investment.⁵³⁶

The liquid assets for securing the demand and short-term liabilities must be large enough and of such a kind that the bank may be able to pay without delay those liabilities, the presentation of which might be expected during a crisis. The question as to what percentage is likely to be presented for payment during a crisis can be answered only according to rules of probability,⁵³⁷ differing according to circumstances (time, state of the market, etc.), which are learned only from practical experience, change with it, and can not therefore be fixed by law. Similarly only experience during a long period can teach what kind of assets may be regarded in a general way as liquid assets, though it is much easier to determine those which can not be so regarded.

It is perfectly obvious, therefore, that there is no fixed method of calculating the degree of liquidity applicable at all times and places and to all institutions. Any method may and will be objected to in one point or another. There is the further drawback that the manner in which the balance sheets are drawn up have varied greatly, at least until the most recent period. Moreover, there is no means of telling to what extent the various items which, like bills, contango, advances on collateral, may be regarded generally as liquid assets, contain amounts that are not liquid, and inversely, to what extent an item which, as a rule, does not come under the general head of liquid assets does not comprise, in any concrete instance, consols or other securities which can be quickly realized under all circumstances or at least during normal times.

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Finally, in calculating the degree of liquidity, exact and correct results may be obtained only if a distinction is made between the daily liabilities, including commercial deposits, and those which fall due after some time, since it is only the former which require security by means of quick assets, while the latter may be properly secured by those assets which will be realized on some future date.⁵³⁸

After these preliminary remarks we may state that, according to the method most commonly used in calculating the liquidity of bank resources, the liabilities include the following items:

Credits on current account, including acceptances,
Deposits (*Depositen*),

Claims to net profits, undivided at the end of the business year;

while the liquid assets include:

Cash on hand,

Contango and loans secured by collateral (the two, however, appearing in most balance sheets under one common head),

Bills,

Securities.

Debits on current account are *not* included among the liquid assets.

There is no doubt that this method, which is followed by the daily press, especially the *Frankfurter Zeitung*, and special periodic publications, as the *Deutscher Oekonomist*, is extremely schematic, as no distinction is drawn in the case of credits on current account and deposits between those claims which are daily due and those which

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fall due at a later date. Nor is it borne in mind that as a rule, even during critical times, the majority of the clients will forward to the bank at maturity funds to secure the payment of their acceptances. The scheme is also faulty for the reason that it includes among liquid assets all securities—an altogether too optimistic an assumption—while it excludes all debits on current account, notwithstanding that even during critical times a great number of the debtors may be expected to pay up their due debts within reasonable time after demand.

All these faults of classification are, however, of no serious account, since the errors are not only in favor of greater liquidity (as, for instance, when securities are included among the liquid assets) but also against it⁵³⁰ (as, for instance, when all debits on current account are excluded from among the liquid assets and all acceptances are included among the liabilities), and thus compensate each other to a certain extent; also because the same methods of calculation are used in the comparison of the more recent with the older balance sheets.

This can be proved arithmetically by changing slightly the schedule so as to avoid the errors named, for instance, by omitting acceptances from the liabilities or considering them only to the extent of one-third of the total, by including at the same time among the liquid assets debits on current account to the extent of one-half or one-third of the total, and by including *not* the total securities, but only one-third or 10 per cent of that total. It will be seen that even with such a change of the schedule very similar results will be obtained.

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According to the customary schedule the coefficient of liquidity—that is, the proportion of the immediately available or quick assets to all liabilities, without distinction between those daily due or those maturing after some time ⁵⁴⁰ has been as follows since 1893:

	For all German credit banks.	For the Berlin banks.		For all German credit banks.	For the Berlin banks.
	<i>Per cent.</i>	<i>Per cent.</i>		<i>Per cent.</i>	<i>Per cent.</i>
1893.....	85	88	1901.....	70	70
1894.....	81	83	1902.....	72	76
1895.....	72	73	1903.....	67	71
1896.....	73	75	1904.....	66	70
1897.....	75	79	1905.....	62	65
1898.....	72	76	1906.....	61	63
1899.....	73	78	1907.....	60	63
1900.....	70	73	1908.....	62	64

The proportion has grown constantly worse during the last fifteen years (except for the years 1896, 1897, and 1902) up to 1907, and it is mainly this fact which supplies grist to the mills of the heterogeneous elements opposing our present banking system. There can be, however, no doubt that this falling off can be traced on the one hand to the strong concentration movement in banking and industry, particularly characteristic of this period, and on the other to the unexpectedly large demands of industry and the accompanying growth of speculation. It would not be difficult to trace in detail the influence of the above factors through the growth of debits on current account and the long-term credits. The working of the first factor, particularly in the shape of the so-called communities of interest, is discernible in the increase of the

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permanent participations; the two last factors are mainly responsible for the growth of debits on current account and of acceptances. The expectation seems, however, justified that with the abatement of the concentration movement and the strengthening of the numerous branches, agencies, etc., founded by the banks during the period, all of which make large demands upon the parent institutions until they are able to stand on their own feet, these items will show some reduction. An adverse change in industrial activity may contribute to the same result while causing a similar reduction of the bank discount and general interest rate. The picture presented by the balance sheets of the banks must necessarily reflect that of the entire national economy, since the banks are the cash keepers of the nation. It is, therefore, hardly in accord with the truth to speak of or object to the banks as the "*leaders* of national enterprise" or of domestic economic activity.

As it is the above table shows that the proportion of the quick assets of the banks to their liabilities or the coefficient of liquidity of their resources even for the worst year of the period (1907) was 60 per cent for all credit banks, taken as a whole,⁵⁴¹ and 63 per cent for the Berlin banks. That is to say, the liabilities of the German credit banks to the extent of almost two-thirds of the total were secured⁵⁴² by liquid resources.⁵⁴³

The coefficient of liquidity in 1907 for 11 great Berlin banks has been calculated by Heinemann in an article in the *Nation* (No. 32, dated May 7, 1898) at 61 per cent, while for 1906⁵⁴⁴ (by disregarding the item of securities)⁵⁴⁵ he reckons it at a little over 50 per cent. Similarly A. Kop-

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pel, writing for the *Plutus* of May 26, 1906, figures out a decrease of liquidity for the 5 largest banks from 75 per cent at the end of 1890 to 50 per cent at the end of 1905. In this calculation he fails, however, to include securities among the assets, while including among the liabilities even the so-called *Avale* (i. e., bank sureties for the payment of railway freights, excise, and import duties).

An article of the *Frankfurter Zeitung*, dated April 4, 1907 (No. 93), discussing the coefficient of liquidity for 45 banks (9 Berlin great banks and 36 provincial banks, each of them with a minimum capital of 10,000,000 marks), with a total nominal capital of 2,198,800,000 marks, follows the customary method (without, however, considering the net profits) and places this coefficient at 67.8 per cent for the 8 Berlin great banks, arriving thus at the same proportion of two-thirds security for the outstanding liabilities.

Finally, the *Deutscher Oekonomist* of November 23, 1907, page 561, by using the customary method of calculation, but omitting acceptances from the liabilities and securities from the liquid assets, places the coefficient of liquidity on December 31, 1906, for 143 banks, with a minimum capital of 1,000,000 marks each, also at about two-thirds (credits on current account and deposits, 6,304,000,000 marks; cash on hand, bills, and loans on collateral, 4,043,000,000 marks). Almost the same result would have been attained by reckoning in the case of these 143 banks the acceptances among the liabilities at the ratio of one-third of the total and placing with deposits and net profits the credits on current account at the ratio of one-half of the total, i. e., by considering

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merely the immediate liabilities (as distinct from those maturing after some time), according to the average ratio between the two and by including among the liquid assets, besides cash on hand, bills, and loans on collateral, including contango, also one-third of the securities, but excluding from the liquid assets any debits on current account. The amounts thus obtained are 7,394,000,000 marks of liabilities, as against 4,406,000,000 marks of quick assets.

These results tally fairly well with the coefficient of liquidity of 62.76 per cent, which Waldemar Mueller assumed for 45 banks with a minimum capital of 10,000,000 marks each, at the Hamburg bankers' convention, although he counted among the liquid assets one-half instead of one-third of the securities and omitted the net profits, but, on the other hand, placed among the liabilities all credits on current account. By excluding the total of acceptances from the liabilities, which I regard, however, as improper, he obtained an even higher coefficient of liquidity of 81.92 per cent.

It will hardly be denied that the coefficient of about two-thirds obtained by the various methods, even for the worst year, unless the methods used were altogether arbitrary, is sufficiently satisfactory, although in this regard conditions in the English banks, for reasons already stated, are far more favorable. But even for the German credit banks the coefficient would be far more favorable if we compared their quick assets merely with their immediate liabilities. This, however, is impracticable, at least for the present, since the balance sheets of many banks contain no information on that point.

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The composition of the liquid assets may likewise be regarded, on the whole, as satisfactory.

On December 31, 1908, cash on hand in all banks amounted to 537,500,000 marks,⁵⁴⁶ i. e., almost to 8 per cent of the 7,256,000,000 marks, the combined credits on current account and deposits, exclusive of acceptances. In England, as we saw, even the best joint-stock banks show a cash reserve of only 5 to 10 per cent, whereas the majority of the banks have no amounts which may be regarded as reserves in the sense used by Edgar Jaffé. In the case of the German banks, the item cash is supplemented by the bill holdings, which on an average⁵⁴⁷ present a very satisfactory amount, amounting to 2,742,400,000 marks, on the above date, so that on December 31, 1908, the items cash and bills alone constituted 3,279,900,000 marks, as against deposits of 2,745,800,000 marks.

The statement was made and assiduously propagated in the foreign press that part of the funds entrusted to the banks, and even part of the deposits, are being used in syndicate operations or speculation. This is refuted by the mere fact that at the end of 1908 the combined total of the items—securities, mortgages, and syndicate participations—in the case of the above-mentioned 143 (169 in 1908) credit banks, with a minimum capital of 1,000,000 marks each, was 1,298,052,000 marks, or less than one-third of the combined capital and surplus funds of these banks, viz, 3,253,673,000 marks.⁵⁴⁸ About two-thirds more of this amount would therefore have to be invested in this manner before there could be any talk that outsiders' funds, not to speak of deposits, were invested in speculative securities or participations.

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The above, it is hoped, will afford sufficient proof that neither the amount nor the composition of the liquid resources, nor the coefficient of liquidity afford any cause for demanding the "reform" of our banks for the sake of increasing the security of the deposits. Finally, the statement, that the combination of the deposit business with the promoting and issuing business has led to grave losses, is correct only to the extent that in a number of failures of credit banks as well as cooperative credit societies and private banking firms depositors have also suffered. So far as private firms were concerned, these failures were brought about by the criminal acts of the bank management, which had no connection whatever with promoting or issuing transactions. Similar experience, only on a larger scale, was had with the English deposit banks and is not likely to be avoided through any legal regulations.

The figures of such losses as given by Otto Warschauer⁵⁴⁹ brought down to the year 1907 by the managing partner of the Disconto-Gesellschaft, Dr. Arthur Salomonsohn, were presented to the bankers' convention at Hamburg.⁵⁵⁰ These data, the accuracy and completeness of which will hardly be doubted, relate to nine credit banks, nearly all of them with very small capital, and two other institutions, the *Hannoverscher Hypothekenverein* and the *Spar-und Vorschussbank*, in Dresden, which either at the opening of bankruptcy proceedings or before were cooperative societies. The total losses sustained by depositors by reason of all these failures during the fourteen years between 1894 and 1907 are calculated at about 24,000,000 marks. It is rather difficult to ascertain the proportion

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which these losses bore to the total deposits of the German credit banks.

It would not be correct to compare the total losses with the amounts due to the depositors on December 31 of each of these fourteen years, since the amount for each successive year includes those for the preceding years. Even if only the amount for December 31, 1906 (2,700,000,000 marks), were taken the total would be altogether too small. For what we are concerned with are the total amounts deposited during each year, and these naturally will be much larger in view of the withdrawals, which are especially heavy during the last months of the year. This maximum amount of 2,700,000,000 marks represents, therefore, a total far below the actual amounts deposited.

On the other hand, the total loss of 24,000,000 marks, as estimated by Salomonsohn is probably far too high, since according to his explanation the claims of the depositors were figured from the last bank statements preceding the failures. In many cases, however, the opening of bankruptcy proceedings is preceded by a run, during which part of the deposits is repaid. It is plain, therefore, that the amount of deposits—of which only part represents savings deposits—is estimated too low, while the losses are estimated too high. But even if we accept both figures without change and divide the total loss of 24,000,000 marks by the total deposits of 2,700,000,000 marks it will be seen that the average loss on all bank deposits in the German Empire during the fourteen years from 1894 to 1907 was about nine-tenths of 1 per cent; in other words, of every 100 marks deposited during the fourteen years, from 1894 to 1907, not quite 90

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pfennigs was lost. This period includes the crisis years of 1901 and 1906, during which the German banks and banking system, on the whole, proved their utmost soundness despite all difficulties and dangers. It is true that subsequently, in 1907 and 1908, new important cases occurred, when banking institutions which were receiving deposits failed and the depositors suffered losses. According to my own inquiries these cases include 29 private banking establishments, 11 registered cooperative credit societies with limited liability, 1 industrial bank, 1 savings and credit bank, 2 loan and credit societies, 1 people's bank, not registered as a limited credit society, and only 2 credit banks, viz, the *Solinger Bank* in Solingen and the *Bonner Bank für Handel und Gewerbe* in Bonn.⁵⁵¹

After the foregoing discussion it would seem rather unreasonable to maintain that deposits are being used for syndicate participations or speculative operations or that "grave losses" have been caused to German depositors by our banks and banking system, and to demand in the same breath the introduction of special deposit banks or special safeguards, the more so, as failures have by no means been rare even among the special deposit banks in England. It is not surprising that the constant reiteration of such statements, hurtful to German credit abroad, in the long run finds a loud echo in foreign countries, which are only too anxious for such news, and that even the *London Economist* could treat his readers in a recent issue to the news that the German banks were "investing their deposits in mortgages."⁵⁵²

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II. CRITICISM OF THE INDIVIDUAL REFORM PROPOSALS.

I. THE CREATION OF A CENTRAL PRIVATE DEPOSIT BANK OR OF A GOVERNMENT DEPOSIT BANK FOR THE GERMAN EMPIRE AND OF SIMILAR DEPOSIT BANKS FOR EACH OF THE GERMAN STATES.

In order to bring German banking into conformity with the English model, Caesar Straus proposes the creation of a private central deposit bank and Otto Warschauer the establishment of a government deposit bank for the German Empire alongside of a series of deposit banks for the individual States.

In view of the above discussion and the German and English experience in this field, the change does not seem justified in the interests of greater security for the depositors. Furthermore, the proposed changes are either impracticable or dangerous. Straus's idea of a central (*einheitliche*) deposit bank is impracticable, even if only for the reason that neither the German great banks, nor the other banks or bankers, are likely to join in the foundation of such a central bank, since, being more conservative in their business views, they believe that, contrary to Warschauer's calculations, such a bank for the present and a considerable time to come is not likely to prove profitable.

The idea is impossible of realization, also, because the Reichsbank, for obvious reasons, will never agree to transact the business of the deposit bank in those places, where the former only, but not the latter, may have branches of its own. If I am rightly informed the proposal met with scant favor at the time, just in the last-mentioned quarter.

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For various reasons the Warschauer proposal of an imperial special government deposit bank, either singly or in conjunction with like banks for the individual States, is likely, at least for the time being, to share the same fate.⁵⁵³ In the first place our authorities would hardly disregard the reasoning that it would not do to substitute bodily a foreign credit system, which owes its development to special local conditions, for a domestic system, which is no less the result of peculiar conditions at home. It will also be recognized that our banks have had a considerable share in the brilliant economic development during the last decades, and that, therefore, any attempt to paralyze their activity is likely to inflict grave injury on our national industry. There will be the more hesitation about making the change when it is borne in mind that the coming decades will undoubtedly bring a very severe struggle for our national industry against foreign competition, in which the unimpaired assistance of our banks will be needed more than ever before.

Nor is it likely that there will be much sympathy with any plan that is likely to diminish the "highly appreciated" and always welcome ability of our banks to contribute their share of taxation. In the case of the Reichsbank, which has had to pass through a severe struggle with the competing note banks, there would be the additional danger that the newly established state deposit banks might interfere with and thwart its discount policy. That such a danger exists, is shown by conditions in England,⁵⁵⁴ where the Bank of England's own bill business has been declining for some years past, and where the bank, owing largely to competition with the

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large deposit banks, is compelled to discount bills at the prevailing market rate, which in most cases comes nowhere near the official discount rate. It may also be shown that the Bank of England no longer controls the market for loans on collateral, as the large deposit banks find it possible to supply the market with vast amounts for such loans and are thus in a position to oppose successfully any increase of the discount rate which the Bank of England might deem expedient. Thus it has come to pass that of all the functions devolving upon it, and of which no one can be eliminated without injury to the community, the Bank of England exercises successfully only one, viz, the regulation of the currency.

This also proves the error of the writers who hold⁵⁵⁵ that "no conflict of interests between the Reichsbank and a private central deposit bank need be feared," that, on the contrary, "they have common interests," and that both institutions, with the Reichsbank as "the leading institution," would "cooperate in maintaining and supporting the proper monetary circulation" of the country. The establishment of state deposit banks would, moreover, involve a radical change for the worse, and not for the better, of the entire German banking system.

It is not likely that the German credit banks will resort to any measures of self-protection during the early stages, believing, no doubt, that for some time at least, their deposit business will not be seriously endangered by the fresh competition. Should, however, the founding of government deposit banks, or even a more energetic quest after deposits on the part of the *Seehandlung* and other state institutions, come to be regarded as a serious danger

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to their own deposit business, the credit banks would, as a matter of course and of self-protection, have to enter the competitive struggle with all the means at their disposal. In such a case they would proceed to transform, as far as practicable, their present deposit departments into separate deposit banks or to found new ones, and in either case take over or keep the control,⁵⁵⁶ management, and shares of the new deposit banks.

We should then have an imperial deposit bank, deposit banks for the individual States, and a large number of competing private deposit banks, all of which, including the state and private banks, would be compelled to cover the country with a network of branches. Sooner or later all these institutions, possibly in conjunction with the then surviving state note banks, would be found seriously hampering, if not entirely blocking, the discount policy of the Reichsbank.⁵⁵⁷ This, contrary to Ad. Weber (op. cit., p. 262), we regard by no means as a "*cura posterior*." Such a picture of the future is by no means exaggerated, if we are to judge by English experience. Warschauer's proposal is based upon the erroneous view that our banking system is inferior to the English system and must give place to the latter. In order to refute his views, it may suffice to state that for a long time the English have been energetically demanding a reform of their own banking, while pronouncing our system superior to their own, until their usual keenness of perception became blunted by the agitation which had sprung up in our own midst. As late as July, 1906, the following expressions were used in an article on "The future of international banking," which appeared in the Bankers' Magazine (No. 748, p. 51):

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“In Germany we find a banking policy which, though in minor points borrowed from other countries, differs essentially from all others in giving full expression to the national genius. It is as scientific and thoroughly coordinated as English banking is unscientific and haphazard. German banking does not stand aloof from industry and commerce, as ours does. The three are all closely associated. They have a common understanding and a strong sentiment of solidarity.”

This is a foreign opinion.⁵⁵⁸ In Germany the mere fact that a hen is laying golden eggs suffices to call forth in many quarters the desire to have it killed.

In view of the above considerations and the negative attitude assumed by the imperial chancellor at the opening of the deliberations of the bank inquiry commission toward the proposals to change by law our existing mixed banking system, it would seem unnecessary to repeat again the arguments propounded in the second German edition of this work (pp. 155-160), that the profits of the new central deposit bank, at least during the early period, would most likely be very moderate and not, as Warschauer believes, 21-22 per cent (!), or at least 12 per cent.⁵⁵⁹

2. THE GRANTING OF PRIORITY RIGHTS TO DEPOSITORS.

It was shown above that our past experience does not justify the demand that priority rights be granted to depositors. Such a demand, even if better founded, could hardly be conceded, as such a preferment of depositors to other creditors of the bank, who may have entrusted their cash to the bank in current account or

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otherwise, would be a death blow to the credit of the banks. It may be also argued against it that the very conception of deposits is not fixed either in theory or in practice and still less defined in law with regard to their manifold and constantly varying relations to credits on current account, contango, etc.⁵⁶⁰

3. THE FIXING OF A LEGAL RATIO BETWEEN SAVINGS DEPOSITS AND THE SHARE CAPITAL.

The objection to a fixed ratio between share capital and deposits "in so far as they are savings deposits" is directed mainly against Warschauer,⁵⁶¹ who advocates a scheme similar to that legally prescribed for our mortgage banks.

This scheme would be unacceptable even if the words "in so far as they are savings deposits" were omitted. As a matter of fact, while it might have been desirable to fix such a ratio in the case of the mortgage banks, which are engaged in what may be called the standard business of issuing mortgage bonds, such or other regulations would be ill adapted to the credit banks with their innumerable and constantly varying business relations. Warschauer's proposal is based on the premise that the share capital (he wrongly disregards entirely the surplus funds) ought to bear a certain ratio to the deposits, whereas it was demonstrated above that the foremost protection of the creditors, including depositors, are the liquid assets⁵⁶² and not the capital (and surplus), and that in Germany large share capitals are required mainly in view of the diversity of business transacted by our banks. This view is shared in England, to which our opponents are in the habit of turning for their authority.

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4. LEGAL REGULATIONS REGARDING THE INVESTMENT OF DEPOSITS.

Proposals were made by certain experts who appeared before the bank inquiry commission of 1908, to the effect that those modes of investment of deposits which were found correct and had been carried out at that time by most of the great banks should be made the basis for legal regulation, as it was intolerable that the "administration of the national wealth"⁵⁶⁸ should be entrusted to 10 or 12 persons without any legal safeguards. This remark occurs frequently in banking literature and in other connections.

Accordingly a legal regulation is demanded requiring that a certain proportion of the deposits is to be invested in German government bonds, the price of which would thus incidentally be raised. As an alternative it is proposed that about one-third or 35 per cent of the deposits in savings banks, cooperative societies, and credit banks be required by law to be invested as follows: Twenty per cent in bills of exchange in accordance with the Reichsbank regulations, i. e., provided with three signatures and running for a term not exceeding three months, and 15 per cent either in other bills, in accounts at "giro" banks, and in loans on collateral not exceeding a term of three months on securities quoted at a German bourse (excepting the bank's own shares or those of a "concern" bank, or such securities as have been put on the market by the institution in question within three years preceding), or in German state loans or German imperial government bonds, or finally, in first mortgages.

Against this it may be urged that even if the above demand were complied with, the depositors, having no

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exclusive lien on these securities, would run the same risk as they do now in the case of bankruptcy or crisis, the only difference being that believing themselves guaranteed by law against all losses they would have all the more reason to complain.

Unlike the mortgage banks and insurance companies, whose business moves along beaten paths, the German credit banks engage in an immense variety of complicated enterprises. Hence no regulations of the kind above described could be applied to them without injury to the special activity of each bank and of the credit business in general. It seems impossible to imagine how any set of regulations, suitable for all times, places, and conditions, could be devised to determine the manner in which the working capital is to be invested. At any rate, the attempt to do so would be a very risky undertaking. Moreover, it is more than doubtful whether any manner of investment could be legally prescribed that would under all circumstances guarantee the liquidity of the investments.

5. DEPOSITING A CERTAIN PORTION OF THE PRIVATE DEPOSITS AT THE REICHSBANK.

Heiligenstadt's proposal⁵⁶⁴ that the credit banks should be required to deposit one to two per cent of the average annual amount of all their credit items in cash at the Reichsbank represents a totally different and broader standpoint. The proportion was raised to 5 per cent by some experts of the bank inquiry commission, who in all other points adopted bodily the proposal and its argument.

Starting with the alleged fact that on an average only 50 per cent (between 1895 and 1905 only 37 per cent) of

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the annual national economic working capital (“*volkswirtschaftliches Betriebskapital*”) placed in the hands of the banks between 1886 and 1895 was used for working purposes in the shape of cash, bills, and loans on collateral (p. 83 loc. cit.), Heiligenstadt concludes that the balance (i. e., during the latter period 63 per cent) of the money belonging to the creditors or depositors was used for purposes of investment; in other words, that an excessive part of the nation’s working capital was converted into investment capital through long-term credit or otherwise.

The above proposal was therefore considered justified, inasmuch as the increase of the capital of the Reichsbank (the regulator of the money circulation and of the credit business) would be the best means to keep an adequate portion of German working capital permanently liquid for working purposes (p. 87) and to take the power of deciding the mode of employment of capital, at least to a certain degree, out of private hands (p. 85).

Thus the proposal is said to be intended, first and foremost, to strengthen the working capital of the Reichsbank (p. 98, under X), and at the same time to prevent the banks from tying up an excessive proportion of their resources and thus endangering the security for their liabilities (p. 95).

The supporters of this proposal described the sum to be deposited in cash at the Reichsbank as “the national working reserve,” or “iron reserve” (“*eiserne Reserve*”) which would enable the Reichsbank to issue three times the amount in bank notes, the security for which could not be withdrawn, and by which the nation could be constantly supplied with liquid working funds.

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When subjected to analysis, both the premises on which these views are based and the aims, as well as the conclusions arrived at, prove untenable.

As regards the premises, the facts set forth on previous pages of the present work suffice to disprove the assertion that German credit banks are in the habit of tying up an excessive part of their resources (p. 83), and thereby endanger the security of their liabilities. On the contrary, we saw that all the liabilities of the German credit banks are covered almost up to two-thirds of their amount by liquid resources, whereas the law requires that even bank notes payable on sight may be covered by cash reserves only up to one-third of their amount.

Heiligenstadt's method of calculating the coefficient of liquidity (p. 83) is altogether too unfavorable. I can not see on what ground cash, bills, and even loans on collateral, are by him considered only partly as liquid means, *contango* and securities being omitted entirely.⁵⁶⁵

As regards the purpose aimed at by the proposal, it is not clear how the Reichsbank (in the event of its note-issuing power being increased by the 2 per cent or 5 per cent of fresh cash funds to be furnished by the banks) will be able to keep these funds in any more liquid form than that in which they are furnished by the banks; for the banks would have to withdraw these very cash funds from their most liquid resources, namely, cash balances, bills, loans on collateral, etc. The same cash funds would thereupon be invested by the Reichsbank in practically the same form, namely, in bill discounts and loans on collateral, for which it would issue its notes.

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Most probably, however, no fresh cash would flow into the Reichsbank at all in this manner. The banks would deduct from their "giro" account (which almost always exceeds the contemplated "iron reserve") and place to the credit of the Reichsbank whatever amount they might be required to deposit, just as they would probably do in case of a direct increase of the Reichbank capital in which they were to participate.

Nor can it be maintained that even in this case the Reichsbank, by reason of the sums placed to its credit, would become possessed of a permanent security for a threefold issue of bank notes. A permanent deposit, or "iron reserve," is out of the question for the reason that the sums which, it is supposed, can not be withdrawn from the Reichsbank directly can be withdrawn indirectly in the form of larger loans, through bills, discounts, or loans on collateral, or through deductions from the giro balances exceeding the minimum deposit.

During a crisis—and Heiligenstadt's proposal is essentially intended for times of crisis, since for times of prosperity no reform proposals are needed—very many deposits will be withdrawn from the banks, and they will themselves be forced to withdraw from the Reichsbank at least a part of their 2 to 5 per cent reserve.

But even if this were not the case, the Reichsbank in time of crisis, in order to prevent a run or bankruptcy, would have no other means than to put in circulation all or part of the "national working reserve," whereas in times when money is plentiful this reserve would prove a useless ballast.

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This brings us to a question which is by no means unimportant, namely, whether the 2 to 5 per cent reserve at the Reichsbank should bear interest or not.

If it is to yield interest, then all the grave reasons become valid that may be urged against the acceptance by a central note bank of interest-bearing deposits, and which have caused the most prominent of these banks, upon repeated deliberation, to refrain from accepting interest-bearing deposits. This attitude is mainly dictated by the consideration that, if the central note bank does not wish to bear the loss involved in the payment of such interest—and it is hard to see why it should bear such loss with indifference—it would be compelled to seek lucrative business in the form of discounting and loans on collateral, and possibly just at a time when it ought to employ all the resources at its command to combat an excessive demand for credit throughout the country, especially by raising the discount rate.

On the other hand, if the 2 to 5 per cent reserve is not to bear interest, that would mean a considerable loss for the credit banks carrying those reserves. They, too, would of course not regard that loss with indifference, but would be compelled to reimburse themselves in one way or another, especially by paying their depositors less interest—a decidedly undesirable result. Furthermore—a still more undesirable result in normal times—they would have less funds to place at the disposal of the credit business. An increased demand in the money market being thus met by a diminished supply, the result would be a rise in the rate of interest. Finally—and this would be the most undesirable result of all—the banks, judging by past ex-

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perience, would probably diminish their noninterest-bearing cash reserves necessary for their liquidity by an amount corresponding to their share in the "national working reserve" carried at the Reichsbank.

The ultimate result would be that the liquidity of the banks, and with it of the body economic, would be impaired to exactly the same extent that Heiligenstadt intended to improve it.

In substance, if not in form, this proposal amounts to the same thing as the proposals which the Reichstag committee, for good reasons, had rejected on the occasion of their deliberations on the stock-company bill of 1884.⁵⁶⁶ These proposals, which aimed at prescribing a special mode of investing the legal reserve funds in cash, or in trust-fund securities, were revived in 1901 in an article in the *Gegenwart* by Imperial Bank Director Doctor Vosberg. They are, however, liable to serious objections, at any rate so far as the joint-stock banks are concerned; and the same objections, therefore, apply also to the proposals now under discussion.⁵⁶⁷

If the banks were compelled to keep their surplus in cash, or to maintain a cash reserve at the Reichsbank, they would have to withdraw this sum from their fully employed working capital (for the suggestion that only surplus capital is to be withdrawn is absurd), to wit, such assets, as the bill holdings, securities, etc.

Thus they would be compelled either to restrict their business operations, i. e., to call in credit previously granted and refuse to grant new credit, a proceeding which might lead to a crisis, especially in industry; or they would have to attempt to make good this deficiency

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in working funds by the issue of fresh shares, which course, if successful, would lead to a fresh strengthening of concentrative tendencies and, furthermore, to a fresh withdrawal of ready money from the market to an amount equal to the total value of the share issues. If the attempt to issue fresh shares proved unsuccessful, the calamitous state would continue, namely, the injury to trade and industry, which were to be protected by the proposals in question. In many cases, however, the issue of fresh shares would not be possible, because the deposit of ready money would either lead directly to a curtailment of business transactions, and hence of dividends, or would create the fear of such curtailment, the result in either case being a fall in the market value of the shares.

If the banks, despite the curtailment of business, endeavored to obtain satisfactory dividends—which is necessarily the aim of the business management of every joint-stock company—they might easily find themselves compelled to resort to hazardous transactions, particularly to force the founding and issue business more than ever. Since, moreover, after the deposit of the guaranty reserve, they would possibly and even probably pay less regard to their liquidity, that liquidity, as well as the quality of their investments, might in the event of a run turn out to have been impaired to a greater extent than ever. If, however, securities were deposited instead of cash, most of the banks, being compelled, in case of a run, to sell the deposited securities, might not be able to do so at all or only at a great loss. If these happened to be trust-fund securities their market value would become unduly depressed during the time of panic.

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Heiligenstadt's proposals would thus deprive the business community of productive capital in two ways—through the deposit of a cash reserve at the Reichsbank and through the issues of shares that might become necessary. Some of the supporters of the proposals have already raised the amount of the proposed reserve from 1-2 per cent to 5 per cent; in fact, the amount would be variable at pleasure in an upward direction. I assume that this amount is to be deposited at the Reichsbank, without the creditors having a lien—that is to say, a right of segregation of these deposits (*Absonderungsrecht*) in case of failure of the credit banks. If this be the case, the Reichsbank, as has been pointed out, would have to part with this cash reserve in the case of a run, which might result in the claims of other creditors than the depositors being satisfied, on the principle of “first come—first served,” and the depositors might be turned away empty handed.

If this is not to be the case, that is to say, if all creditors are to be given a lien on the cash reserve, or the right of segregation, then the Reichsbank, according to general regulations, would not be permitted to part with this reserve in case of a run, so that the failure which the cash reserve was intended to ward off would in that very case become inevitable.

It is also clear from the above that the practical consequences of these proposals would be directly opposed to the efforts, recently made with such commendable zeal, of expanding the check and transfer system, and thus dispensing with the use of ready money in payments and making it available for credit transactions.

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Again, it should be borne in mind that a cash reserve, even of 5 per cent of all credit accounts at the German credit banks, that is to say, about 200,000,000 to 250,000,000 marks, could in nowise influence "the ratio of working capital to invested capital" in German trade and industry to any appreciable extent. Furthermore, while Heiligenstadt's proposal lays special stress on the strengthening of the working resources of the Reichsbank, a bill (since then disposed of) "to change the bank act" (No. 1178 of Reichstag documents) admitted that the Reichsbank's own means had sufficed hitherto for the purposes they were intended to serve, and that consequently there was no need of increasing them. Accordingly provision has been made merely for a gradual increase in the working resources, by a gradual strengthening of the surplus. Lastly, it must not be forgotten that the Reichsbank will, as a matter of fact, be placed in possession of considerable and increasing working resources, through an agreement by which it undertakes the administration of the sums which the postal administration collects through the postal transfer and check systems.

The fact that Heiligenstadt began by proposing a reserve of 1 to 2 per cent, that the experts before the bank inquiry commission afterward thought a reserve of 5 per cent appropriate, and that since then one of these experts has felt prompted to raise the proportion to 10 per cent,⁵⁶⁸ ought to suffice to demonstrate the inept and dangerous nature of all these proposals. For why stop at 10 per cent? Someone is sure to turn up, whether inside or outside the Reichstag, who, with "holy

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zeal" and with perfectly incontestable logic, will declare even the 10 per cent insufficient, for it is obvious that 50 per cent at the Reichsbank are a far better safeguard than 10 per cent. The banks, to be sure, would in that case fare like the donkey who was just getting accustomed to live without food when he died.

My attitude toward the proposals here discussed, as well as toward any reform proposals in the banking business, is based on the fundamental principle that all those proposals are to be condemned which, without being of any appreciable benefit to the community as a whole, are injurious to so important and necessary a factor in German national economy as the banks. In the same way I am opposed to those proposals which do more harm than good to the community at large, or which are obscure in their motives and aims, and of whose consequences no estimate can be formed. On the other hand, I should not a priori be opposed to measures the execution of which would impose certain sacrifices on the banks, provided such proposals promise to result in notable benefit to the whole community and thus perhaps in indirect advantages to the banks.

6. THE PUBLICATION OF SUMMARY BANK STATEMENTS (ROHBILANZEN) ACCORDING TO A LEGALLY PRESCRIBED FORM.

Such a benefit to the general public and to the banks is put forward as an argument for the publicity proposals, especially that of Count Arnim-Muskau.⁵⁶⁹ Though not worded to that effect, yet the meaning of this proposal, in view of the nature of the German banking business, amounts to this, that all banks and merchants who as a part of their business accept deposits to amounts exceeding on an annual average half (?) of their liable capital

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shall be under legal obligation to publish summary statements on the first of every quarter. These statements, it is proposed, are to conform to a legal schedule, a draft of which is given, and are to be published at the latest on the first of the following month in newspapers publishing official communications.

I do not believe that such statements would fulfill the purpose of adequately enlightening the general public, and especially the depositors, as to the condition of the bank to which they have entrusted or intend to entrust their deposits, no matter what schedule may be adopted. If the schedule goes into minute details, it will as a rule not be read any more than long prospectuses. If it does not go into details, but merely gives "total amounts" for the various items, as is natural, and as is in fact contemplated in the Arnim proposal, it will be read, but will seldom fulfill its purpose of enlightenment, since it will leave the reader in the dark on those very points that are of the greatest importance as regards the soundness of the banks.

In particular, if the statement draws a distinction between the secured and unsecured debit accounts, the essential point will be the kind of security given in the individual case, whether a mortgage on improved rural or urban real estate, a factory, or unimproved ground, and whether the mortgage is first or second, whether securities have been deposited, and if so, what is their quality, whether bond has been given, and if so, what is the financial standing of the bondsmen, etc. On all these points the balance sheet will fail to enlighten the reader. Neither will it be possible to gather from it the

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composition of the various items, such as the security and syndicate accounts. In particular, it will be impossible to tell whether the securities, bills, contango, loans on collateral, debits on current account enumerated in the statement are good or bad; and yet the quality of the assets is the main point, the quantity being of secondary importance. Further, acceptances may quite properly have been substituted for book credit, and vice versa. Business discretion, which is an imperative necessity, will of itself forbid the publication of details, but even if such publication were attempted it would simply cause the statement to remain unread. This is precisely what took place with the prospectuses, the publication of which was vehemently demanded some time ago in the interest of public enlightenment. If they are too long they are never read, except long after their publication, for the purpose of constructing a claim for indemnity when the market value of the securities has greatly declined.

Further "total amounts" fail to indicate the most dangerous cases of credit granting, which have so frequently caused banks to fail⁵⁷⁰ in England as well as in Germany—I need only refer to the Leipziger Bank—for instance, the case in which a bank has granted excessive credit to one and the same person, firm, company, or institution, or to one and the same branch of industry. The obligation imposed on American note banks never to grant individual credit beyond a certain portion (one-tenth) of their share capital, does not take sufficiently into account the situation and status of each bank. It is, therefore, on the one hand, too schematic, while on the other hand, as experience has shown, it can easily be evaded.

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Experience has proved, moreover, that the most disgraceful failures, such as those which took place in England, particularly in time of crisis, occurred among those very deposit banks that had published their statements. The collapse frequently occurred immediately after such publication, perfectly legal in form, without anyone being able to gather from these documents even the slightest hint of the impending crash.

Space does not permit all the details of the Arnim proposal to be discussed here. I should only like to make the following remarks in reference to the oft-repeated demand for a statement of all assessments due on account of participations. Even the managers of a syndicate are often unable to foretell the amount of these assessments with any degree of certainty. Such is the case with the liquidation of long-term engagements resulting from the taking over of railways or factories or other establishments, with the rehabilitation of distressed or wrecked undertakings, with international business whose management and central offices are located abroad. Again, there are cases in which it is utterly impossible at the time of publication of the statements to foretell the amount to be ultimately invested in an enterprise (perhaps *à fonds perdu*) or the date of maturity and the amount of subsequent assessments, or—a case of particularly frequent occurrence—the amount of the repurchases (*Rückkäufe*) which have to be undertaken so often and to such extent even after the syndicate business proper is ended. Syndicate assessments are like household budgets; those expenses that could not be foreseen at the time the estimate was made are the very ones that

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crop up most frequently and are surest to disturb the whole forecast.⁵⁷¹

Finally, summary statements may be misleading, because frequently losses to be written off and other deductions (*Rücklagen*) can only be ascertained in the course of the business year or at or even after its close, just before the drawing up of the annual balance sheet; and yet the necessity and amount of these items are of essential importance in gauging the bank's position. Again, in a summary bank statement credit and debit items appear without anything to show whether a creditor is at the same time a debtor, and vice versa, and whether compensations must accordingly be allowed for to a large extent.⁵⁷²

But while I do not believe that the periodical publication of summary statements can contribute much toward the enlightenment of the public regarding the true condition of a bank, yet I will not dispute the beneficial effect of the public criticism that may be elicited by such publications. The comparison of statements of different banks, published simultaneously, would afford a far broader and more reliable basis for such criticism than can be expected of a single statement.

I also regard these publications as a very excellent means of self-education for the banks. Their mutual criticism, based on the published statements, may gradually lead to uniform or approximately uniform principles of business management, especially regarding the manner and extent of credit granting, and gradually to an understanding concerning some lines, at least, of business policy. This understanding might thereupon develop in

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all these directions into firm and sound traditions, which hitherto have largely been lacking.

For theoretical and practical reasons I should also consider it a very desirable and beneficial result if these periodical statements should lead to uniformity in their compilation, and gradually also to uniform annual balance sheets. This would facilitate the comparison of the balance sheets of all the credit banks, a matter which at present is attended with great difficulties.

Finally, it must not be forgotten that every new device which enables us, unswerved by the current of phenomena, to read, as it were, from a barometer, the present and the near future of economic conditions must naturally restrict the limits of error, which in this matter are necessarily so wide. Summary statements of credit banks,⁵⁷³ published periodically, would serve that purpose, just as does the publication of the condition of the Reichsbank, or of the fluctuations of the Reichsbank discount (official) rate and of private discount rates, of the demand for labor at the German labor exchanges, as well as the publication regarding the revenue from the stamp tax, from which the amount of bills in circulation at any moment can be ascertained, and of the receipts from railway traffic, from which the existing condition of industry can best be gauged. These publications supplement each other.

Despite the undeniable and considerable advantages which the periodical publication of summary bank statements thus affords, I am decidedly opposed to the legal enforcement of such publication. My objections are based on what seem to me the following cogent reasons:

In the first place, I consider it an ill-advised step on the part of the legislator to give rise to the belief (which

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would naturally gain ground among wide circles of the general public) that from a publication of this kind, which has never yet been adopted in England, depositors could gain a clear idea as to the status, and therefore as to the soundness, of the bank to whose charge they have entrusted or intend to entrust their deposits. This belief would be an erroneous one, no matter what form of publication might be adopted, and it is not becoming or incumbent on the legislator to aid in propagating such errors. Cases like those of the Leipziger Bank and the Marienburger Privatbank would most probably have occurred under the same management, even if those banks had published summary statements. As a matter of fact, they did publish most handsome annual balance sheets, which were, moreover, accompanied by a "business report."

My second reason, which to my mind is decisive, is that a compulsory legal regulation of this kind can not be conceived without a legal schedule for drawing up the statement. In fact, a multitude of such schedules have already been suggested by competent and incompetent persons.

Now, a legal schedule, unalterable for a series of years, is an absurdity, for the business spheres of banks are constantly changing, and accordingly the schedule would of necessity be subject to constant changes, dictated by practical experience. A schedule drawn up by the bank themselves to-day would of necessity be different from one drawn up ten years ago and from one that might be drawn up ten years hence.

If ever the impotence of legislation in any field was evident *a priori*, it is in this field, where the business in

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question does not proceed in a stereotyped and automatic manner, as is in the main the case with note-issuing banks, insurance companies, and mortgage banks. The latter are, on that account, much more susceptible of government regulation, which our German habit, the result of centuries of drill, still prompts us to regard as the last resort (*ultimum refugium*) in all cases demanding a remedy.

In the third place, practical experience, in Germany especially, has abundantly shown that legislative capacity and skill are as yet imperfectly developed among us, especially in economic matters. Such matters as the publication of bank statements or the deposit of cash reserves for the security of deposits, which to the layman seem self-evident, urgently necessary, and simple in execution—"simple solutions are always seductive to simple minds"—are in reality exceedingly difficult and complicated. Hence it is to be feared that the advocates of these proposals, starting from the most diverse premises and pursuing the most diverse purposes, would carry them into execution in a form which can not fail to lead to the gravest embarrassments, as experience has repeatedly proved. Above all, there is imminent danger—as illustrated by the very wording of the Arnim resolution—that, aside from credit banks, not only savings banks and mutual credit societies would be compelled to publish statements, but also private bankers, which, to my mind, is utterly inadmissible, for deposits are entrusted to a private banker not so much in consideration of the amount of his private means, but in consideration of his supposed integrity. To compel him to publish a statement of his financial position would injure and paralyze

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him in the competition within the private banking profession. Legislators should under all circumstances guard against ill-advised measures likely to cause injury to and to hasten the suppression of the small bankers and thus repeat the mistakes of the Bourse law.

Impressed with these considerations, I heartily welcomed the decision of the Berlin great banks to publish voluntarily (beginning with 1909) at the end of February, April, June, August, and October (in December the annual statement is issued) summary statements according to a schedule discussed and agreed on among them which essentially corresponds to the schedule of the "Deutsche Bank." This example has been followed to a great extent by the joint-stock banks, and will doubtless in time become the universal practice. During the early deliberations of this question I pointed out that whatever schedule was chosen, it would be sure to be criticized. However, it is not easy to conceive a schedule which would not be condemned by some critics, no matter whether it was drafted by the banks or by other critics.

7. PENALTY FOR "BANKS AND BANKERS WHO BY PUBLIC OR WRITTEN APPEALS OR THROUGH AGENTS SOLICIT (*anreizen*) DEPOSITS OR SAVINGS."

On the occasion of the passing of the bank-act amendment of 1909 the Reichstag petitioned the imperial chancellor for a bill to ward off the danger caused by banks and bankers who by public or written invitation or through agents solicit (*anreizen*) the public to "invest with them their deposits or savings."

According to the debate in committee, the bill aims at the suppression of low-class or touting bankers

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(*Winkel-oder Animierbankiers*), or of business men who have no claim to the name "banker," but who, by promises of specially high rates of interest or other advantages, entice the public to hand over to them their savings, while the persons making these promises are neither able, nor in many cases willing, to return the deposits.⁵⁷⁴

Certainly these are the only cases in which there exists any danger for the public, and some of these cases may at once be eliminated from the discussion. If a written invitation to open an account is issued by a business man who at the time of invitation is not willing to return the deposit, nor likely to be able to do so at that or some future time, it should be considered as an attempt to defraud.

Under the law relating to unfair competition, the Central Union of Bankers and Banks at Berlin (*Centralverband des Deutschen Bank- und Bankiergewerbes zu Berlin*) established for the protection of banking and bankers' interests, is empowered to proceed against persons who by their occupation are not entitled to call themselves "bankers," with a view to enjoining them from making public use of that designation. I am in a position to state that such action has been taken on several occasions.⁵⁷⁵ But neither these sham bankers (*Nicht-Bankiers*) nor savings banks, whose resources, as we have seen, are often far from liquid, are aimed at in the badly worded Reichstag resolution, which only demands that steps be taken against banks and bankers. Besides this the two absolutely different terms "deposits" and "savings" are once more lumped together. Furthermore, the resolution recommends that legal action

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be taken even when the invitation to invest deposits (?) or savings (meaning, probably "investment of funds in the form of deposits or savings") (*zur Anlage von Depositen*) is not made publicly, provided it be in writing.

But such a written invitation, which certainly is one form of "solicitation," may under certain circumstances become the duty of a bank or banker in a case where through negligence or ignorance a customer whose business they look after leaves money deposited without interest.

Moreover, as the word "solicit" (*anreizen*) used in the resolution is extremely elastic, having received the most diverse interpretation both in theory and in practice, I do not believe that the measure proposed in the Reichstag resolution can lead to any practical results. It is hard to say which is the graver mistake, to enact penal laws whose effect far exceeds the desired and economically correct purpose or such as are rendered nugatory in practice.

8. A SUPERVISORY BOARD.

I am equally unable to approve the idea of a government board of supervisors recently advocated in many quarters, especially by Obst. Such an institution has never yet afforded protection against fraudulent manipulations, while on the other hand it is very apt to lull the public into a feeling of security which such a board, from its very nature, is not able to provide. Even though possessed of the most thorough expert knowledge, such a body would not be in position to obtain a sufficiently correct estimate of the quality of the assets of a bank, to say nothing of the fact that no bank can be expected to allow

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its competitor who might be called upon to act as expert adviser to the board to gain an insight into its business.⁵⁷⁶

The experience of all countries and at all times in regard to the natural inadequacy of state supervision (see note 23 on p. 789, also pp. 54 and 601) should serve as a warning against any repetition of such experiments.

Herewith ends the discussion of the reform proposals hitherto made. In obedience to the prevailing tendency in Germany and to the current of the times, nearly all these proposals aim at some intervention by the State or by legislation, which, as far as deposit banks are concerned, has always been most decisively condemned in England, the very country which is assumed to be the pattern for Germany to follow in this matter. Although I am by no means an adherent of the defunct Manchester theory, I must confess that in this important, complicated, and difficult question I share the opinion expressed fifty years ago by a prominent authority in this very matter, an opinion which unfortunately has not lost its actuality and correctness: "The unfortunate system of tutelage has never yet stood the test of practice. It merely leads from step to step, and when it has once been adopted, there is nothing in which the State does not think itself called upon to interfere in the interest of its citizens and for which the latter do not look hopefully and imploringly to the State, while they themselves limit their activity to complaints."

The man who wrote these words in 1857 was no other than Adolph Wagner.⁵⁷⁷ I frankly admit that I find this confession written during his younger years more con-

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vincing than his later views and proposals, which, I regret to say, are quite different.

No State measures will avail against a criminal or negligent treatment of deposits, especially no legal regulations nor any supervisory board, such as Wagner proposed some years ago while under the immediate impression of the crisis of 1901, that is to say, at a time least suitable for judicial and matured proposals.⁵⁷⁸ I feel convinced that the German banking community did not in any way deserve such a manifest vote of censure—for a vote of censure it was; there is no use in blinking the fact. The one thing that is essential above all in this matter is the honesty, trustworthiness, and efficiency of the bank managers. In the United States⁵⁷⁹ the Comptroller of the Currency, who may order an investigation of the national banks by special examiners, declared in his official report for 1895 (p. 57 et seq.) that as a rule the examiners detect mistakes, defects, and crimes only after the failure has occurred, and that no supervision by outsiders can serve as a substitute for the honesty and competency of bank managers.⁵⁸⁰

PART IV. THE PROGRESS OF CONCENTRATION
IN GERMAN BANKING DURING THE SECOND
PERIOD (1870 TO THE PRESENT).

CHAPTER I. CAUSES OF THE CONCENTRATION
MOVEMENT.

I. GENERAL CAUSES.¹

As was shown in the first part of the volume, the German banks entered upon the present period with very limited capital. The question therefore remains to be answered: By what means have they managed to meet the ever-increasing duties imposed upon them by the tremendous industrial development of this period? In a general way the answer is as follows: The same factors which we have shown above to have been dominant in the general economic development of the period appear again in the development of banking, viz, the expansion and concentration of capital, resources, and industrial enterprise. These two factors appear to the superficial observer to be mutually exclusive. In fact, however, they are related to one another as cause and effect.

Concentration, a child of the capitalist system, is peculiar neither to modern development nor to German conditions. It is as old as the capitalist system itself and equally international. It appears with practically all its concomitants in the activities of the state as well as in private industry.

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As proof of its age we may quote one of many examples. As early as "the last quarter of the fifteenth and the first quarter of the sixteenth century there took place a concentration of capital invested in mining with a rapidity scarcely equaled in our time."² Certain forms of concentration such as the combination in one enterprise of successive stages of industrial production may be traced back to the very beginnings of large-scale industry.

Its international character is evident from its appearance in England and America, in France and Belgium in the same or even in a more pronounced form than in Germany,³ both in industry and in banking.

It is present equally in public and in private industrial activities. This is but natural, for the same causes are at work in both spheres even if not to the same extent. Above all there is the necessity for uniform management of all industry from one center. Thus the postal system was united practically under one authority after all the original enterprises, systems, and regalia had been abolished. In the same way the railroads passed out of the control of the innumerable private companies, to be operated, in the first place independently by the various States. Ultimately, after passing through intermediary stages, they may be operated by the Imperial Government or form part of an imperial railroad union. Even now, there are some unmistakable signs of a movement in that direction. Thus, for example, there is the Prussian-Hessian Railroad Union, entered into by two States, and the agreements regarding the joint use of operating material among a number of the States of the Imperial Federation.

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A similar development is shown in the absorption of capital, industrial enterprise, and labor forces by large cities; in the ever-increasing migration of rural laborers to the cities during this period; in the great increase of the urban population, particularly in the industrial cities; in the conflict between commerce and industry on a large scale and the retail trade, house industry, and handicraft, between large and small industrial establishments; in the ascendancy of "mixed" over "pure" establishments; of commercial distribution on a large scale, including department stores over the small retail trade; of the large landowner over the small peasant proprietor, the large flour mill over the small milling establishments, etc.⁴

The difference in this period has been only in the intensity and rapidity with which the tendencies toward concentration have manifested themselves. This has been the result of certain factors which completely revolutionized the conditions and scale of production and marketing, to wit: The extension and greater reliability of the means of transportation as well as the great discoveries and inventions which revolutionized entire industries and imposed new tasks on them or created new industries.

It was inevitable that the movement toward expansion and concentration during this period should have proceeded with particular rapidity in German industry, which at that time was developing by leaps and bounds. This applies also to the German banking system, united for weal and woe with German industry by a thousand and one ties, due to its current-account, check, giro, and credit business, and to the banks' activities in the fields

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of flotation of securities, organization of firms into corporations, the rehabilitation of companies, consolidations, and loans.⁵ The main reason of this development was that the German banks, with scarcely an exception, appeared on the scene organized as stock companies or in the kindred form of stock companies "en commandite."

The stock company is the keenest and surest, and hence the favorite weapon which the capitalist system can use in its struggle for concentration. In itself the stock company represents a form of concentration, viz, the union of small and scattered units of property, in most cases too small to be fitted for productive uses, into a single mass of capital suited and intended for industrial or productive purposes under single management. The facility with which the shares can be marketed or transmitted by inheritance, the probability of a longer term of existence for the corporation, owing to the far greater degree to which it is independent of the personality of the entrepreneur as compared with other forms of business organization, and finally the absence (at least in theory) of any limitation on the amount of dividends that may be expected on the combined capital—all these elements give the corporation great power to attract available capital. More than any other form of business organization, the stock company has the means of satisfying its needs for credit and for expansion by capital increases. The ease with which additional capital can be secured naturally stimulates the tendency toward capital increases. This tendency grows in constantly increasing ratio by reason of what may be regarded as an economic law in the realm of industry, trade, and banking alike, according to which a twofold

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increase of capital means more than a twofold increase of production and sales.⁶ For this reason the tendency toward capital increases is enhanced by this very growth of capital.

2. SPECIAL CAUSES.

As stated above (p. 383) the period under consideration was characterized by an unforeseen, suddenly developing demand for capital on the part of the state and communes and particularly industry and trade. This demand naturally made itself felt in the two important fields of banking activity, viz. that of national and international clearings and payments, and mainly in that of credit. It became, therefore, an imperative necessity for the banks to strengthen and extend the exceptionally weak foundation of capital and credit with which they had entered upon this period.

Accordingly, the available funds of the country were forced under great pressure to the central institutions of credit—the banks which served, so to speak, as the distributing reservoirs for the collection of the resources of capital and credit. From there, as from a higher altitude, it was easiest to survey the extent of the general needs, to calculate the proper mode of distribution of the available resources and to direct them more readily and quickly into the various channels below. In other words, the concentration of banking capital brought about in the first place through an increase in the capital stock of the banks meant the progressive accumulation in the banks of the funds needed for industrial credit.

In this field concentration became especially urgent, on account of the imperative necessity for distributing and

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minimizing risks⁷—a principle which can be applied most thoroughly where business is conducted on a large scale. There are a number of purely technical factors which work in the same direction. When the banks are relieved by central banks of issue of the task of providing the necessary currency, they concentrate their activity in the field of credit. The latter has the unmistakable tendency to increase much faster than the cash resources on which it is based. Moreover, the difficulty of securing these resources, especially by way of capital increases, grows more rapidly than the demand for credit. This is because the ability of a bank to increase its capital depends not only on the dividends which it has been paying and on the market value of the old shares, mainly though not exclusively determined by these dividends, but also on the condition of the money market. The value of bank stock, like that of industrial securities, fluctuates with variations in industrial prosperity and the prospect of dividends. At a critical moment it may easily happen that no market, or only a very limited market, can be found for new issues and for new bank stock in particular, as the market may be paralyzed by blundering legislation or by the fact that new issues had been made in excessive amounts or in too rapid succession.

Furthermore, there are special technical or business limitations on a bank's ability to increase its capital. Hard times are never entirely absent, and these affect the profits from the flotation of securities as well as from the regular banking business. Under such conditions it may become difficult for abnormally large stocks of capital to earn adequate dividends, though we may question

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the remark made to the writer in 1889 by the head of one of the largest private banking firms, that in the long run, with their larger capital, the banks could not earn more than the current rate of interest—a pessimistic view, which has since been proved to be entirely groundless.

There being thus limits—differing, of course, with particular circumstances—beyond which the banks' own capital can not be increased, it becomes evident that the banks must attract outside funds for use in their expanding business. The accession of these funds enables the banks to do more than merely increase the earnings of the business—i. e., the rate and, what is more, the steadiness of dividends. In establishing special deposit offices for the purpose of attracting available funds the banks are able to increase the size of their clientele, particularly among the investing class, to greatly extend their capacity to float securities on their own or outside account, and to place them securely and permanently among customers whose circumstances and reliability are accurately known. Every successful flotation of securities tends in turn to increase the bank's power through its psychological effect, which in this matter counts for a good deal. Every increase in the power of the bank tends to augment largely the tendency toward concentration. It also serves to enlarge the volume of the bank's business. Furthermore, the bank gains the custom of the provincial bankers, who form such an important part of the clientele of the Berlin banks. These as well as other customers naturally prefer to deal with those banks from which they are likely to derive, in addition to the ordinary benefits, the largest financial advantages in connection with the issue of

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securities, either by being allotted subsidiary participations, by being designated as offices for the receiving of subscriptions or instalment payments, or by being given special bonuses.

To accomplish successfully the flotation of securities presupposes very large capital resources on the part of the bank undertaking the operation, for it must be in a position to carry for a long time unsold securities without detriment to its other business. The flotation of securities promotes concentration in another direction. Every issue of securities naturally seeks a center where a strong stock exchange offers the best prospects for the ready and permanent sale of the securities. Accordingly, from the very beginning of this period, Berlin was preferred to all other places, because from 1870 to the time when it was greatly weakened by the stock exchange act (Jan. 1, 1897), the Berlin bourse greatly surpassed all other German exchanges in strength—that is, in its ability to absorb securities in good times and in its power of resistance in bad times, and was able to exert a great and at times decisive influence on the other markets, especially those of London and Paris.

This gave to the Berlin banks another advantage over the other banks. Besides, they were first to attract outside funds, particularly in form of deposits. In this they were successful partly for general reasons and partly as a result of the system of deposit offices which they had inaugurated. Thus the business of issuing securities again stimulated concentration of capital in the metropolis—that is, in the Berlin banks.

This increased power to float securities of necessity proved important in a number of ways in the international

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business of the banks. For in the case of large international operations in the issue field the preference is naturally given to those banks which by previous success in that field have proved their power to issue and dispose of securities. Whenever the German market is resorted to in the quest for a larger sale of securities—a practice which has become less and less frequent since the end of the nineties owing to wrong legislation, which impaired the power and importance of our exchange—the bank that will naturally be favored above all others is the one that shows the greatest strength both by reason of the large number of its customers and the extent of its business.

The same or similar considerations will hold in other instances, where it is not so much a question of extending the market for the securities, of giving them a wider currency, or of facilitating arbitrage transactions, as a question of the successful and prompt accomplishment of tasks dependent on international cooperation, such as the conversion of large amounts of securities which have been listed and placed in many countries. In such cases preference will again be shown for the bank which has given evidence that it is likely to prove a valuable ally for the successful liquidation of the business in hand because of its demonstrated ability to float successfully its own issues, and of its large circle of customers, extensive international connections, and the large amount of coupon redemptions on account of the loan in question.

As the number of issues and the amounts involved increase, it becomes more and more necessary and advantageous for the banks to follow a policy of expansion and simultaneous concentration, so as to be in a position to

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meet all the demands of the domestic and international security market. This involves the flotation and sale of securities on a large scale and can be done successfully only by powerful establishments, whose extensive business operations and exact knowledge of the character and financial standing of their large clientele enable them to dispose of securities permanently and securely by placing them "in strong hands."⁸ Such banks free themselves and their domestic or foreign associates of the very unpleasant necessity of having to intervene and to take up securities thrown back on the market immediately after they have been issued.

Similar phenomena may be observed where the banks have built up an extensive bill business. The bills of customers flow most abundantly toward those banks which have learned first how to extend their industrial and commercial connections. With the growth of these connections there goes a simultaneous concentration of capital and an expansion of operations which in turn leads to still more extended business connections, also to constantly increasing activity in the international money market, and thereby to business in foreign bills of exchange. The processes here involved are both cause and effect of progressive concentration.

The same is true of the acceptance business of the banks. The extent of these transactions, as we have seen, has been largely increased by the development of oversea relations (cf. supra, sec. 4, I-III). These in turn lead to the establishment of branches or the founding of special banks abroad, of *commandites*, or other connections of various kinds. This serves largely to increase the tendency toward concentration, for it is but natural that in a

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foreign market particularly the acceptances of a well-known large bank with extensive capital should be taken and circulate for larger amounts and on more favorable terms than the acceptances of a small bank unknown abroad.

When provincial bankers or traders want bank acceptances their preference will be not merely for those banks which can offer better terms or other conveniences, and in addition further favors outside of acceptances, but rather for those banks whose acceptances can be discounted with the least difficulty at the private rate, regardless of the number of bills and their amount.

The development of clearing and giro methods⁹ likewise makes for concentration in the sense that this service becomes of greater value in proportion as the connections of the bank extend and the number of customers benefited by that service increases. The latter moreover presupposes the carrying of a minimum account, the amount of which has been considerably increased during recent years.¹⁰ For after all the giro, check, and clearing methods constitute merely a system of making payments through the banks which, while carried on without the transfer of cash, nevertheless rests on the presence of a cash reserve.¹¹

Aside from the special economic causes enumerated, as making for expansion and concentration in German banking, we must refer also to such influences which were not purely economic or commercial in nature, but were due to other external motives such as etiquette, competition, and so forth.

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Thus quite often a bank would feel impelled to follow suit after another bank had led, as for example in establishing a branch at the identical place where it had been established by another bank, though not in the same order.¹² In determining the amount by which the capital should be increased banks would be guided not merely by consideration of their needs, but also by the determination not to be outdone in the capital increase by a competing bank.

CHAPTER II.—CAUSES DETERMINING THE EXTENT AND RAPIDITY OF THE CONCENTRATION MOVEMENT.

SECTION I. GENERAL CAUSES.

The extent to which concentration may go in banking is a priori unlimited. In theory at least there are no bounds to capital in this field. Here concentration meets with less resistance and fewer technical difficulties and obstacles of the kind likely to be met with in industry, for instance, when it is intended to enlarge the plant or establishment. On the contrary, banking capital not only permits but even incites constant and continuous expansion and concentration. This inherent tendency of banking capital grows with the increase of the country's wealth, i. e., with the growth of capital available for productive use. It is strengthened in proportion as this productive capital comes to be distributed among increasingly larger strata of the population. Nor is there any such powerful counterweight to this tendency of capital as there is in trade, where business on a small scale still predominates and offers very serious resistance to the progress of large-scale enterprise. The situation is also different from that

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in industry, where, at least at times and in some branches, the cartels have to a certain extent done more to help and maintain than to hamper the existence of small and weaker establishments.

SECTION 2. SPECIAL CAUSES.

Both the intensity and the rapidity of the movement toward concentration are greatly enhanced whenever special causes, operative in banking to a greater degree than elsewhere, remove existing obstacles in the way of the movement, or introduce new factors which initiate this development with great suddenness, or cause it to develop more powerfully and rapidly than might otherwise have been the case. In such instances the movement toward concentration precipitates itself headlong like a flood and proceeds with awful violence, as if all contrivances for stemming the tide had been swept away and all dams had been destroyed by some natural catastrophe. In both directions just mentioned there have been at work during the last period three factors of particular importance.

I. The liquidation of banks (*Entgründung*), which set in after the panic of 1873. The course of this movement is described more fully below (p. 636 and following).

II. The cartel movement in industry, which had begun as early as the seventies, but became most noticeable in the nineties. In this connection the most important events were the formation of the Rhenish-Westphalian Coal Syndicate in 1893 and of the Rhenish-Westphalian Pig Iron Syndicate in 1897.¹³

The psychologic effects of the formation of these combinations were felt all over Germany, and not the least

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among banking circles, which naturally were first to appreciate the commercial advantages of the new development. In the first place, it was universally assumed that the concerted action of these syndicates would soon put an end to reckless cutting of prices at home and to competition abroad and usher in a period of prosperity in the mining and smelting industries and with it also in banking. But in order to win the struggle both within and without, and also to be prepared for the boom period which was believed to be imminent, large funds were needed. These funds had to be provided in the first place by the banks, which, as many financial reports in those days kept emphasizing, were in duty bound to stand by industry in its struggles. On the other hand, the banks might naturally expect decided business advantages from the development of more intimate relations with industry, and particularly with the mining and smelting industries in Rhenish-Westphalia and Upper Silesia. Furthermore, the assumption seemed justified that, with constantly increasing operations, the mining industry would not content itself with the capital and credit which the banks heretofore connected with the industry were able to supply, although some of these, like the A. Schaaffhausen'scher Bankverein, had from the start made the mining industry their special field. Intimate relations with the mining industry and particularly with the newly created coal and iron syndicates in the Rhenish-Westphalian and Upper Silesian districts held out the hope of profitable business both in the fields of current account and credit; they also promised a large influx of available funds, and in addition increased power and influence in various directions.

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It was these reasons primarily which prompted the Deutsche Bank in 1897, the year in which the Rhenish-Westphalian Pig Iron Syndicate was organized, to carry out at one swoop a plan which had probably been conceived as early as 1893, the year of the formation of the Rhenish-Westphalian Coal Syndicate, whereby the bank secured a firm foothold in both the Rhenish Westphalian and Upper Silesian districts. This was the establishing of communities of interest on the one hand with the *Bergisch-Märkische Bank* in Elberfeld, a bank with an old and well-established standing in Rhenish Westphalia, having numerous branches and old-time connections with industry in general and mining in particular, and, on the other hand, with the *Schlesischer Bankverein*, which had likewise developed extensive and highly-profitable industrial connections in Upper Silesia. In this manner the Deutsche Bank achieved the purposes which had prompted it to enter upon these communities of interest with a skill equalled only by the large scale of the operations involved.

Only after some time did the other banks follow suit, and then with more or less energy and success. Competition set in for the creation in one way or another of close industrial connections, as we shall have occasion to point out more fully in a subsequent chapter.

As coming under the head of the cartel movement, we may mention here the fact, already pointed out in another connection, that in 1897 the A. Schaaffhausen'scher Bankverein organized a limited-liability company under the firm name of the *Syndikatskontor des A. Schaaffhausen'schen Bankvereins G. m. b. H.*, which was to serve as the sales agency and clearing office primarily for the Federation of

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German Wire Rope Manufacturers (*Verband Deutscher Drahtseilfabrikanten*), but later also for other syndicates, cartels, and combinations. Moreover, many banks which had not yet secured a firm position in this respect now began gradually to obtain representation on the supervisory boards of those mining and smelting companies which had large influence in the management of the important syndicates. Gradually the Dresdner Bank, Deutsche Bank, and Darmstädter Bank obtained representation on the board of the *Harpener Bergbau-Aktiengesellschaft* and became members of the bank group identified with that company, and the first two entered the board of the *Gelsenkirchener Bergwerks-Aktiengesellschaft* and joined the group of banks connected with the latter concern. The Dresdner Bank joined the board of the consolidated *Königs- und Laurahütte* and the group of banks which stand behind that concern. The Deutsche Bank attained the same position with regard to the *Konsolidation Bergwerks-Aktiengesellschaft* at Schalke, the *Phoenix*, etc. Inversely, representatives of large industrial interests, especially persons of great influence in the mining industry, joined in increasing numbers the supervisory boards of the large banks. Thus at the end of December, 1908, representatives of industrial interests appear on the boards of the banks in the following numbers:

Bank für Handel und Industrie.....	4
Berliner Handelsgesellschaft.....	15 ⁽¹⁴⁾
Deutsche Bank.....	4
Disconto-Gesellschaft.....	4 ⁽¹⁵⁾
Dresdner Bank.....	11 ⁽¹⁶⁾
A. Schaaffhausen'scher Bankverein.....	19

On the other hand, the intimate relations with the large banks and their extensive resources served as a new

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stimulus for various industrial establishments to extend their operations and influence in their respective districts, to establish more firmly their position as against other establishments, groups, and particularly cartels, as well as within the cartels, by way of combinations, consolidations, and fusions of all sorts. In this way concentration in banking, which had been greatly influenced both in the extent and rapidity of its progress by developments in industry, and particularly by the formation of cartels, in turn helped to bring about concentration in industry.

III. Mistakes of legislation.—The stamp and stock-exchange laws.—The rapidity of the movement toward concentration was heightened by the heavy burdens imposed on the trading in securities by the imperial stamp acts of April 27, 1894, and June 14, 1900, and by the stock-exchange act of June 22, 1896, which entered into force on January 1 of the eventful year 1897.

1. As early as 1884, when it was proposed to impose a percentage tax on stock transfers (as was done by act of May 24, 1885), it was pointed out by experts that the effect would be “to monopolize the banking business in the hands of a few powerful concerns.”¹⁷

Nevertheless the policy once entered upon was continued. The imperial stamp tax of April 27, 1894, doubled the existing tax on transfers (increasing it from one-tenth to two-tenths per mille) and prescribed that the tax should no longer be levied as before on every full thousand marks, but also on any additional fraction of a thousand marks. It left, however, transactions of less than 600 marks exempt as heretofore.

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The act of June 14, 1900, not only abolished this exemption,¹⁸ but increased substantially all the rates of the stamp tax on securities, raised the stamp tax on the final certificate of transfer (*Originalschlussnote*) of shares and bonds of foreign corporations to three-tenths per mille, and introduced a tax on the issue and transfer of mining stocks (*Kuxe*).

Under the act of October 1, 1885, the provincial banker, who had forwarded his customer's order to a central banker on the stock exchange, was at least permitted under certain circumstances to hand over the original transfer certificate to his customer without paying a new tax. However, the provincial banker could not avail himself of this relief unless he was willing to disclose the name of the central banker to his customer. Accordingly until a more practicable method was introduced by the act of April 27, 1894, the provincial banker had to affix a stamp also to his own certificate to the customer. The result was an increase in the expense of the business, to which there had to be added the commission of the provincial banker and the commission and brokerage fees of the central banker, which at the time were more equitable and in accord with the trouble and the general expense involved than they are at present. The direct result was that, in order to save expense, the customers of the provincial bankers, in spite of all efforts on the latter's part, began to deal directly with the central banker or with the branches established in the district by the great banks. This trend assumed ever larger proportions when the banks started to propose to their customers to participate in the issue of securities as well

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as to hold out to them more favorable terms and lower commissions with the view of attracting orders in the field of security business.

There were further defects in the stamp-tax legislation which contributed to bring about a reduction in the rates of brokerage. The banks to an increasing extent were able to offset against one another within the bank the large number of buying and selling orders that came pouring in from customers. As long as this procedure of offsetting orders continued to be exempted from taxation they were able to gain at least the equivalent of the entire stamp on every transaction settled within the bank. Owing to this profit, they were able to cut lower and lower the rate of commission for their services until it reached the unprecedented rate of one-half per mille, a rate which nowhere comes near a reasonable compensation for the trouble, expense, and risk involved, and which probably is not found in any foreign country. These "compensatory transactions" became subject to taxation only three and a half years after the stock exchange act went into effect under section 12 of the imperial stamp tax law of June 14, 1900. In other words, they remained untaxed until the extensive increases in bank capital, which had been made as a result of the stock exchange legislation, and the large number of branches and deposit offices which had meanwhile been established, made it seem hopeless for the smaller provincial bankers ever to overcome the lead which the banks in the meantime had gained on them.

Moreover, the increase in the stamp tax rendered it impossible for the smaller private banker, or at least for

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a large proportion of them, to engage in what had been in former years important and lucrative branches of business. Under this head comes speculation in daily exchange quotations. This consists in taking advantage of fluctuations in the daily quotation of securities. Its effect is to bring about more stable and uniform quotations by eliminating small variations in the daily quotations. This function of the banker has ample business justification and renders a valuable service in the formation of prices. However, as the margin of profit is small it can not stand a tax of three-tenths per mille.¹⁹

Under the same head comes the so-called arbitrage business. This consists in taking advantage of variations existing on different exchanges in the quotations of domestic securities and of so-called international securities dealt in also on foreign exchanges. This activity serves to a great degree to equalize and establish a uniform level for prices of securities and, moreover, renders valuable economic service in facilitating the settling of our international balance of trade and payments.²⁰

Furthermore, a part of what had been the business of the private banker was now taken from him partly as a result of the tax burden imposed and partly in consequence of the provisions of paragraph 8 of the bank-deposit law of July 5, 1896,²¹ and of the restrictive stock exchange legislation to be discussed below. I refer to trading in foreign securities. This part of the business went to foreign countries and came to be attended to by foreign bankers in place of our own bankers. As a result of all this the brokerage business in securities left to the smaller private bankers fell off from year to year and

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became progressively less profitable. The only way to increase profits, given the ruling low rates of commission, was to increase the scale of operations. This, however, was out of the question, since the bulk of the business now went more and more to the banks, and primarily to the Berlin banks and their branches.

2. We can not enter here upon the extent of the injury inflicted by the stock exchange legislation on the German bourses, and indirectly also on the strength and competitive power of German banking. On this point I must refer particularly to the discussion and the data contained in the two memorials of the *Centralverband des Deutschen Bank-und Bankiergewerbes* (Central Union of German Banks and Bankers) of June, 1901, and December, 1903.²² Here only a particular aspect of the question can be dealt with, namely, to what extent this legislation tended to hasten the movement toward concentration.

The prohibition of "future" dealings in securities, affecting large and very important classes, particularly mining and industrial securities, and the extensive limitations on "future" dealings in other securities,²³ accomplished but little more than the bringing to the fore of cash dealings in the stock exchange business. The result was that since 1897 "a larger amount of cash was made necessary for the same amount of transactions and that the total requirements of currency on the part of the German business community was increased still further just at a time when the volume of business showed extraordinary gains."²⁴

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The smaller private bankers were naturally in no position to meet with their own funds the increased requirements of ready money for cash transactions, neither could they afford to tie up their funds in this way. On the other hand, as soon as the stock exchange legislation was proposed the banks foresaw that the restrictions of future dealings would necessitate the use of larger amounts of cash.²⁵ Accordingly, when the law went into effect, and even before, they largely increased their capital and available funds without difficulty,²⁶ and as a result were able to draw to themselves even more effectively than before the custom of the private bankers.

Granted even that the tendency toward unification and toward operation on a large scale is common to all branches of industry, and that, judging by the experience of foreign countries (except the United States for the time being), sooner or later the position of the private bankers as a class would gradually have become weakened as a result of the general concentration tendencies²⁷ there can be no doubt that the provisions of the stamp tax and the stock exchange legislation did much to hasten this movement, or, in other words, to accelerate and aggravate the decline of the economic power of private banking.²⁸

In judging of this development the main question is whether there has been an essential decline, and not whether there has been a decrease in numbers. It is only the former question which may claim economic and scientific interest. There may be a decline of a profession in spite of an increase in the number of persons or establishments belonging to it.²⁹ This is particularly so when the increase is only the natural and proportionate result of the

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general growth of population or when the gain is due to numerous accretions, though all insignificant in point of capital, while the losses, though small in number, involve a large exodus of capital.

Again, a profession may be highly flourishing and improving in position and influence, even when the number of individuals or establishments is declining. This has happened frequently abroad, notably in England and France, where the number of banks decreased because of the absorption of a large number of small concerns by large establishments, which have thereby increased their power.³⁰

It is, therefore, unscientific to base any general conclusions merely on an observed increase or decrease of absolute numbers without making a most careful analysis of the underlying causes. It is self-evident that we do not mean to deny that an absolute numerical decrease or increase in the number of establishments or persons may go hand in hand with the decline or advance of the particular class, but this is not necessarily so. This much by way of preface. We may now take up Ernst Loeb's data.³¹ According to the table prepared by him, during the period 1892-1902—the decade including the great boom period of 1898-1900—the number of private bankers rose from 2,180 to 2,564. In all, there was an increase of 380 for the whole of Germany. Even if there were no doubts of the accuracy of the statistics, they would prove very little. An increase so small as not to be proportionate, either to the growth in population during this period or to the economic progress of the decade mentioned, would tend to confirm rather than to refute the view that the class, as a

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whole, had been on the decline, even though there might be no falling off in absolute numbers.

As a matter of fact, however, the table, in my opinion, is not correct; in fact, it is out of question that it be so. In the *Deutsches Bankierbuch*, on the basis of which the table is prepared, the names of extinct firms or of firms which have gone out of business are frequently continued for some time. This is easily comprehensible. Moreover, as Loeb himself admits (op. cit., p. 248), a large number of persons who appear in the table as bankers are either brokers or curb dealers (*Remisiers*). For Berlin alone this is true of at least 93 names as early as 1896, and of more than 120 at present. In Frankfort-on-the-Main there were between 30 and 50 names of persons who style themselves bankers, but who are, in fact, merchandise dealers engaged in the grocery or other trades, who do banking only incidentally and as occasion offers. This view is confirmed by the investigations made by the Central Union of German banks and bankers among 154 official trade bodies.³² The returns made are surely not "consciously falsified as to facts and figures in order to mislead public opinion."³³ The answers of 115 of the trade bodies cover both the newly organized establishments and those that had retired from business. The answers show that in the districts of these 115 chambers of commerce for the years 1891-1896, or before the stock-exchange law was enacted, the number at the close of the period as compared with the number at the beginning was 65 more for banks and 32 less for private bankers. In both cases branches are included. For the years

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1897-1902, however, the number of banks and their branches at the end of the period was 207 greater than at the beginning, whereas the number of private bankers, including branches, was at the close of the period 125 less than at the opening. There seems thus to have been, also, an absolute decline in numbers.

As has been explained before, without a detailed examination of the phenomena under discussion, no conclusive scientific proof can be attached to the absolute figures. Relative numbers are, however, much more important when and in so far as they permit of definite conclusions. In this respect even Loeb³⁴ calls attention to the fact that for the ten-year period 1892-1902, in which, as he thinks, there has been an absolute increase by 380 in the number of private bankers, the growth of the banks, both in number, in capital, and in the number of branches and deposit offices, has been incomparably greater. The number of joint-stock banks grew in this period from 379 to 616, the number of branches (even if we disregard the branches of the Berlin banks) from 73 to 264, while even in the briefer period from 1894 to the end of 1899 the amount of their capital stock had grown from 449,000,000 to 871,000,000 marks.³⁵

The decline of private banking,³⁶ in part absolute and in part relative, is more striking in comparison with the rapid strides toward concentration among the banks. It is, moreover, marked by a variety of other phenomena. In the first place it is notable that in Berlin, the seat of the greatest stock exchange, there was a great decline in the absolute number of private bankers. According to Loeb³⁷ the decrease was from 538 in 1892 to 370 in 1899. In the other larger cities the number appears

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either to have remained stationary or to have increased somewhat.

More important, as showing the decline of the private bankers as a class, is the relative number of those participating in the giro business. As these statistics include only the better class of private bankers, they give evidence not only of the numeric but also of the more serious qualitative decline of the private bankers as a class.

Number participating in the giro business within the German Empire.

At the end of—	Banks and their branches.	Private bankers and their branches.
1876.....	130	974
1890.....	203	1,413
1896.....	245	1,475
1900.....	413	1,496
1902.....	459	1,504

These figures are very eloquent. They prove an enormous growth of giro accounts for the period from the beginning of 1877 to the close of 1890. It is seen that the number of accounts of banks and their branches had increased by only 73, while those of private bankers and their branches had grown by no less than 439. On the other hand, in the period affected first by the stock exchange legislation and later by the imperial stamp-tax legislation of June 14, 1900—the period from the beginning of 1897 to the end of 1902³⁸ the giro accounts of the banks and their branches had increased by 214 and those of private bankers and their branches by 29 only.³⁹ Little as this increase is, nearly all of it is to be ascribed primarily to banking in the large cities, to which this business has drifted along with business in general. It shows

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a tremendous speed of the movement of concentration, notably in these six years, and a corresponding decline during the same period in the position of private bankers as a class.

In view of the notorious outcome of the entire development, it may be doubted whether it is still worth while at this time to differentiate and contrast the rate of growth of the Berlin banks for this period with that of the provincial banks. The clearly established fact is that the same concentration which went on among the large banks took place also among the provincial banks, though the rapidity of this movement was not the same for the provincial banks in the various parts of the country.

Thus, for example, during the years 1893-1900, inclusive—the period when with the exception of the Bergisch-Märkische Bank (to be sure the most important of these banks), the Rhenish-Westphalian banks had not yet become “affiliated”—the 12 most important banks of the district increased their capital from 107,000,000 to 350,000,000 marks, or about 226 per cent.⁴⁰ The following statistics compiled from the returns in the memorial of the Centralverband, under date of December, 1903, show that as contrasted with the average for the period 1883-1890 the average capital and surplus funds (*werbende Kapitalien*) had increased as follows:

	Between the years—	
	1891-1896.	1897-1902.
	<i>Per cent.</i>	<i>Per cent.</i>
22 institutions at that time independent of the Berlin great banks	14.9	53.9
10 Berlin great banks	43.7	153.2 [¶]

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After a large part of the provincial banks had become "affiliated" with the several Berlin great banks, there can be no question but that their striking growth in capital, number of branches, etc., was naturally affected in a large degree by their connection with the great banks. On the other hand, since 1905 and as a result of the very rapid growth of the great banks and their chains of banks outside of Berlin, the provincial banks which had not become affiliated with the great banks sought to extend their sphere of operations, with a view to maintaining their independence and field of action. This was particularly the case during 1906 and 1907, when the process of concentration among the great banks had become arrested.

I shall call attention here only to a few striking examples. Thus in central Germany the *Magdeburger Bankverein*, founded in 1867 as a stock company *en commandite* under the firm name of Klincksiek, Schwanert & Co., incorporated under the above name in 1897 with a capital of 15,000,000 marks, had on December 30, 1908, seven branches (in Aschersleben, Burg near Magdeburg, Dessau, Hildesheim, Nordhausen, Peine, and Stendal). In 1909 a branch at Braunschweig was added. It also has a deposit office (in Greussen) and a *commandite* (G. Vogler in Quedlinburg). It has absorbed the following banking firms: 1905, S. Frenkel, Nordhausen; 1905-6, Herzfeld & Büchler, Aschersleben; 1906, H. Bach, Nordhausen; 1907, Gebrüder Dux, Hildesheim; 1907, Friedrich Franz Wandel, Dessau; 1908, I. Wertheimer, Peine (1909, Otto Weibezahl, Braunschweig).

Since 1907 it has been intimately connected with the Disconto-Gesellschaft. A director of this bank is a member of the supervisory board of the Bankverein.

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Thus between 1905 and the close of 1909 alone the Magdeburger Bankverein absorbed seven banking firms for the purpose of establishing branches.

The *Magdeburger Privatbank* of Magdeburg and Hamburg (founded 1856, capital stock 36,000,000 marks, surplus about 4,000,000 marks) has—

Thirteen branches (Dessau, Eisenach, Eisleben, Erfurt, Halberstadt, Halle-on-the-Saale, Langensalza, Mülhausen in Thuringia, Nordhausen, Sangerhausen, Torgau, Weimar, Wernigerode a. H.).

Twenty-eight deposit offices (Aken a. E., Bismark in the Altmark, Burg near Magdeburg, Calbe a. S., Egelu, Eilenburg, Finsterwalde N.-L., Frankenhausen, Gardelegen, Genthin, Helmstedt, Hettstedt, Merseburg, Neuhaldensleben, Oschersleben, Osterburg, Osterwieck, Perleberg, Quedlinburg, Schönebeck a. E., Sondershausen, Stendal, Tangerhütte, Tangermünde, Thale i. H., Wittenberg (district of Halle), Wittenberge (district of Potsdam), Wolmirstedt).

One commandite (Ascherslebener Bank, Gerson Kohlen & Co., Kommanditgesellschaft in Aschersleben).

The Magdeburger Privatbank has absorbed the following banks and banking firms:

1905. Nordhäuser Bank, Nordhausen; Wilhelm Hauffe, Eilenburg; Julius Elkan, Weimar; Tobias Fricke, Gardelegen.

1906. F. W. Quensel, Sangerhausen; Diskonto-Gesellschaft, Hettstedt.

1907. F. Unger, Erfurt; Wittenberger Spar- & Leihbank, Registered Mutual Society (Limited), Wittenberg; Paul Thiele, Merseburg; Eislebener Bankverein, Ulrich, Zickert

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& Co., Eisleben; Kreditbank Eisenach (Incorporated), Eisenach (capital, 1,500,000 marks); Vereinsbank Mülhausen (Thuringia) with a branch in Langensalza (capital 2,100,000 marks); Torgauer Bank, Torgau (capital, 1,000,000 marks); Sangerhäuser Bankverein, Sangerhausen (capital, 898,000 marks); Wernigeröder Kommanditgesellschaft auf Aktien (stock company en commandite) Fr. Krumbhaar, Wernigerode, with a branch in Osterwieck i. H. (capital, 1,500,000 marks); Wechslerbank, Hamburg (founded 1872; capital, 7,500,000 marks).

1908. Erfurter Bank Pinckert, Blanchart & Co., Erfurt (capital 3,008,100 marks); A. Sonnenthal, Dessau; Vorschuss- & Sparverein, Weimar, Registered Mutual Society (Limited), continued under the name Thüringische Landesbank, A. G. Weimar, which in 1908 absorbed the Gewerbe- und Landwirtschaftsbank G. -m. b. H. Jena.

1909. Dresdner Bankverein, Dresden (founded in 1887; capital 21,000,000 mark). This bank had absorbed the following: 1887, Weimarische Filialbank, Dresden; 1890, the branches of the Geraer Bank in Dresden, Chemnitz, and Leipzig; 1900, Hch. Wm. Bassenge & Co., Dresden, continued under the old firm name. This firm in turn has branches in Meissen (1904) and a deposit office in Lommatzsch; 1907, Ernest Petasch, Chemnitz, and Kröber & Co., Meissen.

In addition to the branches growing out of these banks and firms which had been taken over, the Dresdner Bankverein has branches in Wurzen, Kamenz, and Sebnitz, and a deposit office in Oederan.

After the consolidation (effective January 1, 1909) the Magdeburger Privatbank adopted the firm name of

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Mitteldeutsche Privat-Bank Aktiengesellschaft and increased its capital stock to 50,000,000 marks.

Thus since 1905 the Magdeburger Privat-Bank (now *Mitteldeutsche Privatbank*), for the purpose of establishing branches and deposit offices, absorbed 8 private banking firms and 12 banks.

In southern Germany the following banks have been in the forefront of the concentration movement.

The *Bayerische Vereinsbank* in Munich (capital 45,000,000 marks). It has 12 branches—Augsburg, Bad Kissingen, Bayreuth, Erlangen, Kempten, Kitzingen, Landshut, Nuremberg, Passau, Regensburg, Straubing, and Würzburg. It also has 2 deposit offices in Munich. It has absorbed the following banks and banking firms: 1885–86, Joseph von Hirsch, Munich; 1891–92, Guggenheimer & Co., Munich; 1898–99, Adolph Böhm, Landshut; 1905, Stiglmeier & Böhm, Straubing; Gregor Oehninger Sohn & Co., Würzburg; 1906–7, Franz Eglauer, Passau; 1907–8, Nürnberger Bank in Nuremberg, Lauf, Erlangen, Schwabach, and Hersbruck; Würzburger Volksbank, Würzburg; Friedrich Feustel, in Bayreuth and Kissingen; Leyherr & Co., Augsburg; F. S. Euringer, Augsburg; August Leipert, Kempten.

Thus since 1885 the Bayerische Vereinsbank absorbed 10 banking firms and 2 banks.

The *Bayerische Handelsbank* in Munich increased its capital in 1906 from 27,171,800 marks to 33,963,800, and in 1908 to 35,600,000 marks. Between 1906 and 1908 it established branches in Ansbach, Immenstadt, Bayreuth, Hof, Gunzenhausen, Lichtenfels, Münchberg, Nördlingen, Neuberg on the Danube, Markt-Redwitz, Mindelheim,

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Regensburg, Rosenheim, Schweinfurt, and Würzburg. Earlier it had established a branch at Kempten (in 1899), and branches at Bamberg, Kronach, Kulmbach, Memmingen, and Aschaffenburg in 1905. For the purpose of establishing or enlarging branches it took over the following banking establishments:

1899. Ignaz Wolfsheimer, Kempten.

1905. Hermann Hellmann, Bamberg and Kronach; F. L. Bauer, Kulmbach; L. Ullmann & Söhne, Kempten; Gewerbebank Memmingen. G. m. b. H. (Limited), Memmingen; Heinrich Mayer, Memmingen; Wolf S. Gutmann, Ansbach; M. Wolfsthal, Aschaffenburg.

1906-7. A. Krauss, Bayreuth and Münchberg; Schüller & Co., Bayreuth and Hof.

1907. Hans Mayer, Lichtenfels; Ludwig Rosenfelder, Nördlingen; Fr. H. Miller, Mindelheim; Max de Crignis, Neuberg on-the-Danube.

1907-8. Wilhelm Frank, Gunzenhausen.

1908. Haymann & Co., Regensburg; Richard Kirchner, Würzburg; Kreditbank Rosenheim A. G. (capital 1,000,000 marks); I. Gutmann, Ansbach.

Thus the Bayerische Vereinsbank absorbed since 1899 17 banking firms and 2 banks.

In western Germany among others the *Barmer Bankverein* of Barmen absorbed the *Bonner Privatbank*, the *Westfälische Bankkommandite* Ohm, Hermekamp & Co. (now the *Niederdeutsche Bank*), and the *Godesberger Bank*.

The *Rheinisch-Westfälische Disconto-Gesellschaft* in Aix-la-Chapelle (capital 80,000,000 marks), which we omitted from the chain of banks belonging to the Disconto-

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Gesellschaft for the reasons given on p. 673 (regarding it as an independent provincial bank) has now 17 branches at the following places: Bielefeld, Bochum, Bonn, Coblenz, Cologne, Dortmund, Düsseldorf, Godesberg, Gütersloh, Lippstadt, Maria-Gladbach, Neuss, Neuwied, Recklinghausen, Remscheid, Traben-Trarbach, and Viersen. It has, besides, 7 deposit offices—3 in Cologne and 1 in each of the towns of Kalk, Kreuznach, Malmedy, and Ratingen, and 2 *commandites*, Delbrück, Leo & Co., Berlin, and M. W. Koch & Co., Frankfort-on-the-Main. It has absorbed the following banks and firms:

Establishments.	Year.	Capital.
		<i>Marks.</i>
Bank für Rheinland and Westfalen	1901	8,334,000
Koblenzer Bank	1901	2,000,000
Groethuysen & Linxweiler, Viersen	1902	. . . . .
Kölnische Wechsler-und Kommissionsbank	1904	12,000,000
Neuwieder Bankverein		1,000,000
Bochumer Bank, Bochum (with branches in Dortmund and Recklinghausen)		5,000,000
Westfälische Bank, Bielefeld, Lippstadt, and Gütersloh	1905	10,000,000
Otto Lohmann, Bielefeld . . . . .		. . . . .
Düsseldorfer Bank, Düsseldorf		5,000,000
Johann Ohligschlaeger (Limited), Aix-la-Chapelle		5,500,000
Zülpicher Volksbank, Zülpich	1906	. . . . .
Remscheider Kredit-und Sparbank	1907	750,000
Unnaer Bank in Unna . . . . .		. . . . .
Crefelder Bank in Crefeld (continued as a branch)	1908	3,000,000
Volksbank, Erkelenz . . . . .		. . . . .
Hardy & Co. (Limited), Berlin	1909	. . . . .

The Rheinisch-Westfälische Disconto-Gesellschaft has formed communities of interest with the following banks:

Eschweiler Bank	Capital (marks). a 1,000,000
Dürener Bank	8,500,000

This bank absorbed in 1905 the *Euskirchner Volksbank* and the *Jülische Volksbank* and established branches at Euskirchen and Jülich.

^a 600,000 marks paid in.

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Volksbank Geilenkirchen-Hünshoven	315,000
Oberbergische-Bank, Ohl ⁴²	1,505,000
Eupener Kreditbank	500,000
Herforder Discontobank	2,500,800
Bünder Bank.	

SECTION 4. SPECIAL CAUSES OF THE RAPIDITY OF THE CONCENTRATION MOVEMENT DURING 1901-1904.

The concentration movement proceeded with an unusual degree of rapidity in the years following 1870 and again during the years 1901-1904, inclusive. The earlier period, characterized by the establishment of so-called provincial banks,⁴³ is at present of no more than historic significance. It was during the latter period particularly that concentration assumed striking and at times even uncanny dimensions. While even before this the movement had advanced quite rapidly, these four years witness a record speed in this development.

The progress in concentration was greatly accelerated by the influence of psychologic factors, as is so often the case in this sphere of business.

I. THE CRISES OF 1873 AND 1900.

The general observation may be made that every crisis is followed by a marked strengthening of existing tendencies toward concentration and by an increased rapidity of the movement in that direction.

After every crisis, which results in the annihilation and sweeping away of many undertakings, the weaker establishments which were able to survive in halfway sound condition only through assistance of some sort realize that they can achieve permanent safety only by merging with other establishments. This is particularly true of

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those* establishments which have broadened their base of operation during the prosperous years before the panic by enlarging their business or increasing their capital to a point where they cannot make full and rational use of their plant or capital while business is at a standstill.

Wallich⁴⁴ properly points out, therefore, that the movement of concentration which set in in German banking during the boom period 1870-1872 proceeded at a more rapid pace immediately after the crisis of 1873, as a result of the liquidation or "disestablishment" of banks, which was carried out by stronger banks. While the latter frequently saved from total collapse weaker banks that had fallen into sore straits, and at any rate made it easier for them to realize their assets, they made sure at the same time of taking over valuable existing business connections, fiscal agencies, etc., and thus largely increased their power and influence.

It was in this manner and with this purpose in view that the *Deutsche Unionbank* during the period 1871-1874 undertook the liquidation of four banks, the *Deutsche Bank* during the period 1873-1876—the liquidation of the *Allgemeine Depositenbank*, and of the *Elberfelder Disconto- und Wechselbank*, also of the just-mentioned *Unionbank*, which paid the extreme penalty for tying up its resources in the above operations. The *Dresdner Bank* during the years 1873-1878 undertook the liquidation of four banks, viz, the *Dresdner Handelsbank*, *Sächsischer Bankverein*, *Sächsische Kreditgesellschaft*, and *Thüringische Bank* in Sondershausen. Lastly, in 1875, the *Württembergische Vereinsbank* undertook the liquidation of the *Stuttgarter Bank*.

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Soon after this (from 1876 and on into the eighties) the Deutsche Bank carried on the liquidation of four other banks—the *Berliner Bankverein*, the *Berliner Wechselbank*, the *Frankfurter Bankverein* (which resulted in the establishment of a branch in Frankfort-on-the-Main), and the *Niederlausitzer Bank* in Kottbus. In 1876 the statement of the Deutsche Bank contained an item of 6,500,000 marks of “securities” chiefly of banks in liquidation, which it had bought up cheaply. During the same period the number of its accounts on which it had to pay commissions had increased from 855 to 1,354.

The establishments that had weathered the crisis with their own resources, without being obliged to resort to outside help, were mainly those that had been able to strengthen their resources greatly before the crisis through the concentration and consolidation of their business and capital. Outsiders usually learn of this for the first time during the panic, and those establishments which have failed to do so in time now hasten to follow the example set by the successful establishments. On the other hand, those banks which have been able not only to survive the panic, but also to extend assistance to others, come out of the panic with renewed spirit of enterprise. Moreover, during a panic they are able, at relatively small cost and with the prospects of more than average profits, to satisfy their ambition for expansion by making suitable investments. The result is liquidation or absorption of the concern seeking assistance, at all events, however, permanent dependence upon the assisting bank. According to the memorial of the *Centralverband des Deutschen Bank- und Bankiergewerbes*, during 1901-2, i. e., during and after the

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panic, no fewer than 41 branches were established by banks, mostly in place of private banking firms that had been absorbed. During the same brief period 116 banking firms had gone out of business. Moreover, quite an array of larger banks might be cited which had been able to preserve their independence during the boom period, but which by adverse circumstances were forced to seek the aid of one of the great Berlin banks and to resign part of their former independence according to the looser or closer relationships established, being thus made to pay a heavy tribute to the crisis.⁴⁵

In 1903 the "permanent participations" of the Deutsche Bank amounted, in round figures, to 57,000,000 marks (as against 50,000,000 in 1899), those of the Disconto-Gesellschaft to 58,000,000 marks (as against 51,000,000 marks in 1899).

Confidence plays a notably large part in banking, and after every crisis general confidence naturally turns, above all, to those institutions which have displayed energy, insight, and power in going to the rescue of other institutions or in intervening energetically on the stock exchange. On the other hand, there is a loss of confidence, often thoroughly unjustified, in other institutions—that is to say, in the smaller banks and private bankers. In other cases the safety of the securities left on deposit with those institutions may be brought into question, particularly if events like those which took place in Berlin during the fall of 1891 are of a nature to disturb, even only temporarily and in isolated instances, public confidence in the safety of the institutions.

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Owing to such causes, the concentration movement received a great impetus from the prompt and effective intervention of the large banks on the occasion of the collapse in 1901 of the *Pommersche Hypotheken Bank* (Pomeranian Mortgage Bank), the *Preussische Hypothekenaktienbank* (Prussian Mortgage Bank, Incorporated), and the *Deutsche Grundschuldbank* (German Real Estate Mortgage Bank). A similar effect was produced by the notably energetic intervention of the Deutsche Bank, which announced the opening of its own branch in Leipzig on the very day, June 25, 1901, when the Leipziger Bank suspended payments.

2. THE FOUNDING OF THE UNITED STATES STEEL CORPORATION, FEBRUARY 23, 1901.

During those years (from 1901 onward), and again in 1904, the record year in the rapidity of the concentration movement, other important events exerted a profound psychologic influence. It is no exaggeration to say that few events during the second epoch (1870-1905) occupied the thoughts and stirred the feelings of the widest circles so strongly as the founding of the United States Steel Corporation on February 23, 1901, with the enormous capital of 1,100 million dollars.

The Germans had either overlooked or ignored the fact that this event simply marked the culminating point, provisional at that, in a concentration movement which had begun in the United States with great energy as early as 1881 in many lines of industry, mainly in the form of trusts. The "law of the large numbers" has rarely produced so great an effect as in this case. Not until this

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culminating event took place were Germans of all classes, far beyond banking circles and the industrial circles directly concerned, made aware that Germany would have to prepare for a struggle destined to grow more and more severe, a struggle which threatened to be defensive rather than offensive and in which Germany's chances were not likely to be improved by her far inferior capital resources. In the face of this situation it seemed urgently necessary to accelerate the movement of concentration. This necessity became the more apparent in view of the peculiar form of American industrial combinations, the trusts, which involves complete control of the associated enterprises and of their business management, permitting a reduction in the cost of production, an effect which the German cartels had almost completely failed to attain owing, for one thing, to the autonomy of the enterprises included in the cartels.

3. THE FOUNDING OF THE STAHLWERKVERBAND (STEEL WORKS' UNION) IN DUSSELDORF, MARCH 1, 1904.

Such a reinforcement of the concentration movement seemed demanded both in the field of industry, representing the most advanced and exposed part of the battlefield, as in the field of German banking, the auxiliary of industry. Thus under the fresh impression of the event that had occurred in the United States, the long-continued and laborious efforts to establish the Steel Works' Union in Dusseldorf were, on March 1, 1904, brought to a successful issue and hailed far and wide as an auspicious result. This was followed, on January 1, 1905, by the founding of the Upper Silesian Steel Works' Union (*Oberschlesischer Stahlwerkverband*).⁴⁶ All these developments in the United States

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and in Germany in their turn gave a new impetus to the movement of concentration in German banking. This movement proceeded by leaps and bounds during those years, especially in 1904, to a large extent at the expense of the smaller banks.

CHAPTER III. METHODS AND FORMS OF CONCENTRATION.

SECTION I. OUTWARD COURSE OF DEVELOPMENT.

A. THE SEVERAL GREAT BANKS.

The outward development of the Berlin great banks,⁴⁷ of which as many as ten were usually enumerated even as late as 1903, is represented in tabular form at the end of this book in Appendix VII. From that tabular statement the following data may be gathered as regards the present number of the great banks:

The 54,000,000 marks of capital of the Mitteldeutsche Kreditbank has been considerably surpassed by that of several provincial banks. Thus the Allgemeine Deutsche Kreditanstalt has a capital of 90,000,000 marks; the Rheinisch-Westfälische Disconto-Gesellschaft, 80,000,000 marks; the Rheinische Kreditbank, 75,000,000 marks; the Bergisch-Märkische Bank, 75,000,000 marks; the Barmer Bankverein, 60,000,000 marks; the Essener Kreditanstalt, 60,000,000 marks. The capital of the Commerz- und Disconto-Bank (85,000,000 marks) and of the Nationalbank für Deutschland (80,000,000 marks) was also surpassed by that of the Allgemeine Deutsche Kreditanstalt and was equaled in 1908 by that of the Rheinisch-Westfälische Disconto-Gesellschaft, and even surpassed in 1909, when it reached 95,000,000 marks. Thus beginning

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with January 1, 1905, and ranging them solely by the amount of the capital, the term great bank being assumed, as usual, to imply a minimum capital of 100,000,000 marks, only the following six banks can be grouped under that term:

	Capital (marks).
1. Deutsche Bank	200,000,000
2. Dresdner Bank	180,000,000
3. Disconto-Gesellschaft	170,000,000
4. Bank für Handel und Industrie	154,000,000
5. A. Schaaffhausen'scher Bankverein	145,000,000
6. Berliner Handelsgesellschaft	110,000,000

But if we place the limit at 80,000,000 of capital, we shall now have to include in the list of great banks also the Rheinisch-Westfälische Disconto-Gesellschaft (80,000,000, since 1909, 95,000,000 marks), the Allgemeine Deutsche Kreditanstalt (90,000,000 marks), the Commerz- und Disconto-Bank (85,000,000 marks), and the Nationalbank für Deutschland (80,000,000 marks).

With 80,000,000 as the limit, the term "Berlin great banks" would include not only the six above enumerated, which have their home office or at any rate their financial center of gravity in Berlin, but also the Commerz- und Disconto-Bank and the Nationalbank für Deutschland, so that the total number would be eight.

Of all these banks the Berliner Handelsgesellschaft only has strictly adhered to the principle of absolute centralization; it has neither branches, nor *commandites*, nor deposit offices, nor communities of interest.⁴⁸

B. THE AGGREGATE CAPITAL POWER REPRESENTED BY THE GREAT BANK GROUPS.

At the present time the five largest Berlin banks, together with their domestic communities of interest either through the ownership of stock or through contract, and

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the domestic communities of interest of the latter (counting only capital and surplus funds, but not deposits), form the following groups, whose capital power is given as per December 31, 1908:

I. *The group of the Deutsche Bank.*—Including:⁴⁹

	Capital.	Surplus.
	<i>Marks.</i>	<i>Marks.</i>
The Deutsche Bank itself	200,000,000 ⁵⁰	101,831,917
Also the following:		
1. Bergisch-Märkische Bank in Elberfeld	75,000,000	23,014,533
2. Schlesischer Bankverein in Breslau	30,000,000	11,000,000
3. Hannoversche Bank in Hannover	22,500,000	4,100,000
Together with:		
(a) Osnabrücker Bank in Osnabrück ..	14,500,000	3,775,000
(b) Hildesheimer Bank in Hildesheim ..	8,000,000	2,200,000
4. Duisburg-Ruhrorter Bank in Duisburg	12,000,000	247,152
5. Essener Kreditanstalt in Essen a. d. R.	60,000,000	18,176,000
Together with the Westfälischer Bankverein in Münster	8,000,000	1,621,000
6. Siegener Bank für Handel und Gewerbe in Siegen	4,000,000	970,000
7. Sächsische Bank in Dresden	30,000,000	7,500,000
8. Essener Bankverein in Essen a. d. R.	15,000,000	2,200,000
9. Oldenburgische Spar- und Leihbank in Ol- denburg	4,000,000	1,900,000
10. Privatbank zu Gotha	7,900,000	1,615,735
11. Mecklenburger Hypotheken- u. Wechsel- bank in Schwerin	9,000,000	5,875,135
Together with the Mecklenburgische Spar- bank	3,000,000	500,000
12. Rheinische Kreditbank in Mannheim	75,000,800	10,529,176
With the Mannheimer Bank in Mannheim	1,000,000	100,000
And the Süddeutsche Bank in Mannheim	10,000,000	801,647
Total	588,900,800	197,957,295
Total capital and surplus combined ..	786,858,095	.....

Adding the “friendly (*befreundete*) banks” (see Append. VII, p. 993), the share capital of the group is increased by 212,500,000 marks, the surplus funds by 46,038,260

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marks, making a total of 258,538,260 marks, so that the total power of the group rises to 1,045,396,355 marks.

II. *The group of the Disconto-Gesellschaft.*—Including: ⁵¹

	Capital.	Surplus.
	<i>Marks.</i>	<i>Marks.</i>
The Disconto-Gesellschaft itself	170,000,000	57,592,611
Also:		
1. Norddeutsche Bank in Hamburg	50,000,000	11,355,000
2. Allgemeine Deutsche Kreditanstalt in Leipzig	90,000,000	37,850,751
Together with:		
(a) A. Busse & Co. in Berlin	2,000,000	129,070
(b) Vogtländische Bank in Plauen i. V.	5,500,000	3,606,689
(c) Oberlausitzer Bank in Zittau	2,700,000	735,000
(d) Vereinsbank in Zwickau	4,500,000	2,318,800
3. Barmer Bankverein in Barmen	59,836,200	10,825,000
4. Süddeutsche Disconto-Gesellschaft, Mannheim	31,250,000	2,219,716
Subsidiary institutions (<i>Tochter-Gesellschaften</i>):		
5. Bayerische Disconto- und Wechselbank in Nuremberg	12,000,000	179,474
6. Bank für Thüringen vorm. B. M. Strupp, stock company in Meiningen, capital 10,000,000 marks, of which paid in	10,000,000	149,018
Total	437,786,200	126,961,129
Add surplus	126,961,129	. . . . .
Grand total	564,747,329	. . . . .

III. *The group of the Dresdner Bank.*—Including: ⁵²

	Capital.	Surplus.
	<i>Marks.</i>	<i>Marks.</i>
The Dresdner Bank itself	180,000,000	51,500,000
Also:		
1. Märkische Bank in Bochum	9,000,000	1,060,000
2. Rheinische Bank in Essen	21,000,000	1,350,000
3. Oberschlesische Bank in Beuthen	2,500,000	445,000
4. Württembergische Landesbank in Stuttgart	8,000,000	273,605
5. Oldenburgische Landesbank in Oldenburg, 3,000,000 marks, paid in 40 per cent =	1,200,000	677,313
6. Mecklenburgische Bank in Schwerin, 5,000,000 marks, paid in 40 per cent =	2,000,000	388,662
Together with the following:		
(a) Rostocker Gewerbebank, A.-G. in Rostock	980,000	154,835
(b) Neuvorpommersche Spar- und Kreditbank in Stralsund	1,000,000	21,003

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	Capital.	Surplus.
Continued.		
7. Landgräfllich Hessische konzessionierte Landesbank in Homburg v. d. H.	<i>Marks.</i> 1,000,000	<i>Marks.</i> 225,006
8. Schwarzburgische Landesbank zu Sondershausen, 2,500,000 marks nominal, paid in	1,000,000	166,995
Total	227,680,000	56,262,419
Add surplus	56,262,419	. . . . .
Grand total	283,942,419	. . . . .

IV. The group of the A. Schaaffhausen'scher Bankverein.—Including:⁵³

	Capital.	Surplus.
	<i>Marks.</i>	<i>Marks.</i>
The A. Schaaffhausen'scher Bankverein itself	145,000,000	34,157,125
Also:		
1. Pfälzische Bank in Ludwigshafen	50,000,000	8,849,813
2. Mittelrheinische Bank in Koblenz	20,000,000	3,171,988
3. With the Mülheimer Bank in Mülheim a. d. Ruhr	9,000,000	929,075
4. Subsidiary bank: Westfälisch-Lippische Vereinsbank A.-G. in Bielefeld	7,000,000	430,000
Total	231,000,000	47,538,001
Add surplus	47,538,001	. . . . .
Grand total	278,538,001	. . . . .

V. The group of the Darmstädter Bank.—Including:⁵⁴

	Capital.	Surplus.
	<i>Marks</i>	<i>Marks.</i>
The Darmstädter Bank itself	154,000,000	30,250,000
Also:		
1. Breslauer Discontobank in Breslau	25,000,000	1,686,098
2. Ostbank für Handel und Gewerbe in Posen ⁵⁵	18,000,000	2,914,000
3. Nordwestdeutsche Bank in Bremen	33,000,000	3,500,000
4. Bayerische Bank für Handel und Industrie. ⁽⁵⁶⁾	17,750,000	887,392
5. Subsidiary bank: Württembergische Bankanstalt vormals Pflaum & Co. ⁵⁷	8,000,000	2,450,000
Total	255,750,000	41,687,490
Add surplus	41,687,490
Grand total	297,437,490

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Combining capital and surplus (with the reservation explained above) and adding those of the "friendly (*befreundete*) banks" of Group I, these five groups thus comprise a capital power of⁵⁸ 2,470,061,594 marks, or not far short of 2,500,000,000 marks, while the capital alone amounted to 1,954,617,000 marks and the surplus funds to 516,444,594 marks.

Evidently these sums would be much higher if we were to add the deposits used in the business of these banks, but this seems to me improper.⁵⁹ The growth of these affiliations is shown in Appendix VII.

It is interesting to note the shiftings that have occurred and still occur, both within the banks of a group and as regards their connection with the various groups. Thus the Bergisch-Märkische Bank in Elberfeld, originally founded by the Provinzial-Discontogesellschaft (see note 43, p. 862) belongs not to the group of the Disconto-Gesellschaft but to that of the Deutsche Bank. Again the Ostbank für Handel und Gewerbe, belonging to the group of the Darmstädter Bank, has absorbed the Ostdeutsche Bank Aktien-Gesellschaft vormals J. Simon Wittwe in Königsberg in Prussia (province), which used to belong to the group of the A. Schaaffhausen'scher Bankverein. Thus again, within the group of the Deutsche Bank, the Essener Kreditanstalt in 1909 absorbed the Duisburg-Ruhrorter Bank and in 1906 the Westfälischer Bankverein, with which it had maintained a community of interest since 1904. Finally the Emdener Bank, which belongs to the group of the Deutsche Bank and has a community of interest with the latter, was absorbed in 1907 by the Osnabrücker Bank, which has a community of interest with the Hannoversche Bank (Deutsche Bank group).

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Judging from the past course of concentration, particularly as affecting the provincial banks in recent years, it would seem that the end of concentration in German banking, at least outside of Berlin, is not yet in sight.

SECTION 2. GENERAL TENDENCIES AND FORMS OF CONCENTRATION.

I. SCHEME OF GENERAL DEVELOPMENT.

The concentration in German banking was on the one hand a local concentration of banks in Berlin; on the other hand a concentration of capital and power.

The latter was accomplished either—

(A) In a direct way, to wit:

- (1) By increase of capital.
- (2) By affiliation of enterprises (banks or private banking establishments).
- (3) By the creation of permanent communities of interest, to wit:
 - (a) By the founding of subsidiary or trust companies.
 - (b) By the acquisition of shares.
 - (c) By agreement.
 - (d) By exchange of shares.

Or it was accomplished—

- (B) In an indirect way,⁶⁰ by decentralization of operation, to wit:
- (1) By the founding of commandites (silent partnerships).
 - (2) By the founding of branches.
 - (3) By the founding of agencies.
 - (4) By the founding of deposit offices.

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In this classification the term "local ('*örtliche*') concentration" is coextensive with the term "local ('*lokale*') concentration" used by Ad. Weber,⁶¹ and the term concentration of capital is coextensive with Ad. Weber's term concentration of property (*Vermögenskonzentration*)—i. e. absorption of previously independent institutions or increase of capital. Under the term "concentration of capital and power" I have comprehended both Ad. Weber's "concentration of property" and his "administrative concentration" (founding of friendly institutions, extension of the network of branches, in certain cases the undertaking of liquidations and reorganizations).

I used this expression "concentration of capital and power" because it is hardly accurate to speak of a "concentration of capital" when the actual operation consists in a decentralization of operation through the founding of commandites, branches, agencies, and deposit offices, while this operation certainly involves a concentration of power. To my mind Weber's term, "administrative concentration," is liable to the same objection, when, as in the case of an extension of the network of branches, the actual operation involves, not administrative concentration, but the very contrary, viz, decentralization of functions.

On the other hand, I purposely excluded from my scheme of concentration the operation called by Ad. Weber "concentration of interests," to wit, "combinations of banks for the common pursuit of definite single interests; for example, the Prussian syndicate, the Rothschild group." In so doing I was led by the consideration pointed out in the footnote 2, on page 233 of the second edition, that the formation of syndicates or groups, while

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constituting one of the factors which indirectly promote concentration, is not prompted by any conscious aim to bring about concentration. On the contrary, this formation of permanent syndicates or groups is due to entirely different motives and pursues quite different aims. It is founded on the principle of the distribution of risk, and aims at a greater safeguarding of the underwriting or issuing bank, on the one hand, and, on the other, at facilitating the issue operation, etc.

However, I am in complete accord with Weber as regards the bearing of his classification, and I hope that the present work will prove it. If such is the case, the question of the true scheme is immaterial. Both he and I are trying to lay bare the motives, the internal or external factors that lead to concentration. He tries to show where concentration in banking leads to concentration in industry, and vice versa. To this I had not devoted sufficient attention in earlier editions of this book, while in the present edition I have laid special stress on it (see Part V, p. 703, et seq.).

In connection with this subject the following remarks may not be inappropriate.

On surveying the process of development, especially in recent time, I can not agree with Weber's statement that the great banks show an unmistakable course toward specialization, inasmuch as the A. Schaaffhausen'scher Bankverein devotes special attention to mining, the Dresdner Bank to the textile and chemical industries, the Deutsche Bank to the electrical industry and oversea trade, the Discontogesellschaft to transportation—the Darmstädter Bank not being mentioned. So far as such

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specialization can be observed, it may at least in part be explained historically. Thus in the case of the A. Schaaffhausen'scher Bankverein, the special attention to mining in the Rhenish-Westphalian district may be explained by its geographic location and by its continuation of the old connections of the A. Schaaffhausen banking house from which it sprang; in the case of the Dresdner Bank by its special connections with the industry of Saxony. To some extent this specialization was merely the expression of a definite program, whereby, for example, the Deutsche Bank was led to devote special energy to the development of the deposit business, of oversea business relations, and the vigorous promotion of the policy of industrial exports (see above, Ch. III, sec. 6, under 1).

Such specialization as did exist has become less and less pronounced, for the reason that the scope of banking activity has constantly widened, each bank being led, even if only by competitive reasons, to extend its activity to departments in which previously some other bank had been predominant. Thus, for example, it would be decidedly inexact to say nowadays that the Deutsche Bank makes a specialty of the over-sea or the electric business, or even that it devotes its main attention to them, the Disconto-Gesellschaft and the Berliner Handelsgesellschaft being its close rivals, the former in the over-sea business, the latter in the electric business.

Similarly, as shown by Jeidels and in the present work, the mining industry has long ceased to be the special preserve of the A. Schaaffhausen'scher Bankverein,⁶² which, in fact, is no longer completely dominant in its own home district. In the matter of banking relations to the mining

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industry it has been either equaled or surpassed by a number of other banks, such as the Dresdner Bank, the Berliner Handelsgesellschaft, the Disconto-Gesellschaft, and the Deutsche Bank. Of the Dresdner Bank, too, it can no longer be said that the textile and chemical industries are its special province.⁶³

In the field of transportation all the great banks are to-day as active as the Disconto-Gesellschaft, while in the special field of local and street railways the Dresdner Bank, the Berliner Handelsgesellschaft, and the Darmstädter Bank are about equally represented.

Thus in speaking of the business activity of the great banks we can no longer speak of specialties, but only of more or less pronounced tendencies.

These criticisms, however, are directed only against one of the arguments underlying Weber's proposal. The proposal itself, as I have tried to show in this third edition, is none the less well founded.

Rud. Eberstadt⁶⁴ proposes a distinction between a "centralization of capital" and a "centralization of organization," according as the capital or the organization is concentrated at a single point. I have not been able to convince myself of the propriety of this distinction. At any rate it does not bring out any factor of decisive importance in German development, and hence fails to render the subject clearer, since the two kinds of concentration are as apt to occur in combination as separately.

II. THE TWO PERIODS IN THE HISTORY OF CONCENTRATION.

Two periods may be distinguished in the process of concentration.

In the first period (1870-1897) the tendency toward concentration made itself felt along those lines which had

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led to concentration in industry and commerce—that is to say, first of all, through the system which, after the precedent of industrial combinations, we have called the “mixed” method of operation—the combination of the current business (including the deposit business) with the founding, transformation, and issue business; next by way of increases of capital and through the various forms of decentralization of operation, such as commandites, branches, agencies, and deposit offices. Of the great banks the only ones that remained completely centralized during that period were the Disconto-Gesellschaft and the Berliner Handelsgesellschaft, while the Nationalbank für Deutschland also remained almost completely outside the process of decentralization.

During the second period (1897 to date) the tendency toward concentration manifested itself to an ever-increasing degree, not so much in the decentralization of operations as in the extension of community-of-interest relations, whose main object is the strengthening of industrial connections, together with the broadening of the basis of issues and the increase in marketing power.

During this period the Berliner Handelsgesellschaft was the only one that remained completely centralized.

In both periods the choice of the forms of concentration was dominated by economic considerations which may be formulated as follows:

Among the various forms available the preference is always given to that which is deemed most likely to enable the nearest and most important aim to be reached not only most fully, but also most simply and quickly, and with the least possible cost and risk.

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SECTION 3. THE SEVERAL WAYS AND FORMS OF CONCENTRATION, THEIR ADVANTAGES AND DISADVANTAGES.

Some of the advantages and disadvantages of concentration become manifest from the discussion of the various ways and forms which the process of concentration assumed in the German banking business. This discussion may most conveniently follow the scheme given above (Sec. 2, under I, pp. 647 et seq.) for the general direction of concentration.

I. LOCAL CONCENTRATION.

After what we have said of the economic development of Germany in general, and of Berlin in particular, it will readily be understood that the capital city became a special point of attraction for banks and bank capital.⁶⁵ The drift toward the capital, in which most of the federal offices of the Empire are located, naturally became most pronounced in the banking business, because the city of Berlin, with the exceedingly rapid growth of its population, which meant a vast increase in the number of wage-earners and consumers, became not only the central point of wholesale demand and wholesale consumption, of financial, tax-paying, and purchasing power, and of numerous industrial and mercantile enterprises, but also the most powerful focus of attraction for available funds. It became the seat of a number of the most important government offices and establishments closely connected with our system of payments and credit, in part also with the issue business. Among these may be mentioned the Reichsbank, established in 1875-76, the Seehandlung, the increasingly influential Berlin Bourse, the Bank des Berliner Kassenvereins, founded as early as 1850, etc.

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Accordingly, we find that very soon after the establishment of the German Empire the German banks established during the first epoch, with main offices outside of Berlin, hastened, one after the other, to open offices in Berlin.⁶⁶

The following are worthy of note:

1871. The Bank für Handel und Industrie (Darmstadt).

1873. The Mitteldeutsche Kreditbank (Meiningen, later Frankfort-on-the-Main).

1881. The Dresdner Bank (Dresden).

1891. The A. Schaaffhausen'scher Bankverein (Cologne).

1898. The Commerz- und Disconto-Bank (Hamburg).⁶⁷

From the moment these branches were established, the business center of these banks tended more and more to be shifted to Berlin,⁶⁸ so that they have for many years been classed as Berlin banks and reckoned among the Berlin great banks. In the case of the A. Schaaffhausen'scher Bankverein, it is to be noted, this displacement was effected only in a qualified sense.

This process, of which the recent acquisition of the banking firm Hardy & Co. G. m. b. H. in Berlin (in 1909) by the Rheinisch-Westfälische Disconto-Gesellschaft in Aachen (Aix-la-Chapelle) formed an interesting continuation, must not be overlooked. It tends to disprove the alleged contrast of "the general tendency of development" in England, based on the supposition that the expansion of banking in England proceeded from the provinces toward London, while in Germany it proceeded from the capital toward the provinces.⁶⁹ Furthermore, it must not be forgotten that the establishment of branches in Berlin must have appeared to the provincial banks in

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general, up to 1897, as an enterprise of questionable promise, in view of the tremendously rapid rise of the financial power of the Berlin banks. After 1897, of course, the amalgamated banks (*Konzernbanken*) had no longer any motive to establish branches in Berlin. The establishment of a community of interests between the Deutsche Bank, the Bergisch-Märkische Bank, and the Schlesischer Bankverein in 1897 is expressly stated in the 1897 business report of the Deutsche Bank to have been prompted by the following considerations:

“The continued concentration of the banking business in Berlin, which has already led a number of provincial institutions to establish branches in Berlin, seemed to make it necessary that our connections with the provinces be strengthened.”

Here we see that the expansion toward the provinces is positively described as a consequence of the movement, already in progress, of the provincial banks toward Berlin.

For that matter, even as regards England, we must remember that the movement of the provincial banks toward the capital,⁷⁰ which I agree with Eberstadt in regarding as a “natural” movement, did not begin until late, having been artificially kept back by legislation. Only since 1833 have provincial banks been allowed to establish themselves in London, and within a radius of 65 English miles, and even then only on condition that they were to issue no bank notes.⁷¹ Later on the situation was reversed, owing to certain advantages which were granted only to banks domiciled in London. In particular, the provincial banks, in order to secure for themselves and

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their customers the advantages of participation in the "country clearing," had to appoint as clearing agent a banking firm domiciled in London and belonging to the clearing house, and to make a large deposit with that firm.

Finally, beginning with 1896, a tendency of the London banks to spread to the provinces has been observed.⁷³

II. THE CONCENTRATION OF CAPITAL AND POWER.

A. IN A DIRECT WAY.

1. *By means of increase of capital.*—In the preceding pages we have had repeated occasion to speak of that kind of concentration of capital which finds its expression in increases of capital and which is going on in other countries as well as in Germany.⁷³ We have pointed out in particular the limits within which it is confined, both for economic and of business reasons.⁷⁴ Increases of capital were prompted⁷⁵ both by external processes, such as the founding of branches, the absorption of banks, the establishment of communities of interest through exchange of stock, etc., and by internal reasons. Foremost among the latter is the necessity of obtaining the means of strengthening and extending the current business and to establish the equilibrium of the balance sheet, the liquidity. According to sound principles, the increase of the bank's own capital must take place also in those cases in which the volume of business has largely grown through the increase of outsiders' funds entrusted to the bank.

It may be said that the undertaking or omission of such increases of capital at the right moment and in sufficient amounts furnishes a test of the perception, prudence, and

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foresight of the bank's administration. However, the movers for an increase of capital must often be prepared for disappointment at the bourse, which, as a rule, is not interested in an increase of capital, unless there is left a rather wide margin between the rate of issue of the new and the market rate of the old shares, which opens the field for speculative operations.

It is interesting to study the increases of capital of the great banks.

The capital of the four oldest banks increased as follows:

[Amounts expressed in millions of marks.]

	Year of foundation.	Capital.		
		At foundation.	1870.	End of 1908.
Darmstädter Bank ⁷⁶	1853	17.1	25.8	154
Berliner Handelsgesellschaft ⁷⁷	1856	16.8	16.8	110
Disconto-Gesellschaft ⁷⁸	1851	30.0	30.0	170
A. Schaaffhausen'scher Bankverein ⁷⁹	1848	15.6	15.6	145
Total.....		79.5	88.2	579

While the capital of the Mitteldeutsche Kreditbank, also one of the oldest banks (founded in 1856 with a capital of 24,000,000 marks; see above, pages 77 et seq.), had by the end of 1905 risen to 54,000,000 marks, having thus little more than doubled,⁸⁰ the four banks above enumerated, during the twenty-one years from 1848 to 1869, increased their capital only by 8,700,000 marks; on the other hand in the thirty-eight years from 1870 to the end of 1908 their capital rose from 88,200,000 to 579,000,000 marks, having thus multiplied more than sixfold ⁸¹

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The capital of the two banks founded in the beginning of the second epoch (1870 and 1872) increased as follows:

[Amounts expressed in millions of marks.]

	Year of foundation.	Capital.	
		At foundation.	End of 1908.
Deutsche Bank ⁸²	1870	15.0	200
Dresdner Bank ⁸³	1872	9.6	180
Total.....		24.6	380

Thus in thirty-nine and thirty-seven years, respectively, it multiplied more than fifteenfold.

The capital of the other great banks increased as follows:

[Amounts expressed in millions of marks.]

	Year of foundation.	Capital.	
		At foundation.	End of 1908.
Commerz-und Disconto-Bank ⁸⁴	1870	15	85
Nationalbank für Deutschland ⁸⁵	1881	20	80
Total.....		35	165

Thus the increase was more than fourfold.

2. *Through absorption of banking firms and fusion of banks.*—We have already discussed the main reasons that led to the concentration of capital through the absorption of private banking firms.

Up to the end of 1908 the great banks had directly absorbed only private banking firms, while the number of banks combined with them through fusion was only 11.

On the other hand, the 5 bank groups (*Konzernbanken*), according to Appendix VIII at the end of this book, had

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up to the end of 1908 absorbed 89 private banking firms and 43 banks, as follows:

	Private banking firms.	Banks.
Darmstädter Bank group.....	17	7
Deutsche Bank group.....	31	21
Disconto-Gesellschaft group.....	23	8
Dresdner Bank group.....	7	1
A. Schaaffhausen'scher Bankverein group.....	11	6
Total.....	89	43

Thus the great banks and bank groups together had, up to December 31, 1908, absorbed 129 private banking firms and 54 banks. Including the firms absorbed by the banks before their fusion with the great banks, or by subsidiary banks of the latter, the total number absorbed by the great banks and their "concerns" up to December 31, 1908, included 164 private banking firms and 60 banks.

The provincial banks which remained independent show a similar record.⁸⁶

Such absorptions were often prompted, outwardly, by the desire of the banks to gain a firm footing, a wide circle of customers and business relations for contemplated branches by the acquisition of flourishing private banking firms at the localities in question. Those (domestic) branches that were established without such absorption were in fact greatly in the minority, and, as might be expected, had as a rule to pass through a much longer time of waiting until they were established on a fairly paying basis, with appreciable influence in their district. Generally, also, their dependence on the home

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office continued a good deal longer. The number of branches created by means of such absorption or without it varies greatly in the case of the different banks. In the case of the Dresdner Bank the great majority of its 27 branches originated in such absorptions; in the case of the Disconto-Gesellschaft, which up to 1908 had only 3 branches,⁸⁷ 2 of them, Bremen and Frankfort-on-the-Main, originated in that way, the latter branch having assumed at least a large part of the business connections of the firm of M. A. von Rothschild and Sons; in the case of the Deutsche Bank, out of 8 branches only 3 were the result of absorption, viz, those of Leipzig, Dresden, and Frankfort-on-the-Main;⁸⁸ finally, in the case of the Darmstädter Bank, out of 11 branches only 2, those of Hanover and Halle-on-the-Saale, were acquired in that way.

A similar condition prevails among the banks belonging to the groups. Of these the Pfälzische Bank, belonging to the Dresdner Bank-Schaaffhausen community of interest, established nearly all, if not all of its 16 branches in this way. The same is true in the main also of the great provincial banks, such as the *Bergisch-Märkische Bank*, the *Magdeburger Bankverein*, the *Magdeburger Privatbank*, the *Bayerische Vereinsbank*, and the *Bayerische Handelsbank*.

The absorption of banks by way of fusion also took place for the most part with a view to the creation of a basis for the establishment of branches. Aside from this aim, however, fusion, as we have seen, never played an important part, either in the case of the great banks or in that of the so-called "concern" banks,⁸⁹ which, according to Table VII, absorbed during the second epoch only a

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total of 20 banks. Experience teaches that at each fusion a number of connections, some of them quite valuable, are lost, being taken away by competitors, etc. Hence fusion is not attempted unless prompted by special business reasons, particularly the following:

(a) To get permanently rid of inconvenient competition. Cases of this kind are exceedingly rare. In the case of the provincial banks the fusion of the Dresdner Bankverein, with a capital of 21,000,000 marks, with the Sächsische Discont-Bank (capital, 3,000,000 marks), effected in 1905, may be cited under this head.

(b) To secure an extension of business connections. This refers to those cases where the institution to be fused with the expanding bank is pursuing about the same business policy in the same or another district (province, federal state), having, for example, for many years devoted itself to the commission, current account, or bill business, like the expanding bank. (Example: The fusion of the Magdeburger Privatbank at Magdeburg with the Dresdner Bankverein in Dresden, in 1909.)

(c) When a bank is unable either from the very start or not to the proposed extent,⁹⁰ or when it is no longer able to accomplish its purpose,⁹¹ its fusion with another bank may sometimes be accomplished under specially favorable conditions for the latter. In such cases the fusion is as a rule a forced one so far as the less successful bank is concerned.⁹² One of the specially favorable conditions in such cases may be this, that the intrinsic value (liquidation value) of the bank to be absorbed by fusion may greatly exceed the purchase price of its stock, so that the absorbing bank thus acquires silent reserves,

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provided, of course, that the status assumed to exist at the moment of fusion is not altered in the course of liquidation through diminished returns or losses.⁹³

Such a forced fusion may also occur when a bank belonging to a bank group is induced, through pressure exerted by the leading bank, to fuse with another bank of the same group. Such a case occurred in 1905, when the Ostfriesische Bank, having suffered considerable loss through a bankruptcy, was induced to fuse with the Osnabrücker Bank.

Motives of a different nature, but yet belonging to the domain of group policy, led in 1909 to the absorption of the Duisburg-Ruhrorter Bank by the Essener Kreditanstalt, the latter, together with the Deutsche Bank, as the leader of the group, having in 1902 acquired a majority of the stock of the Duisburg-Ruhrorter Bank.

In foreign countries the concentration of banks was accomplished mainly by way of fusion. Thus in Scotland as early as 1829-1844 there were no fewer than 16 fusions of great banks, followed by 4 more during 1857-1864.⁹⁴ In England fusions were the ordinary way by which provincial banks expanded and finally made their entrance into London. According to the Bankers' Magazine (London), the number of bank fusions in Great Britain was as follows: 1877-1886, 42; 1887-1898, 124; 1889-1905, 86. In London alone the number of private banks (excluding colonial banks) was thereby diminished from 115 in 1885 to 38 in 1905, while the number of joint-stock banks decreased from 112 in 1889 to 62 in 1905. One bank, now known as the London City and Midland Bank, founded under another name in 1836 in Birmingham, in its career of expansion

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and concentration absorbed not less than some 20 provincial banks and 2 great London banks, while another, the Lloyd's Bank, in twenty-one years (1884-1904) swallowed 35 other banks. In England the huge banking establishments were invariably formed by the absorption of the small or medium-sized banking firms within their territory, either step by step or, if an opportunity presented itself, at one fell swoop. The number of banking firms incorporated in the large firms during the recent decades is exceedingly great; the external organization of English banking has thereby been completely altered since 1880. The process of fusion continues, and has become rather more pronounced during recent years.⁹⁵ In 1909 a fusion was effected between two of the most powerful and oldest London deposit banks, the London and Westminster Bank (Limited) and the London and County Banking Company (Limited). The former was the oldest deposit bank in London (founded in 1834); the latter was established in 1836, had 222 offices, and over £40,000,000 sterling in current and deposit accounts. The united bank will bear the name London County and Westminster Bank (Limited), with a capital of £14,000,000 sterling, (£3,500,000 paid up), surplus funds to the amount of £4,250,000 in round figures, and current and deposit accounts to the amount of more than £70,000,000, which will put it in the second place among the deposit banks of Great Britain.

“The growth of banks solely through the extension of their own system of branches, without any amalgamation with existing banks, occurs only where the aim is to open up entirely new territory not previously reached by banking operations.”⁹⁶ In the period 1877-1904 not fewer

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than 224 banks were absorbed in England by other banks which still exist.

In the United States, in which the concentration on the whole tends to be effected rather by way of communities of interest of great groups of banks, 21 national banks were in 1901 absorbed by other national banks and 6 by other banks; in 1902, 46 by national banks and 11 by other banks;⁹⁷ in 1903-4, altogether, 38 banks. In France, fusions of different banks are of frequent occurrence in the case of the so-called *banques d'affaires*, while they have been rare among the great credit institutions, which, however, have absorbed many private banking firms.⁹⁸

3. *Through the creation of permanent communities of interest.*—Since 1897 the process of concentration in German banking has been mainly effected in the form of communities of interest between great banks and provincial banks, mostly brought about through an exchange of stock.

At the end of 1896 there were only two (domestic) communities of interest, to wit:

(1881) That of the Württembergische Bankanstalt vormals Pflaum & Co. (subsidiary of the Bank für Handel und Industrie) with the Württembergische Vereinsbank, this community being based on agreement.⁹⁹

(1895) That of the Disconto-Gesellschaft with the Norddeutsche Bank, based on ownership of shares.

Between the beginning of 1897 and the end of 1900 as many as 9 (domestic) communities of interest were entered into, so that the number of them had quadrupled by the end of 1900.

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By the end of 1902 the number had risen to 16, an eight-fold increase, compared to 1895; by the end of 1908 it had risen to 32, and, including the subcommunities of interest of the banks in the groups (Appendix VIII), to 41, a twenty-two-fold increase over 1896.

The lion's share in this increase belongs to the years 1904 and 1905, in which 18 communities of interest, including those of the banks in the groups (*Konzernbanken*), were entered into, as follows:

	Communities of interest formed by the—	
	Leading bank.	Other banks of the group
Bank für Handel und Industrie	1	.....
Deutsche Bank	6	1
Disconto-Gesellschaft	2	.....
Dresdner Bank	6	2
Total	15	3

On December 31, 1908, the communities of interest, entered into both by principal and subsidiary banks within the groups up to that date, were distributed as follows:

	Communities of interest formed by the—	
	Leading bank.	Other banks of the group.
Bank für Handel und Industrie	4	.....
Deutsche Bank	13	3
Disconto-Gesellschaft	5	3
Dresdner Bank	8	2
A. Schaaffhausen'scher Bankverein	2	1
Total	32	9

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Of these communities of interest, not less than 13 belong to the mining districts, Rhineland-Westphalia and Upper Silesia, distributed as follows:¹⁰⁰

I. *In Upper Silesia.*—Communities of interest:

	Capital.
	<i>Marks.</i>
1. Of the Bank für Handel und Industrie with the Breslauer Disconto-Bank in Breslau (10 branches)	25,000,000
2. Of the Deutsche Bank with the Schlesischer Bankverein in Breslau (13 branches)	30,000,000
3. Of the Dresdner Bank with the Oberschlesische Bank in Beuthen (2 deposit offices in Königshütte)	2,500,000

II. *In Rhineland-Westphalia.*—Communities of interest:

	Capital.
	<i>Marks.</i>
1. Of the Deutsche Bank with—	
(a) The Bergisch-Märkische Bank in Elberfeld (19 branches)	75,000,000
(b) The Duisburg-Ruhrorter Bank in Duisburg (4 branches)	12,000,000
(c) The Essener Kreditanstalt in Essen (13 branches and 4 agencies)	60,000,000
(d) The Siegener Bank für Handel und Gewerbe in Siegen	4,000,000
(e) The Essener Bankverein in Essen (3 branches)	15,000,000
Total (30 branches and 4 agencies)	166,000,000
2. Of the Disconto-Gesellschaft ¹⁰¹ with the Barmer Bankverein in Bar- men (17 branches)	59,836,200
3. Of the Dresdner Bank with—	
(a) The Märkische Bank in Bochum (9 branches)	9,000,000
(b) The Rheinische Bank in Essen (formerly in Mülheim-on- the-Rhine) (6 branches)	21,000,000
4. Of the A. Schaaffhausen'scher Bankverein ¹⁰² in Cologne (Rhineland) (8 branches) with	145,000,000
(a) The Mittelrheinische Bank in Koblenz (2 branches) and its community of interest:	20,000,000
The Mülheimer Bank in Mülheim-on-the-Ruhr (2 branches)	9,000,000
(b) The Westfälisch-Lippische Vereinsbank in Bielefeld (4 branches)	7,000,000
Total (16 branches)	181,000,000

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Thus in the Rhineland-Westphalia mining district alone there were in existence on December 31, 1908, beside a great bank with 8 branches, not fewer than 11 "concern" banks with a share capital (without counting surplus funds and deposits) of 291,836,000 marks, and in addition 79 branches, 4 agencies, and 1 deposit office of such banks, the number of the latter being constantly on the increase. This organization—as yet far from completed—thus represents a considerable part of the outfit with which the several groups of banks carry on the competition for the industrial connections which at the present day constitute their foremost interest.

The creation of permanent communities of interest may be effected:

- (a) Through the founding of subsidiary companies (*Tochtergesellschaften*) or trust companies.
- (b) Through the acquisition of shares of existing banks;
- (c) Through agreement;
- (d) Through exchange of shares.

We will now discuss these various kinds of communities of interest in detail.

(a) *Through the founding of subsidiary companies (Tochtergesellschaften) or trust companies.* The establishment of subsidiary banks played a rather prominent part in the beginning of the second epoch, but is at present merely of historic interest, inasmuch as all these subsidiary banks have disappeared. We have in mind the so-called provincial banks of the early seventies, to which attention has recently been called by Tischert¹⁰³ and especially by Wallich.¹⁰⁴ They were independent creations of the parent bank, established by it at its own

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home. In most cases they proceeded, immediately after their foundation, and as a rule on the basis of private banking business acquired by them, to open branches and commandites in the several states or provinces. However, being established at the home of the parent bank, in contrast with branches established elsewhere, they had to limit their activity so as not to compete with the parent institution. Owing to that fact, as well as to the circumstance that the provincial banks, even before they themselves had taken root, began to set up branches and commandites elsewhere, without being able either to support them adequately by their own means or to superintend them properly in virtue of their own experience, and also for general economic considerations, all these provincial, branch, and central banks bore the germ of death within them at their very birth. The industrial relations of banks at that time were quite undeveloped, while private banking firms were for the most part still of great importance. Thus I am unable to share the view that the plan was "well devised,"¹⁰⁵ but in advance of the time.

Four such "provincial discount companies" were established in Berlin in 1871 and 1872. The largest of them was the *Provinzial-Disconto-Gesellschaft* in Berlin, founded by the Disconto-Gesellschaft with a nominal capital of 30,000,000 thalers. It soon set up a large number of branches and commandites, to wit, in Hanover (involving the absorption of the banking firm M. J. Frensdorff), in Bernburg, Strassburg, Hamburg, Duisburg, Braunschweig, Hameln, and Halle; also the Bergisch-Märkische Bank in Elberfeld and the Aachener Disconto-Gesellschaft

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in Aachen (Aix-la-Chapelle). In the two cases last mentioned the parent bank retained an interest in the form of an undivided share of 500,000 thalers in each case, which is noteworthy as a special and early case of "permanent participation" of one bank in another. However, in 1878 the Provinzial-Disconto-Gesellschaft had to be taken over by the Disconto-Gesellschaft at the cost of great sacrifices and difficulties, the branches having previously been given up one by one.

The other "provincial banks" founded at the same time in Berlin by parent banks were: The *Provinzial-Wechslerbank* (founded by the Berliner Wechslerbank), the *Provinzial-Gewerbebank* (founded by the Gewerbebank H. Schuster & Co. in Berlin), and the *Provinzial-Makler-Bank* in Berlin.

Beginning with 1872 the following were established: The *Süddeutsche Provinzialbank* in Stuttgart (by the Stuttgarter Bank), the *Provinzial-Wechsler-Bank* in Breslau (by private banking firms in Breslau), and the *Allgemeine Deutsche Filialen-Kreditanstalt* (by the Allgemeine Deutsche Kreditanstalt in Leipzig).

Finally, the Deutsche Unionbank in Berlin, which itself had to be liquidated as early as 1876, with the aid of the Deutsche Bank, founded a chain of Unionbanks, beginning with 1871, of which only the Unionbank in Mannheim (absorbed by the Pfälzische Bank in 1895) eked out a somewhat longer existence; while a Berlin banking firm founded a number of South German *Zentralbanken* in 1873 (the Bayerische Zentralbank in Munich, the Badische Zentralbank in Karlsruhe, the Fränkische Zentralbank in Nuremberg, the Württembergische Zentralbank in Stutt-

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gart, and the Süddeutsche Zentralbank in Frankfort-on-the-Main). All these, however, underwent liquidation, most of them immediately after their foundation.

As may be seen by the sketch of the development of the several great banks (Appendix VII), the establishment of subsidiary companies by the banks never assumed large proportions in Germany, either in the first or in the second epoch. On the other hand, the establishment of German "subsidiary banks" in foreign countries played a rather important part, inasmuch as, for reasons already set forth, they proved to be a business necessity for the special purpose of the development of over-sea trade, for which the establishment of mere branches was neither sufficient nor desirable, at least on a large scale, for reasons to be discussed later.

Except for the purpose of subserving the needs of over-sea trade, the relations to the colonies, or the extension of business relations with foreign countries,¹⁰⁶ the number of "subsidiary companies" established has never been great even in recent time (aside from the above-mentioned premature and hence unsuccessful experiments of the seventies). In addition to two stock companies established in 1905 after the model of the Deutsche Treuhandgesellschaft (the *Revisions- und Vermögens-Aktiengesellschaft* and the *Treuhand Vereinigung, Aktiengesellschaft* in Berlin) the following instances of recent date¹⁰⁷ may be enumerated: The establishment, in 1900, by the A. Schaaffhausen'scher Bankverein, of the *Westfälisch-Lippische Vereinsbank*, prompted probably by special personal and local reasons; of the *Bayerische Disconto- und Wechselbank* in Nuremberg, in 1905, by the Disconto-Gesellschaft jointly with the Bayerische Hypotheken- und Wechselbank;¹⁰⁸ of the

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Bank für Thüringen vormal's *B. M. Strupp Aktiengesellschaft* in Meiningen, in 1905, by the Disconto-Gesellschaft jointly with the Mitteldeutsche Kreditbank, the B. M. Strupp Banking House and the Allgemeine Deutsche Kreditbank; the transformation of the private banking firm of Ludwig Peters Nachfolger at Braunschweig into the *Braunschweiger Privatbank Aktiengesellschaft*, in 1905, by the Hannoversche Bank jointly with the Osnabrücker Bank and the Hildesheimer Bank, and the transformation of the banking firm Perls & Co. in Breslau into the *Schlesische Handelsbank Aktiengesellschaft* in Breslau, in 1905, by the Disconto-Gesellschaft in cooperation with the Berliner Handelsgesellschaft.

On the whole, practical experience has shown that domestic subsidiary companies possess almost exclusively the disadvantages of branch banks without their advantages.

Not only do subsidiary companies readily escape all influence on their business management, which may thus adopt methods fundamentally different from those of the parent bank, but they are equally apt to rid themselves of anything like thorough and permanent inspection of their business activity. On the other hand, they require a permanent ownership of shares, and often make large demands on the parent bank for capital, especially in critical times, which of course is particularly inconvenient. We were able to trace this process in the history of the *Crédit-Mobilier*, whose collapse was largely brought about in that way.¹⁰⁹

These are probably the main reasons why the subsidiary banks have hitherto exercised far less influence,

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within Germany, both on the development of banking and in particular on the concentration movement, than the trust companies, which have been extensively established by the great banks either directly or with their cooperation, in the industrial field, especially in the domain of the electro-technical industry. To discuss the nature and the advantages and disadvantages of these trust companies would be beyond the scope of the present work. The most important trust companies in the field of the electro-technical industry are enumerated in notes 98 and 100 on page 811. They are related to our present subject only in so far as they served, directly or indirectly, to relieve the banks of a part of their financial tasks, especially as regards the issue business; also in so far as they were intended to serve the needs of smaller enterprises, whose securities could not be emitted by the banks themselves, the trust companies taking up the securities of these enterprises and utilizing them as a basis of obligations to be issued, thus rendering them marketable;¹¹⁰ finally, in so far as they were employed to increase the influence of the banks on certain branches of industry in the establishment or enlargement of industrial enterprises, through aid rendered at the time of organization and in the sale of securities.¹¹¹

From the nature of these functions it is evident that the trust companies subordinated to the banks strongly tended to promote concentration.

(b) *Through acquisition of shares.* The creation of permanent connections through communities of interest by means of the acquisition of the stock of existing banks, which is going on very extensively, needs no special discus-

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sion. Only one point has to be mentioned, viz., that a mere possession of stock does not of itself result in a community of interest, unless it is accompanied by other factors establishing a close connection, which, in fact, in most cases becomes the occasion for the purchase of shares. These factors may be (1) an agreement with the bank whose shares have been acquired by which that bank undertakes to transact at least the larger part of its business with the acquiring bank, while the latter guarantees to the former the "most favorable treatment," or (2) the appointment of one or more representatives of the acquiring bank as members of the supervisory board of the bank whose stock is acquired.¹¹³

So far as I am able to learn, these two factors are for the time being absent from the relation of the Disconto-Gesellschaft to the Rheinisch-Westfälische Disconto-Gesellschaft.¹¹³ Accordingly, reversing the views expressed in the first German edition of the present work (p. 188, No. 3), I no longer include that bank in the group of the Disconto-Gesellschaft, although the Disconto-Gesellschaft is said to own shares of the Rheinisch-Westfälische Disconto-Gesellschaft to the amount of about 2,000,000 marks.¹¹⁴ On the other hand, the Magdeburger Bankverein, having entered into a closer relation with the Disconto-Gesellschaft by the reciprocal appointment of a representative of each bank on the supervisory board of the other, is properly included in the group of the Disconto-Gesellschaft.

(c) *Through agreement.* A community of interest may be established by agreement between two banks, generally about equal in strength, providing for a pro rata division of the proceeds resulting from the business transactions

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of both. From a purely theoretic standpoint, this arrangement certainly can accomplish the intended purposes only on condition that the two contracting parties either follow in the main the same business policy or are mutually complementary in their business activity.

For a while the typical example of a community of interest through agreement was the Dresdner Bank-Schaaffhausen combination, created by the agreement of September 10, 1903. In this case the activities of the contracting parties were certainly complementary, inasmuch as the Dresdner Bank, at the time of the agreement, had devoted itself far more extensively to the promotion of foreign business, Bourse transactions, the deposit business and the issuing business, while the A. Schaaffhausen'scher Bankverein had cultivated intimate relations to industry, especially mining, and more particularly to the iron industry of Rhineland-Westphalia, not only for a much longer period than the Dresdner Bank, but also to a much greater extent and with greater success.¹¹⁵

In this case, therefore, it may be assumed that this complementary character of the two banks was the decisive factor that led to the creation of the community of interest. Evidently every such combination, with the resulting union of forces, intelligence, enterprise, and capital, signifies an immense increase of power on the part of the contracting parties, whose organic union will always mean a far greater force than the mere arithmetic sum of the separate forces.

However, as I previously pointed out, the weakness and dangers of such a community of interest must not be underestimated. They are especially apt to be felt in cases

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where there is not a substantial equality of weight between the two scales.

First of all, a community, which leaves the formal independence of the contracting parties unimpaired, does not necessarily lead to a saving in the operating expenses, at least not to a large extent.

Differences of opinion regarding the business management and the common business policy can hardly lead to serious danger, provided the contracting parties are about equally strong; but if one of the parties has any degree of preponderance, such differences may lead to grave consequences. The weaker party in such cases has generally no other recourse but an appeal to the committee or council of delegates, consisting as a matter of course of members of the two administrations, and hence apt to decide in favor of the stronger party. But even if this is not the case, disappointment is apt to result.¹¹⁸ The agreement being as a rule made for a long period, such disappointment becomes a source of annoyance. Having gained an insight into each other's business conduct, the two parties find it difficult to separate, even when separation would be the natural course, while fusion, the opposite alternative, is not without its objections.

Dissatisfaction of another sort may arise from the fact that one of the two parties may have made poor profits, perhaps repeatedly, while the other has made good profits. The latter thereupon will not be greatly pleased at the prospect of having to "feed" its needy partner. Such a situation may become dangerous if the less successful partner, impressed by the regular good results of the

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successful one, finds in them not so much a spur to its own ambition to attain equal success, as a comfortable insurance of the share which by virtue of the agreement will accrue to it in any case from the earnings of its partner. In a word, one partner may get into the habit of letting the other work for him.

A still graver situation may present itself if one of the parties, insisting on the mode of distribution established on the basis of the status existing at the time of signing of the agreement, but which would no longer be fair in case of the enlargement or extension of the enterprises, attempts to prevent the other from an expansion which it feels justified to undertake. This situation would be especially difficult to endure if the weaker partner should try thus to prevent the development of the stronger.

Other sources of dissatisfaction and dissension may arise from a difference of views regarding reserves, losses, etc. This may happen even when there exists a council of delegates for the decision of such questions, because such a council can only decide disputes, but not remove the dissatisfaction.

It is not to be expected that there will be many cases in which two enterprises will so happily complement each other in their business operations, or be so nearly of equal weight, that the danger here indicated will either disappear or be greatly diminished. Hence this form of community of interest is hardly likely, in my opinion, to make much headway among German banks.¹¹⁷ At the same time it can not be denied that, theoretically at least, this method of eliminating mutual competition through the placing of two institutions on a footing of equality

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by agreement is better than the annihilation of one of the two institutions through ruthless competition.

(d) *Through exchange of shares.* A totally different situation as shown by practical experience is created through a community of interest resulting from exchange of shares, such as was effected in 1897 by the Deutsche Bank, first with the Bergisch-Märkische Bank and the Schlesischer Bankverein.

Many such communities of interest were established in the German banking world between a large bank and other banks, some of them much smaller, in the pursuit of definite aims of industrial policy on the part of the large bank. Thus, for example, in entering on the community of interests above indicated, the aim of the Deutsche Bank was to gain a footing in the most important industrial districts, those of Rhineland-Westphalia and Upper Silesia.

In entering on a community of interest with the Duisburg-Ruhrorter Bank, in 1902, the Deutsche Bank was doubtless prompted by a consideration of the close connection existing between that bank and the Haniel family, the owners of the Gute Hoffnungshütte and the Rheinpreussen mines.

In entering into a community of interest in 1904 with the Essener Bankverein, the foremost aim of the Deutsche Bank was doubtless to form a connection with Mr. Carl Funke, the large industrial entrepreneur in Essen, who owns the König Ludwig mines.

Finally, in entering into a community of interest in 1903 with the Mittelrheinische Bank in Koblenz, the A. Schaaffhausen'scher Bankverein was evidently prompted

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by the desire to get in touch with the collier firm of Spaeter & Co., founders of the Rombach Smelting Works, closely allied with the Mittelrheinische Bank, the further aim being to become connected through that firm also with the Lorraine-Luxemburg iron industry. This desire may have been sharpened by the consideration that Mr. Hugo Stinnes, a large entrepreneur, was a member of the supervisory board of the Mittelrheinische Bank.

It is not difficult to explain the rapid spread of communities of interest through exchange of shares.

First of all, this kind of community of interest among banks either pursuing the same business policy or supplementing each other in their business activity, especially in their relations to industry, offers a strong business attraction, which will be all the greater the higher the premium on the shares of the bank which makes the offer of exchange to the shareholders of the banks to be "annexed," the exchange rate being calculated for the party making the offer and the party consenting to the exchange by the ratio of the market values of the stock to be exchanged. This ratio will, of course, be all the more favorable for the bank making the offer the higher the market value of its own shares.

In other respects a community of interest through exchange of shares offers hardly anything but advantages for both parties.

While eliminating any competition that may have existed between the two parties, it leaves to each complete internal autonomy, with freedom of movement and development, at the same time securing singleness of management outwardly from one central point.

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It enables the "concern" banks to concentrate their strength on the district where the roots of that strength are located, without "causing them to be diverted from their proper sphere by an establishment in the national capital,"¹¹⁸ and without being obliged to engage in competition in Berlin itself, in which their chances would be all the smaller the later their entrance into the capital. It affords to them the advantage of connection with a great bank, which means not only a strengthening of their position, power, and influence, but a large part of the advantages possessed by the great bank itself. Finally, in case of need, in critical times, it assures to them a strong hold, the very existence of which is apt to serve as a support of their own arrangements.

On the other hand, the great bank also derives numerous advantages from the combination. It extends the area of its power and business activity and enlarges its knowledge of the situation of the different branches of industry and commerce through expert information obtained from institutions situated or represented at the locality. In case of an issue it has at its disposal a wide market. It is in position to procure for its customers greater advantages and better information, and especially to lend them prompter and more extensive support in their business operations. Finally, it is enabled to set up a uniform program for its entire business policy, and is able to take account of the general economic interests better than with a smaller business scope or with scattered forces.

All of these advantages are obtained, both to the largest possible extent and in the simplest and least risky manner, through communities of interest established by means of

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an exchange of shares, since the object may be attained even by a relatively unimportant ownership of shares.

There is, indeed, some danger in this case, too, that the leading bank may expose itself to excessive demands for assistance,¹¹⁹ but this danger is lessened from the very start by the fact that, by virtue of the combination, the leading bank acquires greater and greater available resources through the amalgamated banks and their customers.

B. IN AN INDIRECT WAY, BY MEANS OF DECENTRALIZATION OF OPERATIONS.

1. *Through the founding of silent partnerships (commandites).*—The number of commandites, which in 1895 according to Appendix VI was only 13 for all the great banks together—that is to say, very small—dropped to 11 by the end of 1905, so that there is on an average only 1 commandite to each great bank.

The 32 allied banks (Konzernbanken) had at the end of 1908 only 18 commandites (Table 10, p. 1012), a still lower average.¹²⁰

The Darmstädter Bank possessed originally a very large number of commandites (as many as 16), having set up one of them in New York as early as 1854, another in Paris in 1857, at the same time planning others at St. Petersburg, London, Smyrna, and Constantinople, to foster foreign business. As early as 1856 one of its founders, Gust. von Mevissen, planned nothing less than the establishment of a "Central Bank for Foreign Commandites" with a capital of 100,000,000 thalers (!), to the end "that the capitals of the various German banks—all of them seeking to establish commandites abroad—might no longer

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be scattered, and that at the same time the ablest possible representation might be secured.”¹²¹

In the years of business depression toward the end of the fifties and the early sixties the Darmstädter Bank had had a discouraging experience with the system of branch banks to which it had at first given the preference. Accordingly, in 1863 it abolished even its branch in Mainz, founded in 1854, and transformed it into a commandite, “solely in order to limit the number of institutions apt to create liabilities for the bank by their operations.”

But while the commandite does have this advantage over the branch, that the leading bank is not made directly liable through the business transactions of the commandite, yet the difference is rather formal, because when a commandite through bad management has got into difficulties, the leading bank can not abandon it any more than it can abandon a branch. In addition, the nature of the commandite gives rise to dangers which do not affect the branches, or at any rate, not to the same extent.

First of all, a commandite, like a subsidiary company (*Tochtergesellschaft*), even though bound by an agreement granting special rights of control to the leading bank, is more difficult to control than a branch. Moreover, it will be all the less willing to be controlled the greater its success, the justifiable feeling of self-confidence on the part of the management leading it in such cases to resent any attempt at interference. Hence a commandite is more apt than a branch to develop its entire business policy along lines at variance with the leading bank, occasionally even in opposition to it.

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It is also more apt to cause surprises, since the commandite is less disposed to submit—all the less the longer it has existed—to binding instructions, impeding its free movement, for example, as regards the amount of uncovered credit, the kind of security in case of covered credits, the amount of acceptances, etc. We have seen that by reason of such surprises the Deutsche Bank, among others, had to liquidate with heavy loss its commandites in New York and Paris (see sec. 4). Moreover, such instructions are apt to neutralize the advantages afforded by the very autonomy of the management and by its freedom to give untrammelled expression to its individuality in business matters.

Furthermore, while the commandite derives very marked advantages in diverse directions from its connection with the leading bank, the advantages accruing to the latter are often inconsiderable, especially since the commandite, with its limited means, often finds it difficult to face the competition of large banks in its locality. On the other hand, there is the danger that the commandite, having attained a certain importance, may terminate the agreement with the leading bank and make itself completely independent.

Finally, in case the manager of a commandite is remiss or unsatisfactory in the conduct of its business, the leading bank has no power to interfere, while in the case of a branch bank such power exists and is most likely to be exercised.

If the manager dies, the business will have to be liquidated, which in most cases is not to the interest of the bank, or, if the agreement contains special provisions for

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this event, as is generally the case, the bank may become involved in great difficulties and annoyance until a suitable successor is chosen. The fact is that the commandite is essentially bound up with the person of its manager, not only in its success but to a large extent in its very existence.¹²²

Furthermore, the advantage which the leading bank might obtain through a widening of its business relations and its industrial and commercial information, in virtue of its connection with the commandite, is lessened by the greater looseness of the connection between the commandite and the leading bank, as compared to a branch bank, whose manager is obliged to make periodic reports, etc.

On the other hand, it must be acknowledged, as an advantage of the commandite, that in many cases the personal influence and reputation of the manager, combined with his accurate knowledge of the local conditions and customers, secures to the bank both a dignified representation and a satisfactory income, even though this in most cases is not high. The Darmstädter Bank, for example, obtained 7 per cent interest on its commandite investments of 153,000,000 marks between 1875 and 1889, during which time the number of its commandites fell from 13 to 9. During the same time its "permanent participations" in joint-stock banks, amounting to 1,690,000,000 marks, yielded only 6 per cent interest.¹²³ During the period 1896-1900 the returns from its commandites varied between 7½, 10, 8, 10, and 7½ per cent, while in 1901 and 1902 they were only 4 and 6 per cent.¹³⁴

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That advantage, however, as we have seen, is counterbalanced by weaknesses and dangers. Hence it is only natural, as shown by the figures above given, that the establishment and maintenance of commandites tends to become rare in the German banking world.

2. *Through the founding of branches.*—As regards the decentralization of operations through the creation of branches (within Germany), we see from Appendix VIII that their number in the case of the German great banks at the end of 1908 was exceedingly small, both absolutely and relatively; the total being 69 for the eight great banks of Berlin¹²⁵ (61, if we deduct the 8 established in the same city where the home offices of the banks are located), and (according to Table 10 of the same appendix) 241 for 32 allied banks (*Konzernbanken*), making an average of not quite 8 branches to each concern bank.¹²⁶ A similar situation exists as regards the other provincial banks. In the provinces the number of branches, at least so far as the absolute figures are concerned, is greater than in Berlin, but in the latter case regard should be had for the very large number of deposit offices.

On the whole, however, the number of branches, at least in proportion to the number of banks concerned, is not large.

This is all the more surprising because in almost all foreign countries, with the exception of the United States,¹²⁷ the system of branch banks has become enormously developed. Thus Ad. Weber¹²⁸ reports that in England and Wales as far back as the end of 1899 there were 12 banks, each of which numbered more than 100 branches, and which together (including the main offices)

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had 2,304 establishments, while the total number of banking establishments in England and Wales at the end of 1899 was 4,540 (3,548 in 1876), of which 816 were not open daily but only on special days (for example, market days).

In 1901 there were in England 21 banks having more than 100 branches each, and the total number of banking establishments in the United Kingdom was 6,672, to wit, 4,872 in England, 1,087 in Scotland, 690 in Ireland, and 23 on the Isle of Man,¹²⁹ of which, however, 1,124 were not open every day.¹³⁰ Over one-fourth of all the existing branches were opened in the eight years 1896-1903, "so that the president of the London and County Bank at the general meeting in February, 1902, was able to say that there was almost no street in London that did not have a branch bank, and if things continued in that manner, the branch banks would by and by exceed the barrooms in number."¹³¹ A single bank, the London City and Midland Bank, had in the beginning of 1905 as many as 447 branches, that is to say, 257 branches more than all the Berlin great banks, together with the 52 provincial banks affiliated with them at the end of 1904; on December 31, 1907, according to the *Economist*, the English joint-stock banks, then numbering only 74 (excluding the colonial and foreign banks), 35 of these being authorized to issue bank notes, had not less than 6,809 branches and subbranches.

The Lloyd's Bank and the above-mentioned London City and Midland Bank have each more than 400 branches, the former, in round numbers, 500 "places of business

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(branches)" and, in round numbers, 160 "subbranches and agencies," making a total of 560 establishments.

In France¹³² the number of agencies and branches increased in the fourteen years from the end of 1894 to the end of 1908 as follows:

	Agencies and branches.				
	1894.		1908.		
	Paris and suburbs.	Prov- inces.	Paris and suburbs.	Prov- inces.	Foreign countries, including Algeria.
Crédit Lyonnais.....	27	96	62	174	20
Comptoir National d'Escompte.....	15	24	49	150	.....
Société générale.....	37	141	88	637	2

Thus at the end of 1908 these three institutions alone had, together, 199 branches and agencies in Paris and suburbs, and 961 branches, agencies, and bureaus in the provinces.

In Scotland¹³³ the number of branches, as compared with the above-mentioned 1,087 in 1901 (belonging to 10 banks), was as follows: 589 in 1865, 688 in 1872, 912 in 1873, 1,021 in 1895, and 1,015 in 1896. As early as 1871 there were in that country branch banks¹³⁴ at 283 places, including 61 localities having less than 1,000 inhabitants, 70 between 1,000 and 2,000 inhabitants, 35 between 2,000 and 3,000 inhabitants, and 33 between 3,000 and 4,000 inhabitants. As early as the seventies there were at Brechin, which then numbered 9,000 inhabitants, not less than 7 branches of different banks. This is an exceedingly large number, even allowing for the fact that the town includes the rural districts adjoining.

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At the end of 1908 the *Credito Italiano* founded in Rome as late as 1895, with German cooperation, had already 17 branches in Italy, and the *Banca Commerciale Italiana*, in Milan, founded in 1894, also with German cooperation, even as many as 33.

It must not be supposed however, that all these figures may, without further qualification, be compared with those of Germany, as is often done, and that they indicate a more profound difference than really exists.

(a) As regards France, the numerous branch establishments existing in that country are, in large part,¹³⁵ not so much branches, in the German sense, as "agencies,"¹³⁶ much easier to establish and possessing far less importance and a far less extensive business circle than the German branches, some of which occasionally undertake operations, especially of local scope, in which the home office does not participate.

(b) Nor can any direct comparison be made with British conditions. On the one hand, as already pointed out, many of the banking offices enumerated as branches, especially in London, have the character of the German deposit offices rather than that of the German branches. On the other hand, the banks in Scotland are mere note banks, while those in England are partly note banks and partly deposit banks, which, in founding branches, were prompted by business reasons, sometimes cogent ones, totally different from those prevailing in German banking. German banks either do not carry on the deposit business at all, or only in combination with a great number of other activities, among which the deposit business never occupies the foremost place.

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Now, the note banks, in order to raise the note circulation,¹³⁷ are positively forced to create an ever denser network of branches, if they are to carry out their plans successfully, while the deposit banks are compelled to resort to the same policy for the purpose of attracting the funds of wider and wider circles, especially of the middle class and small capitalists and tradesmen, who are not confined to the great cities. We should probably witness a similar development in Germany if the "central (*einheitliche*) deposit bank," or even several competing deposit banks, were to become realities.

"Without the issuing power, the Scotch banks would have been unable either to establish so many branches or to extend so many facilities to depositors, and without the branches and the facilities granted they would never have had any deposits."¹³⁸

(c) In Germany there was from the first but little inclination to allow the advantages of central management from one point to be weakened by the establishment of branches. Again, it was largely feared that the demands by the branches on the parent bank might easily become excessive, and that they might thwart the business policy of the bank as well as the general disposition over its resources, which must rest in a single hand.

Still even in Germany it was impossible not to recognize the advantages afforded through a decentralization of operations by means of branches, including increase of power and greater resisting capacity.

Foremost among these advantages is the close touch which a branch necessarily gains little by little with industry and commerce within its district; the accurate

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insight which daily contact gradually affords into the needs for credit, the habits, financial condition, and reliability of firms and individuals within that district, so that such a branch is in a position to give the most accurate and reliable information on all these important details to the central bank. Moreover, in many cases the special local conditions lead to a widening of the field of activity of the bank in that district; it is found necessary or possible to engage in special lines of banking which the bank had not previously put on its program, owing, perhaps, to lack of expert personnel. Thus the branches and their managers, as well as the officials trained in them, often form a welcome addition to the central administration of a bank, its directors, and subordinate officials.

Various means suggest themselves and are actually used by some banks by which the advantage of the information gained by the central bank through its branches may be considerably increased. Since these branches are as a matter of course required to submit periodical statements regarding their cash on hand, the state of their engagements, their loans on collateral, debit and credit accounts, bills, acceptances, etc., they may readily be required, in addition, to furnish to the central bank written reports on the state of the industries specially represented in their district, and these reports may thereupon be circulated among the other branches. In addition to this, the managers of the branches may assemble at stated periods—say quarterly—at the seat of the home office, and there, at a meeting presided over by one of the directors, make verbal reports on the business events that have taken place in their locality in the interval, while on the other

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hand they may learn the views of the home office and its aims for the immediate future, as well as its judgment regarding the general economic situation, the branches being thereby enabled to shape their business management accordingly. The written and oral reports will at the same time enable the central office to ascertain whether, and to what extent, the branches have been too partial in the distribution of the credits granted by them, or whether they have exceeded the limits which, for general or special reasons, are deemed advisable, or whether there has been an overstretching of resources, to be remedied by appropriate measures, etc. All these views may at the same time be brought to the knowledge of all the managers of branches.

The branches afford to the central bank another advantage in enlarging its security issuing power, since the circle of customers for the securities issued is often greatly extended through the branches, while at the same time the issuing operations are rendered easier. The branches, as a matter of course, relieve the central bank of all the issues of merely local importance, such as industrial securities of local enterprises, or communal obligations, agricultural and other mortgage bonds, etc., within the district covered by the branch, also of all issues which, owing to their insufficient amount, do not come up to the requirements for admission at the bourse, and hence can not be effected by the central office itself in its home city.

Again, the branches tend to enlarge the field of investment for the customers of the bank, since a branch will, as a rule, be able to furnish to the central office expert

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and reliable information, difficult to obtain otherwise, concerning the intrinsic value of local securities.

Furthermore, the branches, possessing accurate knowledge of the firms and individuals of their district, their financial status, the situation of their business, etc., will, as a rule, be in position to attract as deposits available funds, especially those belonging to the small and petty traders and capitalists. Through the collective activity of its branches the parent bank is thus also enabled to an ever-increasing extent to grant facilities to its customers in the matter of payment and handling of bills and to aid these customers by valuable information and advice. The central office will also gain thereby a broader basis for the giro, clearing-house, and check business, with decided advantage to the public at large.

At the same time the variety of the business activity of its branches is a kind of insurance to the parent bank against losses which it might suffer, either in its own business or in that of any of its branches, since these losses may be more easily compensated by the larger profits of other branches during the same period.

According to the table prepared by Ernst Loeb¹³⁹ the collective turnover of the branches of the Deutsche Bank in the years 1896-1902 was somewhat larger than the total turnover of the central office, their cash account was considerably higher, the bill and current accounts were about the same, while the acceptance account, owing, no doubt, to the over-sea business carried on by the central office, was only from one-third to one-fifth of the acceptance account of the central office.

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During those years the deposits of the Deutsche Bank were distributed as follows:

[Amounts expressed in millions of marks.]

Year.	Central office.	Branches.	Total.
1896.....	66.0	26.6	92.6
1897.....	75.6	26.1	101.7
1898.....	90.2	31.5	121.7
1899.....	114.5	41.0	155.5
1900.....	138.2	52.7	190.9
1901.....	149.9	64.6	214.5
1902.....	157.8	55.1	213.5

However, these advantages are offset by a number of disadvantages, some of them quite grave.

First of all, the carrying out of a general business policy of the bank will, of course, be more difficult the greater the number of its branches, since each branch has to receive special instructions, according to the kind and extent of its business and the special aims which it pursues in view of the special conditions of its district. To reduce the whole system to one scheme by means of general instructions to be observed by each branch is in most cases impracticable, except as regards certain rules deduced from experience, as, for example, that second mortgages or mortgages on unimproved real estate (*Terrainhypotheken*) or special kinds of paper, or unlisted securities shall not be accepted as security for credit, or only under certain conditions, or not without additional security. General instructions for this purpose not accurately adapted to the individual case would be habitually disregarded, and hence had better not be issued. But even carefully devised instructions will be of use only in the hands of intelligent

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branch managers. Even then they may fall short in two ways:

They may be too strict, leaving too little room for the independent action of the manager and compelling him in any matter of importance to consult the board of directors. In such case the initiative of the manager is paralyzed, he is converted into an automaton, or he loses the very spirit by which he should be constantly animated, namely, that of personal responsibility.

Or the instructions may be too loose and too mild, in which case they may readily add to the centrifugal tendency which is inherent in the branches in any case. Unchecked by clear and definite directions, the branches may take little interest in the general business and administrative policy of the bank; they may regard themselves as entirely detached and independent, and not as members of a single organism, all of which may lead to grave consequences.

As regards the supervision, the theoretical aim is to forestall every surprise and to discover any defect in time to apply a remedy. The law in article 246 of the Commercial Code (*Handelsgesetzbuch*) even imposes this task on the members of the supervisory board in the words: "To superintend the management of the business in *all* its branches." This task presents great difficulties both for the board of directors, located at a distance from the branches, and for the permanent inspectors appointed by it. It necessarily becomes more and more difficult and complicated the more the branches grow in number and in the extent of their business activity. Hence it becomes of special interest to learn how in England a bank with

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some 400 branches is able to solve this question always in a perfectly satisfactory manner,¹⁴⁰ since, in view of the extreme conscientiousness and integrity of English business men, it may be assumed as certain that they devote the most scrupulous care to this subject. This is all the more noteworthy in view of the fact that in England the law imposes on the board of directors hardly any duty "of using the proper diligence," it being even questioned whether the directors are liable for "gross negligence," that is to say, for a degree of negligence known to English law, which is even higher than our "*lata culpa*" (culpable negligence).¹⁴¹

Another disadvantage, to wit, the more or less long time of waiting before the branch has been permanently established on a paying basis, has already been pointed out. Especially in those cases where the branch has been established without being grafted on a previously existing business, it will generally be a good while (aside from exceptional cases) before it is able to stand on its own feet, and to become a creditor of the parent bank, instead of being its debtor, as is generally the case, to very large amounts. Still longer will be the time before it yields an adequate return. The expenses of operation¹⁴² as a rule are very considerable from the start, and in many cases are greatly increased by the acquisition of buildings, which the branch, for the sake of competition, if for no other reason, endeavors to erect either at once or as soon as possible.

In most cases also, at least in the beginning, the capital which the bank is obliged to invest in its branches is very large. In fact it often requires an increase of the share capital. The table drawn up by Ernst Loeb¹⁴³ shows

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that the Deutsche Bank, for example, at the end of 1902 had invested not less than 40 per cent of its capital in its branches.

Finally, by reason of the legal requirement of recording and the official publication of the record, a branch whose establishment proves to have been a mistake can not be transferred or abolished with nearly the same ease as an agency or deposit office.

Most of these disadvantages, however, existed also in foreign countries, where nevertheless the development of the branch system has been very great. Hence they would hardly suffice to explain the slight development of branches in Germany, especially since those disadvantages, as we have seen, are offset by important advantages.

In view of the pronounced tendency toward concentration, manifested in other directions, it seems to me that the slow development of branches in Germany can only be explained as follows:

First of all, owing to the importance and urgency of the tasks which the German banks had to accomplish during that epoch in very brief time, the development of their internal organization was somewhat retarded.

In the next place, up to the nineties, a large proportion of the German banks, as shown by the entire attitude of various great banks at that time, felt little inclined, as a matter of principle, to favor the concentration movement through decentralization of operations, except as regards the establishment of deposit offices at the locality of the main office, where they could be more easily supervised

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Finally, as regards the time after 1897, the method of communities of interest offered a means of concentration by which the objects of a system of branches could be attained both more fully and simply, and with less capital, expense, and risk.

However, since the development of communities of interest will within measurable time attain its natural limits, while the tendency toward concentration is sure to continue, it seems to me beyond doubt that in Germany too, we shall witness a larger development of the branch system as soon as those limits shall have been attained, if not before.

3. *Indirect concentration through the founding of agencies.*—As regards the decentralization of operations through agencies, there can be no doubt that in Germany these would be the best form for an extensive development of banking organs. An agency is the easiest form to set up, and since, unlike a branch, it need not be recorded—in fact, can not be legally recorded—it can with the same ease be abolished or transferred. It requires a much smaller personnel, and in other ways involves smaller running expenses, since it is less prominent outwardly than a branch;¹⁴⁴ but the fact that an agency, unlike a branch, can not be recorded in the commercial register as such, leads to important consequences, the first being this—that the legal representation of the agency can not be effected according to the principles prevailing in bank by-laws and banking practice, but only in a roundabout and laborious way. One difficulty that is particularly irksome is this—that, for the same formal reason, the agency is not recognized as such by the very authorities with

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which it has to deal every day. The Reichsbank does not admit the agency as such to the giro transactions; the post-office delivers no letters and other mail, and especially no valuable matter, to the agency. This attitude on the part of the Reichsbank involves considerable loss of interest through the shipment of cash to and fro, while the attitude of the post-office compels the bank to appoint special representatives, who can only represent the bank, not the agency.

Thus the establishment of agencies as local offices of banks is unfortunately subject in Germany to very great and regrettable difficulties. From the considerable number of "agencies" which are actually maintained by provincial banks, and which, according to Appendix VIII, amount to 325 in the case of the 32 amalgamated banks alone, one might be tempted to infer that these agencies had after all made themselves at home in the provinces, and that thus the means had been found to attain through "agencies" what it was found impossible or inadvisable to attain by means of branches. This inference would be a grave mistake. Of the 325 agencies of the amalgamated banks, not fewer than 287, according to Appendix VIII, are found in Mecklenburg and adjoining districts (Neuvorpommern and Oldenburg), where peculiar conditions prevail.¹⁴⁵ The so-called agencies in these districts are agencies only in name, if by that name we denote independent banking establishments (*Bankniederlassungen*). In reality the agents in these cases are either independent merchants, engaged also in other lines of business, or, in accordance with local customs, retired mayors and lawyers or other prominent or reliable persons, who perform the

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functions of bank agents as a side issue. In some cases, when they are registered as merchants, they add to their firm name the designation: "Agency of the —— Bank," in order to characterize their business, in accordance with article 18, section 2, clause 2 of the Commercial Code.

These agents, of course, act only under a limited authority, extending, first and foremost, to the receiving of money and securities and possibly to a limited number of incidental operations. Such authority can be given only in case the bank has at its disposal in the districts in question a number of absolutely reliable persons, and when, moreover, in view of the restricted and easily surveyed field of operations, such objections as may exist can not become very grave. For in such cases the bank faces a peculiar dilemma. Either the agent, who is not one of the regular employees of the bank, has to be authorized, contrary to the usual banking practice, to receipt in the name of the bank for deposits intrusted to him,¹⁴⁶ in which case the bank runs the risk of not receiving the sums thus deposited or not receiving them in time, or this authority is not given, the bank or one of its branches, to which the agency is subordinated, reserving the right to receipt for the sums deposited with the agency. In such case the public will hesitate to confide large amounts to the agency, and no great custom can be developed.

All these conditions arise from local needs and usages and can only be understood by reference to them. They are in fact practically confined to Mecklenburg, Oldenburg, and adjoining districts and can not be transferred to larger areas.

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4. *Indirect concentration through the founding of deposit offices.*—We have thus arrived at the last form which the movement of decentralization has assumed in Germany, to wit, the creation of deposit offices—that is to say, establishments which conduct all kinds of banking business, with the exception of the issue business and the purchase and sale of their own securities. The managers of such offices receive an authorization which, as a rule, is displayed in the office. By this authorization the manager is usually empowered to perform such functions and to make such declarations in the name of the bank as are involved in the regular operations of a deposit office (and exchange office).

In Germany, as elsewhere, the establishment of deposit offices with any prospect of success was only possible at a time when the accumulation of capital had already assumed certain proportions.

According to Appendix VIII, the number of deposit offices of the Berlin great banks was only 27 at the end of 1896. In 1897 the bourse law, which accelerated the movement of concentration, became effective, and from that year to 1900 the number of deposit offices rose to 53, and thus almost doubled.

Between 1900 and 1902 the increase was even greater. While in 1896 the number of deposit offices was only 27, in 1902 it was 87, having thus more than trebled. It continued to rise, though less rapidly, to the end of 1908, when it amounted to 264, so that from 1896 to the end of 1908 the number of (domestic) deposit offices of the great banks multiplied almost elevenfold.

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On the other hand, according to Table 10 of Appendix VIII, the number of deposit offices of the 32 amalgamated banks at the end of 1908 was only 102, being thus quite insignificant, both absolutely and relatively.

We have repeatedly discussed the economic and commercial advantages afforded by the deposit offices. One prominent advantage consists in the opportunity afforded to the smaller and smallest capitalist and trader for the productive investment of their savings, even of the smallest amounts. This very opportunity constitutes a strong inducement to the accumulation of cash and of surplus, which can thus be made productive. Moreover, the bank in this way assists them in keeping a proper cash account, which otherwise might be quite irregular. The bank, on the other hand, is thus enabled, within certain limits and under certain restrictions, to utilize these deposits within the limits of the current account business;¹⁴⁷ to profit by a constantly growing circle of customers whose habits, integrity, and financial condition it learns to know quite fully. In this way it is enabled to find a market for its securities—that is to say, to reinforce its issuing power. It will also be enabled, through this circle of customers, to extend the check, giro, and clearing business—that is to say, to facilitate payments and diminish the need of cash circulation, thereby rendering a service to the public at large and contributing to the better development of credit. Finally, mention must be made of the other advantages pointed out by Conrad¹⁴⁸ and others.¹⁴⁹ “Through the activity of the bank, the deposit is made to perform several economic

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tasks at one and the same time. The same sum which the customer has entrusted to the bank may be used by him for business purposes, the manufacturer being able to make contracts, the merchant to order goods, etc., on the strength of his bank balance; the banker uses the money for his own purposes, granting a loan to a customer. This customer again—say, a manufacturer—uses the loan to pay his workmen, who in turn use it to make purchases; and all these transactions take place during the intervening few weeks while the deposit remains at the bank. Thus the same sum has performed several economic functions at the same time and in so doing has rendered to the public several times the amount of service that it could have done without the intervention of the bank. Herein lies the main advantage of the banks for the money circulation, an advantage which is not sufficiently appreciated.”

For the present the number of deposit offices as a general thing is still rather insignificant, not only in the case of the 32 amalgamated banks, which at the end of 1908 had only 102 such offices, but also in the case of the other provincial banks; but it can hardly be doubted that it will greatly increase. It is also entirely probable that the number of deposit offices of the Berlin great banks, which even now is quite considerable (264 at the end of 1908), will be multiplied both in Berlin and elsewhere. Even now there are streets in Berlin which, as regards the deposit offices of the several banks, fully answer the description given of the conditions in London: “In one of the London suburbs there are on a single street, within a radius of

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ten minutes' walk, seven branches, and three more on an adjoining street." ¹⁵⁰ In fact, in Berlin the radius of ten minutes' walk would have to be shortened.

Soon the time will come when the array of deposit offices in Berlin will vividly recall the picture drawn of the region between Duisburg and Dortmund as an illustration of industrial concentration: "Shaft follows shaft; furnace crowds on furnace." ¹⁵¹

PART V. THE MUTUAL INFLUENCE OF CONCENTRATION IN BANKING AND IN INDUSTRY.

I. INDUSTRIAL CONCENTRATION AND ITS PRINCIPAL CAUSES.

As the present book is not exclusively devoted to a study of the development of concentration, the question whether concentration of banking has been influenced by concentration in industry, and vice versa, can only be discussed in outline.

1. The beginning of the tendency toward concentration in industry is necessarily coincident with the moment at which domestic industry is replaced by what is called town industry—production for one's own use by production for customers, where the product of labor is no longer intended exclusively for the consumption of the worker and his family, but also to satisfy the needs of others. The demand for this product begins forthwith to create the laws of production. At that moment begins the necessity of division of labor. With increasing uniformity of demand and increasing concentration of requirements there arises also the necessity of extending the volume of production and concentrating the producing units.

The increase of the volume of production becomes necessary also by reason of the knowledge, gradually gained, that production becomes profitable only after it has reached a certain amount. The profitableness of production depends, among other things, on the greatest

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possible diminution of the cost of operation, which, in industry at least, as a rule, diminishes in proportion to the increasing size of the establishment. Now, the possibility of development of production with simultaneous increase of profit and relative diminution of cost of operation depends largely on the centralization of operations and of management.

Such centralization may be attained in various ways:

(a) By concentrating the industry as much as possible in certain localities (districts, towns) with a numerous trained and cheap labor force or with available water power and other advantages, such as convenient, rapid, and cheap transportation of raw material and of industrial products by water or land, etc.

(b) Through the combination of establishments,¹ which is effected—

(1) Through the union of an establishment with other establishments engaged in operations preceding or following in the process of production, one of them furnishing the raw material, while the other works it up. This is the combination of several stages of production. In this way coal mines are combined with furnaces, steel works with furnaces, machine factories with rolling mills—that is to say, establishments which depend on each other for the supply of raw material, such as ore and coal, or establishments which depend on each other as regards the finishing of the products, such as pig iron, wrought iron, blooms, rolled wire, etc.

(2) Through the union of several plants working side by side.

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(3) Through the union of related plants or of such as bear toward each other the character of auxiliaries.

Such cases occur, for example, when iron furnaces combine with coal mines into "furnace-mines" or when coal mines unite with iron furnaces into "mine-furnaces." According to the German cartel inquiry, there were 4,962 plants in the German iron industry alone that had entered into such combinations up to 1905, comprising 18 branches of production. Of these 4,962 combined plants, 12 united with 10 others, 23 with 11 others, and 29 with 12 others.² The advantages of such combinations, from the standpoint of operating technique, consists in this—that the several operations come under one management, which sees to it that the different plants shall work hand in hand and act as mutual checks, so that, for example, the finishing plant shall receive from the other plants material of only such grade and composition as it needs for its special purposes, while poor material and waste may easily find use in the original plant. There is also an opportunity for a better division of labor or, conversely, a more rational combination of labor. The economic advantages consist, in the main, at least in most cases, in a diminution of the general expenses of operation, of the cost of raw material, of freight rates, etc., also in a kind of insurance, since one branch can make a profit while the other is losing, and diversified production may compensate for an unfavorable market condition in one branch by a favorable one in another, while the complete stoppage of an individual plant, which is apt to be hurtful, both technically and economically, can more

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easily be avoided. Again, in mixed works, barring provisions to the contrary in the cartel contracts, the production and sales in one branch—that is to say, one stage of production—may be enlarged in critical times, while that in another branch is curtailed.

The advantages of such combinations are further enhanced when the different plants are also concentrated locally, “so that a combination of enterprises is joined to a combination of operations.”³ This, however, is not usually the case.

A combination of operations may also be effected—

(c) Through other modes of concentration, as, for example, through the complete union of several enterprises, even though of different nature, by way of fusion, or through the establishment of a community of interest, or through the purchase of the stock of another enterprise, or through the making of contracts excluding competition or aiming at the delivery of coal or ore, etc. on preferential terms, etc., or, finally, through a combination of mere operation in conjunction with fusion- or community-of-interest agreements.

All these cases may be illustrated by an abundance of examples. I will only cite a few of the more recent ones.⁴

Among fusions may be mentioned: The Hoesch Iron and Steel Works with the *Westfalia* mines; the *Rheinische Stahlwerke* with the *Zentrum* mines; the Eschweil Rolling Mills with the Ehrenfeld Tube Works; the Phoenix Mining and Smelting Stock Company with the *Nordstern* coal mines (1907); the *Bismarckhütte* with the Bethlen Falva Iron and Steel Works (1906); the German-Austrian Mannesmann Tube Works with the Saarbrücken Cast

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Steel Works. Under this head come also the purchase of stock in the machine factories of Escher, Wyss & Co. in Zurich by the Felten & Guillaume-Lahmeyer Works Stock Company (1906); and the acquisition of the Upper Suabian Cement Works Stock Company by the *Stuttgarter Immobilien- & Baugeschäft* (1906). Other combinations were the acquisition of the *Henrichshütte* with rolling works and furnaces by the locomotive factory of Hendschel & Son in Kassel (1904), the community of interest of the Upper Silesian Railway Operation Stock Company with the firm Steffens & Nölle in Berlin, and the community of interest of the Berlin-Anhalt Machine Construction Stock Company with the Stettin Fireproof Tile Factory Stock Company, formerly Didier, etc.

The following cases of most recent occurrence are of special interest because of the motives that prompted the combinations.

The acquisition of the Huldschinsky Smelting Works Stock Company by the Upper Silesian Railway Supply Stock Company by way of fusion, which took place in 1905, was mainly prompted by the fact that in this way the works of the former company received a welcome complement in the shape of raw material and half-finished products which they had till then lacked, while the absorbing company was thereby enabled through exchange of labor to systematize and extend its operations.

The fusion of the Phoenix Mining and Smelting Stock Company in Ruhrort with the Hoerder Mining and Smelting Company, that is to say, two works of quite the same nature, was mainly prompted by the fact that the two works, notwithstanding their great size, were incomplete

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in certain ways, which were to be remedied by fusion. In the case of the Phoenix, the incompleteness consisted in an insufficient crude steel production, in the case of the Hoerder Union—in an insufficient production of its own coal, especially of coal suitable for coking. After the fusion, each was enabled to furnish to the other that which before they could only acquire by outside purchase. Now they obtained these articles in such quantity and of such quality as needed, a point which is of special importance.

In this case, therefore, the fusion was effected for technical reasons, despite the fact that the two works were far apart geographically, one being located on the extreme western, the other on the eastern border of the Rhenish-Westphalian industrial region. Similarly, the community of interest effected in the chemical industry between the Hoechst Dye Works, formerly Meister, Lucius & Brüning at Hoechst-on-the-Main, and the firm of Leopold Cassella & Co. at Frankfort-on-the-Main, to be described in detail later on, was founded essentially for the reason that the one produced certain raw materials required by the other in its production, and that the two works are in position to supplement each other favorably as regards a number of products produced by the one and purchased by the other. In addition, there was danger of a constantly growing competition between the two works in certain products.

Later on we shall have occasion to set forth the development of the concentration that took place in the electro-technical industry, where it proceeded by leaps and bounds.

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2. The combination of enterprises brought about by the above-described and other economic and technical causes promoted at the same time the grouping of independent enterprises in the form of cartels, of which we have spoken in detail in an earlier section (p. 167 and following). The reason is that the chances of cartel formation in an industry increase with the growth of production and the size of the enterprises. One essential condition of the formation of cartels, or, at any rate, one condition which greatly promotes that process, as we have seen, is the existence of a small number of concentrated enterprises of vast extent—the fewer in number the better—and the consequent large-scale production of staple goods.

3. The formation of cartels, in its turn, greatly promoted industrial concentration in its various forms, especially the combination of establishments and the fusion of enterprises, being the main cause of the rapidity with which the industrial concentration was accomplished.⁵

The reason was that concentration offered to the industrial enterprises—

(a) a means of securing in a better position within the cartels. In this way, for example, the mines united in the Rhenish-Westphalian Coal Syndicate endeavored to obtain a higher quota within the cartel by combining with other mines which at the time were idle or not profitable. Under this head come the acquisition of the *Steingatt* mine by the *Konkordia* Mining Company, of the *Helene* Mine by the *Nordstern* Stock Company, of the *Bommerbänker Tiefbau* Mine by the *Mont-Cenis* Mining Concern, etc.

(b) a means to make themselves independent of the cartels, either entirely or, at least, as regards part of their

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production. Thus, for example, the iron works united in the Rhenish-Westphalian Pig Iron Syndicate, while unable to increase their production quota, were yet able to employ their works more remuneratively than would have been possible under the syndicate conditions, by producing non-syndicated articles, which they were enabled to do through combination.

Similarly, the formation of the Rhenish-Westphalian Coal Syndicate induced the iron works to acquire coal mines, because the coal produced by themselves cost them less than that bought of the syndicate.

The following examples may be mentioned:

Under the first coal syndicate: The fusion of the *Vereinigte Westphalia* Mine with the Hoesch Iron and Steel Works (1899); of the *Vereinigter Hannibal* Mine with Friedrich Krupp (May, 1899); of the *Pluto* Stock Company with the Schalke Mine and Furnace Stock Company (June, 1899); of the Dannenbaum Stock Company with the Differdingen-Dannenbaum Stock Company (end of 1899); of the *General* Mining Concern with the Lorraine Smelting Corporation Aumetz-Friede (January, 1900); and of the *Zentrum* Mining Concern with the Rhenish Steel Works (May, 1900).

Under the second coal syndicate: The union of two works into the United van der Zypen Steel and Wissener Iron Works Stock Company at Cologne-Deutz (September, 1903); the union of the Lorraine Smelting Corporation Aumetz-Friede with the Fentscher Furnace Works (October, 1903); of the Upper Silesian Iron Industry Stock Company and the *Bismarckhütte* (February, 1904), and of the above-mentioned *Henrichshütte* of the Dortmund Union

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with the Henschel & Son Locomotive Works (March, 1904).⁶ For the same purpose, other enterprises acquired small coal fields, on which they themselves established coal mines, as, for example, Stumm Brothers, who acquired the *Minister Achenbach* coal field, the *Georg Marien* Mine-Furnace Corporation, which acquired coal fields near Osnabrück (Werne), the firm de Wendel, which acquired the de Wendel mine near Hamm, the Maximilian Furnaces, which acquired the Maximilian coal mine near Hamm, Friedrich Krupp and the North German Lloyd, who acquired the Emscher-Lippe mine near Mengede.⁷

The Upper Silesian Coal Convention did not equally promote the acquisition of coal mines by smelting works, because nearly all the great smelting works of Upper Silesia had had their own mines in most cases since their foundation. The same remark applies to the Ruhr district.

Thus, the Bochum Cast Steel Corporation had had coal mines of its own since 1868, the Dortmunder Union since 1872, and the same was true of Friedrich Krupp, the Hörder Mining and Smelting Association, the Phoenix (in the last-mentioned case through the purchase of the Meiderich Coal Mining Company and the *Westend, Ruhr*, and *Rhein* mines in 1886), and finally the firm August Thyssen (through the acquisition of the *Deutscher Kaiser* mine).

Finally, the concentration of enterprises served—

(c) as a means to secure a stronger basis and reduce the number of serious competitors, in the event that the Rhenish-Westphalian Coal Syndicate should not be renewed at its expiration in 1915, or in case it was broken up before that time.

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This applies particularly to the association of the two iron works, the Aachener Smelting Company *Rote Erde* and the Schalke Mining and Smelting Company with the Gelsenkirchen Mining Company (Jan. 1, 1905). The advantages of this union will become apparent only later, because, so long as the present coal syndicate exists, the furnace-mines, so far as their coal production exceeds their own consumption, are bound by the provisions of the coal syndicate, a situation which no fusions can alter.

II. THE INFLUENCE OF THE BANKS AND BANKING CONCENTRATION ON INDUSTRIAL CONCENTRATION.

From the statements just made it is evident that the immediate reasons for industrial concentration, perhaps also the weightiest reasons, especially in the coal and iron industry, were technical in character, arising from the nature of industrial operations and large-scale production, and from the formation of cartels within the industry. At the same time that concentration was also influenced, promoted, and even made possible by the banks and their concentration.

As might be expected, this influence differed with the various branches of industry, being decisive in some cases, less so in others, and hardly perceptible in some cases.

I. INFLUENCE OF BANKS ON INDUSTRIAL CONCENTRATION UNAFFECTED OR BUT SLIGHTLY AFFECTED BY THE FORMATION OF CARTELS.

If it be permitted to distinguish between creditor industries and debtor industries, according as they are able, as a rule, to keep balances in their favor in the banks, or are obliged, as a rule, to ask the banks for credit, we may

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say that, on the whole, the electro-technical industry,⁸ as hitherto developed, is in the main a debtor industry, while the chemical industry is a creditor industry. In the mining industry the relation varies with the times, companies, and market conditions.

(a) THE ELECTRO-TECHNICAL INDUSTRY.

The very fact that the electro-technical industry was in the main a debtor industry would suffice to show, if any proof were needed, that the development of that industry (and the same is true of the street railway and minor railway business largely connected with the electrical business) would have been simply inconceivable at any stage of its concentration without the help of banks. At the very birth of the industry, in the beginning of the eighties, that aid was all the more necessary and welcome, because at that time the possibility of the development of electric light and power on an industrial scale was doubted by the immense majority of the population. In this matter, therefore, the banks which, despite the great risk, did not refuse their aid, may justly claim to have been in part creators of one of the most vigorous and important branches of German industry of the present day. In order to set forth the influence of the banks on the electro-technical industry, it is necessary to sketch the external development of that industry in Germany.

In 1883, with the vigorous cooperation of a number of banks and banking firms, the first German stock company in the electric industry was established by Emil Rathenau, in concert with Siemens & Halske, the Paris Exposition of 1881 having led to the conviction, especially in

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Rathenau's mind, of the great possibilities of the new invention. That stock company was the "German Edison Company for Applied Electricity" (*Deutsche Edison Gesellschaft für angewandte Elektrizität*), which in 1884 made itself completely independent of Siemens & Halske and in 1887 assumed the present firm name of the *Allgemeine Elektrizitäts Gesellschaft* (General Electric Company). It succeeded in improving the so-called three-phased current system to such an extent that in 1891 it was able to conduct 300 horsepower with very favorable working effect a distance of 173 kilometers to the electric exposition in Frankfort-on-the-Main, an achievement which produced a great impression.

In 1896 there were already in existence, as noted elsewhere (p. 123), 39 stock companies in the electrical industry, nearly all of them called into life by the aid of banks. In 1900 the German bourses had already listed the stock of 34 such stock companies, with capital of 436,000,000 marks (in Berlin alone 22 companies with capital of 396,700,000 marks) for trade and quotation. The dividend income of stockholders in those 34 stock companies in the period 1883-1900 averaged 8.38 per cent.

In 1898 the total production of the German electro-technical industry was valued at 228,700,000 marks; 211,100,000 marks, or 92.3 per cent, being the value of products of the strong-current factories, which twenty years earlier was insignificant, while the products of the weak-current industry in 1898 amounted only to 17,600,000 marks. Beginning with the middle of the nineties the expansion of the electro-technical industry was enormous. It can not be denied, however, that this rapid and desul-

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tory expansion was largely responsible for the general overproduction which led to the crisis of 1901.

The fact is that during those years, up to 1900, a veritable chaos of forms of enterprises and methods of financing had been developed within the electrical industry, resulting in seven groups with 28 companies, as follows:

- I. The Siemens & Halske group, with:
 1. The Siemens & Halske Stock Company in Berlin.
 2. The Swiss Company for Electric Industry in Basle.
 3. The "Siemens" Electric Works Stock Company, Berlin.
 4. The Electric Light and Power Establishment Stock Company, Berlin.
- II. The A. E. G. (Allgemeine Elektrizitäts-Gesellschaft) group, with:
 1. The Allgemeine Elektrizitäts-Gesellschaft (General Electric Company), Berlin.
 2. The Bank for Electric Enterprises, Zurich.
 3. The General Local and Street Railway Company, Berlin.
 4. The Electricity Supply Company, Berlin.
- III. The Schuckert group, with:
 1. The Electricity Stock Company (formerly Schuckert & Co.), Nuremberg.
 2. The Continental Company for Electric Enterprises, Nuremberg.
 3. The Rhenish Schuckert Company for Electric Industry, Mannheim.
 4. The Elektra Stock Company, Dresden.
- IV. The U. E. G. (Union Electric Company) group, with:
 1. The Union Electricity Company, Berlin.
 2. The Company for Electric Enterprises, Berlin.
- V. The Helios group, with:
 1. The Helios Electricity Stock Company, Cologne.
 2. The Stock Company for Electric Establishments, Cologne.
 3. The Stock Company Bavarian Electric Works, Munich.
 4. The Bavarian Electric Company, Helios Stock Company, Munich.
 5. The Electricity Company, Felix Singer & Co., and Bank for Electric Industry, Berlin.
- VI. The Lahmeyer group, with:
 1. The Electricity Stock Company (formerly W. Lahmeyer & Co.), Frankfort on-the-Main.
 2. The German Company for Electric Enterprises, Frankfort on-the-Main.⁽⁹⁾
- VII. The Kummer group, with:
 1. The Stock Company Electric Works (formerly O. L. Kummer & Co.), Dresden.
 2. The Stock Company for Electric Establishments and Railways, Dresden.

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VII. The Kummer group, with—Continued.

3. The Baltic Electricity Company, Kiel.
4. The Electric Stock Company (formerly Hermann Pöge), Chemnitz.
5. The Northern Electric and Steel Works, Danzig.
6. The South German Electricity Stock Company, Ludwigshafen.
7. The Electric Operation Stock Company, Dresden.

Each of these groups thus had at least one trust company associated with it, intended to relieve the banks of a part of the financing operations (founding, transforming, issue) to which they would otherwise hardly have been equal. These were the companies marked 2 and 4 in Group I, and 2 in Groups II–VII. All these trust companies were founded between 1894 and 1898. On the other hand, the independent electric firms organized themselves into a “Union of Electro-technic Installation Firms in Germany” and the factories of electro-technic specialties—into the “Union for the Protection of Common Economic Interests of the German Electro-technical Industry.”

Behind those seven groups of electric enterprises stood at that time (1900) as many banks and groups of bankers whose organization was caused by the vast demands made on their financial capacity by the electro-technic industry united in the corresponding groups. These banking groups were as follows:

I. Siemens & Halske Stock Company:

1. Deutsche Bank.
2. Bank für Handel und Industrie (Darmstädter Bank).
3. Berliner Handelsgesellschaft.
4. Diskonto-Gesellschaft.
5. Dresdner Bank.
6. Mitteldeutsche Kreditbank.
7. S. Bleichroeder.
8. Delbrück, Leo & Co.
9. Jacob S. H. Stern, Frankfort-on-the-Main.
10. L. Speyer-Ellissen, Frankfort-on-the-Main.
11. Bergisch-Märkische Bank.

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- II. General Electric Company:
 - 1. Berliner Handelsgesellschaft.
 - 2. Deutsche Bank.
 - 3. Nationalbank für Deutschland.
 - 4. Delbrück, Leo & Co.
 - 5. Hardy & Co.
 - 6. Gebrüder Sulzbach, Frankfort-on-the-Main.
 - 7. E. Heimann, Breslau.
 - 8. Rheinische Diskonto-Gesellschaft.
- III. Electric Stock Company, formerly Schuckert & Co.:
 - 1. W. H. Ladenburg & Söhne, Mannheim.
 - 2. Anton Kohn, Nuremberg.
 - 3. Kommerz- und Diskontobank.
 - 4. Von der Heydt-Kersten & Söhne.
 - 5. E. Ladenburg, Frankfort-on-the-Main.
 - 6. J. Dreyfus & Co., Frankfort-on-the-Main.
 - 7. Bayrische Vereinsbank.
 - 8. Bayrische Hypotheken- und Wechselbank.
- IV. Union Electric Company:
 - 1. Disconto-Gesellschaft.
 - 2. Dresdner Bank.
 - 3. Bank für Handel und Industrie (Darmstädter Bank).
 - 4. A. Schaaffhausen'scher Bankverein.¹⁰
 - 5. S. Bleichroeder.
 - 6. Born & Busse.
- V. Helios Electricity Company:
 - 1. J. L. Eitzbacher & Co., Cologne.
 - 2. J. H. Stein, Cologne.
 - 3. Sal. Oppenheim, Jr., & Co., Cologne.
 - 4. Deutsche Genossenschaftsbank Soergel, Parrisius & Co.
 - 5. Berliner Bank.
 - 6. C. Schlesinger, Trier & Co.
 - 7. Deutsche Effekten- und Wechselbank.
 - 8. L. Behrens Söhne, Hamburg.
 - 9. Niederrheinische Kreditanstalt.
- VI. Elektrizitäts-Aktiengesellschaft, formerly W. Lahmeyer & Co.:
 - 1. von Erlanger & Söhne, Frankfort-on-the-Main.
 - 2. Bank für Handel und Industrie (Darmstädter Bank).
 - 3. Grunelius & Co., Frankfort-on-the-Main.
 - 4. Oberrheinische Bank.
 - 5. B. M. Strupp, Gotha.
 - 6. D. und J. de Neufville, Frankfort-on-the-Main.
 - 7. Phil. Nic. Schmidt, Frankfort-on-the-Main.
 - 8. Joh. Goll & Söhne, Frankfort-on-the-Main.

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VII. Aktiengesellschaft Elektrizitätswerke, formerly O. L. Kummer & Co.:

1. Kreditanstalt für Industrie und Handel, Dresden.
2. Deutsche Genossenschaftsbank Soergel, Parrisius & Co.

The development, however, did not stop at this point. The Kummer group (VII in the table above) collapsed in 1900. About the same time the Helios group lost a large part of its importance, and ownership of the shares of its trust company, the company for Electric Establishments passed to the Electric Light and Power Establishment Stock Company, one of the subsidiary corporations of the Siemens & Halske group.

In the year 1902-3 a community of interest was concluded between the *Allgemeine Elektrizitätsgesellschaft* and the *Union-Elektrizitätsgesellschaft*, the subsidiary company of the Loewe concern, which was followed in 1904 by a complete merger, accompanied by the combination of the banks of the U. E. G. group (IV, 1-6) with those of the A. E. G. group.

In 1903 a part of the Siemens & Halske enterprises were combined with the Schuckert Company into the Siemens-Schuckert-Werke G. m. b. H. (original capital 90,000,000 marks), so that at present the Lahmeyer and Helios groups are confronted by the much more powerful Siemens-Schuckert group and the Allgemeine Elektrizitäts-Gesellschaft.

Toward the end of 1908 an agreement for cooperation was concluded between the Siemens-Schuckert group and the A. E. G., with the result that they jointly organized the *Elektro-Treuhand-Gesellschaft* (Electrical Fidelity Company) with a capital of 30,000,000 marks, a credit institution whose object is to make loans on securities issued by

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electrical undertakings and, on the basis of the securities deposited, to issue bonds. In this work it will have to make use of the assistance of the great banks, solidly united for this purpose. The object seems to be to make loans, repayable in annuities, to large customers in the electric industry—that is to say, mainly public corporations and large private companies—for the purpose of enabling them to enlarge or remodel their plants, so as to insure a permanent demand for light and power, even under unfavorable market conditions, without the investment of large capital.

Thereupon the Felten & Guilleaume-Lahmeyer-Werke Aktien-Gesellschaft in the beginning of 1909 established a similar credit institution under the name of *Treuhand-Bank für die elektrische Industrie, Aktien-Gesellschaft* in Cologne, with a share capital of 25,000,000 marks. The by-laws of both companies permit the issue of bonds up to three times the amount of their capital.

As regards the question of concentration, each of the great electric companies, through the above-described network of trust, operating, and subsidiary companies, which as a rule can only be started with the aid of the supporting banks, forms a widely ramified group, whose gradual development, extension, and differentiation is rendered possible, or at any rate largely promoted, by the banks. But when such groups are once formed their demands quickly outgrow the forces of a single bank, which of course is interested in a multitude of other industrial enterprises. The natural result is the formation of bank groups behind the industrial groups, so that at this stage the industrial concentration tends once more

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directly to induce and greatly to promote concentration in the banking business. Finally, the many relations existing between the several industrial groups and individual banks belonging to a group of banks (some banks belong to several groups) lead the banks on their part to promote further industrial consolidations. This was the case in particular with the establishment of a community of interest between the *Allgemeine Elektrizitäts-Gesellschaft* (A. E. G.) and the *Union-Elektrizitäts-Gesellschaft* (U. E. G.), founded by the firm Ludwig Loewe & Co. in 1902-3, which subsequently (1904) was followed by the complete absorption of the latter by the former, combined with the admission of the banks of the Loewe group into the A. E. G. group, which meant a complete realignment of the groups previously existing.

Similar processes took place when, in 1898, the A. Schaaffhausen'scher Bankverein, which till then had occupied the leading position in the Schuckert group, attempted to effect a combination of the Schuckert group with the Loewe group (U. E. G. group), and failing in this attempt, seceded from the Schuckert group and passed over to the Loewe group. In this way the Schuckert group in its turn was driven to seek an alliance with another group, which took place in 1903 in the form of a combination with the Siemens & Halske concern, though in this case the combination did not involve the admission of the banks of the Schuckert group into the Siemens & Halske group.

Thus we see a constant fluctuation of mutual influence; we perceive the powerful effect which the grouping process in the industrial field exerts on the similar process in the

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banking field, and vice versa, and how readily changes in the one induce changes in the other.

(b) THE CHEMICAL INDUSTRY.

The concentration movement presents an entirely different picture in the chemical industry. As I observed above, the chemical industry may properly be described, for a number of years back, as essentially a creditor industry. It has been less subject to the sharp alternations of business prosperity and adversity than other branches of industry. On the other hand it has had to face daily new problems.¹¹

At the close of this period the chemical industry passed through a development similar to that of the electrical industry. This applies particularly to the aniline dye works,¹² which supply by far the greater part of the world's demand for artificial dyes. As a result of severe domestic competition, however, these establishments recently felt the need of combination. The most important aniline (coal tar) dye factories of Germany are the following: The *Badische Anilin-und Sodafabrik* in Ludwigshafen-on-the-Rhine; the *Farbenfabriken vormals Friedrich Bayer & Co.*, in Elberfeld; *Leopold Cassella & Co.*, in Frankfort-on-the-Main; the *Farbwerke vormals Meister, Lucius & Brüning*, in Höchst-on-the-Main, and the *Aktiengesellschaft für Anilinfabrikation*¹³ (Aniline Dyes Manufacturing Company) in Treptow, near Berlin.

In October, 1904, a close alliance was founded by the following two concerns: The Dye Works, formerly Meister, Lucius & Brüning, of Höchst-on-the-Main, a corporation

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having at the time a capital stock of 20,000,000 marks and a bonded debt of 10,000,000 marks, and the firm of Leopold Cassella & Co., in Frankfort-on-the-Main. This union became effective on January 1, 1904. Its primary justification lay in the fact that the first-named concern was producing a large variety of raw materials needed by the latter in its manufacture. Furthermore, these plants could advantageously supplement one another for the reason that a number of commodities produced by the one were needed by the other, while for a number of commodities, there was danger of increasing competition between the two concerns. This union involved the interchange of raw materials, cooperation in all matters of patents and licenses, the joint purchase of coal, and joint activity in establishing branches both in Germany and in foreign countries. It was expected that this combination would call a halt on the enormous decline in the prices of coal-tar dyes, and put these establishments in a materially stronger position to meet competition of foreign producers, particularly those in Switzerland. At the time that country did not afford protection to patented chemical products, with the result that Swiss factories could exploit German inventions without extra expense to themselves, a situation that was remedied to a limited extent by the most recent German-Swiss commercial treaty.

The combination was effected in the following manner: The firm Leopold Cassella & Co. was reorganized as a limited liability company with a capital stock of 20,000,000 marks and a bonded debt of 10,000,000 marks, and transferred to the Höchst Dye Works (formerly

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Meister, Lucius & Brüning) 5,500,000 marks of its shares in exchange for the same amount of shares newly issued especially for the purpose by the Höchst works. The capital stock of the latter concern had thus become increased from 20,000,000 marks to 25,500,000 marks. At the same time the partners of the firm Leopold Cassella & Co. were made members of the supervisory board of the Höchst Dye Works, while some members of the executive board of the Höchst concern joined the advisory board of the firm of Leopold Cassella & Co.

In 1908 the firm Kalle & Co., a stock company in Bieberich-on-the-Rhine, joined the combination. This union was effected by the acquisition of the majority of the stock of the above company by the Höchst Dye Works. The latter increased its capital stock by 10,500,000 marks to a total of 36,000,000 marks, using part of the increase (1,600 shares) to acquire a controlling interest (3,200,000 marks) in the concern Kalle & Co. The dual alliance thus became a triple alliance.

On the basis of a contract entered into December 3, 1904, a closer union than the above was founded by the Rhenish establishments, the *Badische Anilin und Soda-fabrik*, of Ludwigshafen, having a capital stock of 21,000,000 marks, and the *Farbenfabriken vormals Friedrich Bayer & Co.*, of Elberfeld, having a capital stock of 21,000,000 marks, on the one hand, and the *Aktiengesellschaft für Anilinfabrikation*, of Treptow, near Berlin, having a capital of 9,000,000 marks, on the other. The last-named company was drawn into the combination during the course of negotiations between the other two. It was about to embark upon the manufacture of additional

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articles on which the patents had expired, and to increase its output through the establishment of a new plant at Rheinau, being thus in a position to offer keen competition to the Ludwigshafen concern. A triple alliance was thus founded which became effective on January 1, 1905. The members were to share in the profits and losses of the combination, 14 per cent of the joint results to be the share of the Treptow concern and 43 per cent the share of each of the other two.

It is self-evident that this development has not yet reached its final goal. There is even now an agreement between the *Badische Anilin-und Sodafabrik* and the Höchst Dye Works by which they act in common in fixing the selling price of artificial indigo manufactured by both. It is quite likely that the Höchst-Cassella-Kalle & Co. combination and the other triple alliance (*Badische Anilinfabrik, Bayer, and the Aktiengesellschaft für Anilinfabrikation*) will gradually get together in one way or another and at some more or less distant future time form a consolidation of all aniline dye works or some looser union.

There is no doubt that the decisive factors making for the progress of concentration in the chemical industry have been essentially technical ones. The initiative for the developments thus far has come, in the main, we may say, exclusively from the industry itself. The extent of concentration, the direction taken, and the rapidity of the movement have accordingly been dependent on the special needs of the industry. Whatever the assistance of the banks in the formation of these alliances and groups in the chemical industry—not to speak of their initiative

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in this movement—is so little perceptible that it may safely be put down as very slight, indeed. In marked contrast to the progress of concentration in the electrical industry, there is no evidence of any considerable influence exerted by the banks on the movement toward concentration. Inversely, this industry has had as little effect on concentration in banking.

2. INFLUENCE OF BANKS AND BANKING CONCENTRATION ON CONCENTRATION IN INDUSTRIES WITH STRONG CARTEL TENDENCIES. (THE MINING AND METALLURGICAL INDUSTRIES.)

The process of concentration consummated in the mining industry presents an entirely different picture. As we saw, it was largely influenced by the formation of cartels. Here banks and concentration in banking have exerted a vast influence on industrial concentration. As we shall show in detail, this influence varied greatly not only in the different districts, but also in the different coal mines and iron works.

There can be no question that in mining as in other industries the choice of the forms in which concentration was effected—merger, community of interest, etc.—was not made without the influence of the banks or without due regard to their business interests or policies. This was but the natural outcome of the fact that bank directors were represented largely on the supervisory boards of the mining and metallurgical companies, frequently occupying the very influential posts of chairmen or vice-chairmen. Moreover, the intimate relations with the banks existing in all business, and notably in the mining and metallurgical industries, as a result of credit

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and current-account relations, naturally had their effect on the choice of the forms of industrial concentration.¹⁴

In discussing above the industrial activity of the A. Schaafhausen'scher Bankverein (p. 509 et seq.), we mentioned a large number of instances which could be readily multiplied in which the bank not only brought about the organization of new corporations, the change of private firms into corporations and reorganizations, but also effected mergers of concerns which formed part of its clientele. It did this with the express purpose of combining establishments devoted to various operations, a type of concentration discussed above (p. 704 et seq.).

Moreover, as we saw, the A. Schaafhausen'scher Bankverein in 1899 assumed directly the function of a sales agency and clearing house for the Federation of German wire rope manufacturers. Going farther, it organized a special Syndicate Bureau of the A. Schaafhausen'scher Bankverein (Limited), with a capital of 1,000,000 marks. The bureau was intended to serve for other industrial combinations in the same capacity as the parent bank did for the federation just named.

It is certain, moreover, that the entire German banking world, as may be seen from numerous reports, not only welcomed such important cartels as the Rhenish-Westphalian Coal and Iron Syndicates and the Steel Works' Union, but in many cases helped to bring them into existence, as far as it lay in their power and within limits compatible with their other duties. This they did not only in the interest of the general welfare, and of the prosperity of industry in general, but in the last analysis also in the interest of their own business,

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closely bound up with the growth and prosperity of the industry which was to be fostered by the establishment of cartels. An example of the banks' activity in bringing about the formation of a cartel is the case of the *Phoenix*. The management of the *Phoenix* was unwilling to enter the Steel Works' Union—which could not be organized without it—unless it received greater advantages than the union felt able to grant. There is little doubt that these efforts on behalf of the cartel were started by the banks which were not represented on the directorate of the *Phoenix* and which were therefore entirely free in their action. We may also grant that those firms which were represented on the board, as they asserted, refrained from exerting a direct influence on their customers as to how they should vote at the special meeting of stockholders of April 26, 1904, at which final action was to be taken. On the other hand, it is equally true that they maintained an attitude of "benevolent neutrality" toward the wishes for the realization of the Steel Works' Union.

A benevolent neutrality of this kind was maintained on similar occasions also by banking establishments which counted among their clients concerns, whose interests lay in the opposite direction. In business, as in politics, such an attitude may be of great importance. Under given circumstances it may be equivalent to the advancement of the cartel. At least it would absolve the latter from the necessity of taking measures for defense or of granting concessions such as might otherwise become necessary. Hans Gideon Heymann¹⁵ therefore justly assumes that with the A. Schaaffhausen'scher Bankverein

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in control of the *Internationale Bohrgesellschaft* (International Exploration Company) through ownership of an overwhelming majority of its stock, it was certain that no obstacles would be put in the way of the Coal Syndicate from this source, such as might have arisen from the sale of its coal fields to interests outside the syndicate.

As far as my knowledge and experience go, complete neutrality toward a cartel contemplated in any branch of industry has been observed by the banks only where there was a conflict of interests, and whenever they were forced into that position through having influential clients in both camps. Such a conflict of interests has frequently existed between the coal and iron industries, and has become very pronounced when syndicates were contemplated in either industry. It was such a situation which dictated the position taken by the A. Schaaffhausen'scher Bankverein and the Berliner Handelsgesellschaft at the time when the organization of the first coal syndicate was being planned. Both institutions were maintaining close relations with the *Harpener Bergbaugesellschaft*; at the same time, however, both of them had large customers among the iron works.

A similar situation confronted the banks in the struggle which has continued to the present between the so-called "mixed" and the "pure" works (see p. 175), and again in the conflict between the pure works and the Steel Works' Union, and particularly during that phase when the former demanded the abolition of the tariff duties on their raw materials, an issue involving far-reaching consequences for other industries closely related to the banks. Here, however, there was an entirely different alignment

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of forces, which made it easier for the banks to decide what position to take.

On the other hand, there were cases, when the affairs of some powerful customers were bound up so closely with the bank, that the latter felt constrained to help them directly in carrying out their plans, even where circumstances would have seemed to make it imperative for the bank to observe neutrality.

Thus we pointed out that in the negotiations looking to the formation of the first coal syndicate (in September, 1903) the Disconto-Gesellschaft was most active in its assistance to the *Gelsenkirchener Bergwerksgesellschaft*, one of its best customers, which took the leading part in the negotiations. In the same way the Darmstädter Bank must surely have used every endeavor to help the *Deutsch-Luxemburgische Bergwerks- und Hüttenaktiengesellschaft* (German-Luxemburg Mining and Furnace Company) in its efforts to organize or extend the Luxemburg-Lorraine Pig Iron Syndicate, for it had furnished the large resources needed for the reorganization of the *Aktiengesellschaft für Eisen- und Kohlenindustrie Differdingen-Dannenbaum* (the Differdingen-Dannenbaum Iron and Coal Corporation) and its transformation into the above-named corporation, and had made of it technically one of the best equipped concerns in the industry. The same no doubt applies to the A. Schaaffhausen'scher Bankverein, whose relations to the Aumetz-Friede Company were so intimate as to compel the bank to pursue a similar line of action.

Under this head we may include also the strenuous efforts made by the banks to prevent the taking over of the Hibernia Mining Company by the Government, and

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to insure its independent existence by equipping it with all modern means of existence and growth. This case is of particular interest as illustrating in a marked form how the industrial policies of the great banks are shaped according to the character of their industrial clientele. On the one side, opposed to the government ownership of the Hibernia, there was arrayed a number of banks headed by the banking firm of S. Bleichröder and the Berliner Handelsgesellschaft. On the other side, favoring the Government, there were lined up other banks, notably the Dresdner Bank and the A. Schaaffhausen'scher Bankverein, making equally strenuous though futile efforts to carry through the acquisition of the mines by the Government.

The activity of the large banks in the formation of syndicates has, however, as a rule, more important consequences. As we observed, the organization of large cartels, which in themselves represent a type of concentration, usually involves the erection, equipment, and amalgamation of large "mixed" works devoted to a variety of operations, thus promoting another form of concentration. Such were primarily the results of the organization of the great coal, iron, and coke syndicates. Particularly is this true of the Lorraine-Luxemburg Pig Iron Syndicate, the operations of which extend also to the export trade. This syndicate was first organized in 1879 under the lead of the trading firm of Spaeter & Co., which was particularly interested in the Rombach Furnaces.

Establishments carrying on more than one operation, or so-called "mixed" works, have long been overwhelmingly in the majority in the Lorraine industry, the beginning of

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which may be traced back to the thirteenth century. As early as 1704 the de Wendel family had taken over the Hayinger Works, and at the opening of the nineteenth century it had established "mixed" works. With the annexation of Lorraine part of the works was transferred to France or French branches were founded.

The chief works on the Saar (Burbach, Dillingen, Stumm, Röchling) added their own blast furnaces in the eighties and nineties.¹⁰ The Düdelingen Steel Works were built from the very beginning as a "mixed" establishment. Here there is no evidence that the banks were an important factor in the movement toward concentration.

In the Saar district, where coal mining dates back to the fifteenth century, the Prussian Government is in control of by far the larger part of the coal fields. Here coal mining was from the beginning a prerogative of the territorial overlord. The only noteworthy private interests in this district are those of de Wendel, which have an output in the Lorraine district of about one million tons, and of the *Saar- und Mosel-Gesellschaft*. The latter is under the influence of Thyssen, Stinnes, and the Dresdner Bank. New coal fields in the Lorraine district have been located by the International Exploration Company (*Internationale Bohrgesellschaft*), controlled by the A. Schaaffhausen'scher Bankverein, both of these corporations being closely related to the Rhenish-Westphalian Coal Syndicate.

More than one-half of the iron furnaces in the Saar district were in the hands of the Stumm family more than one hundred years ago. The Neunkirchener Iron Works, the Dillinger Hütte Aktiengesellschaft, and the

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limited company Gebrüder Böcking & Co. do not compete with one another, and are owned in whole or in part by the Stumm family. Each plant "takes in the different processes in the manufacture of iron from the ore to the finished product," but each specializes in the production of different finished articles. Here, too, we can not speak of any large influence of banks on the process of concentration. Neither the coke nor the pig-iron syndicate have entered the district, the establishments in the Saar district consuming raw materials produced in the same section.

There was, however, a conflict of interests between the Saar establishments and the works in the Moselle and Ruhr districts, the latter closely allied with the banks. The Saar establishments carried on a vigorous campaign against the Moselle Canal, fearing they would be injured by it, while the Moselle and Ruhr works would benefit. The banks interested in the latter plants had to refrain from taking part in this conflict, out of regard for their clients in the Saar district.

The mining industry invaded the Sieg district in the fifties, when mineral coal supplanted charcoal. With it came the influence of capitalism as represented by the banks. Mineral coal involved operation on a large scale and this meant the application of capitalist methods. When in 1856 the old furnaces of the *Müsener Stahlberg* were united into one of the most important of the mixed establishments in the customs union—the *Köln-Müsener Bergwerks-Aktien-Verein*—there stood at the head of it great Rhenish bankers and merchants like Deichmann and Mevissen.¹⁷

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To-day the sway of large-scale production and of relatively large establishments is well-nigh absolute in the Sieg district. Rhenish-Westphalian furnaces have also entered this section, some with the assistance of the banks. Here, too, the activity of the coal syndicate has led to the establishment of larger and larger furnaces in combination with mines. The same tendency resulted also in the formation on October 27, 1894, of the association for the sale of Siegerland pig iron (*Verein für den Verkauf von Siegerländer Roheisen*), which in the very same year established secure relations to the Rhenish-Westphalian Pig Iron Syndicate.¹⁸ In other districts, the small blast furnaces and rolling mills were more and more consolidated with the help of the banks, and transformed into "mixed" works. The small concerns in the Sieg district which did not follow their example, and still survive as "pure" works, are engaged in a desperate struggle for mere existence, hovering between life and death. Similar conditions are found in the Lahn and Dill district consisting of parts of Upper Hessa, the administrative districts of Wiesbaden, and the circuit of Wetzlar.¹⁹ The large coal production of the Aix-la-Chapelle region affords a strong basis for the iron furnaces of this region. These, however, draw part of their coal supply also from the Ruhr district. Adjoining the Aix-la-Chapelle district on the east is the Eschweiler coal district, and on the north the Wurm district, the latter, however, presenting less advantages for furnaces.

The adoption of the Bessemer process at the close of the seventies led to the rapid development of the *Aachener Hütten-Aktienverein Rote Erde* into a powerful "mixed"

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steel-making establishment. On the other hand the Hoesch Iron and Steel Company of Dortmund abandoned its plants in the district almost entirely and transferred the main part of its works to Dortmund. In the same way the Phoenix made no progress with its furnace in the Aix-la-Chapelle district. Under the direction of the A. Schaaffhausen'scher Bankverein both works were amalgamated into one establishment in 1903.²⁰

With the continuous assistance of the banks, coal mining in the Ruhr district has developed from small beginnings to a dominant industry in the Rhenish-Westphalian territory, a section well provided both with industrial establishments and banks. Here, as elsewhere, the higher prices, established by the coal and coke syndicates and particularly by the Rhenish-Westphalian coal syndicate founded March 1, 1893, were the immediate occasion for the furnaces to acquire their own coal mines, a movement which won for them their increasing supremacy over the concerns which have remained "pure" iron works. In 1896 the Phoenix acquired the Westende mine; the Dortmunder Union—the Adolf von Hanseemann mine (*Mengeder Bergwerksgesellschaft*); in 1897 the *Gelsenkirchener Bergwerksaktiengesellschaft*, the leader of the coal syndicate, acquired the Westhausen mine; the *Aktiengesellschaft Kannengiesser*—the Roland mine. All these mines had been independent of the syndicate.

Hoesch, Krupp, and the Rhenish Steel Works followed suit by buying up syndicate mines, a movement in which the banks were often the intermediaries. At first they attempted to secure through legal proceedings the right to divert the coal production of their newly acquired

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properties for their own use. When this proved ineffective they were soon able to secure this right by agreement. The syndicate had to yield, for these works were in a position to cause it great annoyance.

When the coal syndicate agreement was renewed in 1903—a result brought about largely by the activity of the banks in the open and behind the scenes—all the mines owned by the iron and steel works, except those belonging to the Government, joined the syndicate. The former, however, arranged it so that under the new agreement the syndicate provisions did not apply to their entire output but only to the portion over and above that which was consumed in their own works. On the other hand, however, the owners of the coal mines were prohibited from selling coal fields or pits to other than members of the syndicate without first securing permission from the general convention of coal mine owners.

There remained, however, a point in dispute as to what should be done in the case of the sale of coal mines to furnace owners, for the purpose of supplementing the inadequate supply of coal for use of their own furnaces. The contention of the syndicate was that in such cases the entire output of the newly purchased mines was to be subject to the regulations of the syndicate. The German-Luxemburg Mine and Smelting Stock Company, having bought the Kaiser Friedrich mine for its own use, brought suit against the coal syndicate, and the contention of the syndicate was not upheld by the imperial supreme court. The court took the position of the company, namely, that as much of the output of the newly acquired mine as was needed by the furnace proper might be used without

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restriction. Another case, not regulated directly, is that of a mining company erecting a furnace "in order to find a more profitable use for its coal in the manufacture of pig iron or steel than in the sale of its product to the syndicate."²¹

It should be mentioned, however, that when the syndicate was extended it itself included among its purposes the acquisition of coal fields and mining shares. On the other hand, the syndicate was protected against the sale of coal fields or mining shares to outsiders by the International Exploration Company, through the "benevolent neutrality" of the A. Schaaffhausen'scher Bankverein, which controlled this corporation, a policy which the bank had to adopt, on account of its relations to the companies which dominated the syndicate. There are no coal deposits of any importance in the district which are not held by the International Exploration Company, nor any sites to be had for new plants or for extensions, not even at fanciful prices. Furthermore, for a long time most of the ore has had to be imported from abroad. Here, again, the German banks have repeatedly tried to procure for friendly industrial interests ore mines or ore deliveries at reasonable prices, as, for example, from Sweden.

In the same fashion the banks were active in many ways in the consolidations, out of which sprang the great "mixed" works that to-day dominate the Ruhr district, though some of these, such as *Krupp*, *Bochumer Verein*, *Phoenix*, *Hörder Bergwerks-und-Hüttenverein*, and the *Gute Hoffnungshütte*, were founded as early as the fifties. In the early seventies the *Dortmunder Union*, which enjoyed the patronage of the Disconto-Gesellschaft, absorbed the

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Heinrichshütte and the *Neu-Schottland* works, which even then were mixed works. Similarly, it absorbed the Strousberg Works, in which the Disconto-Gesellschaft was likewise interested. In the same way the *Westfälische Union* and the *Westfälischer Drahtindustrie-Verein* absorbed a number of wire works of this district.

The part played by the banks in these consolidations had not been unimportant, but around the middle and toward the end of the seventies their services were called in on a much larger scale. The iron industry was then in a state of prostration, and for years not even the Phoenix and the Bochumer Union paid dividends. The Hörder Verein became involved in great difficulties, and both the Gute Hoffnungshütte and the Rheinische Stahlwerke had to resort to a heavy reduction of their capital. The Westfälische Union was saved from extinction only by the assistance of banks and a reorganization.

In Upper Silesia capitalist production did not begin to make progress before the fifties, and even then its advance was slow. For the most part the land and the iron ores were in the hands of the large feudal landowners. Here Borsig was the pioneer in evolving a machine factory into enormous mixed steel works by acquiring or erecting blast furnaces and rolling mills. This example was followed later by the machine factory of Henschel & Son, in Kassel. In the seventies the *Vereinigte Königs-und Laurahütte* and the *Donnersmarck-Hütte* passed out of the ownership of the magnates, who continued, however, to hold by far the larger proportion of the iron furnaces and coal mines. With the aid of the banks, the newly acquired furnace works were organized as stock companies.

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In the same manner "pure" rolling mills were started, as, for instance, the *Bismarckhütte*.

At present the center of gravity of the industry in Upper Silesia is not in its iron production, but in its output of coal and coke.²² This is regulated by the Upper Silesian Coal Convention of 1890. Of the total product approximately two-thirds is sold by two Berlin firms, *Cæsar Wollheim*, intimately connected with the Dresdner Bank, and *Emanuel Friedländer & Co.*, closely allied with the Berliner Handels-Gesellschaft.

In this district, too, it is scarcely possible to-day to acquire coal mines or coal fields. Free competition has been well-nigh "banished from Upper Silesia."²³ Here the mining and metallurgical concerns have always been mixed works. It is therefore only in the works recently established that the movement toward concentration and combination has been closely interwoven with the cartel movement. The concentration and cartel movements have been on a smaller scale in this region than in the Rhenish-Westphalian district, but here, too, the stimulus has come from the banks, which are behind the different establishments. Of these the Borsig Works is the only undertaking still owned privately.

Of the concerns established in recent times the one deserving special mention is the Upper Silesian Iron Manufacturing Stock Company (Caro Hegenscheidt). This company developed in 1887 out of the Caro Works, and is closely related to the Berliner Handels-Gesellschaft. In 1899 it absorbed the Upper Silesian Wire Manufacturing Stock Company, from which it had hitherto been obliged to purchase 25,000 tons of pig iron. Thereafter it was

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able to obtain its pig iron more cheaply, for the wire company had in 1888 contracted for the entire output of the Count Henckel-Siemianowitz Works for a period of twenty years. Since 1889 the Upper Silesian Iron Manufacturing Company has been closely allied by contract with the *Oberschlesische Eisenbahnbedarfs-Gesellschaft* (Upper Silesian Railroad Equipment Company), which is on intimate terms with the Breslauer Disconto-Bank, and through it with the Darmstädter Bank. This equipment company (the so-called *Oberbedarfs-Gesellschaft*) in turn united in 1904 with the *Huldchinsky* furnaces. To all appearances the alliance was made for purely business and technical reasons, and did not call for any significant help from the banks. Similar business policies and technical reasons seem to have been the determining factors in bringing about the community of interest in 1903 between the Bismarckhütte and the Upper Silesian Iron Manufacturing Company, extended in 1904 so as to include the Donnersmarck Bethlen-Falva Hütte.

The same may be said of the community of interest founded in 1904 between the Königs-und Laurahütte (with which are affiliated the banking house of S. Bleichröder and the Dresdner Bank), the Upper Silesian Railway Equipment Company (*Friedenshütte*) (closely related to the Breslauer Disconto-Bank and the Darmstädter Bank), and the *Kattowitzer (Tiele-Winckler'sche) Aktiengesellschaft für Bergbau- und Hüttenbetrieb (Marthahütte)*. In such cases the services of the friendly banks often take but the form of removing obstacles and hindrances, or refraining from interference when the interests of other clients might call for such interference.

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Occurrences of this kind are, however, to be regarded as exceptional. Moreover, it is not a matter of chance that they have happened in the district of Upper Silesia. For here there was little room for banks or their initiative and assistance, for the reason that the land, the coal mines, and the ore rights were in the hands of feudal owners, and that from early times mixed works predominated.

The conditions in the Saar district are similar. There the family ownership of the iron furnaces by the Stumm, the de Wendel, and the Röchling families held back bank domination, which usually asserts itself in connection with stock companies. Furthermore, here the Government was in control of the coal, and the entire district gradually became dependent on Lorraine for its coke and ore. More and more it is becoming clear, in all essentials, that the fate of the mining and metallurgical industries as a whole will be decided not in Upper Silesia or on the Saar, but in the two districts in which primarily the great banks are contending for financial control—the Rhenish-Westphalian and the Lorraine-Luxemburg districts. Between the latter and the former there are close connections. Largely through the help of the banks the Lorraine-Luxemburg district has recently attained a position of more dominating importance, its extensive ownership of mines in the Ruhr section giving it large influence also in the Rhenish-Westphalian territory. In the main it was the mixed iron works of the two districts which were able to impose their will upon and have their interests taken care of by a syndicate primarily devoted to the interests of coal at the time when the second coal syndicate was formed (in September, 1903). Coal had to yield to iron.

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These two districts, which may be regarded the capital seats of the mining and iron industries, witness at present the great struggle for industrial supremacy between the leading mining concerns and for financial supremacy between the leading banks. It is highly interesting to watch the turns in this battle, the numerous ups and downs, surprises, and combinations which present themselves in varied and exciting array to the attentive observer as the contending parties maneuver and clash in the combat. There is no lack of either large and comprehensive plans or of scenes of petty jealousy in these campaigns. Here a great part is played by two captains of industry whose power is constantly growing in the two opposing camps contending for mastery—August Thyssen, of the firm of Thyssen & Co., in Mülheim on-the-Rhine, and Hugo Stinnes, of the firm of Mathias Stinnes, of Mülheim on-the-Rhine. Thus far both have, as far as possible, pursued the policy of maintaining the friendliest relations with a number of banks without wedding themselves to any one.

It is not, however, the first time that such captains of industry have played the leading rôle in the industrial evolution of Germany. One need only recall the names of Strousberg and Friedrich Grillo, whose enterprises either failed or were dispersed on their death and were liquidated or sold by the Disconto-Gesellschaft. Part of the Grillo works passed into the hands of August Thyssen, of whom we shall have more to say here. The modest steel and rolling mill of Thyssen & Co., in Mülheim on-the-Rhine, founded in the early seventies, has gradually grown into the very important Thomas and Martin Steel

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and Rolling Mills of that firm. It annexed first the *Gewerkschaft Deutscher Kaiser*, a mine and furnace company in Bruckhausen-Hamborn, and developed it into powerful mixed steel works especially noteworthy for its highly efficient blast furnaces. In 1903 the latter works joined the Rhenish-Westphalian Pig Iron Syndicate. The two establishments employ more than 17,000 men and insure Thyssen an important place both in the pig iron syndicate and in the Steel Works Union.

Thyssen has also a controlling interest in the *Schalken Gruben-und Hüttenverein*, which owns large coal mines and blast furnaces and operates the largest iron foundry in existence in Germany. He also controls the Victor Mining Company, which was organized by the former concern. In Lorraine he owns the Minette mines and holds a considerable interest in the mixed steel works of the Sambre et Moselle Mining Corporation. In the coal territory his control is even wider than in the iron region. This is due as much to the extensive coal properties of the *Gewerkschaft Deutscher Kaiser* as to his large interests in the Mülheim Coal Company which is jointly controlled by him and Stinnes.

With Stinnes he shares also in the control of the *Friedlicher Nachbar* Mining Company. Early in 1904 he joined the supervisory board of the *Gelsenkirchner Bergwerksgesellschaft*, the coal properties of which adjoin those of the *Schalken Gruben-und Hüttenverein*, having acquired a large part, perhaps a majority, of the shares of that company, either individually or through the *Mülheimer Bergwerksverein* (3,000,000 marks). Finally, in 1903, he acquired the development company *Bohrge-*

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sellschaft Lippermulde and thereby extended and rounded out his coal properties, until they reached on the east of the Rhine as far as the government mines and on the south as far as the properties of the *Gewerkschaft Deutscher Kaiser* and *Gute-Hoffnungshütte*. After the purchase of the development company *Tiefbohrgesellschaft Lubisch* his holdings extended east of the Rhine as far north as the Dutch border. His present ownership of coal properties is about twice as large as that of the Government in the same region.

While Stinnes is closely allied with Thyssen, as is evident from the above, and owns jointly with him the Mülheimer and the Sambre et Mosselle mining companies, he owns also in his own right the coal mines *Mathias Stinnes*, *Victoria Mathias*, *Graf Beust*, *Carolus Magnus*, *Friedrich*, and *Ernestine*. He owned also the *Friedlicher Nachbar* mine (transferred in 1904 to the *Deutsch-Luxemburgische Bergwerks-und Hüttenaktiengesellschaft*). In the southern part of the Ruhr district he is almost in sole control; in the rest of this territory he shares control with Thyssen. Stinnes likewise joined the supervisory board of the *Gelsenkirchener Bergwerksgesellschaft*. In addition he is on the board of the *Nordstern* and of the *Mittelrheinische Bank* in Koblenz and Duisburg. The latter is closely related to Spaeter & Co., in Koblenz.

The supremacy of Thyssen and Stinnes in the Ruhr district is disputed in the main only by the *Haniel* family and by *Karl Funke*, of Essen. The Haniel family owns the *Rheinpreussen* Mines and the *Gute Hoffnungs* Mines, adjoining the Thyssen coal mines. Karl Funke owns the

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König Ludwig mines. The Haniel family is allied with the *Duisburg-Ruhrorter Bank*, and Funke with the *Essener Bankverein*. As both of these banks have communities of interest with the Deutsche Bank, both Haniel and Funke are now in close touch with the Deutsche Bank. Stinnes's relations with the firm of Spaeter & Co., of Koblenz, are particularly close through their common shipping interests on the Rhine, both of them being large river carriers of coal.

In some cases both Thyssen and Stinnes have been fighting the syndicates. In the majority of cases, however, their attitude toward them was more friendly, resembling their attitude toward the banks, maintained successfully for a number of years.

From the beginning the *Schalcker Gruben-und Hüttenverein* controlled by Thyssen, was a member of the Rhenish-Westphalian Pig Iron Syndicate, while his *Gewerkschaft Deutscher Kaiser* with its blast furnaces did not join this syndicate until 1903. The *Schalcker Verein* with its *Pluto* mines, and its subsidiary company Victor, as well as the *Mülheimer Bergwerksverein*, in which Stinnes was also interested, were members of the coal syndicate, while at the same time Thyssen's *Deutscher Kaiser* mines were most active in fighting the syndicate.

Stinnes, on the contrary, joined the coal syndicate with nearly all his mines. However, he kept outside of the syndicate his *Friedlicher Nachbar* mines. The intolerable conditions thus produced have, however, in the main, been ended by the syndicate regulations.

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Their relations to the banks we have characterized before. Thus Thyssen was at first on close terms with the Disconto-Gesellschaft. Particularly in the eighties and nineties it was this bank which floated the securities of the *Schalcker Gruben- und Hüttenverein* and of the *Gewerkschaft Deutscher Kaiser*. Later his relations became intimate with the Dresdner Bank, after it had reorganized in 1902 and entered into a community of interest with the Rheinische Bank in Mülheim, an institution with which Thyssen was affiliated.

Hugo Stinnes had some relations with the Dresdner Bank, having participated with it in the reorganization of the Saar- und Moselle Mining Company. He established relations also with the A. Schaaffhausen'scher Bankverein, after the latter had founded a community of interest with the Mittelrheinische Bank in Koblenz, of which Stinnes was a board member. In 1901 Stinnes established relations also with the Darmstädter Bank, when he became vice-president of the board of the *Deutsch-Luxemburgische Bergwerks- und Hütten-Aktiengesellschaft*, which owes its financial strength and high technical standing to the Darmstädter Bank. The concern combined both mining and smelting operations after the acquisition in 1904 of the Stinnes mines, *Friedlicher Nachbar*.

On January 1, 1905, a community of interest was entered into between the *Gelsenkirchener Bergwerks-Aktiengesellschaft*, the *Aachener Hüttenverein Rote Erde* and the Thyssen concern *Schalcker Gruben- und Hüttenverein*. By this step a group of competing banks, viz,

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the Disconto-Gesellschaft, the Deutsche Bank, the Dresdner Bank and the A. Schaaffhausen'scher Bankverein were brought together in a joint undertaking. This event served also to enhance the power of Hugo Stinnes and August Thyssen, who became members of the "joint committee" of this community of interests.

This combination seems to have brought about some sort of equilibrium in the Rhenish-Westphalian industrial territory, and simplified certain complex relationships in the banking and industrial field. On the other hand, there are already evident the beginnings of new conflicts in another field.

As we saw, the Lorraine-Luxemburg iron industry has in recent times been coming to the front more and more and is beginning to overshadow even the Rhenish-Westphalian industry. One reason of this development is the far lower cost at which it can produce pig iron as compared with the Rhenish-Westphalian district. Another reason is that owing to the electrical process recently introduced in the manufacture of steel the value of Luxemburg-Lorraine ores, which formerly were hard to work, because they were rich in phosphorus, has been greatly enhanced. These can be utilized most cheaply and advantageously by the works located close to the ore beds.²⁴ The quantity of such ore is estimated at about 2,000,000,000 tons.

Realizing that a serious movement of the German pig iron industry toward the southwest has set in, the leading captains of industry and the leading banks alike have felt obliged to increase their influence in the Lorraine-Luxemburg region.

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In this territory the position of the firm, Spaeter & Co., in Koblenz, is very powerful. It is the founder of the *Rombacher Hüttenwerke*, which have bought up the *Moselhüttenwerke* and dominate the blast furnaces in Rodingen, Rümelingen, and the *Eisenhüttenaktienverein Düdelingen*. In this district Thyssen has thus far gained a foothold practically only through his interest in the *Hüttenverein Sambre et Moselle*, while Stinnes's hold in this territory is only through his membership in the Supervisory board of what is now a very important company—the *Deutsch-Luxemburgische Bergwerks- und Hütten-Aktiengesellschaft*, and his rather unimportant connection with Spaeter & Co.²⁵ As recently as April, 1909, a step was taken which is certain to affect deeply the relations of the different industrial groups and their relative positions. In all likelihood it will also exert a powerful influence on the relations of the different bank groups which are dependent on these industrial groupings, and on the general movement toward concentration. An enormous increase was made in the capitalization of the Gelsenkirchener Bergwerks-Gesellschaft. Its capital stock was increased by 26,000,000 marks to a nominal amount of 156,000,000 marks, and its bonded debt by 20,000,000 marks to 70,000,000 marks. The latter increase was made in spite of the fact that there was still available an unissued amount of 9,325,000 marks in 4 per cent bonds authorized in 1906.

This move attracted attention not only by the size of the capital increase but also because it was made at a time of money stringency and unfavorable market conditions. The company justified this step on the ground that

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the additional resources were indispensable for the erection of new blast furnaces and steel works in Esch and in Deutsch-Oth. It was also given out officially that the measure was necessary to insure an "adequate position" for the company in case the Steel Works' Union, which terminates June 30, 1912, were not renewed. Doubtless this had reference to an increase of its quota in the syndicate. The Gelsenkirchener Bergwerksgesellschaft had originally been a producer of coal and coke only. After it had entered into a community of interest with the *Rote Erde* and the Schalke Works it became also a producer of pig iron, steel, semimanufactures of iron and steel, beams and rails, but it nevertheless continued to hold the largest production quota in the coal syndicate. Through its action of April, 1909, however, it entirely shifted its center of gravity away from the production of coal to that of iron and steel.

This step was in keeping with the movement of the iron industry to the southwest. The new resources were to be expended for the purpose of operating its steel and rolling mills in combination with its blast furnaces, where conditions made possible the cheapest cost of production, i. e., in the heart of the Lorraine-Luxemburg Minette district, where it owned extensive ore beds.

Through this action, however, the Gelsenkirchener Bergwerksgesellschaft became a direct competitor of August Thyssen, who had been a member of its board. He at once accepted the logical consequence of the situation and resigned from the board. Earlier he had withdrawn also from the board of the Phoenix. The Thyssen

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concern Deutscher Kaiser owns very important ore rights in the Lorraine-Luxemburg district, and he himself, as was shown above, is interested in the *Saar-und Moselberg-werks-gesellschaft* in Karlingen. Moreover, early in 1909 he invested several million marks in land in this section and acquired the patent rights to produce electro-steel in all his works.

In the near future the struggle for supremacy is likely to be fought out in the Lorraine-Luxemburg district. The trial of strength between the leading interests will come as soon as negotiations begin with a view to renewing the Steel Works' Union at the expiration of the present agreement.

The progress of the conflict and its outcome and the industrial concentration that is likely to precede or follow it will undoubtedly be influenced by the banks and groups of banks that stand back of the captains of industry and their enterprises. This influence may indeed not be decisive, but it is likely to be in the direction of new combinations and the avoidance of further conflicts which must prove harmful to all. So far as we can foresee, the important part will be taken by those banks which now possess, or by that time will have attained, a controlling influence over the industrial concerns which dominate the Lorraine-Luxembourg district. It will be of the utmost interest to watch further developments. These will reveal many different combinations and changes in industrial and banking concentration, and new group alignments in both fields.

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III. THE INFLUENCE OF INDUSTRY AND INDUSTRIAL CONCENTRATION ON CONCENTRATION IN BANKING.

A detailed account of the tremendous effects which industrial development and concentration have exerted on the growth of the great banks and on concentration in banking would involve a repetition of practically everything discussed in previous chapters of this book. At every step in the development of the banks and at every stage of their growth the mighty influence of industrial progress may be seen. We showed this connection particularly in discussing the current business of the banks as well as their activity in the field of floating securities, forming new corporations, and converting firms into corporations. This influence is equally apparent in the activities of the banks both at home and abroad.

The far-reaching influence of the cartel movement in industry and of the national export policy on the extent and the rapidity of the movement of concentration in banking, also the ways in which concentration in banking was brought about and the forms it assumed, have been shown in great detail. The reader is therefore referred to the previous chapters for an account of these subjects.

PART VI. THE SITUATION RESULTING FROM
CONCENTRATION; ADVANTAGES AND DAN-
GERS OF CONCENTRATION—THE OUTLOOK
FOR THE FUTURE.

By far the most serviceable of the tools employed by modern capitalism have been first the machine and second the corporation. Machinery made possible the elimination of the personal element of labor and the utmost concentration of mechanical forces. The corporation eliminated the personal element of the entrepreneur, and led to the utmost concentration of the forces of capital.

The cooperation of these two factors, i. e., machine production and the corporation, has made possible the culmination of capitalist development in the shape of centralized management of combined forces and enterprises.

The abundance and variety of detail revealed in the history of the development of concentration may, on superficial observation, fill one with dismay. On closer inspection we find, however, that the successive stages of this development are subject to remarkable regularity, partaking almost of the character of natural law.

At first sight there is a confused mass of complicated events, so intricately interlaced that it seems impossible to grasp them in their entirety. Upon closer examination three stages of development become discernible. In the first stage we find a large number of weak, independent enterprises, incapable of much resistance. In the second stage we notice the transition to a large number of far

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more complicated enterprises, better organized and capable of greater resistance. In the third stage we have the situation again simplified by the formation of a small number of powerful groups of enterprises.

In the economic struggle for existence, as shown in the movement toward industrial concentration, we see first a large number of weak individual establishments. Out of these by a thousand devices and in seemingly roundabout ways, and through as many types and forms, there emerges gradually the fewest practicable number of strong and unified groups of enterprises, i. e., increasingly simple industrial formations.

This process of evolution can be traced in every domain of industry. In the most modern of industries, the electrical industry, the process is revealed most clearly. At the outset numerous companies were organized in feverish haste. By 1900, as we saw (p. 715 et seq.), there had developed out of them seven groups, which dominated the field, comprising in all 28 allied companies. After some of these groups had lost much of their power and others had been absorbed, two groups remained more powerful than the others—the Siemens-Schuckert group and the General Electric (A. E. G.). From present indications these will be able to ally with themselves the remaining groups or companies either through price agreements or by more efficient means. They will also be in a position to hold in check international competition by means of mutual understandings, the beginnings of which may be seen even at present.

In the chemical industry we see the same development. There is on the one side the union of the Höchst Dye

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Works and the firm of Leopold Cassella & Co. in the form of a community of interest, and on the other a similar community of interest among the *Badische Anilin-und Sodafabrik*, the dye works formerly *Friedrich Bayer & Co.*, and the *Aktiengesellschaft für Anilinfabrikation*. These are in a position to bring about a consolidation of all the remaining dye works, as far as it may become necessary, and to enable the German aniline dye industry to meet successfully foreign competition.

In the mining and metallurgical industry a light has appeared in the darkness of the "cartel chaos" since the organization of the Steel Works' Union. The latter combines establishments engaged in every stage of the process of production. It is, therefore, in a better position to carry out a sound cartel policy at home and to arrange for the elimination of international competition by bringing about agreements for a division of the export trade to important foreign markets among the competing countries on the basis of the amount of their past sales in these markets. Meanwhile, more rapidly than ever, there is going on in the mining and iron industries a movement of concentration and consolidation among the different groups of enterprises, and in this process the weaker and smaller establishments are being absorbed or eliminated.

The shipping industry is dominated by two companies, the Hamburg-American Packet Line Company and the North German Lloyd. These are united by agreement between themselves and also with a British-American combination.

Finally, in banking, out of a large number of independent banks, there have been developed five powerful groups,

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comprising, in all, 41 "concern" banks (*Konzernbanken*). In this field, however, the process of concentration has by no means yet ended. It will, in all probability, not stop until it has come nearer its goal than to-day, by developing the smallest number of bank groups practicable, each embracing the largest possible number of "concern" banks, under centralized management. Until the groups of banks shall have reached a point of fairly equal strength, so that each one will respect the other's domain, we can not look to a halt in the movement of concentration. However, even now it is possible to realize many of its advantages and dangers.

To begin with the advantages of concentration. Unquestionably the business policy of a great bank, and notably of one standing at the head of a chain of banks (*Konzernbanken*), can and will be carried out more in accordance with a uniform program, which takes into account the general economic interests including those of the nation and of the Government. Such a business policy can be pursued by it much more readily than by a moderate-size or small bank or by a large number of small scattered banks, which are compelled by the increasing struggle for existence to shape their policy merely with a view to dividends. Experience has taught that the great German banks realized the necessity of supporting a vigorous policy in encouraging the exports of manufactures (see p. 527 et seq.). They accepted the logical demands of the situation and acted accordingly, as shown by their attitude toward industry and the export trade, the investment of German capital in foreign commercial and industrial enterprises and securities¹, and in promoting actively the national policies in

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regard to shipping, colonies, the building of canals, and the laying of cables.

Neither will it be denied that the administration of the great German banks is far more subject to control by the special press and the public than a large number of isolated small or moderately large banks. Furthermore, it is clear that powerful banks and groups of banks of this kind, under centralized control, can serve the German Empire as one of its most potent agencies in both its economic and world policies. This is true, at least so long as the leaders of the banks continue, as they have done, to regard their duty to the state as one of their important obligations.

The Government and its various organs, moreover, regard it as a great help to carry on negotiations with a few great banks, having their center in Berlin, when it is a question of measures the execution of which is to be intrusted to private capital, or such as require haste or confidential treatment, or, as in the case of cable lines or colonial enterprises, such as necessitate the tying up of large amounts of capital for a considerable period.

Greater concentration of banking capital facilitates a more elastic extension of credit by eliminating to a large extent reckless granting of credit, on the one hand, and "panic sales" (*Angstverkäufe*), on the other. Through their better knowledge of the general economic and financial situation the great banks are often able to prognosticate the approach of industrial, commercial, and bourse crises. While powerless to ward off such crises, they may, by timely warnings and preventive measures, lessen the effects and duration of the calamity. Concentration of banking carries with it also the

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extension of check, giro, and clearing operations—i. e., those factors which lessen the need of cash for payments, and thus broaden the basis for credit transactions.

In turn, concentration results in a number of important advantages to the private economic interests of the banks. This is true alike of that form of concentration which is attained through control of other enterprises or the creation of communities of interest (through the acquisition of stock, the establishment of subsidiary companies, and trust companies, through agreement or the interchange of stock), as of the other form attained by means of decentralization of operations through the establishment of commandites, branches, agencies, and deposit offices.

All these forms of concentration of capital and power secure to the central institution a more complete view of the general industrial situation and of the varying needs and conditions in the different branches of industry, and a detailed knowledge of the financial standing of a large number of clients, their trustworthiness in general, and with regard to credit in particular. This information is based on the objective expert advices of reporting agencies which are thoroughly familiar with local conditions and, on the other hand, intimately related to the central institution and acting in its interests. From such a comprehensive and accurate survey of the general situation and the detailed information, the central institution derives in an ever-increasing manner the following advantages:

(a) It is able to find a wider and safer market for the sale of securities which it proposes to float. It can, therefore, acquire such securities on a larger scale and with greater confidence, knowing beforehand that such securities will go into good hands as permanent investments,

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and not be thrown back at once upon the market, to be taken up again by the bank.

(b) Its current banking business is extended. This extension usually means increased dividends. This leads to the enhancing of its own credit both at home and abroad, particularly of its acceptance credit. It also means greater power of intervention in critical times and larger freedom of action in the money market.

(c) Its deposit business is increased in proportion as those of its clients, who belong to the class of small capitalists and tradesmen, are becoming accustomed to leave on deposit with the bank even small amounts of available funds to be applied to productive uses. In this way a stimulus is afforded to such clients to save and accumulate reserves—which is highly desirable from the point of view of business—and to turn over to the bank the receiving and making of payments on their account (*geordnete Kassenführung*). The effect of this development is an improvement of conditions attending settlements by the more extensive and intensive use of checks. Credit transactions are facilitated, the circulation of cash is diminished, the bank's freedom of action is increased, and its dividends become more stable.

(d) The bank is enabled to furnish its clients with reliable information and to help them in every way in their business undertakings, especially with regard to bills, foreign exchange, and payments.

As against these advantages, the movement of concentration in Germany² has thus far not brought with it a reduction of the cost of conducting business or of the expenses of administration, such as was often the case when foreign trusts and analogous combinations were formed.

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One reason for this lies in the fact that, unlike the situation produced where trusts were formed, the independence of the original establishments was maintained, except in case of mergers. As a result, there could hardly be any saving in the cost of operation or administration.

On the contrary, we were able to show (on p. 467 et seq.) that as a general rule both the absolute amounts of expenses of operation and the percentage of expenses to gross profits have steadily risen among the banks that have been in the forefront in the movement toward concentration.³ Jörgens has pointed out the increase in taxes, due to the permanent ownership of stock in one corporation by another.⁴

Attention has also been called to the various dangers arising from concentration in banking. With reference to this subject the following points may be made: Thus far there has been no manifestation of a monopolistic tendency, as regards the treatment of the public in the so-called current business, and this in spite of what would seem to be the natural tendency in view of the extent to which concentration has gone. On the contrary, in their competition the banks have undertaken the greatest services and responsibilities for the lowest commissions ever known in German banking, commissions so slight as to fall below the point of fair remuneration. On the other hand, there are unmistakable signs of such tendencies in the competitive struggle against private bankers; also within the domain of underwriting and of tenders for the taking over of public loans or of securities of public or private undertakings. As we saw before (p. 407 et seq.), outside competition in this field may occasionally underbid the tenders of large banks or groups of banks, but must fail in the long

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run unless it is in a position to offer the same security for making payment, for taking over the securities, or for carrying out the undertaking. Many of the syndicates in this field have been in the nature of price conventions and have often assumed a monopolistic character.

It is, furthermore, undeniable that concentration in German banking has been accompanied by marked injury to the sound and vigorous elements among the class of the smaller private bankers. I am convinced that even today, as I shall show further on, this class performs economically useful and even necessary functions, and that the decline of the private banker class represents one of the dark sides of the progress of concentration. As we saw (p. 618 et seq.), the decline of this class was hastened and intensified by faulty stock exchange and stamp-tax legislation; essentially, however, it was due to the movement of concentration.

It may, indeed, be said that the decline of private banking, which showed itself in very acute form before the passing of the supplementary bourse act, is only one phase of the modern struggle for existence, which had its origin in the capitalist system, and will come to an end only with the triumph of large-scale enterprise and concentration. It is part of the same conflict in which, it seems, the small farmer and the small miller are succumbing before the large landowner and large miller, the craftsmen and the home industries before the factory, the retail store before the large dealer and particularly before the department store. However, in the other branches of industrial life it has been policy to protect the middle class in every possible way and to prevent its decline. Where this was manifestly

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unavoidable, the effort has been to retard it and to mitigate its effects, so as to allow those injured gradually to change their economic position and to prepare them to face the new problems presented by the altered situation. In the attitude taken toward the middle class and small banker an opposite policy was apparently followed both in the various provisions of the bank-deposit law and in the stock exchange and the imperial stamp-tax legislation. (See p. 618 et seq.) As a result of these measures the rapidity of the concentration movement was greatly enhanced and the situation resulting from this tendency was made much harder for the private banker. What is even worse, the vitality of this class was regrettably lowered. There seems, however, to be no good reason why the decline of private banking should have been permitted to assume the proportions that it really did.

There are to-day, as much as ever, certain necessary and legitimate economic functions for the smaller banker, and there is still a broad field of profitable activity open to him.⁵ The situation here is similar to that among the handicrafts, where the reasons for the decay are similar.⁶ The latter can maintain themselves where the bond between producer and consumer is not dissolved and where local or individual adaptation is still necessary.⁷ In the same way the small banker can hope to compete successfully wherever he may operate, if he will adopt from the outset as his motto in business specialization and adaptation to local conditions and needs. He has here an advantage over the decentralized banks in the fact that his expenses of operation are relatively smaller. Such specialization has already set in

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in several fields, although it is not of a kind altogether desirable, in case, for instance, the smaller bankers devote themselves particularly to the purchase and sale of mining stocks or unlisted securities.

The primary and normal function of the small banker will always continue to be that of adviser to the large public in their financial affairs in general, and more particularly in the matter of investments. This, of course, presupposes that he will continue to give the necessary time and study to this function. In his capacity of general adviser he may be able to carry on dealings in securities for customers' account, where the latter give special security, in accordance with the provisions of the stock-exchange law. On the other hand, in view of the low commissions and the taxes imposed on the contango business, it would be better policy for the small bankers to engage less in security business on own account, to which they seem to have been giving special attention during recent years.

Knowing intimately the personal standing of his clients, the smaller banker will always be professionally best fitted to foster personal credit, and more particularly blank credit—a field of banking that calls for specialization, based on knowledge of individual conditions.

Where there are no deposit offices or general banks, the smaller banker is in a position to carry on successfully also a general banking business with the smaller tradesmen, extending to them the facilities of check accounts, current accounts, and bill discounting.

On the bourse his legitimate functions are trading in unlisted securities (*Kulisse*), the arbitrage business, and

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profiting by the fluctuation of daily quotations on the different exchanges whenever bid and ask prices do not accord.

He is in a position best to understand the needs of small manufacturers and to know thoroughly the intrinsic value of solid securities, both stocks and bonds, issued by them, and to find a wide market for them. Under this head belong also debentures of smaller industrial establishments, which, while of undoubted solidity, are issued in amounts too small to be listed on German exchanges (in case the amount is less than 1,000,000 or 500,000 marks, respectively).⁸

On the other hand the recent practice, due to the faults of the stock exchange legislation, of the smaller banker assuming the functions of industrial entrepreneur by means of permanent acquisitions on a large scale of stock or of other participations, seems to us of rather doubtful wisdom.

Finally there is no reason why the development toward more powerful enterprises in the shape of joint-stock or limited liability companies, large beginnings of which may be seen even at present by cooperation with the great banks, and even independently of them, should not prove successful on an equally large scale in the case of other provincial banking concerns either singly or in combination with others of the same class. A few recent examples of this development are the following:

Thus with the assistance of the *Hannoversche Bank* and its subsidiaries, the *Osnabrücker* and *Hildesheimer* banks, the private banking firm of *Ludwig Peters Nachfolger* was transformed in 1905 into the *Braunschweiger Privatbank*

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Aktiengesellschaft (with a total capital of 6,000,000 marks). In the same way, with the cooperation of the Disconto-Gesellschaft and the Berliner Handels-Gesellschaft, the banking firm of Perls & Co. in Breslau was transformed into the *Schlesische Handelsbank Aktiengesellschaft*, Breslau, which in 1909 opened in turn a branch in Beuthen and one in Striegau. In 1906 the banking house Johann Ohligschlaeger of Aix-la-Chapelle, of the Rheinisch-Westfälische Disconto-Gesellschaft group, was converted into a limited liability association, with a capital of 5,500,000 marks. In 1908 the banking house of Doertenbach & Co., Stuttgart, was changed to a limited liability association with a capital of 4,000,000 marks. In 1908 the *Hessischer Bankverein Aktiengesellschaft* in Kassel was organized through the merger of the banking firm of Leopold Plaut & Co., of Kassel, and J. C. Plaut & Co. in Eschwege.

In 1907 the Berlin banking firm Carl Neuburger was transformed into a stock company *en commandite*, and by the end of 1908 the latter had established eight branches in different localities besides five deposit offices. In addition it had absorbed two banking firms (C. Fährndrich & Co. in Fürstenwalde and the Westfälische Bank M. Hirschfeld in Iserlohn). Early in 1909 it added a branch in Deutsch-Krone.

The banking house of L. & E. Wertheimer, of Frankfort-on the Main, adopted an original procedure. It founded a separate enterprise under the name of *Bank- und Wechselstuben-Gesellschaft m. b. H.*, to operate exchange offices in Frankfort. The entire capital stock of the concern, 2,000,000 marks, was retained by the banking house of L. & E. Wertheimer, which continued operations as before.

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Finally there is no doubt that what has been done successfully in other countries is also possible in Germany (⁹), viz: To unite smaller bankers into syndicates or groups which will act not only without any antagonism toward the great banks, but rather enter into definite agreements and thus act in concert with them.

The future activity of private bankers in receiving deposits is indeed threatened by the voluntary publication of periodic financial statements by the joint-stock banks since 1909. In order to save this branch of business for the private banker, we might well resort to the joint liability idea of the Roman *societas argentariorum*, i. e., bankers' associations with unlimited liability, adapting, of course, the principle to present day conditions.^a

So much for the effect of concentration on the smaller banker.

We have repeatedly called attention to certain disadvantages of concentration for the central banks. There is on the one hand danger that their ability to maintain their assets in liquid form may be impaired particularly at critical times by excessive demands for credit and funds, on the part of subsidiary companies, trust companies, branches, commandites, agencies, and institutions joined with them in a community of interest. It was also pointed out that it is becoming increasingly more difficult for the central banks to control the proper use of their credit and funds. As we saw, with the progress of concentration the condition of the banks from the point of view of the liquidity of their assets has steadily grown worse to an extent that can no

^aThere are some indications that since the enactment of the supplementary bourse law (May 8, 1908) an improvement in the condition of private banking has set in, which finds expression also in a considerable increase in the number of newly founded private banking firms.

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longer be lightly passed over. Unless an improvement is brought about by natural causes or by criticism either from within or by the general public, a situation might be created in which the banks' freedom of action would be impaired in critical periods, particularly in the event of war, and the institutions placed in a perilous condition at a most critical moment. Public attention has been drawn to this situation particularly since 1908, when the great banks of their own accord began the publication of bi-monthly financial statements which indicate but a slow improvement in this regard. Furthermore, it must be admitted that with the growth and decentralization of the operations of the great banks and their groups it becomes increasingly difficult to gain an adequate comprehension of the financial reports and balance sheets issued, as these no longer represent a clear and full picture of the condition of the banks.

The effects of concentration on the bank employees may be summed up as follows: It goes without saying that in the course of the concentration movement both the absolute number of employees in the large banks as well as their proportion to those in the smaller establishments has increased greatly—a tendency which is, however, common to other branches of business. According to the census of 1882, there were 28 banks employing 50 or more persons, with a total number of 2,697 employed by them. Thirteen years later the census of 1895 showed 66 banks employing each 50 or more persons, with a total force of 7,802. In the thirteen years the number of employees in the large banks had increased 189.3 per cent. On the other hand the number employed in banking establishments

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with less than 5 employees had increased only 59.9 per cent, and in middle-sized institutions, with 6 to 50 employees, only 34.5 per cent.¹⁰

The data of the 1907 census are not yet available on this point, but it is probable that the number employed in the large banks in 1907 represented one-third of all gainfully employed in "financial and credit" institutions, while in 1895 this number still constituted but a little over one-fifth (21.60 per cent), and in 1882 only a little over one-tenth (11.8 per cent) of the persons so employed.

From these figures we may conclude that with the progress of concentration there has been a great increase in the number of persons who have but slight prospects of ever being able to start an independent banking business of their own. With the increasing domination of banks with huge capital on the one hand and the diminishing power and sphere of activity of the private banker, the opportunities of building up a private banking business have now become considerably smaller.

In many respects the standing of the bank employee, as such, has not improved with the growth of concentration. This is true particularly of his position within the bank. The number of employees in the large banks is steadily growing. Thus, for instance, at the close of 1908 the Deutsche Bank had a force of 4,860 as compared with 4,439 at the end of 1907. As the number of bank clerks increases and the bank's duties become more manifold, there is naturally introduced a greater specialization in the work of each employee. As a result there is no chance for a rounded development or a general training in the profession. This involves a twofold danger. The situation

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may result in a gradual loss of interest in the work, and may also rob the employee of the broader view of things which in turn makes it harder for him to enter another department or profession. It is only a relatively small number of banks which have introduced a periodic change of work for their employees, a practice highly desirable not only in the interest of the employees, but also of the banks themselves.

Furthermore, whenever an employee is discharged it is harder for him to find employment in another bank, particularly in one of the ever-increasing number belonging to the same group. This is in the nature of things, and not due to any mutual agreement among the banks. This does not apply, however, to the freedom of bank officials of voluntarily changing employment from one bank to another. After the removal of temporary doubts and objections this freedom has been generally conceded, though even at present it is subject to certain limitations in the interests of both parties.

It was feared that the numerous bank mergers and absorptions of private banks would make it possible to dispense with the services of many employees and lead to their discharge. This fear has fortunately proved unfounded, there having been no reduction of the force worth mentioning. This I can say on reliable authority, having made inquiry also of the leaders of the associations of bank employees. On the contrary, in all such cases the common rule has been to take over undiminished the entire available force. Where mergers took place or where branches were established in place of absorbed private banks, there was usually an extension of the business

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which made it necessary to increase rather than to reduce the existing personnel.

As the power and capital of the banks have grown, the cases have become increasingly rare where a complete prostration of business or a crisis has resulted in the discharge of employees. Moreover, in the course of the concentration movement more and more attention is paid by the banks to the social obligations toward their employees. The measures taken in this field are due to the common labors of banks, bankers, and the Central Federation of German Banks and Bankers (*Centralverband des Deutschen Bank- und Bankier-gewerbes*).

The federation began an extensive and laborious investigation of the question of pensions and death benefits¹¹ for bank employees as early as 1903, i. e., before the Imperial Government undertook a similar inquiry with regard to all salaried persons in private employ. Through the cooperation of many persons in banking circles and among the bank employees themselves there was organized in Berlin, on July 11, 1909, the *Beamtenversicherungsverein des deutschen Bank- und Bankiergewerbes* (a. G.) (Insurance Association of the employees of German Banks and Bankers). The association assures to all employees, members of the association, a pension in case they become incapacitated after ten years' service, and provides benefits for widows and pensions for orphans in case of death. This association is the first of its kind in Germany, and on its board of honorary directors there are both the heads of banks and bank employees. The author of this book is chairman of the supervisory board. In the case of the German great banks such insurance had been instituted

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even before, in the form of independent funds, funds controlled by the bank, or special insurance. The same is true also of many other credit banks and likewise of a number of the larger private banking houses.

On the subject of salaries authentic data have been collected for the first time in a paper of the business manager of the Centralverband Wittner, so far as it was possible to secure this information through the inquiry instituted by the Centralverband. For a proper appreciation of the following figures it is well to bear in mind that they refer only to the regular salaries and do not include the customary incidental income of the employees, such as Christmas', or New Year's bonuses, which usually amount to several times the monthly salary.

In the following table there are given the average salaries of bank employees, exclusive of minor employees, according to the investigation of the Central Federation of German Banks and Bankers, of March, 1906. For the sake of comparison, there are shown also the corresponding average yearly incomes of all salaried employees in private employment.

Age.	Average salary of bank employees.	Average annual income for all salaried employees.
	<i>Marks.</i>	<i>Marks.</i>
Under 20.....	1,210	1,064
20-24.....	1,459	1,467
25-29.....	2,085	1,954
30-34.....	2,783	2,265
35-39.....	3,351	2,380
40-44.....	3,638	2,413
45-49.....	3,746	2,404
50-54.....	4,044	2,358
55-59.....	3,899	2,264
60-64.....	3,806	2,175
65-69.....	3,525	2,007
70 and over.....	2,592	1,879

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The salaries here shown are higher throughout (except for the age group 20-24), and in part very much higher than the average salaries as given in the report of the Department of the Interior of March 14, 1907,¹² for salaries in all private establishments. Their present level was reached gradually during the progress of concentration. On the average they are also higher than the salaries paid to the clerical help in the smaller private banks.

Whether the increase in salaries has only kept pace with the increased cost of living and expenditures of the employees of the banks, or whether it has gone beyond this point and means a real improvement in their conditions, this question can not be answered even with an approximate degree of assurance.

So far as my experience and knowledge go, there has never been among the German credit banks any exploitation of unpaid help through the use of apprentices, as the Berlin great banks take in apprentices only in exceptional cases.

As in all large establishments advancement of employees to independent positions within the bank has on the whole been slow. In this respect, however, concentration has brought about a marked improvement. The establishment of numerous branches, commandites, deposit offices, agencies, and subsidiary banks at home and abroad has created opportunities for the promotion of efficient employees more numerous than before.

The Central Federation of German Banks and Bankers has ever been in sympathy with the efforts to bring about certain improvements in the conditions of the working

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staff, as, for example, the extension of Sunday rest, early closing on Saturday, and better regulation of vacations. The reforms proposed, while not yet commonly adopted, are, however, nearer realization, as the result of progressive concentration and the introduction of greater uniformity in the internal management of banks.

The part of the heads and leading personalities in the banks has now become much more important, since the former under certain circumstances are called upon to determine uniform business policies for entire groups of banks. It is primarily they who must decide whether the banks entrusted to their management shall pursue other and higher aims than merely those of large dividends. With the growth of the large establishments on the one hand and the disappearance of so many important private banking houses, it will be increasingly difficult to fill these positions with men who possess the necessary breadth of view, the powerful initiative, and the organizing ability to which Germany's great enterprises in trade, industry and banking are so greatly indebted. Failure to find and recognize the work of such men would involve serious consequences not only for the concentration movement, but for our entire economic development.¹³

It remains now to consider the effect of concentration on the development of the stock exchange. There is a large number of buying and selling orders coming to the great banks which they can offset against each other, thus taking over the function of the exchange. Only such orders as can not be offset are taken to the stock exchange. This applies equally to the business in securities,

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i. e., the capital market and to the discount business,
i. e., the money market.

The result has been that the bourse, in addition to the disorganizing effects of the stock exchange legislation, has suffered also the loss of ever increasing amounts of business. This impaired its most vital function, that of proper price determination, and led to most serious consequences, especially during critical times, as may be proved by very lamentable examples.¹⁴

There is danger that the bourse may gradually cease to serve as the most sensitive instrument for measuring the movements of trade or to act as "the almost automatic regulator of the economic currents converging toward it."¹⁵ It is also becoming evident that more and more it is losing its capacity by means of its quotations to reflect or influence public opinion as regards the credit and management of the large majority of States, communes, stock companies, and other corporations, all of which functions were regarded as indispensable for the business community as a whole and the trade in securities in particular.

The system of price determinations and quotations prevailing at the bourses, which in former years represented the fullest and truest possible reflex of existing supply and demand as well as other "economic factors, which nowhere else were subject to such comprehensive perception and accurate measurement," is bound to lose much of its former accuracy, steadiness, and reliability, all of which is highly regrettable from the point of view of public interests.

There is furthermore ground for apprehension that this movement which also involves the elimination of middle-

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men (brokers, etc.) may develop a state of constantly growing differences between bank and bourse. These differences may express themselves in more than a certain tension between banking and bourse interests, which is frequently noticeable even at present. They may also come to affect the most characteristic function of the bourse, the determination of prices. As a matter of fact, in the opinion of some recent writers, there is a direct antithesis between bank and bourse.¹⁶ I regard this view as erroneous, but not more so than that of other writers, who seem to regard the two as practically identical.¹⁷

Certain socialists contend that the inevitable result of the concentration movement now manifest in all branches of trade and industry will be to cumulate in an increasing volume on one side all the capital and income and on the other all the misery and poverty. Such has not been the outcome, nor is it likely to be. On the contrary, the socialistic theory of the progressive impoverishment of the masses has been completely refuted by the progress of concentration in industry and banking. The purchasing power and the standard of living of the laboring classes have improved, the income of the middle and of the lower classes has risen relatively more than that of the upper classes, and to an increasing extent members of the lower classes have joined the ranks of the upper classes.¹⁸

We have now a valuable work on the "Development of wages in industry since the establishment of the German Empire." Under this title R. Kuczynski, the director of the statistical bureau of the city of Schöneberg (Berlin, George Reiner, 1909), presents an extremely valuable collection of comprehensive and reliable data covering wages

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paid during this period in Germany in mining (coal, lignite, salt, and ore), in the building trades (masons, carpenters, painters, fitters), in the stone and woodworking trades (joiners, cabinet makers, pattern makers, and makers of window blinds), in the metal trades, the book trade, and finally in transportation (vehicular, railroad, and sea transportation).

It is impracticable here to reproduce even the leading features of a work which is bound to retain a permanent place in the literature of the subject. Suffice it to say, that the movement of all wages paid during the second period shows a strong upward tendency, more or less marked according to the branch of industry, the state of general prosperity, the location of the enterprise, the difference between city and country, the kind of product, and the hours of work. In the case of corporate undertakings the movement of wages manifestly is also influenced by the variations in dividends. A tabular statement showing the influence of the last named factor in each particular instance would be of special interest. I therefore refrain from citing typical instances from the mass of material presented, since it might always be objected that they had been chosen arbitrarily.

Even more important would be complementary tables on the movement of prices of necessities of life during the same period. For one thing this would serve to test the theory, which I believe to be correct, that "every increase in the prices of the necessities of life gives rise to an effort on the part of the workers to secure higher wages."¹⁹ To be sure these efforts do not always overcome the just or unjust opposition offered, and hence it may be

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difficult to prove the theory satisfactorily by statistical evidence.²⁰

Such complementary tables would also enable us to answer the further question whether and to what extent the gain to the workmen through higher wages has been offset by the simultaneous or preceding rise in the cost of living. This much is certain, that the increase of wages in general and in most trades has been greater than the increase since 1879 in the prices of necessaries caused by the import duties on foodstuffs, such as cereals, flour, animals, meat, bacon, and lard.

In the absence of such parallel investigations, the conclusions drawn from the wage statistics must necessarily be incomplete and open to attack. They have to be supplemented by reliable investigations of the growth of prosperity and of the changes in the condition of the working classes. On this point valuable information is available in the shape of the *Materialien zur Beurteilung der Wohlstandsentwicklung Deutschlands im letzten Menschenalter* (materials for estimating the growth of prosperity in Germany during the past generation), constituting Part III of the appendices to the draft of the imperial financial reforms act of 1908.

Evidence in the same direction is furnished by Troeltsch.²¹ Taking the contributions due from those who come under the old-age and disability insurance provisions, he points out that there has been a relative decrease in the contributions collected from the lowest wage classes. This is especially noteworthy in view of the fact that any wage increases within the lowest wage groups do not at all affect the rate of contribution, while wage

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increases in the higher wage groups either do not result in correspondingly larger contributions or do so only after some delay. It is noteworthy, moreover, that the lowest wage group has grown by the accession of a large number of low-paid home workers who during that period first became liable to insurance contributions. Another fact of some importance is cited by Troeltsch,²² viz, that 25 per cent of all workmen have deposits in the Wurttemberg district savings banks, the average deposits for each depositor belonging to that class amounting to 525.1 marks in 1892 and 571.7 marks in 1896.

Another prediction made by socialists is that the final outcome of concentration will be the socialization of the means of production, for which they are striving and which is to be consummated in the "state of the future." This prediction has not been realized in Germany, nor is it likely to be realized, if only for the one reason that individual independence still constitutes a cherished ideal in the minds of most Germans. It was this sentiment chiefly which prevented German cartels from assuming the form of trusts proper, despite the great technical advantages which go with this type of organization.

Finally, the movement of concentration has thus far not resulted in a comprehensive system of state-owned industries, a policy regarded by many as necessary and highly desirable; nor is this likely to happen unless wholly unforeseen developments take place. Nationalization of industry is practicable only in case of industries in which operation is more or less automatic. Unless demanded by imperative reasons in some special branch of industry in the interests of national self-preservation, or of the safety,

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rapidity, and extension of traffic, such nationalization represents but a backward step from the economic point of view.

Government operation does not leave adequate scope for personal initiative, which is indispensable for general economic progress, nor for the needful spirit of enterprise on the part of the managers. The taking over by the Government of private enterprises beyond the bounds mentioned above is in keeping with the tenets of collectivist industrial organization advocated by social democracy. It would tend to weaken the motive of private gain, the most powerful stimulus of all economic progress. Moreover, it would make impossible the free development of the enterprising, efficient, and far-sighted personalities to whose energetic and untrammelled initiative Germany owes so much.

The tendency toward state socialism, represented particularly by Adolph Wagner, which advocates state monopolies and the tightening of the screws of taxation to the point of expropriation, in my opinion is likely to do more harm to Germany than could ever be done by the purely individualistic tendency, little as I am disposed to favor the latter.

In Germany, particularly, where the mere possibility of danger or of excesses²³ is sufficient to create a demand for state interference, one thing above all should be borne in mind. What holds good for the cartels is also true of all movements toward concentration—all of them are, if not the products of distress, at any rate products of necessity. It is the general opinion in industrial circles that they are the most effective weapons in the struggle for

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existence, especially in competition with foreign countries. The coincidence of similar movements in nearly all civilized countries on the same level of economic development of itself makes it probable that this view is correct and that legislative interference, which is urged at times without any definite purpose in view, merely to impede the movement toward concentration, represents a one-sided economic disarmament, a policy highly profitable—to other countries.

In Germany we have special cause for holding our weapons ready.

We know that our agriculture is far from able to supply our rapidly growing population with the necessary food. This remains true even after allowance is made for the improvement in its position through the recent commercial treaties and for a considerable increase both of the productivity of the land and of the area under cultivation. We know, further, that we depend at present and shall depend in the future on importation for a large part of our raw material, both in the shape of tropical products and of iron ore, lumber, fodder, and fertilizers.²⁴ Finally, we know that in many branches of industry our exports have declined, though only temporarily, let us hope, and that the general field for export is seriously threatened, one example being our sugar exports, in which agriculture is directly interested. Some foreign countries which heretofore were among our best customers are developing industries of their own, which make them more and more independent of our manufactures. Again, we have to reckon with the possible introduction of high import duties or preferential duties in favor of the mother country, or,

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finally, with more intense and dangerous competition on the part of other countries, such as the United States in the South American markets. Meanwhile the growth of our investments of capital abroad, with the income from which we have to pay an important part of our unfavorable trade balance, has not kept pace with that of the excess of our imports over exports. In view of these facts, and of the greater extent and strength of concentration abroad, I do not believe that we in Germany are as yet justified in putting a check on the further progress of concentration, except so far as relates to measures aiming merely at greater publicity²⁵ in the case of cartels, or such as are dictated by considerations of social policy under conditions mentioned above.

The view expressed is confirmed by another consideration. Up to 1907 the movement of concentration in German industry and banking was continuously upward. We must, however, reckon also with unfavorable conditions in German trade and industry. Reasonable dividends on the greatly increased capital of the banks depend on general prosperity in trade and industry, and it is inevitable that the banks will suffer from adverse conditions in the branches of industries with which they are allied. Unfavorable trade conditions must result in bringing concentration to a standstill. This happened, indeed, in 1907 and 1908 in the case of the great banks for this and other reasons. The movement may even be reversed, as happened more than once in the history of banking, a recent example being the dissolution of the community of interest between the Dresdner Bank and the A. Schaaffhausen'scher Bankverein.²⁶

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Exceptional legislation of the kind mentioned can best be avoided if the leaders of our great enterprises will keep more and more in close touch with the active social conscience of our people.

At a general meeting of the Verein für Sozialpolitik²⁷ Brentano reported that when in December, 1903, one of the largest English mine owners proposed to consolidate all English coal mines into a single trust he accompanied this plan with the proposal that representatives of the labor organizations should be called in and given a place not merely in the discussion of wages and conditions of labor, but even as regular members of the board of directors. This idea was certainly in accord with the true conception that such a policy would not only confer rights but also impose duties on the workmen, and that we cannot justly hold anyone responsible for his conduct in economic matters so long as we have not given him an opportunity to develop a sense of personal responsibility.

This proposal was expressive alike of business shrewdness and socio-political insight, and represents an attitude from which we are still far removed in Germany. German employers still largely cling to the belief that they can indefinitely postpone the recognition of the right of workmen to combine and to bargain with them through representatives, whereas a more liberal policy is called for in view of the combinations that have taken place among the employers. It is my conviction that even mere passive resistance to these demands tends both to sharpen the antagonism and to increase the number and vehemence of the demands.

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Our economic development in many respects will depend on the degree of socio-political insight possessed by the leaders of our great enterprises, the extent to which they appreciate the social duties and obligations that devolve upon them, and the economic self-restraint which they will impose upon themselves. A state within the state can not and will not be tolerated.

The future of German banking will depend essentially on the character of the men at the head of the leading enterprises. All will be well if these leaders possess the necessary caution, knowing that it is not safe to overstrain the bow or overheat the boilers.

I feel confident that German banking by its own efforts will prove strong enough to keep out of leading positions men who have what Waentig²⁸ calls "robust consciences," and who cast overboard, as useless ballast, all ethical and social considerations. Should, however, the contrary come to pass, in spite of our hopes and expectations, public opinion watching, as it does, our largest enterprises with the greatest attention, will surely react more quickly and effectively than it ever did in any other period of our economic development.

One of the most hopeful features characteristic of our economic development has been a growth of public sentiment and sensitiveness against encroachments of any kind, a growth which in extent and rapidity has equaled, nay, exceeded, the movement of concentration.

NOTES.

NOTES.

Part I.

1. "Capitalistic economics," in the popular sense of the expression, signifies not only production tending toward the formation of capital goods, but also production "carried on under the rule and direction of the owner of the capital, or the capitalist" (E. von Böhm-Bawerk, "Kapital," in the *Handwörterbuch der Staatswissenschaften*, 2d ed., vol. 5, p. 25). Ruhland, it is true, in his "System der Politischen Ökonomie" (Berlin, 1908), Vol. III, p. 302, ventures to say that "the word capitalism denotes to-day a social system in which the liberty to practice usury is more or less completely legalized." Capitalists are to him "usurers in the widest sense of the word," and by usury he, like Franz Schaub, understands "every contractual appropriation of an evident surplus value." The symptoms of such capitalism, according to Ruhland, are "that money interests predominate, and that trade and robbery, gain, usury, and extortion merge into each other" (*ibid.*, p. 116, No. 7aa).

2. Carl Menger: Contribution to the theory of capital. (*Jahrbücher für Nationalökonomie und Statistik*, 2d series, Vol. XVII, pp. 1-49.)

3. I have used the expression "to turn to good account" in place of "to distribute" on becoming acquainted with Rob. Liefmann's suggestion ("Beteiligungs- und Finanzierungsgesellschaften," Jena, Gustav Fischer, 1909, p. 476) that it is better to say "to place at disposal" than "to distribute." I am sure Liefmann will not object to the expression "to turn to good account," which I am now using, especially since "to place at disposal" only represents one way of turning to good account.

4. See especially Rich. Ehrenberg: *Der Handel. Seine wirtschaftliche Bedeutung, seine nationalen Pflichten und sein Verhältnis zum Staate*, Jena, G. Fischer, 1887.

5. See Ad. Wagner, *Beiträge zur Lehre von den Banken*, Leipzig, Leop. Voss, 1857, p. 70.

6. See Heinr. Rauchberg: *Der Clearing- u. Giro-Verkehr in Oesterreich-Ungarn u. im Auslande* (Vienna, Alfred Hölder, 1897), especially: *Die Bedeutung der geldlosen Ausgleichungen für die Abwicklung des volkswirtschaftlichen Zahlungsprozesses u. die Reform des österreichischen Zahlungsverkehrs*, p. 180 seq.

7. See Heinrich Rauchberg, *loc. cit.*, p. 204.

8. This is expressly attested for Saxony by Rud. Banck (*Geschichte der Sächsischen Banken*, p. 5). It was, however, in nowise peculiar of that country.

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9. The names and years of foundation of the German note-issuing banks existing up to 1859 were as follows: 1765, the Preussische Bank; 1824, the Ritterschaftliche Privatbank of Pomerania, at Stettin; 1835, the Bayerische Hypotheken- und Wechselbank at Munich; 1839, the Leipziger Bank; 1847, the Anhalt-Dessauische Landesbank; 1850, the Bank of the Berliner Kassenverein; 1853, the Weimarische Bank; 1854, the Frankfurter Bank at Frankfurt-on-the-Main; 1855, the Bank für Süddeutschland, at Darmstadt; the Thüringische Bank, at Sondershausen; the Kölnische Privatbank, at Cologne and the Landgräfllich Hessische Konzessionierte Landesbank at Homburg v. d. Höhe; 1856, the Mitteldeutsche Kreditbank, at Meiningen; the Bremer Bank, the Hannoversche Bank, the Gothaer Privatbank, the Magdeburger Privatbank, the Lübecker Privatbank; 1859, the Niedersächsische Bank, at Bueckeberg, and the Commerzbank, at Lübeck.

10. See Alfr. Lansburgh in "Die Bank," November, 1908, pp. 1079 and 1083, and in a special work bearing the (much too comprehensive) title of *Das deutsche Bankwesen*, Charlottenburg, 1909, pp. 48, 49, and 52. He draws attention to the fact that Krupp acquired the name of a "cannon king" without having required the help of an industrial and credit bank. The fact is that the development of the Krupp works proceeded with extreme slowness in the early days, when there was no banking assistance. See Otto Jeidels "Das Verhältnis der deutschen Grossbanken zur Industrie," Leipzig, Duncker & Humblot, p. 2.

11. Rud. Banck, loc. cit., pp. 5-6. See Herm. Schumacher: *Die Ursachen und Wirkungen der Konzentration im deutschen Bankwesen*, in *Schmollers Jahrb.*, xxx, No. 3, p. 5. For the particular reasons why the establishment of the *Crédit Mobilier* in France was at that time welcomed and promoted far and wide and even by the Government, see text, p. 50.

12. Thus for Saxony by Rud. Banck, loc. cit., p. 6.

13. For instance, in the petition for the concession of the Frankfurter Vereinsbank in 1864 (*Geschichte der Handelskammer zu Frankfurt a. M.*, 1707-1908, p. 669); see sec. 1 of the statutes of the Bank für Handel und Industrie (Darmstädter Bank) in Darmstadt, 1853.

14. *Das heutige Aktienwesen im Zusammenhang mit der neueren Entwicklung der Volkswirtschaft* (Deutsche Vierteljahrsschrift, Heft 3, 1856, J. G. Cotta, pp. 296-297).

15. In this matter there is permanent cooperation on the part of the supervisory boards; a fact which has, by the way, been questioned by Warschauer (*Zur Aufsichtsratsfrage* in *Conrad's Jahrbücher*, III series, Vol. XXVII, pp. 794-795.) The "great banks," the very ones to which Warschauer refers to show the complete impotence of the supervisory board as regards the drawing up of inventories, make it a practice to submit at each meeting (held nearly every month) a general inventory, which is not only examined, but if necessary discussed in detail during the meeting.

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16. See below Part III, chap. III, sec. 2, sub. IA: The deposit business, p. 191.

17. To propound a theory of crises does not lie within the scope of this work. On this subject the following works should be consulted: Michael von Tugan-Baranowsky, *Studien zur Theorie und Geschichte der Handelskrisen in England* (Jena, 1901, Gustav Fischer), and Ludwig Pohle, *Bevölkerungsbewegung, Kapitalbildung und periodische Wirtschaftskrisen* (Goettingen, 1902, Vandenhoeck & Ruprecht), as well as the criticism of both theories by Arthur Spiethoff (*Schmoller's Jahrbücher für Gesetzgebung, etc.*, Vol. XXVII, No. 2, p. 331 et seq.).

For a very detailed list of works published up to 1899 on the subject of crises, see Theodore E. Burton, *Financial Crises and Periods of Industrial and Commercial Depression* (New York, 1902, D. Appleton & Co.), pp. 347-377. Unfortunately that list includes a number of perfectly worthless works.

18. See the very instructive book by J. W. Gilbart (a former director of the London and Westminster Bank): "The History, Principles, and Practice of Banking" (ed. 1901, London, George Bell & Sons); concerning the crisis of 1825, *ibid.*, I, pp. 310-311; the crisis of 1836, *ibid.*, I, p. 311 seq.; the crisis of 1857, *ibid.*, II, p. 361, seq., and the crisis of 1866, *ibid.*, II, p. 342 seq.

In 1836 over 70 new companies of every possible description were founded in three months, in Liverpool and Manchester alone. The facility with which credit was obtained, and the encouragement thus given to speculation, led to increases of from 25 to 100 per cent in the prices of all the chief articles of consumption, and of the raw materials of industry. In July, 1836, the Bank of England raised its rate of discount to 4½ per cent and in September to 5 per cent. Simultaneously it refused to discount a large number of American bills on first-rate houses, a proceeding that caused some excitement. Prices fell, and a number of firms, mostly second-class houses, failed. The banks withheld their resources, and thus increased the crisis. The joint stock banks had increased enormously, had raised their capitals considerably, and promoted speculation. This was referred to in very harsh terms in a "Report of the Select Committee of the House of Commons," which, in conjunction with the prevalent depression, awakened the suspicion of the general public. In November, 1836, the Agricultural and Commercial Bank of Ireland suspended payments, which caused restrictive measures to be taken against the joint stock banks, which were accustomed to rediscount their bills in London. In December, 1836, the Northern and Central Bank of Manchester, with a paid-up capital of £800,000, had to apply to the Bank of England for assistance. One London private bank, three large branches of American firms, and many respectable trading firms followed suit.

In 1857 (*ibid.*, II, p. 361), 30 houses failed in England with liabilities of about £9,080,000. First of all the Borough Bank at Liverpool (October, 1857), with deposits amounting to £1,200,000, whereof £800,000 were at

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call; then on November 9, 1857, the Western Bank of Scotland, a very important Scotch deposit bank with 161 branches in Scotland, which had paid a dividend of 9 per cent in 1856. It had claims of £1,603,000 on 4 trading firms that had become insolvent, whereas its entire nominal capital amounted to £1,500,000 only, and an item of £260,000 had figured in its published balance sheet under "good assets," which the managers themselves, according to notes found afterwards, had described as bad. The bills of one of the 4 insolvent firms had been accepted by 124 different persons; inquiries had been made by the bank only concerning 37 of these persons, and of these latter 21 had been found either unsatisfactory or positively bad.

In 1864, that is to say, shortly before the credit and speculation crisis of 1866 (*ibid.*, II, pp. 342-357), 263 companies with a nominal capital of £78,135,000 had been formed in England, including 27 banks and 15 "discount companies." The rate of bank discount, which up to the middle of 1865 stood at 3 per cent, went up on October 2, 1865, to 5 per cent and on October 7, 1865, to 7 per cent, the Bank of France at the same time raising its discount rate from 4 per cent to 5 per cent. The Joint Stock Discount Company failed in the beginning of 1866; in April, 1866, Barning's Bank at Liverpool, with liabilities amounting to £3,500,000, a failure that caused a panic. The Bank of England raised its discount rate on May 8, 1866, to 8 per cent, and on the 9th to 9 per cent. On May 10, 1866, the great discount house of Messrs. Overend, Gurney & Co. failed with liabilities amounting to £10,000,000; the bank rate was raised to 10 per cent. Then, in rapid succession, came the failures of the Bank of London, the Consolidated Bank, the Agrar and Masterman's Bank—all deposit banks; further, the English Joint-Stock Bank, the Imperial Mercantile Credit Company, the European Bank, etc. Within a period of ten days the Bank of England had granted advances on bills and discounted bills to the extent of £12,225,000; permission was granted to it to issue notes in excess of the legal limit. The doors of the most respectable banking firms were besieged, and the reports circulating did not stop at the most respectable names, and augmented the evil. Credit had been granted without discrimination, and the banks had either favored or themselves carried on speculation in every direction. "Men are in haste to become rich. This is no new thing; it has been so at all times and in all countries. But the fact is more patent now than ever. Men live as they journey—at railroad pace" (*ibid.*, II, p. 356). See also Max Wirth, *Geschichte der Handelskrisen*, 2d ed., Frankfurt-on-the-Main, 1874. For the crisis of 1857, see Otto Michaelis, *Volkswirtschaftliche Fragen*, vol. 1 (Berlin, F. A. Herbig, 1873), pp. 237-372; and *Die Handelskrisis von 1857* (this last article was written between March, 1858, and May, 1859).

The similarity with corresponding German crises is evident. Recollections of such crises, however, seem to disappear more rapidly than the injuries they inflict. This remarkable but firmly established fact, however, should not apply to the directors of banks, who should and must gain experience from every crisis.

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19. This was especially noticeable in the German crisis of 1900, and in the German and American crises of 1873. Regarding the latter, Theodore E. Burton (loc. cit., p. 287) remarks: "There was an enormous absorption of circulating capital in fixed capital. Railways as well as docks, buildings, factories, had been constructed on an unprecedented scale. All the equipment for future production was increasing at a more rapid pace than ever before. In these expenditures we have the effect of capital invested for objects not immediately remunerative."

20. *Der deutsche Geldmarkt, 1895-1902*, in the *Schriften des Vereins für Sozialpolitik*, Vol. CX (Die Störungen im deutschen Wirtschaftsleben während der Jahre 1900, ff., Vol. VI; Geldmarkt, Kreditbanken) pp. 3-80.

21. See especially the fundamental essay, *Die Krisis auf dem Arbeitsmarkt* (Vol. CIX of the *Schriften des Vereins für Sozialpolitik*, and Vol. V of the exceedingly valuable inquiry by this society regarding *Die Störungen im deutschen Wirtschaftsleben während der Jahre 1900 ff.*) with contributions by J. Jastrow, A. Heinecke, R. Calwer, K. Singer, L. Cohn, Landsberg, and W. Bloch. See also diagram on page 140 of the above-cited (note 17) work by Theodore Burton (according to George H. Wood in the *Journal of the Royal Statistical Society*, 1899) for the employment statistics in the United Kingdom for 1860-1900, as well as the *Annual Extracts of Labor Statistics*, official documents compiled by the Labor Department of the Board of Trade.

22. See Walter Bagehot, *Lombard Street*, ed. 1896, p. 199: "What is wanted, and what is necessary to stop a panic is to diffuse the opinion that, though money may be dear, still money is to be had."

23. See Ernst Kritzler, *Preussische Hypotheken-Aktien-Bank, Deutsche Grundschuld-Bank, Pommersche Hypotheken-Aktien-Bank, Krisis und Sanierung*. *Schriften des Vereins für Sozialpolitik*, Vol. CXI; *Krisen-enquete*, Vol. II; *Störungen im deutschen Wirtschaftsleben*, Vol. VII, 1903, pp. 1-82.

24. See *Kreuzzeitung* of June 30, 1901, No. 301 (1st Supplement): "It can not be denied that the Haute banque through its speedy and energetic protection of the legitimate commercial credit, especially in Saxony, greatly lessened the consequences of the Leipzig catastrophe. For this action it should be accorded all thanks and recognition."

25. See Moritz Ströll *Über das deutsche Geldwesen im Kriegsfall*e (Schmoller's *Jahrbuch*, Vol. XXIII, 1899, pp. 173-195 and pp. 197-226). also *Die finanzielle Mobilmachung der deutschen Wehrkraft*, by Col. Dr. Ritter v. Renauld (Leipzig, 1901, Duncker & Humblot), and the article *Finanzielle Mobilmachung* by the same author in the *Bank-Archiv*, fourth year, No. 3, of December, 1904, together with the objections in the *Deutscher Ökonomist* of January 14, 1903 (twenty-third year, No. 1151); Karl Helfferich, *Das Geld im russisch-japanischen Kriege* (Ernst Siegfried Mittler & Sohn, Berlin, 1906) and *Die finanzielle Seite des russisch-japanischen Krieges* (*Marine-Rundschau*, Oct. 1904); Max Schinckel, *Nationale Pflichten der Banken und Kapitalisten im Kriegsfall*e (*Bank-Archiv*, fifth

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year, No. 4, p. 41 et seq., Nov. 15, 1905); General v. Blume, *Militärpolitische Aufsätze* (Berlin, 1906, Ernst Siegr. Mittler & Sohn), Chapter I, 4: *Mobilmachung. Soziale und wirtschaftliche Folgen*, pp. 14-30; Max Warburg, *Finanzielle Kriegsbereitschaft u. Börsengesetz*, paper read at the 3d General Congress of German Bankers at Hamburg, Sept. 7, 1907); and Riesser, *Finanzielle Kriegsbereitschaft und Kriegsführung*, Jena, Gust. Fischer, 1909.

26. See Riesser, *ibidem*, p. 54.

27. See, among others, Max Schinckel: *Nationale Pflichten der Banken und Kapitalisten im Kriegsfall* (*Bankarchiv*, Vol. V, No. 4, Nov. 15, 1905), pp. 42-43; Riesser, *loc. cit.*, pp. 25-26, and the discussion in Part III, chapter III, Gd, of this book.

28. See Moritz Ströll, *Über das deutsche Geldwesen im Kriegsfall*. (*Schmoller's Jahrbuch für Gesetzgebung*, etc., XXIII, p. 176); Riesser, *loc. cit.*, pp. 2-4 and p. 41.

29. Riesser, *Finanzielle Kriegsbereitschaft und Kriegsführung*, 1909, pp. 55-75.

30. Riesser, *loc. cit.*, pp. 45-55.

31. Immediately after the declaration of war, this war treasure is to be delivered to the Reichsbank, which, according to section 17 of the bank law of March 14, 1876, may issue the threefold amount in bank notes—namely, 360,000,000 marks.

As an increase of this war treasure in gold is scarcely feasible at present, I have broached the question (*loc. cit.*, p. 45, note 1) whether a further war reserve fund of 120,000,000 marks might not be accumulated in silver.

32. Riesser, *loc. cit.*, pp. 41-42.

33. Riesser, *loc. cit.*, pp. 49-50.

34. In contrast with Japan, which endeavored at the very outset "to raise as large a possible share of the necessary money for the war by means of increased taxation" (Helfferich, *Das Geld im russisch-japanischen Kriege*, Berlin, Siegr. Mittler & Sohn, 1906, p. 143), Russia limited herself to loans, to drawing on the considerable resources available in her treasury, and to diminishing her expenditure, resorting to increased taxation only in order to cover the interest on the war loans. See also Riesser, *loc. cit.*, pp. 96-101.

35. See Riesser, *loc. cit.*, pp. 5-11, especially p. 10.

36. In this matter the correct determination of the type and issue price of the loan is of the greatest importance. (See Riesser, *loc. cit.*, pp. 98-99, pp. 77-92.) In Germany, unfortunately, even in normal and prosperous times, the success of a loan subscription has frequently been jeopardized, to the detriment of government credit, by the failure "to make momentary sacrifices in order to secure permanent advantages," as Russia has frequently done to her own advantage during times of peace and war (Helfferich, *loc. cit.*, p. 89). The failure of the 5 per cent war loan of 100,000,000 marks in July, 1870, was due as much to the time of issue as to the injudicious selection of the type and issue price of the loan (the

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latter against the emphatic advice of the representatives of the banking world consulted); further, it was ill advised not to make the banks subscription offices, although they only represented at that time a relatively small financial power. (See Riesser, loc. cit., 102-103.)

37. See Riesser, loc. cit., p. 28.

38. Important conclusions in all these respects may be drawn from the financial policy pursued by England during the Boer war (October, 1899, to May, 1902), and by Russia and Japan during the Russo-Japanese war (February, 1904, to the end of August, 1905). (See Riesser, loc. cit., pp. 75-79, and p. 79, 2, to p. 93.) I refer here especially to the "system skilfully adopted by the Russian financial administration of procuring at home the money required for war expenses at home and at the scene of war, and of procuring by foreign loans the money necessary for payments abroad, thus neither depriving the internal commerce of Russia of its necessary currency by sending money abroad, nor menacing the foreign money market on whose good feeling she depended, by drawing on it for large amounts of gold. (Helfferich, loc. cit., p. 219.)

39. The note banks, mortgage banks (including the "mixed" mortgage banks), the building, brokers', and insurance banks, also establishments exclusively devoted to the promotion of industrial undertakings are not included in this discussion.

As regards the remaining "banks" quite a variety of designations have been applied to them. The most customary term is probably "credit bank," a name which I shall, as a rule, adhere to in the following pages. Other names have been used, however, such as: "industrial" banks (a name largely used during the last century); "investment" banks (Plenge); "security" banks (Schmoller and Sattler); "banks of emission" (Loeb); "enterprise" banks (Schäffle); "speculation" banks (Weber); "crédit mobilier" banks (Max Wirth). Knies (in "Geld und Kredit," 2nd part, 1879, p. 223) enumerates still more specialised designations: "It has become customary to classify the banks themselves as 'loan' banks, 'giro' banks, 'bill' or 'discount' banks, 'deposit', 'account current', and 'cheque' banks", etc. To my mind, however, none of these designations can lay claim to a complete characterisation of the activity of German banks as historically developed. The one or the other designation applies to a bank only in as far as the activity implied by the title (speculation, investment, emission, or security transactions) predominates in the total range of its business. Even this, however, does not generally apply to the whole development of each individual bank, for not only has each bank developed quite differently, but within one and the same bank the character and tendency of its activity during the different phases of its development, constituted sometimes a radical departure from that pursued by the former management according to the business policy pursued by the new management.

If we proceed from the distinction between simple deposit banks and the German banks which by reason of their historical development are of a different nature, that is to say, if we desire to emphasise that the latter are

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not simply deposit banks (as is A. Weber's evident intention in his comparison between "deposit" and "speculation" banks), it would seem more appropriate to do as has been done in the case of the mortgage banks, for which, since the mortgage bank law of July 13, 1899, a distinction is drawn between mortgage banks proper, and those carrying on miscellaneous transactions, which latter, in virtue of article 46, section 1, are exempt from the restrictive regulations of article 5.

From this standpoint, therefore, the existing German credit banks might be designated also as banks transacting miscellaneous business ("combined" or "mixed" banks). More important, however, than the mere formal question of definition, is the conclusion resulting from the above, that the general opinions and deductions expressed in the following pages regarding German banks, particularly German great banks, are invariably given with the tacit understanding that the general description, when applied in detail, i. e., with regard to each individual bank, may be subject to extensive modifications.

40. This has been the case hitherto only with the Disconto-Gesellschaft. See *Die Disconto Gesellschaft, 1851-1901, Denkschrift zum 50 jährigen Jubiläum*, Berlin, 1901.

Part II.

1. See (in addition to other works cited): Werner Sombart, *Die deutsche Volkswirtschaft im neunzehnten Jahrhundert*, 7th ed. (Berlin, Georg Bondi), 1909, and Ludwig Pohle, *Die Entwicklung des deutschen Wirtschaftslebens im letzten Jahrhundert*, 2nd ed. (Leipzig, B. G. Teubner), 1908.

2. Gustav Schmoller, *Grundriss der allgemeinen Volkswirtschaftslehre*, Bd. II (1st to 6th edition, Leipzig, 1904, Duncker & Humblot), pp. 182 and 183. Schmoller thinks, however, that this estimate of Prussia's capital is too low.

3. In Frankfort-on-the-Main for home-manufactured goods, notions, and hardware, according to an interesting book by Hugo Kanter: *Die Entwicklung des Handels mit gebrauchsfertigen Waren von der Mitte des 18. Jahrhunderts bis 1866 zu Frankfurt a. M.* (Tübingen and Leipzig, 1902, J. C. B. Mohr), p. 125.

4. Werner Sombart, *Der moderne Kapitalismus*, I, pp. 429, 424-425. 585,815 looms were used in the home-weaving industry, and only 217,388 in factories.

5. Von Reden, *Erwerbs- u. Verkehrsstatistik* (1853), p. 281, and Sombart, *Der mod. Kapitalismus*, I, pp. 424-425.

6. In the weaving trade 754,735 workmen were employed in home industry, 325,277 in factories. (W. Sombart, *Der moderne Kapitalismus*, I, pp. 424-425.)

7. W. Oechelhäuser, *Vergleichende Statistik der Eisenindustrie aller Länder u. Erörterung ihrer ökonomischen Lage im Zollverein*, 1852, pp. 124 and 128.

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8. W. Sombart, *Der mod. Kapitalismus*, vol. I, p. 462.
9. E. Engel, *Das Zeitalter des Dampfes*, 2 ed., 1881, p. 130.
10. Karl Lamprecht, *Zur jüngsten deutschen Vergangenheit*, (Vol. I, 1st half of his *Deutsche Geschichte*, Freiburg i. B., Herm. Heyfelder, 1903), p. 153.
11. Von Reden, *loc. cit.*, p. 281.
12. W. Oechelhäuser, *loc. cit.*
13. With regard to the following remarks see Max Sering, *Geschichte der preuss.-deutschen Eisenzölle von 1818 bis zur Gegenwart*, in *Schmoller's Staats u. Sozialwissenschaftl. Forschungen*, vol. III (1882), pp. 53-62. On pp. 94-95 he points out the interesting fact that the financial crisis of 1847 interrupted the transition to coke fuel.
14. According to Lürmann in *Die Fortschritte im Hochofenbetrieb seit 50 Jahren*, Düsseldorf, 1902, the output of blasting furnaces has increased sevenfold since 1852 (in capacity expressed in tons). According to Peter Mischler, *Das deutsche Eisenhüttengewerbe*, vol. I (1852), p. 150, the average English blasting furnace produced in the middle of the nineteenth century 70,000 quintals annually, whereas German blasting furnaces only averaged 7,000 quintals annually, as compared with 618,000 in 1899.
15. W. Sombart, *Der mod. Kapitalismus*, II, pp. 13-14.
16. "In the district of Siegen, therefore, the iron ore production has in 50 years increased twenty-five-fold in quantity, thirty-one-fold in value." (See Mollat, *Zur Würdigung der Siegerländer Industrie*, Siegen, September, 1908.)
17. Von Reden: *Vergleichende Kulturstatistik*, 1848, p. 412, seq.
18. W. Sombart, *Der mod. Kapitalismus*, vol. II, pp. 176-7.
19. See Ludwig Geiger, *Berlin, 1688-1840*. (Berlin, Gebr. Paetel, 1903), Vol. I (1903), p. 463, Note*.
20. See *Beiträge zur Geschichte des Berliner Handels- und Gewerbefleisses aus der ältesten Zeit bis auf unsere Tage*. A memorial in commemoration of the fiftieth anniversary of the corporation of the Berlin Merchants on March 2, 1870, p. 83. In December, 1908, the number of persons contributing to sickness insurance funds in Berlin was 738,858.
21. W. Sombart: *Der mod. Kapitalismus*, II, pp. 176-177.
22. W. Sombart, II, p. 214. Concerning the population of to-day see pp. 90 and 91.
23. Matches were introduced only in 1834, and sewing machines were first used in Germany at the beginning of the sixties.
24. Max Wirth, *Geschichte der Handelskrisen*, (2nd ed.), 1874, p. 292.
25. See Sombart: *D. mod. Kap.* II. pp. 284-7, and Otto Bähr *Eine deutsche Stadt (Kassel) vor 60 Jahren*, Leipzig, Fr. Wilh. Grunow, 1884, p. 64 and following.
26. See K. Knies: *Der Telegraph als Verkehrsmittel*, 1857, p. 161, et seq.

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27. Geschichte der Frankfurter Zeitung 1856-1906, p. 17.

28. See Th. Bauer: Die Aktienunternehmungen in Baden (Karlsruhe, 1903, Macklotsche Buchhandlung), pp. 14 and 15, for the conditions prevailing in Baden, where there was a law concerning stock companies already at the beginning of the nineteenth century. It appears that the number of joint-stock companies in Baden before the middle of the nineteenth century was very limited. They were the following: The spinning and weaving mills, at Ettlingen, founded in 1835; the Badische Gesellschaft f. Zuckerfabrikation in Waghäusel founded in 1836; the Mechanische Weberei," at Thiengen, founded in 1843; the Badische Gasaktiengesellschaft, founded in 1845, and the Karlsruher Gasgesellschaft, founded in 1848. Beginning with 1853 came the following: Aktiengesellschaft für Uhrenfabrikation, at Lenzkirch, founded in 1853; Verein chemischer Fabriken, at Mannheim, founded in 1854; the French Compagnie de Manufactures de Glaces, etc., founded in 1854, for the manufacture of plate-glass; the Badische Zinkgesellschaft, at Mannheim, founded in 1855; the wire and screw factory, of Falkau, founded in 1856; the Badische Gesellschaft für Tabakproduktion und Handel, at Karlsruhe, founded in 1857; and some other companies of minor importance. Bauer only mentions one large concern converted into a joint-stock company, namely the Maschinenbaugesellschaft Karlsruhe, founded in 1848 and converted in 1852.

The formation of companies became more active after the introduction of the industrial law of 1862, which was based on freedom of trade and freedom to move about from place to place. The well-known Badische Anilin-und Sodafabrik, at Mannheim-Ludwigshafen, was founded about this period (1865).

29. Engel, Die erwerbstätigen juristischen Personen, etc. Berlin, published by the Royal Statistical Bureau, 1876, pp. 10-11.

30. See Geschichte der Frankfurter Zeitung, 1856-1906, p. 15.

31. Karl Helfferich, Geschichte der Deutschen Geldreform (Leipzig, 1898, Finckler & Humblot), p. 6 seq., and also his Beiträge zur Geschichte der Deutschen Geldreform, p. 78 seq.

32. Hugo Kanter, loc. cit., pp. 112-113.

33. Hugo Kanter, loc. cit., p. 41.

34. Rud. Kaulla, Die Organisation des Bankwesens im Königreich Württemberg, 1908, p. 6.

35. W. Sombart, Die Deutsche Volkswirtschaft, 2d ed., pp. 190-191.

36. "Geschichte d. Handelskammer zu Frankfurt a. M.," (1767-1908). Jos. Baer & Co., Frankfurt-on-the-Main, 1908, p. 659.

37. W. Sombart, "Die Deutsche Volkswirtschaft," 2. Aufl., p. 196.

38. On October 1, 1851, even the Prussian Bank gave notice to depositors to withdraw their deposits, because, according to W. Sombart (Deutsche Volksw., 2d ed., p. 85), "it did not know what to do with the money." At the commencement of the second period (1870) the deposits

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at the Prussian Bank amounted to only 15,770,000 thalers=47,310,000 marks.

39. See Lexis, "Banken" (in *Handwörterbuch der Staatswissenschaften*, 1903, 3d ed., Vol. II, p. 400).

40. Karl Lamprecht, *loc. cit.*, p. 183.

41. Walter Troeltsch, *Über die neuesten Veränderungen im deutschen Wirtschaftsleben*. Stuttgart, W. Kohlhammer, 1899, pp. 32 and 45.

42. New investigations, and the remarks made by Ludwig Pohle, *loc. cit.*, p. 23, suggested this modified statement as compared with the one in the second edition.

43. Vide Karl Lamprecht *loc. cit.*, p. 43.

44. W. Sombart, *Der mod. Kapitalismus*, II, pp. 148-151.

45. Ludwig Pohle, *loc. cit.*, p. 27.

46. "In the coal and iron deposits of Germany lies * * * the explanation why the German economic world turned so decisively to industrial activity during the latter half of last century, as well as of the intensity of Germany's capitalistic development." (W. Sombart, *Deutsche Volkswirtschaft*, 2d ed., p. 103).

47. See Hans Gideon Heymann, *Die gemischten Werke im deutschen Grosseisengewerbe*. Ein Beitrag zur Frage der Konzentration der Industrie, Stuttgart & Berlin, 1904, J. G. Cotta Nachf. (Münchener Volksw. Studien, edited by Brentano and Lotz, 65. Stück), p. 4: "It was the employment of mineral coal for smelting and as a source of power that paved the way for capitalism and large industry." (See also p. 62.)

48. See Max Wirth, *Geschichte der Handelskrisen*, 2d ed., p. 292.

49. Engel, *Die erwerbstätigen juristischen Personen, insbesondere die Aktiengesellschaften im Preussischen Staate*. (Berlin, Verlag des kgl. statist. Bureaus, 1876), pp. 10-11.

50. It can not be proved that the *Crédit Mobilier* participated financially in the founding of the Darmstädter Bank.

51. See *Geschäftsbericht der Darmstädter Bank for 1853*, page 9. Fortunately the idea was never carried into practice.

52. Anonymous article: "Die modernen Kreditbanken," published in 1856 in the *Deutsche Vierteljahrsschrift*, No. 3 (Stuttgart and Augsburg, J. G. Cotta), page 255 seq.

53. Conrad: *Grundriss zum Studium der politischen Oekonomie*. (4th ed., Jena, Gust. Fischer, 1902), part 1, section 72 (p. 229 seq.): "Die *Crédit-Mobilier-oder Emissions- und Industriebanken*."

54. In the main, the theme seems to have been furnished by the *Union générale* (Bontoux).

55. While following a hearse one should neither philosophise nor try to make laws. Had Ihering taken this to heart he certainly would not have marred his great work "Der Zweck im Recht" by the following generalisation written immediately after the crisis of 1873: "The devastations which they (the joint-stock companies) caused among private property are

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worse than if fire and famine, failure of crops, earthquake, war, hostile occupation had combined to ruin the national prosperity." (Vol. I, p. 223.)

It is both surprising and regrettable that Ruhland quotes my words in his "System der polit. Oekonomie" (Vol. III, p. 8) in quotation marks in the following manner: "Riesser's desire" * * * "not to philosophise, nor to try to make laws when following a hearse, and *not to select the effect of a stock exchange panic as the starting point of a reformatory action*(!)" etc. My words are simply a warning not to criticise, to draw philosophical conclusions, or to take legal action immediately after a crisis; that is to say, while one is "following the hearse." The italicized passage is not only not to be found in the paragraph quoted by Ruhland (footnote 3 on p. 38 of the second—German—edition of this book), but it does not even remotely represent what was written there—a fact which will be clear to every careful reader of my book. Keeping the above-mentioned facts in view, we can correctly estimate the scientific basis of Ruhland's deduction found in the following sentence: "The political economist whose duty as a 'physician' is to cure the diseased 'body-economic' would be guilty of the most criminal neglect if (in accordance with Professor Riesser's wishes) he would conceal or overlook its worst and most threatening symptoms!" He evidently forgets that it is one of the first elements of scientific polemics not to construct an argument on absolutely false citations and then proceed to combat it.

56. M. Aycard, "Histoire du Crédit Mobilier," 1852-1867, Bruxelles, 1867.

57. Joh. Plenge, Gründung und Geschichte des Crédit Mobilier. Zwei Kapitel aus Anlagebanken, eine Einleitung in die Theorie des Anlagebankgeschäftes (Tübingen, H. Laupp, 1903). This treatise, intended to be the precursor of a larger unpublished work treating the latter theme (theory of the investment bank business) in detail, offers far more than the title would lead one to infer, and is characterised by an abundance of interesting material and keen observation.

58. The increase took place when it was too late (1866); the capital was then doubled, being raised to 120,000,000 francs. The reserves amounted only to 4,000,000 francs.

59. As early as March 9, 1856, the Government felt obliged to prohibit any further issue of securities on the Paris Bourse. According to Plenge (loc. cit., p. 91), no less than 457 new limited liability companies with a combined capital of 1,000,000,000 francs (not 100,000,000) were founded in France from July 1, 1854, to July 1, 1855. Among these companies there were 227 joint-stock companies *en commandite*, with a capital of 968,000,000 francs.

The fusion policy in the field of industry, announced in the 1854 report of the Crédit Mobilier in correct anticipation of the concentrative tendencies inseparable from large-scale industry, was only carried out to a limited extent by the company. On the other hand, several important railways were consolidated by its assistance. (See Plenge, loc. cit., p. 104.)

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60. See Plenge's list of bourse quotations, loc. cit., p. 111.

61. As early as 1859 the *Crédit Mobilier* had about 77,000,000 francs of securities of all descriptions in its possession, while its capital was 60,000,000 francs, and its reserves 2,000,000 francs. In 1862 the total of these holdings (among which "rentes" occupied but a modest place) had grown to 148,000,000 francs.

The advances to subsidiary companies amounted to 29,500,000 francs in 1858, and to nearly 73,000,000 francs in 1866.

62. Aycard, who has a keen instinct in such matters, believes that 11,000,000 francs represented the profits solely from speculation during 1856. This sum certainly did not include the profit on issues, such as Plenge mentions (loc. cit., p. 150).

63. 3,910 kilometres had been authorized up to 1851 and 14,227 kilometres up to 1857. (Plenge, loc. cit., p. 91)

64. See Plenge's list, p. 59 seq., and p. 62. For instance: In 1852-1854 French Southern Railway; 1854, Austrian State Railway, Paris-Mülhausen, Dôle-Salins; 1857, Hungarian Franz-Joseph Railway, Swiss Central Railway, and West Swiss Railway, Dauphiné Railways, Russian Railway, Cordova-Sevilla, Spanish Northern Railway, etc.

65. Ad. Wagner, *Bankbrüche u. Bankkontrollen*, in the *Deutsche Monatsschrift für das gesamte Leben der Gegenwart* (ed. Jul., Lohmeyer), 1st year, No. 1. (October, 1901), pp. 74-85, and No. 2. (November, 1901), pp. 248-258, especially p. 255. For the contrary view, see, amongst other material, the *Deutscher Oekonomist* of October 19, 1901, and February 1, 1902; also Richard Rosendorff, *Bankbrüche und Bankkontrollen*, in Hirth's *Annalen des Deutschen Reiches*, 1902, No. 3, pp. 182-197.

66. See Plenge, loc. cit., p. 14. As a matter of fact the French Government frequently adopted a rigorous attitude towards the *Crédit Mobilier*. It prevented the issue (announced first for the middle of September, and subsequently for October 5, 1855) of 240,000 bonds at 500 francs, nine days before subscription; on March 9, 1856, it prohibited the issue of any further securities on the Paris Bourse; in its charter the *Crédit Mobilier* was even forbidden to subscribe to foreign public loans without the consent of the Government.

67. Loc. cit., pp. 71-98, sec. 10: *Der Pariser Crédit Mobilier von 1852-1867*. In criticizing this description and criticism it seems to me that Plenge (VII, and 17) is rather too severe.

68. Loc. cit., pp. 249-267.

69. Max Wirth in his *Geschichte der Handels-Krisen* (published in 1857) shows by his strong prejudice against the German *Crédit Mobilier* Banks (which is conspicuous in some chapters on almost every page) that the book was written whilst the author was completely under the influence of the serious crisis of '57 and the speculative excesses preceding it.

70. Section 10 as well as sections 8, 11, 12, 16, 17, 18, 19, 21, 23, 30, 32, 36, and 40 were formulated somewhat differently by resolution of the general meeting of May 31, 1860.

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71. This is expressly referred to in the following passage of the program-like business report of the Darmstädter Bank for 1853 (reprinted above, p. 48): "and to lend its cooperation in order to lead enterprise and capital into the proper channels, corresponding with the requirements of the moment." It is obvious that the wording of this clause is too restrictive and, taken literally, is economically incorrect.

72. See especially article 5 of the statutes of the *Crédit Mobilier*.

73. In section 2 of the statutes of the *Berliner Handelsgesellschaft*, dated July 2, 1856, which in this respect were far more comprehensive, the object of the company was stated to be "the carrying on of banking, commercial, and industrial business of every description." Its activity, in particular, is to extend to "industrial and agricultural undertakings, mining, foundries, canal, road, and railway building, as well as to the formation, combination, and consolidation of joint-stock companies, and to the issue of shares and bonds of such companies."

74. In 1860 the entire wording of section 10 was partly changed and partly supplemented. In my text, following a well-founded criticism by Warschauer (in *Conrad's Jahrbücher*, 3d series, vol. xxxi, p. 705), I have made considerable abbreviations.

75. It must be remembered that up to the introduction of the "Allg. Deutsch. Handelsgesetzbuch" (1862), that is to say, during the first decade of the activity of the Darmstädter Bank, the management was not in the hands of the directorate, which was merely an executive organ, but solely in the hands of the "bank administration," consisting of 18 members.

76. Max Wirth, "Geschichte der Handelskrisen," 2d ed., pp. 244 and 295.

77. Max Wirth, loc. cit., p. 296.

78. A few years later, in 1866, as already noted, similar conditions prevailed in England, which, after having passed through the crises of 1825, 1836, 1839, and 1847, underwent another serious crisis in 1866.

79. Business report for 1853 (program), pp. 7 and 10.

80. It is therefore incorrect to state that the bank was "compelled" to establish branches and limited liability companies "merely in order to invest its capital profitably" (Max Wirth, loc. cit., p. 272). The "half bankrupt calico factory at Heidenheim," with the transformation of which into a joint-stock company Max Wirth reproaches the bank, remarking that "nothing has been heard of its profits as yet," is the present flourishing and highly respected *Württemberg Calico Joint Stock Company* (*Aktiengesellschaft Württembergische Kattunmanufaktur*) at Heidenheim (Württemberg).

81. See Felix Hecht, *Bankwesen und Bankpolitik in den süddeutschen Staaten*, etc., pp. 166-167.

82. Others were planned in St. Petersburg, London, Constantinople, Smyrna, and Prague.

83. Most of the other banks participated herein, or they acted independently, although the latter case occurred only to a small extent during this period. For details see p. 71 et seq.

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84. On one occasion, it is true (1859), the Darmstädter Bank was induced to make long-term advances amounting to 4,500,000 florins to industrial concerns and railways, sustaining great losses thereby. In this case, however, it obtained securities the value of which fell to an extent not anticipated, and it was unable to obtain supplementary security. (See Model, *Die grossen Berliner Effektenbanken*—ed. Ernst Loeb—Gust. Fischer, Jena, 1896, pp. 60-61.)

85. The real increase amounted merely to 46,000 florins, so that the capital from 1856 on was 25,046,000 florins=42,936,000 marks; the certificates (*Berechtigungsscheine*) which had been issued beyond that amount had to be gradually withdrawn. The issue of these certificates was accompanied by rather unpleasant occurrences. (See Model, *loc. cit.*, p. 58.)

86. It reduced its "lombard and covered credits" from 1,400,000 florins in 1859 to 90,000 florins in 1864; its loans and mortgages from 4,710,000 florins in 1859 to 400,000 florins in 1864, and its "illiquid claims" from 910,000 florins in 1859 to 114,000 florins in 1864.

87. See the interesting report: *Die Disconto-Gesellschaft, 1851-1901, Denkschrift zum fünfzigjährigen Jubiläum*" (Berlin, 1901, J. Guttentag), p. 15 (quoted hereafter as "Jubiläumsbericht").

88. The dividends which the Darmstädter Bank and the Disconto-Gesellschaft distributed during 1856-1900 have been compiled in a table by Ad. Weber, *Depositbanken und Spekulationsbanken*, Duncker & Humblot, Leipzig, 1902, pp. 209-210, those of the Disconto-Gesellschaft also in its Jubilee Report, p. 261.

89. During the first fifty years of its existence (1853-1903) 7 $\frac{6}{10}$ per cent.
90. For the period from April 1, 1856, to December 31, 1900, 9.51 per cent; from April 1, 1856, to 1904, 9.42 per cent.

91. Model, *loc. cit.*, p. 68, gives a table of the current business of the Darmstädter Bank during 1859-1864 and emphasizes that the management attached the greatest value to "fostering and extending the current account business, and to carrying out long engagements." This table, however, appears to me to prove the latter tendency rather than the former, although the former also existed. The current business of the Darmstädter Bank yielded, in 1856, 8 per cent of the total profit of 15 per cent.

92. Of the other banks Model only mentions the *Berliner Handelsgesellschaft*. I profit by the opportunity to express my best thanks to these banks for supplying me with their business reports for the earlier period, of which reports in most cases only few copies are in existence, and these in some instances only in manuscript form.

93. The item "debits" (*Debitoren*), which decreased in 1867 and still further in 1868 and 1869, rose to 30,526,471 marks in 1870 and to 62,771,967 marks in 1871.

94. The deposits, which rose to 7,466,212 marks in 1867 (as against 2,716,187 in 1866) fell in 1868 to 4,384,850 marks and in 1869 as low as the amount given above (2,274,228 marks). They increased again in 1870 to 3,676,343 marks, rose in 1871 suddenly to 14,779,269 marks, and in 1873

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as high as 64,788,366 marks without, however, being able to maintain that level during the following years.

95. At its very first meeting (30 October, 1848) the supervisory council, at the suggestion of the board of directors of the bank, had fixed 4,000,000 thalers as the limit for individual credit, 2,000,000 thalers for deposits to be accepted, 1,000,000 thalers for its own securities (eigene Effekten), and 1,000,000 thalers for its own bills (Geldanweisungen) (see Ernst Koenig's *Erinnerungsschrift zum 50-jährigen Bestehen des A. Schaaffhausen'schen Bankvereins vom Oktober 1898*, p. 26).

96. On this point the board of directors remarks in its business report for 1852, page 1: "We heartily welcome every new and large establishment in this town and country, being convinced that in the course of years the prosperity of the Bankverein will become inseparable from the growth and rise of the Rhenish industry in all its branches." (See business report 1853, p. 3.)

97. "For the exploitation of the rich coal mines of the Essen field." (Business report for 1852, p. 3.)

98. From 1864 onward only the total sums are given, the number of accounts being omitted.

99. No details can be found for the earlier years. In 1852 the average debit on current account was 6,804 thalers and the average credit account, 5,255 thalers.

100. The business report of that year (the one preceding the crisis of 1857) mentions that at the end of September "the Prussian Bank for several days refused to discount anything."

101. As far as balancing the accounts is concerned, section 57 of the statutes deserves special attention. It provided that "the inventory to be compiled annually shall represent the capital of the society according to its true value; the capital, if anything, should be underestimated rather than overestimated."

102. This is shown in the business report of 1860, page 2.

103. One noteworthy fact disclosed by the business reports of the bank is that during the whole of the first period a 10 per cent share in the net profits was paid to its founders. Another circumstance worth recording is that at the ordinary general meeting held in 1860 a shareholder expressed the desire that (p. 3 of the minutes) "in the future the dividends of the bank should be determined by the board of management, and not by the general meeting."

104. For the other reductions and increases, see the Jubilee Business Report of the Mitteldeutsche Credit-Bank for 1905 (1856-1906), page 2.

105. Syndicates of private bankers existed earlier.

106. A syndicate under the leadership of the Disconto-Gesellschaft was formed among the Berlin bankers and banking firms during the same year (1859) in order to take over a part of the 30,000,000-thaler loan necessary for the mobilization of the Prussian army; this was the first step toward

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the formation of the so-called "Prussian Syndicate." (See Jubilee Report of the Disconto-Gesellschaft, p. 29.) (See above, p. 62.)

107. Nevertheless the business report of the Darmstädter Bank as early as 1862 (pp. 11-12), and the reports following, contained a list of the classes of securities and their amounts, the amounts of former years being added for comparison. The list comprised (1) American bonds, (2) government securities and lottery tickets, (3) preference bonds, (4) railway bonds, (5) note-issuing banks' stock, (6) credit and discount banks' shares, (7) stock in shipping companies, (8) municipal and mortgage bonds.

108. See, for example, the business report of the Darmstädter Bank for 1855, page 6: "We can not, however, promise rapid successes in this direction (industry) * * * and can not satisfy oversanguine views." Business report for 1857, page 2: "The excessive expectations which swindlers have based on these new developments (the 'Industrial Banks') will certainly not be fulfilled."

109. Felix Hecht, *Bankwesen und Bankpolitik in den süddeutschen Staaten, 1819-1875* (Jena, Gustav Fischer, 1880), page 172

110. Particularly through the revolution of 1848, the war with Denmark in 1849, the Russian-Turkish war of 1853, the Crimean war of 1854, the Austrian war against Italy of 1859, the American war of secession, 1861-1865, the French-Mexican war of 1861-1867, the Austrian-Prussian campaign against Denmark, 1864, and the Prussian war against Austria and her allies in 1866.

111. Especially through the crises of 1856, 1857, and 1866.

Part III.

1. Law relating to the coining of imperial gold coins, December 4, 1871; coinage law of July 9, 1873, with additions of July 9, 1873, January 6, 1876, and June 1, 1900; law relating to the issue of imperial treasury notes of April 30, 1874; supplementary law of June 5, 1906 (section relating to 10-mark and 5-mark notes); and decree concerning the introduction of the imperial gold standard of September 22, 1875.

2. Law relating to the constitution of law courts of January 27, 1877, and May 17, 1898; civil procedure law of January 30, 1877, and May 17, 1898; criminal procedure law of February 1, 1877; bankruptcy law of February 10, 1877, and May 17, 1898; law concerning matters of voluntary jurisdiction (*freiwillige Gerichtsbarkeit*) of May 17, 1898.

3. Military service law of November 9, 1867, with supplementary laws of February 11, 1888, February 8, 1890, and April 15, 1905; military law of May 2, 1874, amended by the laws of May 6, 1880, March 11, 1887, January 27, 1890, May 26, 1893, March 25, 1899, and partly through the code of civil law; the control law of February 15, 1875, law concerning voluntary jurisdiction (*freiwillige Gerichtsbarkeit*) in the army and navy of May 28, 1901, and decree of February 20, 1890; military penal code of June 20, 1872; military criminal procedure law of December 1, 1898.

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4. Bank law of March 14, 1875, with amendments of December 18, 1889, June 7, 1899, and June 1, 1909; statutes of the Reichsbank, May 21, 1875, with decree of September 3, 1900; law concerning the issuing of bank notes of December 21, 1874; law of February 20, 1906, regarding the issue of bank notes in denominations of 20 and 50 marks.

5. Section 125 et seq. of the constitution of law courts act, and act as to seat of the supreme court (Reichsgericht) dating 11th April, 1877.

6. The words which were here added in the second edition, "combined with the victorious advance of large-scale manufacture in almost all branches of industry," had to be struck out after the publication of the statistical material in the essay of A. Saucke: "Hat neuerdings der Grossbetrieb auf Kosten des Kleinbetriebs in der deutschen Industrie zugenommen?" (Has large-scale industry recently increased in Germany at the expense of small-scale industry?) (Conrad's Jahrbücher, III series, vol. 31, pp. 222-223); for although in certain branches large-scale production doubtless increased greatly at the cost of small-scale production even during the second period, yet these statistics prove that in German industry (subject to accident insurance) as a whole, an increase of large-scale production at the expense of small-scale production has not taken place, "at least not during the fifteen years from 1888-1903," that is to say, during a considerable part of the second period. In agriculture, it is true, the number and area of the great landed properties have greatly increased, especially in East Prussia; the small and middle sized farms, however, show the greatest increase.

7. See Ludwig Pohle, loc. cit., pp. 140-141, and the table printed there.

8. See Ernst von Halle, *Die Deutsche Volkswirtschaft an der Jahrhundertwende* (Berlin, Ernst Siegr. Mittler & Sohn, 1902), p. 73. According to the statistical annual for the German Empire (twenty-ninth year, 1908), p. 26, Tab. 13 d., and p. 25, note 1, the oversea emigration of Germans via German and foreign ports in 1907 amounted to 31,696 persons, whereas the immigration via German ports into Germany amounted to 217,812 persons.

9. See table in Ludwig Pohle, loc. cit., p. 146, under II.

10. See *Materialien zur Beurteilung der Wohlstandsentwicklung Deutschlands im letzten Menschenalter* (supplementary Volume III of the German Finance Reform Bills of 1908), p. 30.

11. See W. Sombart, *Der moderne Kapitalismus*. II, p. 214.

12. In the Palatinate (Bavarian), according to Emil Herz, loc. cit., p. 44, the development proceeded on the same lines. Thus the number of inhabitants of Kaiserslautern was 48,306 in 1900, as compared to 8,250 in 1842; that of Pirmasens was 30,194 in 1900, as compared to 6,410 in 1842.

13. See report of Die Aeltesten der Kaufmannschaft in the *Berliner Jahrbuch für Handel und Industrie* for 1904, I, p. 26.

14. Ad. Wagner, *Zur Methodik der Statistik des Volkseinkommens und Volksvermögens* (in the *Zeitschrift des Kgl. Preuss. Statist. Bureaus*, forty-fourth year, 1904, p. 41-122), and in his expert report to the Imperial

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Treasury, published on the occasion of the German Finance Reform Bills of November, 1908 (No. 1043), in the "Materialien zur Beurteilung der Wohlstandsentwicklung Deutschlands im letzten Menschenalter," under II, pp. 122-132.

15. A calculation of this kind made solely on the basis of population is, open to objection, however, because different conditions prevail in different parts of Germany.

16. In the *Grenzböten*, No. 28, of July 9, 1908, pp. 55-57.

17. In the "Woche" of August 23, 1906, No. 34 (also in the *Konservative Monatsschrift* of October, 1908).

18. In the "Tägliche Rundschau" of 1908, No. 541 Individual incomes are computed in this case on the basis of insurance statistics.

19. "Zur Reichsfinanzreform," Berlin (October), 1908. Here, too, insurance statistics are made the starting point for the estimate of the value of various kinds of property; similarly in the essay, "350 Milliarden deutsches Volksvermögen" (Berlin, Otto Elsner, 1909)

20. Differences of many billions of marks are also found in examining the several items. Thus, the value of capital invested in foreign enterprises and in foreign securities during 1904-1905 is estimated at a minimum of 24,000,000,000 to 25,000,000,000 marks in the memorial of the admiralty of December, 1905, "Die Entwicklung der deutschen Seeinteressen im letzten Jahrzehnt," and by Ballod likewise at 25,000,000,000 marks, whereas Steinmann-Bucher estimates the amount at 40,000,000,000 marks. It must also be borne in mind here that in 1892-93 the Prussian Finance Minister von Miquel estimated the amount of Prussian capital alone invested in foreign securities at 15,000,000,000 marks (*Abgeordneten-Haus*. 17 Legisl. Session, 5th sess., appendix to the stenographic reports No. 6, pp. 535-536), an amount that was excessive. The "Deutscher Oekonomist" of June 27, 1908 places the amount of foreign securities in German hands at 10,000,000,000 to 15,000,000,000 marks, Sombart (*Deutsche Volkswirtschaft*, 2d ed., p. 416) at 12,500,000,000 to 13,000,000,000 marks. The value of German capital in foreign enterprises is estimated in the admiralty memorial mentioned above at 7,700,000,000 to 9,200,000,000 marks (1905), and the value of German capital invested in foreign securities at a minimum of 16,000,000,000 marks.

21. Thus it is evident, in particular, that in the income-tax laws of the various German Federal States possessing a general and direct income tax quite different principles exist for declaration, assessment, and control of incomes, as well as for the exemption of small incomes from taxation, and that in regard to the computation of the value of property not subject to income tax, other great divergences may arise. It need hardly be emphasised that in this case as well, a simple calculation of the German figures on the basis of the Prussian results, and according to the proportion of population, is open to objection. Steinmann-Bucher, in his latest work (*350 Milliarden deutsches Volksvermögen*, Berlin, 1909), places the German national income at not less than 35,000,000,000 marks (p. 107)

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22. Grundriss, 6th ed., vol. II, p. 184 (at the end).

23. This includes an amount of 150,000,000 marks for annual new deposits in coöperative banks ("Genossenschaftsbanken"), which, being mostly made by owners of capital under 6,000 marks, are generally exempt from the tax on capital. This gives for Prussia 1,850,000,000 marks, or (computed at three-fifths for the whole Empire) 3,080,000,000 marks for Germany. This amount is further increased by the annual new deposits in the savings banks (which as a rule are also exempt from the tax on capital) of 620,000,000 marks (conservatively estimated), which, without counting property not assessed for the tax on capital, gives the amount quoted above, of 3,700,000,000 marks. The author proves this calculation by pointing out that there is an annual issue of stock exchange securities to the value of 3,150,000,000 to 3,200,000,000 marks.

24. This applies especially to the estimate of the French national wealth made by Mulhall (1895) at 198,000,000,000, by de Foville (1902) at 161,600,000,000, by Yves Guyot at 190,400,000,000 marks, by Leroy-Beaulieu (1906) at 205,000,000,000 to 210,000,000,000 marks, and by Edmond Théry ("Les Progrès économiques de la France," 6th ed., Paris, 1908, p. 322 seq.) for the year 1906 at 201,000,000,000 francs, equaling 161,000,000,000 marks.

The French national income was estimated by Leroy-Beaulieu at 20,000,000,000 marks.

The same is true of the national wealth of Great Britain and Ireland, estimated by Sir Robt. Giffen (1885) at about 204,500,000,000 marks, by Mulhall (1895) at about 235,000,000,000 marks, and by L. G. Chiozza Money (in 1908 for 1902-3) at about 228,000,000,000 marks. In all probability the same is true of the official estimate (evidently very conservative) made in 1904 of the "true value" of the national wealth of the United States of America (with about 83,000,000 inhabitants), which is given by the Census Office of the Department of Commerce and Labor as \$107,000,000,000, or 430,000,000,000 marks, for 1904.

Under such circumstances, owing to the complete difference of bases, principles, and statistical methods, any comparison of these foreign estimates with German estimates of national wealth and income would be still more objectionable, although such comparisons (with the necessary reservations) are occasionally desirable and useful in many directions.

25. According to the above-mentioned Appendix III to the German finance reform bills of 1908: *Materialien zur Beurteilung der Wohlstandsentwicklung Deutschlands im letzten Menschenalter*, pp. 4-15; but with the reservations mentioned above, and on pp. 2 to 4 of the "Materialien."

26. See especially Appendix IV, of the Reichstagsdrucksachen, No. 1887: *Materialien zur Beurteilung der Zusammenhänge zwischen dem öffentlichen Schuldenwesen u. dem Kapitalmarkt*, pp. 247-249.

27. *Jahrbuch für Handel und Industrie*, 1907, vol. I, p. 213.

28. See page 248 of the "Materialien," cited in Note 26: "The exact amount of the very considerable capital that has migrated abroad for investment in securities can not be estimated even approximately."

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29. *Deutscher Oekonomist* of June 27, 1908 (twenty-sixth year), page 395, where objections are also raised against the employment of the table described in the text.

30. Appendix to the Reichstagsdrucksachen No. 1087 of 1908, pp. 247 and 248.

31. See appendix to the Bank Inquiry, 1908-9: *Zur Frage der Emissionsstatistik*, Berlin, 1909, pp. 6-7.

32. See inter alia: Ernst v. Halle: *Die deutsche Volkswirtschaft an der Jahrhundertwende*, Berlin, 1902, pp. 56-57, and Mor. Ströll, loc. cit., p. 194.

33. In the *Zeitschrift des Kgl. Preussischen Statistischen Büreaus*, forty-fourth year, 1904, page 92. In that passage Ad. Wagner avoids the expression which he repeatedly uses in his essay: "Die Reichsfinanznot," Berlin, 1908 (for instance, pp. 13-14 and 41), where he speaks of the elements or classes "enriching themselves" (instead of "the elements, or classes who have become richer"), words which convey the idea that the very fact of growing richer is a reproach, an utterance which, while corresponding to a strong popular impression, is not on that account any more correct. It is also stated (p. 23), "that the middle as well as the upper classes ought not only to be compelled to pay the same amount of taxes in proportion to their capacity, especially as measured by their income, as the lower classes, but that they should pay proportionately more." This statement should be compared with the proof given (for Prussia only, and not for the whole Empire) by the Prussian Minister of Finance Freiherr von Rheinbaben in the Prussian Lower House on January 20, 1909 ("*Reichsanzeiger*," January 21, 1909), which has been amply confirmed by the official verification of the results of the assessment for the Prussian income tax of 1908 (1st suppl. of the "*Reichsanzeiger*" of February 11, 1909, No. 36). According to this statement there were, in 1908, 17,957,848 persons completely exempt from taxation (their incomes not exceeding 900 marks), or 42.22 per cent of the population, which in 1908 numbered 38,026,556 souls. Of the balance of the population, 16,176,674, or 42.54 per cent of the Prussian population, were assessed in the lowest group of income taxpayers (with incomes over 900 and less than 3,000 marks); this class paid a total of 83,752,973 marks, or 34.26 per cent of the whole assessed amount of income tax. Thus there remained only 2,000,000 (1,916,901), equal to 5.5 per cent of the population, who paid not less than 66 per cent of the entire income tax. Out of these 2,000,000, the persons having an income of over 9,500 marks constituted only 0.87 per cent of the population, while paying 43 per cent of the entire income tax. To this the municipal taxation must be added, so that, as far as Prussia is concerned (and similar conditions probably prevailed in other Federal States), there is no ground for Wagner's statement that it may be doubted, whether taxation according to capacity is realized in the legislation of the Empire, Federal States, and municipalities. Trade, commerce, and industry, which

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pay by far the greatest part of the taxes, are also burdened with the tremendous burden put on them by "social" legislation.

34. "Die Reichsfinanznot u. die Pflichten des Deutschen Volks wie seiner politischen Parteien. Ein Mahnwort eines alten Mannes" (Berlin, Puttkammer & Mühlbrecht, 1908), p. 14.

35 See inter alia the minutes of the meetings of the Bank Inquiry Commission, concerning points III-V of the list of questions; 1909, p. 86.

36. Thus in Prussia, according to the Reichsanzeiger of February 11, 1909, from 1907 to 1908 alone the income-tax-paying population increased in the proportion of 4,445 to 4,758.

37. According to the calculations of R. E. May (in Schmoller's Jahrb. f. Gesetzgebung u. Verwaltung, 1899, pp. 271-314) the following conditions prevailed in the German Empire at the end of the nineties: About one-half of the total national income, or 12,750,000,000 marks, belonged to that part of the earning population (18 $\frac{2}{3}$ millions) possessing incomes below 900 marks; a little more than one-fourth of the total national income, or 6,500,000,000 marks, belonged to that part of the earning population (3 $\frac{2}{3}$ millions) possessing incomes from 900 to 3,000 marks; and not quite a quarter of the total national income, or 5,750,000,000 marks, belonged to that part of the earning population (one-third million) possessing incomes exceeding 3,000 marks.

38. Grundriss, II, pp. 460-461.

39. Volume III of the Appendix to the German finance reform bills of 1908: Materialien zur Beurteilung der Wohlstandsentwicklung Deutschlands im letzten Menschenalter (No. 1043 of the Parliamentary publications of 1908), pp. 14-15; according to the Reichsanzeiger of February 11, 1909, the assessed taxable income of this group amounted to 5,450,975,235 marks.

40. Ibid.

41. Walter Troeltsch, Über die neuesten Veränderungen im deutschen Wirtschaftsleben, p. 144. At the same time it remains true that, as already mentioned (footnote 33) in Prussia in 1908 there were still about 18,000,000 souls, or 47.22 per cent of the population of about 38,000,000, exempt from taxation, and that of the balance, 16,000,000, or 42.54 per cent, were assessed in the lowest income tax group (with incomes exceeding 900 marks and below 3,000 marks).

42. With the (rather unimportant) reservations made on p. 17 of the Materialien zur Beurteilung der Wohlstandsentwicklung Deutschlands im letzten Menschenalter, already cited several times.

43. Allowance has to be made, of course, for the fact that one person may have several savings bank books.

44. For the period between 1891-1897 see Walter Troeltsch, Ueber die neuesten Veränderungen im Deutschen Wirtschaftsleben, p. 197; for 1904 and 1906, Statistisches Jahrbuch f. d. Preuss. Staat für 1908 (Berlin, 1909), p. 144; for 1907 the "Materialien" quoted in note 42.

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45. In 1908 there were 169 credit banks with a capital of at least 1,000,000 marks each.

46. See p. 21 of the "Materialien," quoted in note 42.

47. That is, from 1880 till the end of 1905.

48. Statist. Jahrbuch. f. d. Deutsche Reich (twenty-ninth year, 1908), pp. 46-47, and H. v. Scheel, *Die Deutsche Volkswirtschaft am Schlusse des 19. Jahrhunderts* (Berlin, 1900, Puttkammer & Mühlbrecht), p. 91.

49. *Materialien zur Beurteilung der Wohlstandsentwicklung Deutschlands*, pp. 46-47. According to Von Halle (*loc. cit.*, pp. 48-49) the total amount of power developed by engines in all the works in Germany in 1895 was only about 3,500,000 horsepower.

50. For 1843 see above, p. 33; for 1895 and 1907 see the *Statist. Korrespondenz* of February 3, 1909 (Year XXXV), p. 2.

51. For the census of occupations of 1895 see Paul Voigt, *Deutschland u. der Weltmarkt*, *Preussische Jahrbücher*, vol. 91 (January and April, 1898), p. 271.

52. Geh. Ober.-Reg.-Rat Dr. Traugott Müller, *Industriestaad oder Agrarstaat? Ein Beitrag zur wirtschaftlichen Wertschätzung der deutschen Landwirtschaft* (in Mentzel and von Lengerke's *Landwirtschaftlicher Hilfs- und Schreibkalender*, 55th year, 1902, Part II, pp. 55-85).

53. See *Statistisches Jahrbuch f. d. Deutsche Reich* (29th year), 1908, p. 27: 5,558,317 agricultural establishments in 1895 (last census published), as compared to 5,276,344 in 1882.

54. *Ibid.*, 43,243,742 hectares (1 ha = about 2½ acres) in 1895 as compared to 40,178,681 in 1882.

55. *Ibid.*, p. 39, tab. IV: Live stock in the Federal States according to the census of 1907. The figures show that the number of sheep decreased from 24,999,406 at the beginning of 1873, to 9,692,501 at the end of 1900, and 7,681,072 at the end of 1907, whereas the number of horses increased from 3,352,231 at the beginning of 1873 to 4,195,361 at the end of 1900, and to 4,337,263 at the end of 1907; cattle increased from 15,776,702 to 18,939,692 at the end of 1900, and 20,589,856 at the end of 1907; pigs from 7,124,088 to 16,807,014 at the end of 1900, and to 22,080,008 at the end of 1907, or more than threefold.

56. While the average prices of wheat rose about 60 per cent, of rye about 69 per cent, and of barley about 90 per cent in the old provinces of Prussia in the periods 1831-1840 to 1871-1880, they fell again (see Troeltsch, *loc. cit.*, pp. 32 and 36) despite high corn duties, which were introduced in 1879, raised in 1887, but reduced again by the commercial treaties of 1892 and 1894. Compared to the prices of 1876-1880 the prices of wheat in Prussia fell during 1881-1885 10 per cent, 1886-1890 20 per cent, 1896 36 per cent; the prices of rye, 1881-1885 4 per cent, 1886-1890 15 per cent, 1896 29 per cent; the prices of barley, 1881-1885 7 per cent, 1886-1890 17 per cent, 1896 21 per cent.

57. According to Troeltsch (*loc. cit.*, p. 44), in the agricultural communes of Prussia there was an increase of registered mortgages amounting

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to 190,000,000 marks per annum, or a total increase of 2,100,000,000 marks, between 1896 and 1907. The indebtedness of the farmers of 126 Württemberg rural communities increased 40 per cent between 1874 and 1894. In this connection Troeltsch establishes the fact, frequently corroborated elsewhere, that 80-90 per cent of the mortgage debts were due to the fact that persons acquiring an estate (by purchase or inheritance) were compelled, either by insufficiency of capital or by excessive demands of co-heirs to incur excessive obligations. This evil was augmented by overestimation of land values, due to an unhealthy development in the prices of land.

58. Much can and must yet be done to increase agricultural production; on the one hand, by the agricultural exploitation of the heaths that still exist in considerable size, especially in the northwest of Germany; and on the other hand, by the drainage and cultivation of the moors that cover some 500 German square miles, 400 of which could be reclaimed for purposes of agricultural cultivation. This work, however, can not be carried out without a considerable extension of the present railways and canals. Unfortunately, however, the building of the latter is often opposed by agriculturists themselves. (See Max Schinkel in the stenographic reports of the Bank Inquiry Commission, points III-V of the question sheet, p. 77.)

59. This, of course, ought not to be carried too far, as it may lead to endless sophistries in favour of agriculture, such as are presented by some authors (see Traugott Müller, loc. cit., p. 61), who include even railway, postal, and telegraph enterprises under agricultural undertakings, the employees consequently being classified under the heading of "those engaged in agriculture as a secondary occupation."

60. In direct contrast to trade, industry, etc., in which the number of independent persons decreased 12.6 per 1,000 during the same period, and the number of persons in a dependent position increased 30.5 per 1,000.

61. See Ludwig Pohle, loc. cit., p. 22; also his *Deutschland am Scheidewege* (Leipzig, B. G. Teubner, 1902), p. 43 seq.

62. The statement frequently made, that agriculture, and agriculture only, creates new values, is incorrect. "Values" that are completely new can not be produced by agriculture either, since at any rate such seed as is not produced by national agriculture forms the basis of that activity to the same degree that raw materials form the basis of industrial activity. Thus in agricultural as well as in industrial activity (different as they may be in detail), the process is always one of transformation or refinement, which in both cases merely increases the value of preexisting material. If, therefore, agriculture and industry are included in the "productive occupations," trade should be included therein by the same right, since its value-increasing activity consists in the transfer of goods from districts where the supply is great to districts where the demand is great, independent of whether the goods meanwhile undergo additional manufacture or not. (See, among other authors: Richard Ehrenberg, *Der*

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Handel, seine wirtschaftliche Bedeutung, seine nationalen Pflichten und sein Verhältnis zum Staate, Jena, Gustav Fischer, 1887.)

63. Ludw. Pohle, *loc. cit.*, p. 23. Max Sering, *Handels- und Machtpolitik*, Stuttgart, 1900 (J. G. Cotta Nachflg., vol. II, p. 5), does not go nearly so far, when he points out that "as early as the beginning of the fifties, Germany imported more rye, and since the middle of the seventies more wheat, than she supplied to foreign countries." In 1860 the excess of rye imports amounted to some 259,000 tons.

64. Werner Sombart, *Deutsche Volkswirtschaft*, 2nd ed., p. 411.

65. Huber is right when he says (*loc. cit.*, p. 109), regarding the German textile industry, that the whole export trade depends on the oversea supply of wool and cotton.

66. See Werner Sombart, *Die Deutsche Volkswirtschaft*, 2nd ed., p. 447: "The *pièce de resistance* of the German exports consists to-day of high-class manufactured goods, containing great labor value (*Arbeitswert*) and little land value (*Bodenwert*). Germany, consequently, pays in an increasing measure for foreign soil with home labour."

67. *Statist. Jahrb. f. d. Deutsche Reich* of 1909, Appendix, page 153. The special trade exports comprise, since March 1, 1906, the exports from the customs area (*Wirtschaftsgebiet*), including domestic produce (exported under the supervision of the customs authorities and subject to excise or stamp duties), such as beer, spirits, salt, sparkling wines, playing-cards tobacco, and sugar; as well as the exports from the customs area, after further manufacture for home account. The customs area in the sense of these new statistics comprises the German Empire (without Heligoland and some communes in Baden), the Grand Duchy of Luxemburg, and the Austrian communes of Jungholz and Mittelberg.

The imports for home consumption comprise, on the one hand, the imports into the free commerce of this customs area, directly or with cockets, including imports from free districts, bonded warehouses, etc., as well as the imports of goods for shipbuilding, etc., and the supplies of foreign goods for German ships outward bound; on the other hand, merchandise imported into the customs area for the purpose of being further manufactured for home account (*ibid.*, p. 124).

68. If it were possible to compare the figures given by Rau with the present-day official import and export statistics (which in the absence of agreement of geographic areas, of bases and methods of calculation is impossible) it would appear that German export trade, as well as German import trade, had increased between 1842 and 1907 thirteenfold, while the population of Germany has not even doubled during the same period.

69. See Appendix, Volume III, to the Imperial finance reform bill of 1908: *Materialien zur Beurteilung der Wohlstandsentwicklung Deutschlands im letzten Menschenalter* (p. 52).

70. Only in the case of food and cattle was there a decrease in exports, namely, by 20.2 per cent, while the imports increased 131.7 per cent (*ibid.*).

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71. For details, see page 43 of the Appendix, Volume III, to the Imperial finance reform bill of 1908.

72. *Ibid.*, pages 37-38 and 53.

73. A permanent adverse balance of payment is altogether impossible—that is to say, it would mean bankruptcy.

74. In that case, and in that case only, will Ludwig Pohle's fears prove unfounded (*loc. cit.*, p. 26), that "the increase in the absorptive capacity of the home market denotes a constant growth of Germany's dependence on foreign countries, instead of an increase in her economic independence.

75. Engel, in *Zeitschrift des Statist. Bureaus*, Berlin, 1875, vol. 4, p. 356.

76. W. Sombart, *Der moderne Kapitalismus*, II, p. 16.

77. Engel, *loc. cit.*, p. 457 et seq.

78. *Deutscher Oekonomist*, 1885, 21st Feb., p. 72.

79. Van der Borgh's essay: "Aktiengesellschaften" in the *Handwörterbuch der Staatswissenschaften* (Jena, 1899, Gust. Fischer), Vol. I, pp. 192-193.

80. With reference to the distribution by the different branches, see particularly Ed. Wagon, "Die finanzielle Entwicklung deutscher Aktiengesellschaften von 1870-1900" (Jena, 1903, Gust. Fischer), especially pp. 41 et seq., 56 et seq., 62 et seq., 73 et seq., 107 et seq.

81. As late as 1883 there were only 104 machine building companies, with 193,240,000 marks capital.

82. From 1870-1874, fifty-nine brewery companies, with a capital of 72,000,000 marks, were founded (Ed. Wagon, *loc. cit.*, p. 107).

83. *Deutscher Oekonomist*, 1901, 26th January, p. 45.

84. See v. Halle, *loc. cit.*, p. 94.

85. See *Deutscher Oekonomist* for 7th Jan., 1905; 6th Jan., 1906; and 18th Jan., 1908.

86. According to information collected by the Imperial Statistical Office the figures were 217 companies, with a capital of 260,700,000 marks.

87. These figures are based on material collected by the Imperial Statistical Office.

88. Ed. Wagon, *loc. cit.*, pp. 166-167. (The rate of dividend, however, is reduced in case the stock was bought above par.)

89. For the interpretation of "net income," see Ed. Wagon, *loc. cit.*, p. 12; Dividend income, minus the losses given in the balance sheets, or those arising from liquidations and failures.

90. From 1872-1900, exclusive of machine factories and railway-supply factories.

91. See L. Glier, *Zur neuesten Entwicklung der amerikanischen Eisenindustrie*, in *Schmoller's Jahrbuch für Gesetzgebung*, etc., 27th year, No. 3, p. 229-230.

92. *Statist. Jahrb. f. d. deutsche Reich*, 29th year, 1908. Appendix, p. 30*, table 19. In 1908 the German output of pig iron amounted to only 11,805,000 tons (*ibid.*, 30th year, 1909, Appendix, p. 28*, tab. 20).

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93. L. Glier, Zur gegenwärtigen Lage der amerikanischen Eisenindustrie, in Conrad's Jahrbücher, 3d series, vol. 31, p. 591 (Feb., 1908).

94. Henry Voelcker, Eisen u. Stahl, in the magazine "Die Weltwirtschaft," ed. by v. Halle, Year III, 1908, Part II, p. 78. According to the Imperial statistics the consumption amounted in 1904 to 166.1 kilograms, and in 1906 to 197.8 kilograms per capita. These statistics, in calculating the consumption, subtract the exports of pig iron, but not the exports of iron manufactures, and thus arrive at a larger consumption figure per capita.

95. See Ludwig Pohle, Die Entwicklung des deutschen Wirtschaftslebens im letzten Jahrhundert, Appendix p. 145; Statist. Jahrb. f. d. Deutsche Reich, 29th year, 1908, Appendix, p. 29*, tab. 18 (for the period 1887-1907); for value see E. Jüngst, "Bergbau," in the magazine "Die Weltwirtschaft," ed. v. Halle, Year III, 1908, Part II, p. 61. The German coal production in 1908 amounted to 148,537,000 tons (Statist. Jahrb. f. d. Deutsche Reich, 30th year, 1909; Appendix, p. 27*, tab. 19).

96. E. Jüngst, loc. cit., p. 60, and Statist. Jahrb. f. d. Deutsche Reich, 30th year, 1909, p. 97.

97. Rud. Eberstadt, Der Deutsche Kapitalmarkt, Leipzig, 1901, p. 64.

98. Thus in 1894 the Gesellschaft für elektr. Unternehmungen Berlin (affiliated with the Union-Elekt.-Ges., Loewe-Group); 1895, die Akt.-Ges. für elektr. Anlagen u. Bahnen, Dresden (Kummer); Kontinentale Gesellschaft für elektr. Unternehmungen (Schuckert); Bank für elektr. Unternehmungen, Zürich (Allgem. Elekt.-Ges.); 1896, Deutsche Ges. f. elektr. Unternehmungen, Frankfurt a. M. (Lahmeyer); Schweizerische Ges. für elektr. Industrie (Siemens & Halske); 1897, Elektrische Licht- und Kraftanlagen A.-G. (Siemens & Halske), Aktiengesellschaft für Elektrizitätsanlagen (Helios); 1898, Elektra, Dresden (Schuckert).

99. On this and the preceding subjects, see Friedr. Fasolt, Die sieben grössten deutschen Elektrizitätsgesellschaften, ihre Entwicklung und Unternehmertätigkeit Dresden, 1904; also Jos. Loewe, Die elektrotechnische Industrie in: Störungen im deutschen Wirtschaftsleben, Vol. III, pp. 77-155 (publications of the Verein für Sozialpolitik, Vol. CVII), 1903; Ed. Wagon, loc. cit., p. 73 et seq.; Max Jörgens, Finanzielle Trustgesellschaften (Stuttgart, 1902, J. G. Cotta Nachf.), p. 116 et seq.; H. Hasse, Die A. E. G. (Heidelberg, Winter, 1903).

100. 1896, "Siemens" Elektrische Betriebe G. m. b. H. (Siemens & Halske); 1897, Elektrizitätslieferungsgesellschaft (Allgem. Elektrizitätsgesellschaft); 1898, Bayerische Elektrizitätswerke A.-G. (Helios); Süddeutsche Elektrizitätswerke (Kummer); A.-G. Süddeutsche elektrische Lokalbahnen (Kummer); 1900, Elektrizitäts-Werke-Betriebs-Aktiengesellschaft (Kummer). All these companies (1896-1900) were organized in boom time, when the general public took considerable interest in the shares of such establishments.

101. These figures (taken from E. Budde, Elektrotechnik, in the serial Die Weltwirtschaft, ed. v. Halle, year III, Part II, 1908, p. 88). The details

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here given from the *Monatliche Nachrichten über den auswärtigen Handel Deutschlands* would seem to require considerable revision according to the *Statist. Jahrbuch f. d. Deutsche Reich*, 29th year, 1908, pp. 157-158 (thus, for instance, the value of the incandescent lamps exported during 1907 amounted to 10,478,000 marks and not to 8,382,000 marks, etc.).

102. See Ed. Wagon, *loc. cit.*, p. 62; Geh. Ober-Reg.-Rat Gust. Müller, *Die chemische Industrie*, Leipzig, 1909, B. G. Teubner. As far as the following statements have been taken from the reports on the administration of the chemical trade association we must not forget that this association, which was established on the basis of the accident insurance act of the 6th of July, 1884, requiring the employer to insure his workmen against accidents happening to them while in his employ, includes many minor trades which are not, strictly speaking, chemical. These are the illuminant, fat, soap, and oil trades; also the salt works, so far as they do not belong to miners' associations (*Knappschaftsverbände*) established under the laws of the several States. In addition to these are the roof felt and roofing-paper factories, manufacturers of rubber and gutta-percha goods, the preserving works, with the exception of those chiefly occupied in preserving wood; finally, the artificial mineral-water trade. (See Gustav Müller, *loc. cit.*, p. 27.)

103. *Statist. Jahrb. f. d. Deutsche Reich*, 29th year, 1908, p. 47.

104. See Richard Brauer, *Chemische Industrie*, in the annual *Die Weltwirtschaft*, ed. v. Halle, Year III, 1908, Part II, p. 91.

105. The totals given by Richard Brauer, *loc. cit.*, p. 91, are incorrect as they are stated in metric tons of 1,000 kilograms instead of metric quintals of 100 kilograms. Moreover, his import and export figures seem to include articles which are either used not exclusively or not at all in the German chemical industry.

106. *Ibid.*, p. 91.

107. See Rich. Brauer, *loc. cit.*, p. 92.

108. *Statist. Jahrb. f. d. Deutsche Reich*, 29th year, 1908, p. 47.

109. Ludwig Pohle, *Die Entwicklung des deutschen Wirtschaftslebens im letzten Jahrhundert*, p. 70 seq., especially pp. 72-73.

110. *Loc. cit.*, p. 77.

111. *Statist. Jahrb. f. d. Deutsche Reich*, 29th year, 1908, pp. 46 and 47.

112. This includes State railways, railways administered on account of the State, and purely private railways.

113. *Statist. Jahrb. für das Deutsche Reich*, 29th year, 1908, p. 113.

114. *Statist. Jahrb. für das Deutsche Reich*, 1906, p. 66. At the end of 1903 this network comprised 52,814.2 kilometres (*ibid.*, 1905, p. 62); 949,290,000 travellers and 390,741,000 tons of goods were conveyed on the standard gauge main and branch lines during 1903 (*ibid.*, 1905, p. 64, tab. 2^d).

115. *Statist. Jahrb. f. d. Deutsche Reich*, 30th year, 1909, p. 115, tab. 2^d.

116. W. Sombart, *Deutsche Volkswirtschaft*, 2nd ed., p. 267.

117. *Statist. Jahrb. f. d. Deutsche Reich*, 30th year, p. 118.

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118. Ibid., p. 117, tab. 3.

119. Ibid., p. 112, tab. 1^b.

120. Ibid., p. 112, tab. 1^b, and p. 111, tab. 1^a.

121. Ibid., p. 111.

122. According to the memorial presented to the Reichstag on the occasion of the naval bill of 1899, entitled "Die Steigerung der deutschen Seeinteressen von 1896 bis 1898," which contains the above estimate, the total value of the German merchant marine had increased from 1896 to the end of 1899 by 66 $\frac{2}{3}$ per cent. The sum required to replace the German merchant marine in case of its loss might therefore be estimated in 1899 at least at 750,000,000 marks (p. 147). A further increase of 14 per cent of steamships took place during the next year, sailing vessels decreasing by 3 per cent. The value of the German mercantile fleet at the end of 1900 might therefore be estimated at 640,000,000 to 650,000,000 marks. According to the memorial of the Imperial Admiralty quoted above, dated December, 1905, the value of the German merchant marine at the end of 1905 amounted to 810,000,000 marks, as stated in the text, while the cost of replacing it would considerably exceed 1,000,000,000 marks. According to the Handbuch der deutschen Aktiengesellschaften, ed. 1904 to 1905, I and II, the following number of German joint-stock shipping companies existed at the end of 1903: One hundred and five joint-stock companies with a share capital of 415,019,000 marks, and outstanding bonds of 127,824,000 marks. The amount of share and loan capital of the joint-stock companies in Hamburg and Bremen alone amounted, according to the memorial of the admiralty (December, 1905) quoted above, to 443,000,000 marks, against 273,000,000 marks at the end of 1899.

123. Statist. Jahrb. f. d. Deutsche Reich, 1908, p. 108.

124. See Emil Fitger, Ein Jahrzehnt in Schiffsbau, Reederei und Seeschiffahrt, Berlin, Leonh. Simion Nachfolger, p. 22.

125. See the memorial of the admiralty, December, 1905, already quoted, p. 94; Ernst von Halle, Die Entwicklung und Bedeutung der deutschen Reederei (Handels- und Machtpolitik, Vol. II, pp. 129-174, Stuttgart, J. G. Cotta's Nachf., 1900); and Reederei u. Schiffahrt, in the annual Die Weltwirtschaft, ed. von Halle, year III, 1908, part I, Internat. Uebersichten, p. 83 seq.

126. See Emil Fitger, loc. cit., pp. 49, 55, and 56-61.

127. Statist. Jahrb. für d. Deutsche Reich, 30th year, 1909, p. 140, tab. 13.

128. See Emil Fitger, loc. cit. pp. 61, 64-68.

129. See B. Huldermann, Subventionen der ausländischen Handelsflotten (Berlin, 1900, Ernst Siegf. Mittler & Sohn), p. 39.

130. It raised its capital in 1853, 1865, 1867, 1868, 1870, 1871, 1872, 1874, 1875 (in 1877 the capital was reduced), 1887, 1888, 1897, 1898, 1899, 1900, and 1905.

131. Regarding the development of other large German shipping companies see W. Sombart, Die deutsche Volkswirtschaft, 2nd ed., Appendix

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26, p. 544. Among the other German shipping companies are the following: Deutsche Dampfschiffahrtsgesellschaft Kosmos; Deutsche Levante-Linie; Deutsch-Ostafrika-Linie; Hamburg-Südamerikanische Dampfergesellschaft; Deutsch-Australische Dampfergesellschaft; Woermann Linie; Hamburg-Bremer Afrika-Linie; Dampfschiffsgesellschaft Argo; Dampfschiffsgesellschaft Hansa; Dampfschiffahrtsgesellschaft Neptun; Dampfschiffsreederei Union.

132. The following is taken from Karl Thiess, *Organisation und Verbandbildung in der Handelsschiffahrt* (Berlin, 1903, Ernst Siegf. Mittler & Sohn).

133. The following details are taken in the main from Emil Fitger, *loc. cit.*, p. 26.

134. W. Sombart, *Die deutsche Volkswirtschaft*, 2nd ed., p. 284, and Appendix 25 (Organisation of inland navigation in the main centres); p. 543.

135. *Statist. Jahrb. f. d. Deutsche Reich*, 30th year, 1909, p. 129.

136. Of the total length, 2,437.77 kilometres were navigable by vessels of 1.75 meter draft; 3,082.12 kilometres by vessels of 1.50 meter draft, 7,064.07 kilometres by vessels of 1 meter draft; 599.40 kilometers by vessels of 0.75 meter draft; 1,182.83 kilometers by vessels of less than 0.75 meter draft. See *Statist. Jahrb. f. d. Deutsche Reich*, 1904, p. 74. See *ibid.*, 1905, p. 71, for corrections as to vessels. These corrections have been introduced in the text. *Statist. Jahrb. f. d. Deutsche Reich*, 1906, p. 75 gives the same figures, while in the volume for 1908, p. 100, the total length of the navigable waters is given for the 31st of December, 1902, as 13,793.4 kilometers.

137. v. Halle, *loc. cit.*, p. 78. On pages 128-129 of the same work are found details on the status of the imperial navy in 1900.

138. See the Jubilee memorial published by the directorate of the Reichs bank: "Die Reichsbank 1876-1900," Gustav Fischer, Jena (cited below as the jubilee memorial of the Reichsbank), as well as the statistical tables submitted to the Bank Inquiry Commission of 1908, and the *Statist. Jahrb. f. d. Deutsche Reich*, 29th year, 1908, pp. 229-234, and *Internationale Uebersichten*, pp. 70-75*; Karl von Lumm, *Die Stellung der Notenbanken in der heutigen Volkswirtschaft* (Berlin, 1909, J. Guttentag); Louis Katzenstein, *Die dreissigjährige Geschäftstätigkeit der Reichsbank*, Berlin, Leonhard Simion Nachf., 1906. Regarding the questions submitted to the Bank Inquiry Commission of 1908, see principally: *Die Verhandlungen der Bank-Enquete-Kommission*, items I-V of the question sheet, Berlin, 1909. For the rest, Friedr. Koch, *Der Londoner Goldverkehr*; (Stuttgart & Berlin, 1905); E. Schmalenbach, *Der Reichsbank-Ausweis* (*Zeitschr. für handelswissenschaftliche Forschung*, ed. Schmalenbach, year I, 1906, No. 3, pp. 77-92; Heiligenstadt, *Der deutsche Geldmarkt* (in Schmoller's *Jahrb.*, vol. 31, pp. 71 seq.); Arthur Feiler, *Die Probleme der Bankenquete* (Jena, Gustav Fischer, 1908), Ferdinand Bendixen, *Das Wesen des Geldes* (Leipzig,

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Duncker & Humblot, 1900); Magnus Biermer, *Die deutsche Geldverfassung* (Giessen, 1908); Hermann Schumacher, *Die deutsche Geldverfassung u. ihre Reform* (in Scholler's Jahrb., Vol. XXXII, p. 1 seq; R. Koch, *Der Kredit bei der Reichsbank* (*Zeitschrift f. Handelswissenschaft und Praxis*, year I, No. 4, July, 1908, pp. 115-118); Heymann, *Reichsbank und Geldverkehr* (Berlin, 1908); A. Arnold, *Die Bedeutung der Giro-Guthaben für die Bankpolitik* (in *Bank-Archiv*, year VI, No. 5, p. 155 seq.); Edgar Jaffé, *Die Ursachen der letzten Geldteuerung und die Bankenquete* (*Deutsche Wirtschaftszeitung*, 4th year, No. 13, p. 582 seq. and No. 14, p. 626 seq.).

139. The bank notes, according to article 3 of the bank law, were issued up to 1906 in series of 1,000 marks and 100 marks, whereas under the Imperial law of February 20, 1906, series of 50 and 20 marks were allowed, the amount of which, however, according to the declaration made in the Reichstag, remains at present limited to 300,000,000 marks.

140. According to the text of the Supplementary Bank Law of the 1st July, 1909. (Formerly it read: "in exchange for German legal tender money.")

141. The 19,416 private giro accounts carried on March 31, 1908, included 6,366 accounts belonging to commerce, transport, and insurance; 7,763 accounts belonging to industries and trades; 369 accounts belonging agriculture and allied trades; 936 accounts of joint-stock banks; 2,311 accounts of bankers and financial businesses of all descriptions.

142. The total turnover in 1908 amounted to 269,946,259,800 marks.

143. Exclusive of the other clearing houses existing in 113 towns, the total turnover of which amounted in 1907 to 249,258,000,000 marks.

144. That is the turnover in receipts and expenditures in the giro, transfer, deposit, bill, and collateral loan business, in discounted and collected securities, and in other business of every description transacted with authorities and private persons.

145. As far as Germany is concerned it is incorrect to speak of unsecured bank notes, for bank notes without any security whatever do not exist there. (Article 17 of the bank law).

146. Cash in the sense of article 9 of the bank law consists of metal (*Metallvorrat*, see note 147), treasury notes of the Empire, and bank notes of the four note-issuing banks.

147. "Metal in hand" consists, according to articles 9 and 17 of the bank law, of current German money, gold in bars or in foreign coins, the pound fine (German) being calculated at 1,392 marks.

148. Concerning these reasons, see my remarks before the Bank Inquiry Commission of 1908, on points I-V of the question sheet (Berlin, 1909), p. 259.

149. As a rule a continued outflow of gold into foreign countries can only take place when the balance of payments is unfavorable to Germany and the quotations on foreign bills threaten to surpass the upper gold point or have surpassed it, so that the export of gold becomes remunerative. (Se

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my statements in the Proceedings of the Bank Inquiry Commission, Berlin, 1909, p. 71.)

150. See my statements in the Proceedings of the Bank Inquiry Commission, p. 70.

151. Highest amount (December 31, 1907), 364,297,700 marks; lowest amount (January 23, 1907), 54,090,000 marks. The figures for December 31, 1907, include a lombard loan of 67,630,200 marks to the Preussische Zentral-Genossenschaftskasse.

152. The quota has been exceeded in 1881-1885 five times by a total of 92,795,000 marks; 1886-1890 ten times by a total of 585,771,000 marks; 1891-1895 four times by a total of 253,598,000 marks; 1896-1900 seventy-one times by a total of 8,184,274,000 marks; 1901-1905 thirty-two times by a total of 4,229,393,000 marks; 1906 seventeen times by a total of 3,547,485,000 marks; and 1907 twenty-five times by a total of 5,376,670,000 marks. During 1907 the note circulation of the Reichsbank exceeded its quota by more than 58,000,000 marks on an annual average; on December 31, 1907 (a very abnormal year), the excess above the quota of notes exempt from taxation attained the record amount of 625,974,363 marks.

153. The literature of cartels is so extensive that it is almost impossible to survey it. In an appendix to the second edition (German) of this book a list of the most important cartel literature from 1883-1905 was given.

154. Menzel (Report at the general meeting of the Verein für Sozialpolitik, 1894, p. 31 seq., and "Die Kartelle und die Rechtsordnung," p. 12 seq.) shows that associations for the limiting of competition, and for the monopolizing of certain branches of trade, industry, and transportation existed as far back as mediæval and ancient times. He refers to the two constitutions, 473 A. D. and 483 A. D., in the times of the Roman Empire (Cod. lib. 4. Tit. 59) under the title "On monopolies, and illicit agreements of traders, also on prohibited and unlicensed agreements of tradesmen, employers, and bath-keepers." The constitution of Emperor Zeno, 483 A. D., deals with monopolies not only in food (especially corn) but also in articles of common use and labor.

In the legislation of the ancient German Empire, the Imperial decrees of 1512, 1524, 1530, and 1532, and the imperial police regulations of 1548 and 1577, provide severe penalties for "Monopolia und schädlichen Fürkauf," (monopolies and harmful sale). "However, they do not appear to have met with any notable degree of success." (Report, p. 34; separate edition, p. 14.)

The Gewerbeordnung does not contain any clause for cartels similar to article 152 regarding labor contracts.

155. As early as 1862 the cartel of Rhenish tin-plate factories, as well as the Cologne tin-plate combine, were in existence. To them was added, in 1863, the German rail combine. The beginning of the German salt works cartel dates from 1868, the potash syndicate from 1870 (Bücher in the Publications of the Verein für Sozialpolitik, LXI, pp. 141-142).

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156. Consequently (as opposed to Sombart, *Deutsche Volkswirtschaft*, 2nd ed., p. 344), the fact that many cartels were formed only after crises, and to some extent at the beginning of more prosperous times is only a seeming deviation from this rule. Brentano (Proceedings of the Verein für Sozialpolitik, LXI, p. 176) calls the cartels "a product of necessity." He says: "The necessity of cartels is rooted to-day in the constant growth of fixed, untransferrable capital in distinction to the predominant liquid capital of former times." He does not fail to point out, however, that this, of course, refers only to the cartels of producers and not to the cartels of traders.

157. See among others Stieda, *Schriften des Vereins für Sozialpolitik*, LXI, p. 5; Kleinwächter, *Die Kartelle* (1883), p. 126, and in the *Handwörterbuch der Staatswissenschaften*, 2nd ed., Jena, 1900, vol. V, p. 39; Jos. Grunzel, *Über Kartelle* (1902, pp. 8 and 12).

158. See especially P. F. Aschrott, *Die amerikanischen Trusts als Weiterbildung der Unternehmensverbände*, in Braun's *Archiv für soziale Gesetzgebung und Statistik* (1889), vol. II, p. 383-418, and Jeremiah W. Jenks, *Die Trusts in den Vereinigten Staaten von Amerika* (Conrad's *Jahrb. f. Nat.-Oek. und Stat.*, 3rd. series, vol. 1, p. 1 seq., 1891).

159. Tariff measures, however, in so far as they are intended to check an abusive business policy on the part of the cartels—that is, by reducing or moderating import duties on cartel products, or by introducing export duties on cartel products—are always a two-edged sword, since they react in other directions, and a doubtful as well as questionable weapon, because they strengthen foreign competition. Some of these objections (although not all) apply to the combating of an incorrect cartel policy by means of railway tariffs, i. e., through facilitating the importation of competing products through lower freight rates, and rendering the exportation of cartel-made articles more difficult through higher freight tariffs. Other restrictive means in the economic field would be the promoting of competitive concerns, the acquisition of such undertakings by the State, or the endeavor to obtain as decisive an influence as possible on the price policy of cartels through state participation in cartel undertakings. (This experiment was to have been made in the well-known "Hibernia" case.) A further means would be the promotion of cartels of consumers. A "smaller remedy" for relieving the finishing industry ("weiterverarbeitende Industrie") somewhat from the pressure of raw material cartels by means of duty-free importation of articles destined for re-exportation after they have undergone a finishing process exempt from customs duty ("zollfreier Veredlungsverkehr") is of service only to export industries, and then only to an inconsiderable extent.

160. See von Halle, *loc. cit.*, p. 47.

161. Some of these complaints can only be remedied by combinations of consumers, which in the face of the cartels of producers are becoming more and more an urgent economic necessity, as well as by the better organization of the distributing and commission agencies.

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162. Reichstag Publications, 11th legislative period, II session, 1905-6, No. 4.

163. *Ibid.*, 11th legislative period, II session, 1905-6, No. 351.

164. *Ibid.*, 12th legislative period, I session, 1907, No. 255.

165. *Ibid.*, 12th legislative period, I session, 1907-1909, No. 1019.

166. It is exceedingly interesting to note that these two charges have also been brought against the United States Steel Corporation founded in 1901. Glier demonstrates convincingly in his treatise "Zur gegenwärtigen Lage der amerikanischen Eisenindustrie," written in February, 1908 (Conrad's Jahrb., III series, vol. 35, p. 587 seq.), that the corporation displayed great moderation in the fixing of prices of manufactured products during the first boom (1901 to 1902-3), although the prices for foundry raw iron which the corporation neither produced, bought, nor sold, rose by about 34 per cent (pp. 599-601); it held, however, tenaciously to its high prices (a proceeding approved of by Glier) during the period of reaction (1903-4), for a reduction in price would not have caused a greater demand.

167. Although the United States Steel Corporation during the last crisis refrained in the main from selling to foreign countries and endeavored to bring about a recovery solely through enormous limitations of output, the chief reason for such procedure was that foreign markets at the time were not capable of absorbing goods even at the lowest prices. Subsequent events have proved, however, that this policy was not able to restore a healthy tone to the American market, so that in the event of another crisis a different policy may be pursued by the Americans.

168. See the remarks of Director Mannstaedt in the "Verbal deliberations" ("kontradiktorische Verhandlungen") concerning German cartels, Part 6, "Verhandlungen über den Halbzeugverband am 2. und 3. December 1903," p. 465. I consider these remarks to be as correct as they are important.

169. That the so-called "mixed" ("gemischt") works suffered less than the "pure" ("reine") works, and the reasons therefor, are well known.

170. The Rhenish-Westphalian and the Siegerland Pig Iron syndicates ceased to exist, for the time being at any rate, on January 1, 1909, certain difficulties preventing their prolongation; on the other hand, a plate-glass sale combine was formed among a number of Siegerland works. As regards the Upper Silesian Pig Iron Syndicate, see note 171. The manufacturers of pig iron in Rhineland and Westphalia are therefore in the same position they were before the nineties, namely in a state of free competition. Neither has a prolongation of the Lorraine-Luxemburg Pig Iron Syndicate hitherto proved feasible.

171. For what follows see Völcker, *L'Etat actuel de l'industrie sidérurgique allemande et son organisation* (Revue Economique Internationale, vol. III, No. 4, December 15-20, 1904, p. 727 seq.), and J. Kollmann, *Der Stahlwerksverband* (in the "Nation" 22d year, Nos. 18-22, February 4-25, 1905). Meantime hearings ("kontradiktorische Verhandlungen") have taken place in the Imperial Office of the Interior regarding the Stahl-

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werksverband-Akt.-Ges. at Düsseldorf, and the Oberschlesischer Stahlwerksverband (Limited) in Berlin. Most of the Upper Silesian Works, quitting the last-mentioned union in April, 1907, entered the Düsseldorfer Stahlwerksverband, and subsequently founded, on June 27, 1907, the Oberschlesische Stahlwerks-Gesellschaft (Limited) in Berlin for the common sale of the products B which had been released (*freigegeben*) by the Düsseldorfer Stahlwerksverband.

172. Further, the shortening of the time of payment for domestic buyers to fifteen days after delivery (foreign buyers have to pay immediately after presentation of bills of lading), and the limitation of discount for domestic buyers (no discount is allowed to foreign customers) will exercise a favorable influence if really carried out, not only on the Stahlwerksverband itself but far beyond its domain. On the other hand, a great and serious defect in the organization of the Stahlwerksverband consists in its placing on the market (at present) only 3 groups of its products, whereas the balance (products B), principally coarse and fine sheet iron, wire, bar iron, and pipes, are sold by the works themselves at their own prices; the products, however, are allotted among the different works according to a fixed quota. Products B cause keen competition among the various works, with the exception of rolled wire, for which there is a special syndicate, whereas for the drawn wire manufactured from the rolled wire, a price convention has been established since the beginning of January, 1909.

173. "Die Unzulänglichkeit der heutigen Schutzzollgesetzgebung für die Eisenindustrie."

174. In the rail cartel, the English share was fixed at 53.50 per cent, the German share at 28.83 per cent, and the Belgian at 17.67 per cent. The accession of the French works (later on) caused the total to be raised to 104.8 per cent for the first year, to 105.8 per cent for the second year, and to 106.4 per cent for the third year, in which the French participated to the extent of 4.8, 5.8, and 6.4 per cent respectively during the three years. Germany's share, after the accession of the American works, amounted to 21 per cent. In the girder cartel (from which the English kept aloof) 73.45 per cent was allotted to the Germans, 15.05 per cent to the Belgians, and 11.50 per cent to the French; the latter, however, were to receive a larger quota were the French exports to exceed those of 1903.

175. See L. Glier: *Zur neuesten Entwicklung der amerikanischen Eisenindustrie*, in Schmoller's *Jahrbuch f. Gesetzgebung u. Verwaltung*, 28th year, No. 1, p. 150 seq.; earlier articles see *ibid.*, 27th year, No. 3, p. 229 seq., and No. 4, p. 43 seq.

176. Sombart (*Deutsche Volkswirtschaft*, 2nd ed., p. 203) also says: "Doubtless a good share of the growth of German economic activity may be ascribed to this interest taken by banks and bankers in productive economic activity, hampering as it may have been for the development of the banking business proper (?). Banks have been directly the promoters of the spirit of enterprise in Germany; they have been pacemakers for industry and trade."

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177. The statement made by Paul Wallich (*loc. cit.*, pp. 6, 25) that in the beginning of 1870 the Discontogesellschaft had the largest capital and the Darmstädter Bank the next largest is thus seen to be erroneous.

178. The capital of the Mitteldutsche Kreditbank originally (in 1856) amounted to 8,000,000 thalers, of which 3,000,000 remained in the hands of the institution, while in 1859 1,000,000 thalers' worth of the bank's own stock was redeemed. In 1869, that is to say, near the end of the first period, the paid-up capital of 4,000,000 thalers was increased by 1,000,000 to a total of 5,000,000 thalers, equal to 15,000,000 marks.

179. This was the last *Konzession* granted to a domestic bank, since the concession system was abolished soon after.

180. Compare Max Wirth, *Handbuch des Bankwesens*, 3d ed. Cologne, 1883, p. 377. It may be noted in this connection, that this book, though frequently quoted as an authority, is in many points superficial and unreliable. In particular, the author's judgments and conclusions are largely biased by his strong prejudice against the credit banks and should therefore be accepted with caution. For that matter, the author's own text under the heading "German private banks" comprises, all told, about 5 pages (pp. 376-379 and 398-399); the rest is statistical material.

181. Compare, for example, Georg Schanz, article "Banken" in *Elster's Wörterbuch der Volkswirtschaft*, Vol. I, p. 310.

182. Compare Waldemar Müller, *Die Organisation des Kredit- und Zahlungsverkehrs in Deutschland*, in *Bankarchiv*, Vol. VIII (1909), Nos. 7, 8 and 9.

183. *Ibid.*

184. In English banking literature the term "banker" is applied to a person who obtains outsiders' funds for the purpose of circulating them for profit; in case a person loans his own capital, he is regarded as a capitalist or a merchant, but not a banker.

185. On this point see among others Ad. Wagner in *Schönberg's Handbuch*, I, p. 437; Adolph Neumann-Hofer, *Depositengeschäfte und Depositenbanken* (Leipzig, C. F. Winter, 1894), p. 39 et seq.; M. Schraut, *Die Organisation des Kredits* (Leipzig, Duncker & Humblot, 1883), p. 32.

186. Since May 31, 1879, deposits at the Reichsbank, in conformity with the well-grounded practice of most other central banks of issue, no longer bear interest. As a result deposits repayable after notice have become quite insignificant. At the end of 1900 they amounted to only 319,881 marks, as shown in Table 43, p. 337, of the jubilee memoir of the Reichsbank (1876-1900). On the contrary, the other deposits (on giro account, exclusive of giro balances of the imperial and state treasuries) at the end of 1908 amounted to 285,303,000 marks.

187. Compare Waldemar Müller, *loc. cit.* (*Bankarchiv*, 8th year, No. 8, p. 116.)

188. It is true that, according to a statement by an expert before the bank inquiry commission, a certain percentage of the funds deposited at the savings banks (reported to be as much as one-third of the total) likewise

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bear the same character of temporary deposits. But, if this be so, it means that these very depositors, who are said to belong to the middle and higher classes, by taking these funds to the savings institutions and not to the banks, deliberately intend to give to these funds the character of saving deposits and not of bank deposits.

189. Compare Waldemar Müller. (Bankarchiv, 8th year, No. 8, p. 117.)

190. Compare Deutscher Ökonomist, July 28, 1900, p. 466, and December 2, 1905 (23d year, No. 1197, article Das Depositengeschäft der deutschen Banken); also Robert Franz, "Die deutschen Banken im Jahre 1907" (reprint from the Deutscher Ökonomist, Berlin, 1908), p. 14; and Waldemar Müller, in Proceedings of the Third General Convention of German Bankers at Hamburg, Sept. 5 and 6, 1907, p. 107.

191. Proceedings of the Third General Convention of German Bankers, pp. 107, 115; Deutscher Ökonomist, July 28, 1900, and Dec. 2, 1905; Rob. Franz, Die deutschen Banken im Jahre, 1906, p. 11; also Caesar Straus, Unser Depositengeldersystem und seine Gefahren, Frankfurt, 1892, p. 5, who states that "up to the present time it was in the main large industry and the wholesale trades which were the depositors of the German bankers," i. e. the same classes that take part in the giro business of the Reichsbank.

192. They also include the so-called hoards (see Ad. Wagner, loc. cit., p. 61, et seq.), that is to say, quantities of precious metals which have not yet found employment, and the amounts held ready for the purpose of liquidating international payments, or for the arbitrage business.

193. The report of the A. Schaaffhausen'scher Bankverein for the fiscal year 1907 gives the total amount of deposits as 72,335,365 marks and adds that "of these deposits invariably by far the larger part consists of interest-bearing funds turned over to us for long terms, varying for the most part from six months to one year."

194. Otto Warschauer in Conrad's Jahrbücher, 3d series, Vol. XXVII, p. 480 (1904). See however the correct reasoning by the same author on p. 35 of his book: Physiologie der deutschen Banken, which appeared only one year before.

195. The total amount to the credit of clients in the check departments of the German post office was 70,955,349.88 marks on Dec. 1, 1909.

196. This explains, among other things, Lansburgh's discovery (Das deutsche Bankwesen, p. 8) that in the case of the smallest joint-stock banks, with a capital up to 100,000 marks per bank, the amount of outsiders' moneys, i. e., deposits and credit accounts, exceeds their own capital about thirty-one times, while in the case of the large banks, with a capital of over 10,000,000 marks each (except the large Berlin banks) the ratio is only 2 to 1. Hence he infers that it is not the larger capital, but publicity, that attracts deposits to the joint-stock banks, inasmuch as an increase of capital is accompanied by a percentual decrease of outsiders' moneys.

197. According to the "Materials bearing on the development of prosperity in Germany during the last generation" (Appendix III to report

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on the imperial finance reform bill of 1908, No. 1043 of Reichstag documents) pp. 18 and 19.

198. Statistisches Jahrbuch für das Deutsche Reich, 1903, p. 187.

199. Ad. Weber, Depositenbanken und Spekulationsbanken. Leipzig, Duncker und Humblot, 1902, p. 82.

200. Edgar Jaffé, Das englische Bankwesen, 1905, p. 135.

201. Verhandlungen des III Allgemeinen Deutschen Bankiertages, p. 96.

202. On not less than 11,117,700 accounts.

203. For 1905 data see Paul Marcuse's Beobachtungen über das Notenbankwesen in den Vereinigten Staaten von Amerika, Berlin, 1907, p. 123.

204. Frequent references are made by German writers to these enactments (especially regarding the cash reserve) in advocacy of laws and regulations to govern the German bank deposit business. These references are entirely unwarranted, for the American regulations mentioned in the text (p. 204) were intended to regulate not the deposit business of the National banks, but solely their note operations. (See Neumann-Hofer, loc. cit., p. 35.)

205. I have no means of verifying the data of *Le Figaro* of May 20, 1906, according to which at the end of 1905 the 25 largest credit banks held 5,000,000,000 francs of deposits (the meaning of the term is not quite clear), an increase of more than 3,500,000,000 francs over the corresponding amount in 1885, when 1,159,005,000 francs were reported. In Austria, on the other hand, no systematic fostering of the deposit business appears yet to have commenced. According to an address by Karl Morawitz, president of the Anglo-Austrian Bank, before the Austrian Economic Society (*Bank Archiv*, Year VI, no. 5, p. 64) the deposits in all Austrian credit banks amounted in 1895 to only 250,000,000 kronen (\$50,750,000), while the deposits in the savings banks totalled about 5,000,000,000 kronen (\$1,015,000,000).

206. Joh. Fr. Schär., *Die Bank im Dienste des Kaufmanns* (Leipzig, 1909, G. A. Gloeckner), pp. 122-126.

207. Deposits in the Darmstädter Bank since 1894 comprise all daily-due liabilities.

208. Data taken from *Deutscher Oekonomist*, which up to 1908 included among the Berlin banks the following institutions: Deutsche Bank, Disconto-Gesellschaft, Darmstädter Bank, Dresdner Bank, A. Schaaffhausen'scher Bankverein, Berliner Handelsgesellschaft, Commerz- und Disconto-Bank, Nationalbank für Deutschland besides five institutions of totally different character viz: Bank des Berliner Kassenvereins, Berliner Maklerverein, Amerika Bank (now liquidated), Deutsche Ueberseeische Bank and Deutsche Treuhandgesellschaft (German Trust Company). Since 1908 the five banks last named no longer figure among the "Berlin banks" in the compilations of the *Deutscher Oekonomist*.

209. Data taken from Robert Franz, *Die deutschen Banken im Jahre, 1906*, p. 11, und im Jahre, 1907, p. 14.

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210. Compare, among others, Ad. Wagner, *Beiträge zur Lehre von den Banken* (Leipzig, 1857, Leopold Voss), p. 70: "The banks by means of credit on the basis of deposits may raise the purchasing power of a country."

211. Compare Rud. Eberstadt, *Der deutsche Kapitalmarkt* (Leipzig, 1901, Duncker & Humblot), p. 117 et seq.

212. Compare Felix Hecht, *Die Mannheimer Banken 1870-1900* (Leipzig, 1902, Duncker & Humblot), pp. 39, 40.

213. See Felix Hecht, *loc. cit.*, p. 40.

214. Ad. Weber, *Die Rheinisch-Westfälischen Provinzialbanken und die Krisis*, *loc. cit.*, p. 342.

215. K. v. Lumm, *Die Entwicklung des Bankwesens in Elsass-Lothringen*, 1901, p. 165.

216. Joh. Fr. Schär, *Die Bank im Dienste des Kaufmanns*, p. 136.

217. Edgar Jaffé, *Das englische Bankwesen*, p. 143.

218. Alfred Lansburgh, *Die Verwaltung des Volksvermögens durch die Banken*. Reprint from "Die Bank" (Berlin-Charlottenburg, 1908), p. 13 et seq.

219. The money circulation through the German post office, which is still carried on to a large extent by means of cash-shipments, amounted in 1907 to 13,500,000,000 marks, i. e. to about 37,000,000 marks daily. The money required by the mortgage business, which until recently was also on a cash basis likewise reaches enormous amounts. Thus in Prussia alone the yearly amount of mortgages recorded averages about 4.5 billion marks, while the amount of mortgages cancelled each year is about 2.3 billion marks.

220. Recently many savings banks have made efforts to extend their activity along commercial banking lines by introducing the check system (in accordance with article 2, sec. 1 of the check act). In particular the tenth assembly of the Union of Baden Savings Banks, which met at Müllheim, Baden, on November 10, 1908, adopted resolutions, recommending the use of checks in the case of saving deposits, and proposing even the establishment of regular current accounts including the granting of credit. See the order of the Prussian minister of finance, dated April 20, 1909.

221. See especially Siegfried Buff, *Der gegenwärtige Stand und die Zukunft des Scheckverkehrs in Deutschland* (Munich, 1907, E. Reinhardt).

222. In addition, 14,497 checks were redeemed which were not booked on check account, making a total of 61,816.

223. Gamp, *Der landwirtschaftliche Kredit und seine Befriedigung* (The needs of agricultural credit and how to meet them). Berlin, 1883.

224. *Verhandlungen des Kgl. (Preuss.) Landes-Ökonomie-Kollegiums*, 1906, p. 17.

225. The most important institutions for agricultural credit are the following: The Imperial Federation of Agricultural Cooperative Societies of Germany (*Reichsverband der deutschen landwirtschaftlichen Genossenschaften in Deutschland*) and its cooperative agricultural bank at Darmstadt, with about 11,896 cooperative credit societies, savings and loan

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banks, belonging in 1906 to the federation and its sub-federations; the General federation of cooperative rural societies for Germany (Generalverband ländlicher Genossenschaften für Deutschland [E. V.]) at Neuwied with 4,159 cooperative credit societies, savings and loan banks belonging in 1906 to the federation and its sub-federations; the Bavarian state Federation of agricultural loan associations and other agricultural cooperative societies (Bayrischer Landesverband landwirtschaftlicher Darlehenskassenvereine und sonstiger landwirtschaftlicher Genossenschaften) with unlimited liability at Munich, with 2,259 cooperative societies, savings and loan banks in 1906; the Federation of agricultural cooperative societies of the Grand Duchy of Baden at Karlsruhe (Verband landwirtschaftlicher Kreditgenossenschaften im Grossherzogtum Baden), with 384 cooperative societies, savings and loan banks in 1907; the Federation of Württemberg cooperative societies (Verband württembergischer Kreditgenossenschaften) at Ulm, with 90 cooperative societies in 1907; the Federation of cooperative societies of the Provinces of Posen and West Prussia (Verband der Erwerbs- und Wirtschaftsgenossenschaften in den Provinzen Posen und Westpreussen) at Posen, with 225 cooperative societies in 1907; and in part of course also the (Schulze-Delitzsch) General federation of German cooperative societies (Ltd.) founded on self help (Allgemeiner Verband der auf Selbsthilfe beruhenden deutschen Erwerbs- und Wirtschaftsgenossenschaften), with 917 cooperative societies in 1907, the members of which constitute about one-third of the total membership in all (about 16,000) cooperative credit societies. For details on the above see "Materialien zur Beurteilung der Wohlstandsentwicklung Deutschlands im letzten Menschenalter" (Data bearing on the progress of prosperity in Germany during the last generation), vol. III of the Appendices to the Imperial Finance Reform Bill, of 1908, pp. 21-27.

226. See Lansburgh, loc. cit., pp. 31-32.

227. Waldemar Müller, Die Organisation des Kredit-und-Zahlungsverkehrs in Deutschland (The organization of the system of credit and payment in Germany) in Bank-Archiv, Vol. VIII, 1909, No. 7, p. 99.

228. Waldemar Müller, *ibid.* As regards the Reichsbank, according to the returns made to the bank inquiry commission, there were in the entire German Empire 70,480 firms and individuals entitled to credit in its bill business. Of these (a) merchants and trading companies constituted 41 per cent, or in all 29,020 firms and individuals for the entire German empire; (b) manufacturers and industrial companies constituted 31 per cent or 21,887 firms and individuals in the Empire; (c) land owners and establishments engaged in agriculture and the manufacture of agricultural products 14 per cent, 9,589 firms and individuals in the Empire; (d) cooperative societies of all kinds 1 per cent or 883 firms and individuals in the Empire; (e) capitalists (Rentner), artisans, and similar tradesmen 13 per cent, or 9,101 firms and individuals in the Empire. According to the same official returns, the loans on collateral security made by the bank and outstanding on Dec. 31, 1907 (on 5,666 collateral certificates) amounted

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to a total of 364,297,700 marks. Of this total, 1,972,200 marks were loaned to agriculture and allied rural industries (on 249 collateral certificates).

229. Thus among others Lansburgh in an article in "Die Bank" published separately under the title "Die Verwaltung des Volksvermögens durch die Banken" (The administration of the national wealth by the banks), p. 26, which I shall have occasion to notice later.

230. Materialien zur Beurteilung der Zusammenhänge zwischen dem öffentlichen Schuldenwesen und dem Kapitalmarkt (material to elucidate the connection between the public debt system and the capital market). Appendices to Imperial finance reform bill of 1908, Part IV, No. 1087 of Reichstag Documents, p. 249.

231. "According to competent estimates," foreign countries had absorbed by the middle of 1908 no more than 400,000,000 marks of imperial bonds and only between 80,000,000 and 105,000,000 marks of Prussian consols. (Ibid, p. 247, II.)

232. See Felix Hecht, *Die Mannheimer Banken, 1870-1900*, Leipzig, Duncker & Humblot, 1902, p. 23: "Each credit bank . . . wants to be studied by itself."

233. Thus Felix Hecht, *Lehren der Krisis (Lessons of the Crisis)* (Sept. 15, 1903), loc. cit., p. 140. The same author asserts however in his paper before the general meeting of the Mitteleuropäischer Wirtschaftsverein, Sept. 15, 1908 (Publications of the Verein, No. 6, p. 75) that the German tendency to engage in extensive oversea commercial and industrial enterprises has "undoubtedly" taken much German capital from domestic industrial enterprises and from legitimate domestic credit."

234. Adolph Weber justly says: "No country has had so rich or so bitter an experience in the results of unsound credit-granting as England." (*Depositenbanken und Spekulationsbanken*, p. 109.)

235. Alfred Lansburgh, *Die Verwaltung des Volksvermögens durch die Banken* (reprint from "Die Bank," Berlin-Charlottenburg, 1908). The merit of this book is that it has facilitated the study and appreciation of the smaller banks, with a capital of less than 1,000,000 marks down to 100,000 marks, and even of the smallest banks with a capital of less than 100,000 marks, by supplying careful statistics (Tables IV and V and explanatory notes, which in the main are to the point). It should be said, however, that in this field *Der Deutsche Oekonomist* (mentioned by the author on p. 24) had already done valuable preliminary work, though limited to the capital stock and the deposits (*fremde Gelder*) exclusive of reserves. Adolph Weber, in *Die Rheinisch-Westfälischen Provinzialbanken und die Krisis* (the Rhenish-Westphalian Provincial Banks and the Crisis), 1903, p. 362-371, which Lansburgh does not mention, was, so far as I know, the first to study the activities of the small banks of this district in detail and with valuable results. By supplying the omissions of the *Ökonomist* and by analyzing the small banks of all Germany, on the basis of their balance sheets and their activity, Lansburgh has performed a valuable service, particularly from the social standpoint. We must not forget however, that

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the deposits (fremde Gelder) in all these small banks amount to no more than 4 per cent of the deposits of all credit banks.

In his later work, containing about the same material, the title "The German Banking System" is inappropriate and misleading, for the entire text covers only 63 pages, of which 12 are devoted to the small banks (pp. 22-23). Since the author admits this in his preface, he ought to have adopted a more appropriate title. In passing I wish to note that I do not share the author's opinion (p. 7) that there are in Germany 6,000 private bankers. According to my estimate the (purely) private bankers number about 4,000.

236. Especially on page 55 of the reprint from the periodical "Die Bank" (Berlin-Charlottenburg), mentioned in note 235.

237. The first point is not regarded by Lansburgh as a very serious reproach, as is evident from his remarks on p. 8: "The old controversy as to whether Germany is to be an agricultural or an industrial state, has long ago been answered by the general development of things. No political upheaval can reverse this development. That would be a misfortune." His wish is solely that the process should go on without shock by way of evolution and not of revolution, and that the available funds of the nation should not be thrust into industry by sheer force. In this he is entirely right.

238. Die Bank, No. 6, June 1908, p. 543.

239. Riesser, Scheckverkehr und Scheckgesetz (Check Circulation and Check Legislation), No. 4 of the "Veröffentlichungen des Mitteleuropäischen Wirtschaftsvereins in Deutschland," Berlin, Puttkammer und Mühlbrecht, 1907.

240. The causes which compel the German credit banks to extend current account credit preferably to trade and industry, and only to a slight extent to craftsmen, small traders and agriculturists, have been mentioned briefly before (p. 223 and following).

241. The number of such persons would thus be counter-balanced in a remarkable way by the number of persons who according to the complaints heard in savings banks circles, have been won away from them by the credit banks, one third of whose total deposits are claimed to be made up of "saving deposits."

242. "Die Bank," June, 1908, p. 544.

243. See Herman Mauer, Das landschaftliche Kreditwesen Preussens (The Prussian System of Cooperative Land Credit), (Strassburg, Karl J. Trübner, 1907); Felix Hecht, Die Landschaften und landschaftsähnlichen Kreditinstitute in Deutschland (the Agricultural Credit federations, and similar organizations in Germany), Vol. I, Statistics (Leipzig, Duncker & Humblot, 1908).

244. Die Organisation des langfristigen gewerblichen Kredits (in the Publications of the Mitteleuropäischer Wirtschaftsverein, No. 6, pp. 59-86.)

245. Die Mannheimer Banken, 1870-1900, Leipzig, Duncker und Humblot, 1902. Lehren der Krisis. Paper read at the general meeting of the

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Verein für Sozialpolitik, 15 September 1903 (Vol. CXIII of the publications of the Verein für Sozialpolitik), and monograph on "Die Organisation des gewerblichen langfristigen Kredits (The Organization of long-time industrial credit), 1908.

246. A larger degree of publicity, as for instance the more frequent publication of summary balance sheets (Rohbilanzen), while practicable per se, is not likely to throw much more light on the condition of the institution

247. Berlin, Puttkammer & Mühlbrecht, 1909, p. 340-361.

248. In "Die Lehren der Krisis," p. 141, and in the monograph on "Die Mannheimer Banken," p. 45

249. Ad. Weber, Die rheinisch-westfälischen Provinzialbanken, in the Publications of the Verein für Sozialpolitik, Vol. CX, p. 344. In this monograph—long before Lansburgh,—the activity of the small banks in the Rhine country and Westphalia has been treated in great detail and duly appreciated, pp. 362-371.

250. So far as we can foresee, this policy of the mortgage banks (except in a few instances where loans are made on warehouses) is not likely to be changed, even if it be true that the mortgage bank act (art. 12) does not stand in the way of loans on factories, as Ernst Sontag tried to prove (Die Gründung einer Industrie-Hypothekenbank—[The Establishment of a mortgage bank for Industry]. Kattowitz, Gebr. Böhm, 1909). The mortgage banks are not likely to regard factories as easily marketable risks nor must they underestimate the risk that the buildings may remain idle and yield no return.

251. Waldemar Müller (Bank-Archiv No. 7, Jan. 1, 1909, p. 98).

252. See Otto Jeidels, Das Verhältnis der deutschen Grossbanken zur Industrie (The relation of the great German banks to industry) Leipzig, Duncker und Humblot 1905, p. 34. In just such cases however, the central institution proposed by Hecht would not be authorized to intervene (Veröffentlichungen des Mitteleuropäischen Wirtschaftsvereins, Berlin, 1908, vol. 6, No. 5, p. 79).

253. We may readily suppose, for instance, that the repayment in annuity form of long-time industrial loans granted by the credit banks may be made a normal part of the contract in the same way as is proposed in connection with the central bank.

254. The question of the profitableness of the enterprise (Veröffentlichungen, p. 85) which Hecht prefers to leave untouched would of course be largely affected by the greater or smaller amount of capital stock; but on this point, too, Hecht has nothing to say.

255. This is also the opinion of Karl Diehl, Der Bau einer neuen Organisation des langfristigen industriellen Kredits (Plan for a new organization of long-time industrial credit), in the Bank-Archiv of March 15, 1909, Vol. VIII, No. 12, p. 190. The article contains a number of other pertinent criticisms of the proposed central institution. See also Frankfurter Zeitung (Abendblatt) of Sept. 25, 1908, and the criticisms of Bank Director

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Freiherr von Pechmann, in the Veröffentlichungen des Mitteleuropäischen Wirtschaftsvereins, No. 6, pp. 86-95; also A. M. Ernst Sontag, *op. cit.*

256. Eugen Lopuszanski, Einige Streiflichter auf das österreichische Bankwesen (Some side-lights on the Austrian bank system) in Volkswirtschaftliche Wochenschrift of Al. Dorn, Vol. I, No. 1305, Dec. 31, 1908, p. 437.

257. See Veröffentlichungen des Mitteleuropäischen Wirtschaftsvereins, No. 6, p. 75.

258. It is to be noted, however, that in the transactions of the Mitteleuropäische Wirtschaftskonferenz in Berlin, May 17 and 18, 1909, Hecht himself to all appearances assumed the necessity of legislative regulation of the matter, which he evidently had not contemplated before.

259. Security in the shape of a guarantee or a life insurance policy pledged is of little practical consequence in connection with the bonds discussed above, so that we may safely ignore such cases here. Loewy (Rawitsch) is of a different opinion (Bank-Archiv, Vol. VIII, p. 241, et seq.); on principle he is in favor of the idea of a central institution.

260. The law (art. 1) becomes applicable the moment it is found that the object of the activity of the enterprise is actually directed to this end. It makes no difference whether this object of the undertaking is specifically indicated in the charter or by-laws or not; otherwise it would be very easy to make article 1 of the mortgage bank act inoperative, by simply omitting to mention in the charter or by-laws this object of the undertaking.

261. Ernst Sontag, *op. cit.*

262. Veröffentlichungen des Mitteleuropäischen Wirtschaftsvereins, No. 6, p. 66.

263. See Felix Hecht, Denkschrift über die Organisation des gewerblichen langfristigen Kredits, p. 10.

264. See Siegfried Buff, Das Kontokorrentgeschäft im deutschen Bankgewerbe (current-account transactions in German banking). J. G. Cotta'sche Buchhandlung Nachf., Stuttgart & Berlin 1904 (issued as No. 60 of the Volkswirtschaftliche Studien, edited by Brentano & Lotz).

265. See Joh. Friedr. Schaer, Die Bank im Dienste des Kaufmanns (the bank and its service to the merchant), Leipzig, G. A. Gloeckner, 1909, p. 19.

266. In its very first annual report (1853) the Darmstädter Bank stated that in accordance with the instructions of the government of the Grand Duchy of Hesse, the authorities of the customs department granted credit on customs duties to all merchants on their bills provided with the guarantee (Aval) of the bank.

267. We do not agree with Joh. Fr. Schaer's view (*loc. cit.*, pp. 23-24) that under the provisions of the law governing bank deposits, "the bank having the care of securities, is entitled to represent the shares at the general meeting, unless the depositor has signified his wish to the contrary" (see Riesser, Kommentar zum Bankdepotgesetz, 2d ed., Berlin, 1906, Otto Liebmann, p. 42, sec. 3, d, β). On the contrary the bank must not assume

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to represent the shares unless specifically authorized by the depositor, for such representation involves a "disposition" of the shares, limited though it be, to which the bank taking care of the securities is not entitled. The authorization need not however be made out in this case in the form prescribed in article 2 of the bank deposit law.

268. Bank-Archiv, Jan. 15, 1909, Vol. VIII, No. 8, pp. 114-15.

269. Substantially the same description is given by Joh. Friedrich Schaer, loc. cit., p. 46, B, a.

270. For the Deutsche Bank see circular (No. 4) reprinted by Joh. Friedr. Schaer, loc. cit., p. 130.

271. The terms for current accounts of the Disconto-Gesellschaft, the Dresdner Bank, and the Berliner Handelsgesellschaft, in the form in which they were in force immediately before 1904, are reprinted in Siegr. Buff, loc. cit., pp. 110-125.

272. See Waldemar Müller, Bankarchiv, Vol. VIII, No. 8, p. 115, and Joh. Fr. Schaer, p. 74, No. 1.

273. Bank-Archiv, Vol. VIII, No. 8 (Jan. 15, 1909), p. 115.

274. See Ad. Weber, Die rheinisch-westfälischen Provinzialbanken und die Krisis, loc. cit., p. 342.

275. See Felix Hecht, Die Katastrophe der Leipziger Bank (The collapse of the Leipziger Bank) in "Störungen im deutschen Wirtschaftsleben während der Jahre 1900 ff." (Disturbances in German economic life during 1900 and the following years), Vol. VI, Geldmarkt-Kreditbanken, p. 384).

276. In balancing a current account the interest is figured thus: The interest-bearing amounts (the result of multiplying the capital by the number of days and dividing by 100) are first determined, (in Berlin the month is considered as thirty days) and entered on the credit or debit side according as the customer is to be credited with interest or to be debited therewith. The current account is usually kept by double entry and balanced daily as far as practicable.

277. See Otto Jeidels, loc. cit., p. 33.

278. See Otto Jeidels, loc. cit., p. 169-171, for an account of the distribution by localities and industries of the industrial corporations with which the large banks are connected, either through the appointment of representatives on the supervisory boards of the corporations or by serving as their fiscal offices for the payment of interest and dividends or the redemption of bonds when mature. In spite of his declaration to the contrary, Jeidels overestimates the importance of such fiscal agencies.

279. Robert Franz, Die deutschen Banken im Jahre 1908, (German banks in 1908), p. 22.

280. Even such an arrangement could but seldom be made with the German retailer. Contrary to the custom prevailing in France, he will, as a rule, not allow himself to be drawn upon nor does he give bills. Nevertheless he demands long terms of credit and settlement without being

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willing to obligate himself, as in the case of bill credit, to make payment at the end of the period.

281. In England, too, bills of this kind drawn on foreign countries are not discounted by the banks. (See Edgar Jaffé, *Das englische Bankwesen* [the English banking system] p. 142.) They are at once sold to foreign bill brokers. For other particulars see Jaffé, pp. 123 and 124.

282. According to the Jubilee Report of the Reichsbank (p. 78), this practice explains why the average value of the bills reaching the Reichsbank rose from a minimum of 1,421 marks in 1878 to a maximum of 1,936 marks in 1900. The amounts drawn on banks and bankers are nearly always for very large sums. However in proportion as the large banks are making their way into the provinces by means of their branches, discounting there also the bills of small borrowers, the average amount of the bills discounted declines.

283. Edgar Jaffé, *loc. cit.*, p. 124.

284. Walther Lotz, *Die Technik des Emissionsgeschäfts*, Leipzig. Duncker & Humblot, 1890, p. 58.

285. Heiligenstadt, in the Proceedings of the Bank Inquiry Commission of 1908 on points 1-4 of the question sheet (Berlin, 1909, Imperial Printing Office), p. 25.

286. Under the old stock exchange law, in case of speculation on a cash basis the following method was often resorted to among provincial banks and private bankers. The customer engaged in speculation would make part payment on the securities bought for him and left on deposit with his bank or banker. The balance of the purchase price, which was to be paid at once, would be obtained by having the bank or banking establishment draw on another banking institution, or else, in order to cover up the true character of the bill as a finance bill, the person on whose account the securities were bought would draw on a provincial bank or private banker, that is on his own banker, who would thereupon discount his own acceptance. See W. Prion, *Das deutsche Wechseldiskontgeschäft*. (Bill discounting in Germany), Leipzig, Duncker & Humblot, 1907, p. 42.

287. See among others *Der Deutsche Oekonomist* of Aug. 4, 1900, p. 476, July 29, 1905, p. 414, and Rob. Franz, *Die deutschen Banken im Jahre, 1907*, p. 15 & 16. For the Berlin banks, during 1894-1899 the amount fluctuated between one-half and two-fifths. (See Ernst Loeb, *loc. cit.*, p. 267.)

288. Ad. Weber, *Depositbanken, etc.*, p. 117.

289. Schmoller, *Grundriss*, II, p. 493.

290. The separation of the acceptances from the avals was not practicable because of difficulties in the technique of accounting, the two items appearing combined in the balance sheets of many banks.

291. See W. Prion, *loc. cit.*, p. 53.

292. Special literature: W. Prion, *Das deutsche Wechseldiskontgeschäft*. Mit besonderer Berücksichtigung des Berliner Geldmarktes (The German bill discounting business. With special reference to the Berlin money

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market). (Leipzig, Duncker und Humblot, 1907.) No. 127 of *Staats- und Sozialwissenschaftliche Forschungen*, edited by von Schmoller and Sering. An excellent work.

293. This fact, repeatedly established at the hearings of experts before the bank inquiry commission, is also affirmed by W. Prion (*loc. cit.*, p. 32).

294. See W. Prion, *loc. cit.*, p. 61, where he mentions that Hamburg has a quotation for the private discount of prime bills and a special quotation for commercial bills, the margin between them amounting to one-fourth to one-eighth of 1 per cent; and the same is true of London, where there is a difference of one-half of 1 per cent between the quotation of bank bills and of trade bills.

295. This device, hardly perceptible to outsiders, of raising the rate of private discount in individual cases, even though the amount be trifling, may thus be used by the Bourse as a warning signal. In the case of an excessive straining of credit on the part of some bank, it may perform within banking circles the same functions and exert the same influence as the ruder and ostentatious means of a general raise of the official rate of bank discount, in case of a general overstraining of credit.

296. See W. Prion, *loc. cit.*, p. 33.

297. Waldemar Müller, *loc. cit.* (*Bank-Archiv.*, Vol. 8), No. 8, p. 117.

298. *Loc. cit.*, p. 51.

299. W. Prion, *loc. cit.*, p. 53.

300. The number of note banks was as follows: 1883-1886, 18; 1887, 17; 1888, 16; 1889, 14; 1890, 13; 1891-1893, 9; 1894-1900, 8; 1901, 7; 1902-1904, 6; 1905-1908, 5 (Reichsbank, Bayerische Notenbank, Sächsische Bank, Württembergische Notenbank, and Badische Bank).

301. The number of mortgage banks varied between 24 in 1883, 39 in 1900-1902, and 40 in 1903-1908.

302. See Rob. Franz, *Die deutschen Banken im Jahre, 1907*, p. 12, and Rob. Franz, *Die deutschen Banken im Jahre, 1908*, p. 14. That enumeration, however, includes only credit banks having a capital each of at least 1,000,000 marks, while in the case of mortgage banks no such restriction is made.

303. The amounts of bills held by the six great banks of Berlin vary somewhat from those given by W. Prion, *loc. cit.*, p. 208 (514, 559, 671, 697, 742, 740, 914, 1017 million marks).

304. In regard to the figures given above, it is to be noted that in consequence of the circulation of bills between central banks and branch banks, certain items have doubtless been counted several times.

305. Edgar Jaffé, *Das englische Bankwesen*, p. 124 and pp. 141-144.

306. Edgar Jaffé, *loc. cit.*, p. 125.

307. Edgar Jaffé, *loc. cit.*, p. 145.

308. The acceptance commission at the foreign banks is one-half per cent.

309. Edgar Jaffé, *loc. cit.*, pp. 148-151.

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310. It is to be noted that the official discount in London represents a minimum rate of discount, whereas the official rate of discount of the German Reichsbank has rather the meaning of a maximum rate of discount, so that the two are not strictly comparable. Furthermore, the Bank of England, unlike the German Reichsbank, reserves the absolute right to decline to discount even "legitimate" bills when not convenient, so that, especially in times of overstrained credit, and when the Bank is planning a raise of discount, it does not discount all the bills presented. Finally, the Bank of England, unlike the German Reichsbank, discounts only the bills of regular customers. Nevertheless the variations in the rates of discount in Germany and England run entirely parallel. However, the rate of discount in England has invariably been higher than in Germany during the last fifty-six years, the proportion during that time being as 100:122. (On an average the difference is 0.63 per cent.) See the exceedingly instructive work by Joh. Fr. Schaer, *Zahlungsbilanz und Discout* (Berlin, 1908, S. Simon), pp. 110 and 111. On pp. 101 and 102, on the basis of statements by Karl Waidmeyer, general secretary of the Austro-Hungarian Bank, are given the average rates of official discount in England, France, Germany and Austria-Hungary from 1852 to 1907, that is to say, for fifty-six years, the years of crisis being noted, while on p. 107 are given the averages of the official discount of the last five decades for the same countries. The differences in the figures of the rates of discount in Germany as compared with those of England, France and Austria-Hungary, are due, in the foremost place, to the difference of the economic situation and of the balance of payment, as well as to the differences in the organization of the money markets and banks.

311. See W. Prion, loc. cit., pp. 74, 75.

312. Loc. cit., p. 75.

313. See my statements before the bank inquiry commission (Transactions of the full commission, under Numbers I-V of the question sheet, Berlin, Ernst Siegf. Mittler & Sohn, 1904), pp. 70, 71.

314. Loc. cit., p. 55.

315. See W. Prion, loc. cit., pp. 77-95.

316. My own views, coinciding with the above, were set forth in the proceedings of the bank inquiry commission, under Numbers I-V of the question sheet (Berlin, 1909), p. 259. By a misprint, the word *nicht* (not) was omitted in the phrase "je nach den Verhältnissen des Geld- oder Warenmarktes überhaupt nicht zu einer Realisierung führt" ("is not realized on, in accordance with the conditions prevailing in the money market or the commodity market").

317. See W. Prion, loc. cit. p. 93.

318. Loc. cit., p. 78.

319. Friedr. Leitner, *Das Bankgeschäft und seine Technik*, Frankfurt-am-Main, 1903, J. D. Sauerländer, publisher, pp. 259-260.

320. Lombard loans to banks and others (bankers and other financial concerns) are greatly influenced by the demands of commerce, industry

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and other lines of activity, which demands are largely concentrated in the banks, and are particularly heavy at the close of the year and at other customary dates of settlement (*schwere Termine*). As an illustration of this influence it may be mentioned that on December 31, 1907, the total amount of lombard loans of the Reichsbank (in 5,666 pledge receipts) was 364,297,700 marks, distributed as follows: To joint-stock banks (on 497 pledge receipts) 163,100,300 marks, to other money and credit institutions (on 916 pledge receipts) 125,399,000 marks. It is also interesting to note the proportion of lombard loans granted to joint-stock banks and those to private banks, etc., at the two dates of comparison (March 31, 1908, and December 31, 1907).

Before the meeting of the bank inquiry commission and to some extent during its proceedings, there was some talk of compelling the Reichsbank to establish a certain limit which must not be exceeded in the discounting of bills and the granting of lombard loans on dates of settlement (*schwere Termine*), especially at the close of each quarter, the aim being to improve the condition of the bank. In the course of the proceedings this demand was dropped. In fact, the close of the quarter is precisely the time at which the most legitimate demands of commerce arise, which must be met almost entirely by the granting of short-term credit, a task which the Reichsbank can not shirk, since the very purpose of its existence is "to facilitate payments," while another, though not equally essential part of its functions is "to promote the utilization of available funds" (art. 12, sec. 1 of the bank act).

On this point Waldemar Müller justly remarks: "To grant credit and issue notes in times of business calm, no central bank of issue with the privileges of the Reichsbank is needed; even so defective a note bank system as that of the United States suffices for that purpose. It is in times of heavy demand and in times of crisis that the bank has to prove itself equal to the task assigned to it by the bank act" (Bank-Archiv, Vol. 8, No. 9, Feb. 1, 1909, p. 130).

321. Felix Hecht, *Die Mannheimer Banken*, p. 40.

322. A. Weber, *Depositenbanken und Spekulationsbanken*, p. 97.

323. Waldemar Müller, *Die Organisation des Kredit- und Zahlungsverkehrs in Deutschland* (Bank-Archiv, 15 January, 1909, Vol. 8, No. 8, p. 116).

324. The portion of the rules and regulations of the Deutsche Bank coming under this head is reproduced in Joh. Fr. Schaer, *Die Bank im Dienste des Kaufmanns*, pp. 128 and 129.

325. This is the reverse, quite compatible with the principles of jurisprudence, of the provision of art. 405, sec. 2 of the Commercial Code, which, it is to be noted, is merely declaratory in its nature. It declares that, when the broker announces the execution of an order without expressly stating that he himself is liable for it, this is equivalent to the statement that he has closed the transaction with a third party on account of his client.

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326. This is self-evident from art. 403 of the Commercial Code.

327. Until the new Bourse Law went into effect, it was customary to add the following: "Transactions relating to securities with fixed date of delivery are subject to special provisions."

328. This is an extension of arts. 397 and 369 of the Commercial Code.

329. That is to say, not merely "on account of all demands on current account in the brokerage business" (art. 397, Commercial Code).

330. This addition corresponds to art. 8 of the bank deposit law of July 5, 1896, which requires that the broker (local banker) who transmits for safe-keeping securities, the property of a customer, to a central banker, or transmits to such banker an order, received from a customer, to purchase securities, shall declare to the central banker that the securities belong to a third party or that the purchase is to be made on account of a third party. The consequence of this is that the central banker can exercise the right of pledge and retention only in virtue of claims that have arisen in connection with these securities (in particular as regards any remnant of the purchase price), but not in virtue of all claims which the central banker has against the provincial banker in connection with any other business. The latter was the case before the enactment of the Bank Deposit Law, when the provincial banker deemed himself authorized to leave the central banker in ignorance of the fact that the transmitted papers belonged to a third party or that the ordered purchase was to be made on account of a third party. If thereupon the provincial banker became bankrupt, the central banker enforced his right of pledge or retention in virtue of all his claims on the provincial banker, with the consequence that the client of the provincial banker as a rule found that his right of exemption became illusory.

331. This addition, referring to art. 2 of the imperial stamp law of June 3, 1906, is intended to exclude the joint liability of the bank for the stamping of the securities in accordance with the law. In virtue of this provision, while the pledging of foreign securities comes under the definition of a "business" (between living persons) liable to stamp dues, the same is not true of the deposit of such securities made without any right of pledge. That is the reason why the conditions provide that in the case of unstamped foreign securities the right of pledge and retention, which otherwise would be created, is excluded.

332. Arts. 1221 and 1235 of the Banking Code read as follows: Art. 1221: If the pledge has a bourse or market price, the holder of it may sell it at free sale at the current price through a broker legally authorized to make such sales, or through a person authorized to make public auction sales. Art. 1235: The sale of the pledge is to be made by way of public auction. If the pledge has a bourse or market value, the provision of art. 1221 applies.

333. Art. 1246 of the Banking Code says: If, according to equity, the interests of the parties concerned would be better served by a method of sale of the pledges different from that provided in arts. 1235 to 1240, either of these parties may demand that the sale shall take place according to this

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other method. If an agreement is not reached, the decision shall be made by the court.

334. Concerning the meaning of the word "ausdrücklich" (expressly), see Riesser, *Das Bankdepotgesetz*, 2d edition (Berlin, Otto Liebmann, 1906), p. 49, note 1, and pp. 26 and 27. Bruno Buchwald, on p. 172 of his exceedingly valuable book "Die Technik des Bankbetriebs" (5th ed., Berlin, Julius Springer, 1909, p. 172), reproduces a printed blank containing the words: "and I confer on you the rights provided in section 1, article 2 of the deposit law of July 5, 1869." It is to be noted that this blank is *not* conformable to the law. The law requires an *express* authorization, that is to say, the authorization itself must make it clear that the giver thereof was well aware of its contents and meaning.

335. However, to guard against an incorrect practice, such as seems to obtain in many places, it must be pointed out once more that, even where such authorization has been given to the banker, he is required to safeguard the customer's securities in accordance with the provisions of art. 2 of the bank deposit law so long as he has not made use of the authorization (see Riesser, *loc. cit.*, p. 33 under b).

336. See Bruno Buchwald, *loc. cit.*, pp. 131, 149.

337. See Bruno Buchwald, *loc. cit.*, pp. 149, 352.

338. See Rob. Franz, *Die deutschen Banken im Jahre 1908*, pp. 24-25.

339. See Ad. Weber, *Depositenbanken und Spekulationsbanken*, p. 102

340. See Rob. Liefmann, *Beteiligungs- und Finanzierungsgesellschaften* (Jena, 1909, Gust. Fischer), who justly insists that this financing business is to be sharply distinguished from the issue business (p. 84 et seq.). The former consists in procuring the funds, belonging to the bank or to the public, required for the operations of transformation or original founding, and—I may add—in assuming the functions of intermediary in these operations.

341. The ratio of transformations to original foundings (which are combined in the table of companies founded, see p. 119), was stated by van der Borcht for the period 1895-1907 at about 50 per cent (*Jahrbücher für National-Oekonomie und Statistik*, 3d series, Vol. XV).

342. See p. 115 and following of the present work for an account of the increase in the capital of stock companies founded in the four-and-a-half-year period 1870-1874, as compared with the capital of stock companies founded in the period 1851-1870.

343. Heinrich Sattler, *Die Effektenbanken* (Leipzig, 1890), p. 21: "The operations of transformation may be briefly designated as industrial jobbery (*industrielle Ausschachtungsgeschäfte*)."

344. Engel, in *Zeitschrift des Statistischen Büreaus* (Berlin, 1875), Heft 4, p. 356.

345. See Ad. Wagner's preface to Heinrich Sattler's scientifically rather unimportant work, *Die Effektenbanken* (Leipzig, C. F. Winter'sche Verlagshandlung, 1890). In that preface, Wagner displays with startling distinctness his attitude toward the credit banks, which afterward prompted his

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various extreme proposals. "The fat dividends," he says in the preface, p. VIII, "may in some cases have been earned by these banks honestly, but on the whole they owe their high figure principally to the exploitation of the heedlessness, inexperience and greed of that portion of the population which engages in gambling at the bourse." (Compare with this statement the sources of bank dividends, as stated in the present work!) Again: "Social legislation concerns . . . all those economic relations where there is danger of exploitation, and where profits, incomes, fortunes, often of gigantic dimensions, are developed without corresponding 'labor,' at the expense of the persons exploited, though the latter may in many cases share in the blame."

346. Walther Lotz, *Die Technik des deutschen Emissionsgeschäfts* (Leipzig, Duncker & Humblot, 1890). A fundamental work.

347. Art. 41, sec. 1 of the Bourse law reads as follows: "The stock of an enterprise transformed into a stock company or into a stock company en commandite shall not be admitted to trade at the Bourse before the expiration of one year from the date of the entry of the name of the company in the trade register and before the publication of the first annual balance sheet, with statement of profit and loss. In special cases this period may be abridged or dispensed with by the government of the State (art. 1)."

348. According to the table of *Der Deutsche Oekonomist*, reproduced on p. 268 of Ernst Loeb's work, *Die Berliner Grossbanken in den Jahren 1895 bis 1902 etc.*, the premium on newly issued stock in the years 1896-1900, inclusive, was as follows: Bank stock, 35.3, 53.5, 36.7, 30.6, and 26.5 per cent, industrial stock, 36.1, 66.7, 67.7, 66.9, and 55.2 per cent.

349. A "bonus" (Bonifikation) is the remuneration paid to a bank before or at the time of issue by the party issuing securities solely for services in promoting the sale of the securities, that is to say, a function which has absolutely nothing to do with the quality of the bank as broker for its clients. This "bonus" therefore represents a special remuneration for a special kind of banking activity, consisting in this that the banker undertakes, to the best of his ability and on the ground of his special knowledge of customers, to see that the securities issued are placed in good hands, that is to say, permanently. This function should not be, and in fact can not be, performed by any one but a banker. Hence it is absurd to say that he is bound to pay this bonus to his clients, that is to say, the buyers of the securities, and still less, that he acts "fraudulently" (*dolos*) in failing to state the fact that he received a bonus and to share it with others, as was decided by the Imperial Court (I Civil Senate) in a judgment rendered Dec. 10, 1904.

350. How ill-advised it is to draw rash conclusions in regard to the manner of issue from a temporary decline in quotations, is illustrated by the table printed by Ad. Weber (*loc. cit.*, p. 155), in which the list of "Stock companies of inferior quality" includes the Jura-Simplon railway, which has since then been nationalized.

351. See Walther Lotz, *loc. cit.*, p. 71.

352. The two tables are reprinted on pp. 278 and 279 of the proceedings of the bank inquiry commission of 1908 (Proceedings of the full commis-

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sion, Numbers I-V of the question sheet, Berlin, Ernst Siegr. Mittler & Sohn, 1904), as appendix to pp. 65 et seq.

353. The Frankfurter Zeitung enumerates the bonds thus: "German and foreign mortgage bank bonds (estimated)" and "Other bonds;" the Deutscher Oekonomist, on the contrary, discriminates between mortgage, railway and industrial bonds, both in the case of the German and of the foreign bonds. The Frankfurter Zeitung gives railway stock and tramway stock in a single item, while the Deutscher Oekonomist separates them. The table of the Frankfurter Zeitung lacks the item "Insurance stock," which receives special notice in the Deutscher Oekonomist at least in the case of German securities. The table of the Frankfurter Zeitung contains separate statements regarding foreign securities only in the case of government loans, while the table of the Deutscher Oekonomist gives these separate statements throughout. Finally, there are great differences in the amounts. Thus for example the nominal amount of the foreign government loan issues during 1905 given in the table of the Frankfurter Zeitung differs from that given in the Deutscher Oekonomist by not less than 142,000,000 marks (Frankfurter Zeitung, nominal amount 724,000,000, Deutscher Oekonomist 866,000,000 marks) in a single group of securities. In 1907 the market value of all issues, according to the Frankfurter Zeitung, was in round figures 1,842,000,000 marks, while according to the Deutscher Oekonomist it was 2,135,000,000 marks, again a difference of nearly 300,000,000 marks.

354. Based largely on Otto Jeidels, *Das Verhältnis der deutschen Grossbanken zur Industrie*, Leipzig, Duncker & Humblot, 1905.

355. Regarding positions in the supervisory councils as a "consequence of concentration in the banking and particularly in the issuing business," see Franz Eulenburg, *Die Aufsichtsräte in den deutschen Aktiengesellschaften* (Conrad's Jahrbücher, series 3, Vol. XXXII, Lieferung 1, pp. 109 et seq.).

356. Otto Jeidels, loc. cit., p. 111.

357. Otto Jeidels, loc. cit., p. 44.

358. Ibid, p. 51.

359. For example, in the case of the fusion of the Huldshinsky Smelting Works with the Upper Silesian Railway Supply Co., 1904.

360. Loc. cit., p. 127.

361. Loc. cit., p. 55.

362. Otto Jeidels, loc. cit., p. 139.

363. Loc. cit., p. 169, Tables I and II.

364. Loc. cit., pp. 170, 171, Tables III and IV.

365. See Riesser, *Zur Aufsichtsratsfrage* (Berlin, Otto Liebmann, 1903, reprint from the Jubilee publication of the Juristische Gesellschaft zu Berlin in honor of Richard Koch), pp. 296 et seq.

366. Rud. Eberstadt, *Der deutsche Kapitalmarkt* (Leipzig, Duncker & Humblot, 1901).

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367. See Ad. Weber, loc. cit., p. 171. Ruhland, indeed, continues to deem it appropriate, without any regard to the objections raised, to say (Vol. III of the "System der Politischen Oekonomie", Berlin 1908, p. 146): "According to an investigation by Eberstadt, the market value of German industrial securities was enhanced by speculation during the period from January 1, 1895, to April 1, 1900, by 75 to 100 per cent above their issue price."

368. Ernst Loeb, (loc., cit. p. 271) assumes that one-half to three-fourths of the credits booked under loans (Debitoren) were granted in behalf of commerce and industry, a statement which it would be difficult to verify.

369. In refutation of Eberstadt see also Franz Eulenburg, Die gegenwärtige Wirtschaftskrise, Symptome und Ursachen, in Conrad's Jahrb., III series, Vol. XXIV, p. 381; Heinemann in Conrad's Jahrb. (1902), III series, Vol. XX, p. 128; and Ernst Loeb, in the Schriften des Vereins für Sozialpolitik, Vol. CX (Die Störungen im deutschen Wirtschaftsleben, 1903, Vol. VI), p. 270.

370. See for instance the report of the Darmstädter Bank for 1853.

371. Page 29.

372. Jubilee report of the Disconto-Gesellschaft, p. 29.

373. Concerning other mistakes made in connection with the issue of that first war loan, see Riesser, Finanzielle Kriegsbereitschaft und Kriegsführung (Jena, Gustav Fischer, 1909) p. 102 et seq. Nevertheless the blame for this poor result has until very recently been laid not on the financial administration, which established those conditions against the express warning of the representatives of the banking business, but on the whole body of German banks and bankers.

374. Loc. cit., Bank-Archiv, Vol. 8, No. 8 (of Jan. 15, 1909), p. 118.

375. The compensation is effected for the most part by exports.

376. I greatly prefer the term "balance of claims" (Forderungsbilanz), proposed by Sartorius Freiherr von Waltershausen in lieu of the term "balance of payments" (Zahlungsbilanz), on pp. 73 et seq. of his book "Das volkswirtschaftliche System der Kapitalanlage im Auslande," which will be discussed on a subsequent page.

377. Jubilee report of the Disconto-Gesellschaft, p. 127.

378. Bourse inquiry commission, list of proposals rejected or withdrawn, p. 21.

379. Sartorius Freiherr von Waltershausen; Das volkswirtschaftliche System der Kapitalanlage im Auslande. Berlin, 1907, Georg Reimer.

380. Bank-Archiv of Sept. 1, 1908, Vol. 7, No. 23, p. 357.

381. The issues in question were in the main Argentine, Greek, Portuguese, Chilean, and Servian Government loans, a Buenos-Aires municipal loan, Brazilian, Dutch-South-African, and Mexican railway loans, in the issue of which, in one case or another, all the great banks without exception, together with a number of other banks and banking firms, took part to a greater or less extent. Certain of these securities declined rapidly almost as soon as issued, which led to sharp criticisms of the issuing firms. See the

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table of the Deutscher Oekonomist, reproduced by Ad. Weber, loc. cit., p. 132. This table, however, should be used with caution.

382. Even Siemens' calculations (see Deutscher Oekonomist, Sept. 14, 1901, p. 529), correct as they are, can not be regarded as pertinent from the point of view here represented. A more important circumstance is the fact pointed out by Rob. Liefmann (Conrad's Jahrbücher, series 3, Vol. XXVII, p. 172), as well as in the present work, that a large part of the issues of foreign loans is often sold not in German but in foreign markets.

383. Ad. Weber, loc. cit., p. 134, note 3.

384. The History, Principles and Practice of Banking, London, 1901, I, p. 64 (see *ibid.*, p. 181).

385. Only one 5 per cent Prussian loan of £5,000,000, included in the table, dated back as far as 1818.

386. Ad. Weber, *Depositenbanken und Spekulationsbanken*, p. 132. In contrast with these numerical data, taken from the Deutscher Oekonomist, there is a statement, also found in the Deutscher Oekonomist (July 22, 1899, p. 527), which puts the figure as low as 1,973,000,000, a good deal less than the 2,417,000,000 mentioned in the text.

387. Ad. Weber, loc. cit., pp. 128-129. The figure given for 1900 does not quite agree with the corresponding figure given by Ernst Loeb, *Die Berliner Grossbanken in den Jahren 1895 bis 1902*, p. 121, which gives also the real estate participations (Terrainbeteiligungen). These are stated as follows, from 1897 to 1901: 3, 3, 8, 8, 11.

388. Ernst Loeb, loc. cit., p. 161.

389. For the time being the Berliner Handelsgesellschaft does not publish any summary balances.

390. See for example the data from the balance sheets of the Darmstädter Bank for the end of 1899 and 1900, reproduced by Ad. Weber, loc. cit., p. 163.

391. See Ernst Loeb, loc. cit., p. 171, and for the preceding table, p. 161.

392. No figures are available for the Berliner Handelsgesellschaft, since this bank does not yet publish any summary reports.

393. See Jubilee report of the Disconto-Gesellschaft, pp. 29, 33, and following.

394. See Jubilee report of the Disconto-Gesellschaft, pp. 84 and 85.

395. For particulars regarding the creation and development of the firm Ludwig Loewe & Co., and of the Loewe group, see Otto Jeidels, p. 243 and following.

396. See Richard Rosendorff, *Die deutschen Banken im überseeischen Verkehr* (in Schmoller's Jahrb., 1904, Vol. XXVIII, No. 4, pp. 93-134).

Same author, *Le développement des Banques Allemandes à l'Étranger* (Revue Économique Internationale, T. I. Sept. and Oct., 1906). Same author, *Die Deutschen Übersee-Banken und ihre Geschäfte* (in Blätter für vergleichende Rechtswissenschaft und Volkswirtschaftslehre, Vol. III, 1908, Nos. 7, 8). J. Hellauer, *Die Zahlungsvermittlung der englischen Banken im Überseehandel*. Vienna, 1904. Emil Herz, *Deutschlands ausländische*

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Banken (Annalen des Deutschen Reichs, Vol. 39, 1906, No. 1, p. 48 and following). R. Hauser, Die deutschen Übersee-Banken (Jena, 1906). Anton Paul Brüning, Die Entwicklung des ausländischen, speciell des überseeischen deutschen Bankwesens (Berlin, 1907, Puttkammer & Mühlbrecht). André E. Sayous, Les Banques Allemandes et le Commerce d'outremer, in Bulletin Mensuel de la Fédération des Industriels et des Commerçants Français, 5th year, No. 52 (January, 1908, Part I). Same author, *ibid.*, No. 70, July, 1909, p. 404 and following): Pourquoi et comment il faut former en France des Banques d'exportation. L'exemple des banques allemandes d'outremer. Georges Diouritch, L'expansion des Banques Allemandes á L'Etranger, Ses Rappports avec le Développement Économique de l'Allemagne (Paris, 1909, Arthur Rousseau).

397. An appreciation has been attempted in my obituary on the occasion of the untimely death of Dr. George v. Siemens, the gifted and lamented president of the Deutsche Bank (Bank-Archiv., 1st year, No. 2, Nov., 1901).

398. For a discussion of the manner in which banks had to intervene and did intervene on behalf both of importers and exporters, see, among others, Richard Rosendorff, Die deutschen Banken im überseeischen Verkehr (Schmoller's Jahrbuch für Gesetzgebung, etc., Vol. XXVIII, No. 14, pp. 93-134), also p. 426 and following of this volume.

399. See Report of the Deutsche Bank for 1871, p. 3.

400. See Report of the Deutsche Bank for 1871, p. 4.

401. The following citations are taken from Model, *loc. cit.*, pp. 107, 109, and 117. The above remarks are not intended as a reproach to the newspaper in question; but the sentiments prevailing at that time in banking and bourse quarters, and which are merely found reflected in that paper, are of more than purely historical interest.

402. Emil Herz, *loc. cit.*, No. 1, p. 48 et seq.

403. The German oversea banks engaged in this line of business (the so-called "Inkassogeschäft," i. e. the collection of bills, bills of lading, etc.) have special so-called "Inkasso tariffs" See, for instance, the Inkasso tariff of the Deutsche Orient bank reproduced by Rich. Rosendorff, Die deutschen Ueberseebanken und ihre Geschäfte, reprint, pt. 24-46.

404. See Waldemar Müller, Die Organisation des Kredit- und Zahlungsverkehrs in Deutschland, Bank-Archiv, vol. 8, p. 115 et seq.

405. In case of the so-called "option shipments," by the terms of which the article may be offered for sale at different places during transportation, "option bills of lading" are given.

406. Waldemar Müller, *loc. cit.*, p. 116.

407. Thus, for instance, the banks, for the purpose of securing their advances, cause both the sender and consignee to sign declarations, according to which the goods and their proceeds remain hypothecated with the bank, not only so long as the documents are in the hands of the bank, but also subsequently, so that the consignee obligates himself to hold at the disposal of the bank the documents or the goods themselves (if deliv-

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ered to him), to keep separate accounts regarding the goods and their proceeds, not to merge the proceeds with other receipts and assets, and to deliver these proceeds to the bank at the earliest possible opportunity, (letter of hypothecation). The person who receives the goods, when informed of these stipulations through the bank by the grantee of the advance must make a corresponding declaration (letter of lien), and it is only after such a declaration and the giving of the acceptance that he receives the documents

408. Waldemar Müller, *Bank-Archiv*, vol. 8, No. 8 (Jan 15, 1909), p. 115.

409. For particulars regarding the charter of the Deutsche Ueberseeische Bank, commercial and railroad conditions in Argentina, the achievements of the various branches of the bank, the turnover and the results attained by these branches see Ant. Paul Brüning, p. 45-80, and Georges Diouritch, loc. cit., pp. 497-549.

410. We frequently come across the erroneous view, adopted to some extent in the literature of the subject, (see for instance Georges Diouritch, loc. cit., p. 501), that, under the Argentine laws of that time, the increase of capital of the old bank (the Deutsche Ueberseebank), which was intended in 1891 because of the large growth of the business of the bank, could be affected only after its liquidation and the organization of a new bank, which was take over the assets and liabilities of its predecessor. As a matter of fact, the old bank, too, was a German corporation, so that an increase of capital would have had to be effected in accordance with German and not with Argentine laws. The true cause, evidently, was that for various reasons it was desired to endow the bank with a large capital. According to German law this could only be done by fully paying up the capital of the old bank, which the managers were not willing to do, preferring to found a new institution with a larger capital, of which for the time being only a part had to be paid up.

411. Ad (b) and (c) see Anton Paul Brüning, pp. 14, 15.

412. Report of the Deutsche Bank for 1892, p. 4.

413. Report of the Deutsche Bank for 1890, p. 4.

414. Report of the Deutsche Bank for 1872, p. 4.

415. Report for 1883, p. 11.

416. Report for 1883, pp. 3, 11.

417. For particulars see Rich. Rosendorff, *Treuhandgesellschaften und ihre Funktionen*, in *Conrad's Jahrbücher*, 1906, No. 5, pp. 608 et seq.; also Walter Nachod, *Treuhänder und Treuhandgesellschaften* (Tübingen 1908, H. Laub'sche Buchhandlung) pp. 88 et seq.

418. Report of the Deutsche Bank for 1892, p. 4.

419. Report of the Deutsche Bank for 1901, p. 5.

420. Report of the Deutsche Bank for 1903, p. 7.

421. Report of the Deutsche Bank for 1908, p. 8.

422. Report of the Deutsche Bank for 1873, p. 10.

423. Report of the Deutsche Bank for 1883, p. 11.

424. Report of the Deutsche Bank for 1895, p. 4.

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425. Report of the Disconto-Gesellschaft for 1887, p. 5. For particulars regarding balance sheets of the Brasilianische Bank für Deutschland for the years 1889 to 1905 see Rich. Rosendorff, *Le développement etc.* p. 42 and -43, also Georges Diouritch, *loc. cit.*, pp. 550-598.
426. Report for 1889, p. 9.
427. Report for 1890, p. 8, and 1900, p. 13.
428. For particulars regarding the balance sheets of the Bank für Chile und Deutschland for the years 1896-1904 see Rich. Rosendorff, *Le développement etc.* (Oct., 1906) pp. 44, 45 and Georges Diouritch, pp. 599-621.
429. Rosendorff's statement, *loc. cit.*, p. 33, that the bank was founded in 1892, is a misprint.
430. For particulars regarding the activity of the bank, see, among others Georges Diouritch, *loc. cit.*, p. 684-690.
431. Report of the Disconto-Gesellschaft for 1900, p. 10, and 1905, pp. 13-15.
432. Report of the Disconto-Gesellschaft for 1888, p. 8.
433. Report of the Dresdner Bank for 1905, p. 6.
434. Report of the Dresdner Bank for 1905, p. 6.
435. Report for 1905, p. 6. The Dresdner Bank on that occasion noted that it would during the coming years regard it as one of its principal tasks "to enlarge and properly develop the foreign business relations, especially in oversea lands with which Germany has active trade connections."
436. Report of the Darmstädter Bank for 1885, p. 16.
437. Report of the Darmstädter Bank for 1871, p. 2.
438. Report for 1873, p. 16.
439. See Anton Paul Brüning, pp. 32, 33.
440. Report of the Berliner Handelsgesellschaft for 1887, p. 8.
441. Report for 1889, p. 11.
442. Report for 1903, p. 10.
443. For particulars see, among others, Georges Diouritch, p. 624.
444. The absolute amounts in the balance sheets of the Deutsch-Asiatische Bank from 1891 to 1904 are given by Rich. Rosendorff, *Le Développement des Banques Allemandes a l'Étranger*, pp. 38, 39. For further particulars see Georges Diouritch, pp. 669-690.
445. For particulars see Georges Diouritch, pp. 669-677.
446. For particulars see Georges Diouritch, pp. 738-753.
447. See Rich. Rosendorff, *Neuordnung des Deutsch-Ostafrikanischen Münzwesens*, in *Finanz-Archiv* of Schanz, Vol. XXII, No. 1, and Schmolter's *Jahrbuch*, Vol. XXX, No. 2, p. 170.
448. See art. 8 of the charter (Appendix 1 to the *Deutscher Reichs- und Königlich Preussischer Staatsanzeiger*, Mar. 3, 1905, No. 54). Furthermore the bank is obliged, according to article 13 of the charter, to publish a statement of its assets and liabilities on the last of every month, at its own cost, in a periodical designated by the governor of the German East African protectorate.
449. For particulars see Georges Diouritch, *loc. cit.*, pp. 754-760.

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450. Nevertheless, according to art. 42 of its charter, published in Appendix 1 of the *Deutscher Reichs- und Königlich Preussischer Staatsanzeiger*, February 1, 1905, No. 28, it is obliged to publish a statement of its assets and liabilities on the last of every month, at its own cost, in the *Reichsanzeiger*, according to a schedule prescribed in art. 42, sec. 2.

451. Memorial of the imperial Admiralty on "Die Entwicklung der deutschen See-Interessen im letzten Jahrzehnt," Dec. 1905, p. 175. In regard to France, see Rich. Rosendorff, *Die französischen Kolonialbanken* (Bank-Archiv, 1904, Vol. 3, No. 10, pp. 172-174). In regard to the several British colonial and foreign banks, as well as the several French and Dutch colonial banks, with their branches, capital and dividends, see Rich. Rosendorff, *Le Développement etc.*, pp. 49-51, and Diouritch, *loc. cit.*, appendix to p. 283.

452. See *Deutscher Oekonomist*, No. 1127, 436; No. 1179, p. 415; and Rob. Franz, *Die deutschen Banken im Jahre 1908*, p. 18.

453. See Robert Franz, *Die deutschen Banken im Jahre, 1906* (p. 14), *im Jahre 1907* (p. 21), and *im Jahre 1908* (p. 26).

454. E. Wagon, *Die finanzielle Entwicklung deutscher Aktiengesellschaften von 1870-1900* (Jena, 1903, Gustav Fischer), p. 46.

455. See *Vierteljahrshefte zur Statistik des Deutschen Reichs*, *Ergänzungsheft zu 1909, II: Die Geschäftsergebnisse der deutschen Aktiengesellschaften im Jahre, 1907, 1908*, pp. 15, 16. Concerning the methods of calculation, see E. Moll, *Die Rentabilität der Aktiengesellschaften* (Jena, 1908, Gustav Fischer).

456. Including, in addition to the 6 great banks, the following: Nationalbank für Deutschland, Commerz- und Disconto-Bank, Mitteldeutsche Kreditbank, Bank des Berliner Kassenvereins, Berliner Maklerverein, Amerika-Bank, Deutsch-Ueberseeische Bank, and Deutsche Treuhand-Gesellschaft. Beginning with 1909, the *Deutscher Oekonomist* no longer enumerates the five last-mentioned institutions among the "Berlin Banks" (*Deutscher Oekonomist*, Aug. 28, 1909, Vol. XXVII, No. 1391, p. 529), a commendable change, since these institutions are managed on a totally different basis.

457. Rud. Steinbach, *Die Verwaltungskosten der Berliner Grossbanken* (*Schmoller's Jahrbuch*, Vol. 29, No. 2, p. 85).

458. In conformity with the new and correct practice of the *Deutscher Oekonomist*, only the nine credit banks properly so called are here included.

459. Of April 3, 1904, reprinted by Otto Juidels, *loc. cit.*, p. 129.

460. In 1908 the gross profits from interest, bills and commissions have been combined.

461. On this point see Rud. Steinbach, *Die Verwaltungskosten der Berliner Grossbanken* (*Schmoller's Jahrbuch*, Vol. 29, No. 2, pp. 71-110, and No. 3, pp. 141-179); Ad. Weber, *loc. cit.*, p. 213; Heinemann, *Die Berliner Grossbanken an der Wende des Jahrhunderts* (*Conrad's Jahrbücher*, series III, Vol. XX, p. 86 et seq.); *Frankfurter Zeitung*, No. 91, April 1, 1903, and No. 93, April 3, 1903 ("Betriebskosten der Banken");

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Deutscher Oekonomist, Aug. 2, 1902; Rob. Franz, Die deutschen Banken im Jahre 1907, p. 18, and im Jahre 1908, p. 25. If all the banks were included, the proportion of operating expenses to gross profits would be still more unfavorable, since the above figures of the Deutscher Oekonomist do not include the directors' fees (Tantiemen), which though constituting part of the cost of operation are enumerated separately.

462. In 1907 and 1908, reserves and amounts written off are combined.

463. Ed. Wagon, loc. cit., p. 146.

464. These words are found in my opening address as chairman of the First General Congress of German Bankers, in Frankfort-on-the-Main (See transactions of the Congress of Sept. 19 and 20, 1902, published by the Centralverband des Deutschen Bank- und Bankiergewerbes, Berlin, 1902, p. 2).

465. Compare Otto Jeidels, loc. cit., p. 105.

466. It is to be noted that the surplus is here calculated not as per December 31 of the year given but as per Jan. 2 of the year following.

467. Jubiläumsbericht der Disconto-Gesellschaft, p. 172.

468. Compare Ernst Loeb, Supplement to Model, loc. cit., p. 152.

469. See Otto Jeidels, loc. cit., pp. 114-117.

470. See Model, loc. cit., p. 58.

471. Jubiläumsdenkschrift der Disconto-Gesellschaft, pp. 204-205.

472. "The bank is authorized to conduct all kinds of banking business, and therefore to conduct business of such nature that it can withdraw its money from that business at any time it may be needful."

473. For some unaccountable reason, Model, in his work "Die grossen Berliner Effektenbanken" (1896) failed to mention the A. Schaaffhausen'scher Bankverein, although it ranked even then among the great *Effektenbanken*, and, having established its Berlin branch in 1891, might properly be numbered among the Berlin great banks.

474. Compare Otto Jeidels, loc. cit., p. 113.

475. See Otto Jeidels, loc. cit., pp. 112, 123.

476. *Ibid.*, p. 210.

477. See Otto Jeidels, loc. cit., p. 137.

478. For the following discussion See Model, loc. cit., p. 91 et seq.

479. Report of the Berliner Handelgesellschaft for 1878, p. 2.

480. See A. Sartorius Freiherr von Waltershausen, Das volkswirtschaftliche System der Kapitalanlagen im Auslande, Berlin, Georg Reimer, 1907.

481. During the first period the Darmstädter Bank, as we learned above (p. 49), included in its program the creation of agencies both at home and abroad, whose purpose was to be to foster exportation and the innumerable relations between German industry and the money market. But for this the time was not yet ripe (partly because of the scarcity of German capital at that period), and thus the Darmstädter Bank had soon to abandon its ambitious plans (see p. 60 above and note 82 on p. 798) just as the Deutsche Bank had for a while to give up its East Asiatic agencies opened soon after its foundation.

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482. Otto Jeidels must have overlooked the close connection between this phase of banking and the so-called "export industrialism" or, at least, he did not attach sufficient importance to it, when in his excellent book on the "Relation between the great banks of Germany to industry" (p. 270), he deplores the "lack on the part of the banks, of a general industrial policy serving the economic interests of the nation as a whole," and contends (p. 197) that with the further evolution of capitalism the banks are driven "to exert their activity abroad," by the growing necessity to find opportunities for profitable investment in foreign countries for unemployed German capital. This argument, while possessing a certain weight, is not decisive.

483. The exports by sea constitute a large share of the total exports, amounting in the same year, according to the special report of the Admiralty (introduction p. v), to 64 per cent of the total exports.

484. According to the report of the imperial Admiralty of Dec. 1905 on the "Development of the German marine interests in the last decade" (introduction, p. v), of the total imports in 1904 almost 73.9 per cent arrived by sea.

485. See Paul Voigt, *loc. cit.*, p. 273.

486. In the middle of the last century, as stated above (p. 44), industry was called upon to provide sustenance and employment for the rapidly increasing population which could no longer be supported by agriculture alone.

487. The expression "feeding countries" (*Nahrungsstaaten*) is too narrow, because we are dependent upon foreign countries for other things besides food-stuffs.

488. Thus von Halle's description (*loc. cit.*, p. 70), "Earnings of German capitalists from foreign securities and loans, bought and sold in Germany" is too narrow.

489. Paul Dehn, *Weltwirtschaftliche Neubildungen* (Berlin, Allgem. Verein für deutsche Literatur, 1904, p. 41).

490. See *Journal officiel de la République Française*, XXIVe année, Sept. 25, 1902, and the oft-mentioned *Denkschrift des Reichsmarineamts* of December 1905, pp. 188-222.

491. *Loc. cit.*, p. 247.

492. *Das Geld im russisch-japanischen Kriege* (Berlin, Ernst Siegf. Mittler & Sohn, 1906), p. 217.

493. See the very instructive report of Léon Say to the French National Assembly, made on Aug. 5, 1874, translated in the publication of the Centralverband des Deutschen Bank- und Bankiergewerbes: "The payment of the French war indemnity of 1870-71 in Strassburg, Alsace" (Berlin, J. Guttentag, 1906, p. 83).

494. See report of the Reichsmarineamt of Dec. 1905, introduction, p. XI.

495. For particulars regarding the foreign business of German private insurance companies, see the report just mentioned, pp. 179-187.

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496. Report of the Reichsmarineamt of December 1905, p. 171, note 1.
497. 2d ed., pt. II, No. 3, sec. 13: Daten zur Handelsbilanz (Vienna, 1904), p. 780, note 2.

498. The total amount of Austro-Hungarian gold claims against foreign countries was estimated by the Neue Freie Presse of Mar. 29, 1903, at 400,000,000 crowns.

499. The estimates of income from these freight receipts differ greatly. According to estimates of von Halle (loc. cit., p. 201), based upon Wörmann's calculations, it amounted in 1897 to 200,000,000 marks annually, and would therefore amount at present to about 300,000,000 marks. Rud. Arnold (Die Handelsbilanz Deutschlands, Berlin, 1905, Franz Siemenroth, p. 185) estimates it at a much lower figure. W. Lotz (Einiges über den Ausgleich von Soll und Haben in Weltverkehr, Bank-Archiv, Vol. 1, No. 6, p. 93) on the other hand also estimates the German freight receipts from oversea shipping at 200,000,000 to 300,000,000 marks. The freight receipts of the British merchant marine from its oversea trade alone are estimated at 1,800,000,000 marks annually. (Grunzel, System der Handelspolitik, 1901, p. 584.)

500. Ad. Soetbeer, Bemerkungen über die Handelsbilanz Deutschlands (in Hirth's Annalen, Vol. 75, p. 731 et seq.). This is probably the work in which the expression *Zahlungsbilanz* (balance of payments) was first used (No. 8, p. 735) in contradistinction to *Handelsbilanz* (balance of trade).

501. Compare with the above the report by Ignatz Gruber, (Vienna) on statistics of the international balance of payments, presented to the International Statistical Institute (10th session, London, July 31 to Aug. 15, 1905).

502. See Riesser, Finanzielle Kriegsbereitschaft und Kriegsführung, p. 2 et seq.

503. Die deutsche Volkswirtschaft im 19 Jahrhundert, 2d ed., p. 184. The amount of Russian State securities (including railway securities guaranteed by the state) disposed of in France is estimated at 10,000,000,000 to 13,000,000,000 francs.

504. The table compiled by Rud. Arnold on pages 169-171 of his book "Die Handelsbilanz Deutschlands von 1889-1900" (Berlin, Franz Siemenroth, 1905) is entirely incomplete, as he himself admits. Large additions may be made to it from the data contained in the book of Axel Preyer "Überseische Aktiengesellschaften und Grossbetriebe" (Leipzig, Th. Grieben's Verlag, 1905), which, however, does not relate solely to German undertakings and excludes small enterprises.

505. 2d ed., part 2, No. 3, sec. 13: "Data on the balance of payment," (Tables 224-458). Vienna, K. K. Hof- und Staatsdruckerei, 1904.

506. This chapter is a summary of the views which I advocated as a member of the bank bill commission of 1908 and at the examination of experts.

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506a. See Otto Warschauer, "Das Depositenbankwesen in Deutschland, mit besonderer Berücksichtigung der Spareinlagen" (Conrads "Jahrb." Third series, Vol. XXVII, p. 433-487).

507. Caesar Straus, "Unser Depositengeldersystem und seine Gefahren," (Frankfort-on-the-Main, Carl Jügel, 1892).

508. Loc. cit., p. 17.

509. Loc. cit., p. 26.

510. Loc. cit., pp. 38-39.

511. Otto Warschauer, "Das Depositenbankwesen in Deutschland," in Conrads' Jahrbücher," third series, Vol. 27 (1904), p. 473 et seq., 477, 481.

512. Loc. cit., pp. 480-481.

513. Loc. cit., p. 482.

514. Otto Warschauer, pp. 483-484.

515. With unlimited liability. According to Warschauer, credit corporations with limited liability should be forbidden to accept deposits (loc. cit., p. 484).

516. See resolution of Count von Arnim in the Bourse act commission of Mar. 10, 1896, the text of which has been reproduced by Ad. Weber loc. cit., p. 259-60 and by others. According to that resolution, regulations are to be issued by which banks and business people engaged solely in the deposit business are to be prohibited from engaging in contango, speculative, founding and issuing business (except trust-fund issues) as well as from participating in such business and in any issues not expressly permitted. They are moreover to be compelled to publish monthly summary statements, the form of which—set forth in the resolution—is to be legally prescribed.

517. See, among others, Otto Warschauer, loc. cit., p. 486 (Bilf No. 3).

518. C. Heiligenstadt, "Der Deutsche Geldmarkt," in Schmoller's Jahrb. Vol. 31, No. 4, p. 98.

519. Loc. cit., p. 98, X.

520. Loc. cit., p. 99.

521. Reprinted in "Handel und Gewerbe," Mar. 24, 1906, 12th year, No. 24, p. 470, and elsewhere.

522. Edgar Jaffé, in Transactions of the Third General Congress of German Bankers (Allgemeiner Deutscher Bankiertag), p. 99.

523. In such cases the bank usually assists only the stock brokers, not the joint stock banks themselves.

524. Ed. Jaffé, "Das Englische Bankwesen," p. 204, note 1.

525. Ed. Jaffé, in Transactions of the Third General Congress of German Bankers (Allgemeiner Deutscher Bankiertag), p. 99.

526. Caesar Straus, loc. cit., p. 31.

527. Loc. cit., p. 99.

528. According to J. W. Gilbart, "The History, Principles and Practice of Banking," ed. 1901, London, I, p. 310, 311, et seq.; II, p. 342, 361, et seq.

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529. See second (German) edition of this book, pp. 12-14 (foot-note). Thus for instance during the crisis of 1857 the first banks to fail were the Borough Bank of Liverpool with liabilities of £1,200,000, the Western Bank of Scotland, which only a year before had paid a 9 per cent dividend and which had 101 branch offices. The last-named bank had advanced £1,603,000 to four firms which became insolvent, although its total capital only amounted to £1,500,000; furthermore, an item of £260,000 figured in its published balance sheets as good assets, which the managers themselves (according to notes discovered) had marked as irrecoverable. The Derwent Iron Co. alone owed the bank no less than £750,000 and had deposited as "security" (in addition to a land mortgage) £250,000 of its own debentures, which were nothing more than notes of the directors forming the company. None of these facts, of course, could be ascertained from the published statements. In 1858 occurred, among others, the failure of the Northumberland and Durham District Bank of Newcastle with £1,256,000 deposits just after it declared a 7 per cent dividend at the semiannual meeting of its shareholders; the directors pleading that, since so many of the shareholders lived on their dividends, they had not the heart "to face the shareholders without paying a dividend!"

In 1864 no less than 27 joint stock banks failed, and another large number followed in 1866, including the Joint Stock Discount Co., the Barneds Bank of Liverpool with liabilities amounting to £3,500,000, the Bank of London, the Consolidated Bank, the Agrar and Matterns Bank, the English Joint Stock Bank, the Imperial Mercantile Credit Co., the European Bank, etc., etc.

In the crisis of 1878 the City of Glasgow Bank was the first of the deposit banks to fail; it had lent £4,000,000 to 4 firms, and had published false balance sheets in 1877.

A series of other banks followed. Compare O. Glauert, "Depositentbildung in England u. in Deutschland" (Conrad's Jahrb. 3rd series, Vol. VII, p. 808): "From 1814 to 1816, 240 agricultural banks suspended payment, and 70 within the first six weeks of 1826." See also Edgar Jaffé, loc. cit., pp. 196-197.

According to Karl Mamroth, "Die schottischen Banken," (Conrad's Jahrb., 3rd series, Vol. XXIV, No. 1, p. 43, note 139) 11 banks of issue failed in Scotland between 1804 and 1842.

530. Edgar Jaffé, "Das englische Bankwesen," pp. 204-205, and p. 202.

531. Loc. cit., pp. 204, 205.

532. In England this "doctoring" of the balance sheets is called "window dressing." Edgar Jaffé, loc. cit., p. 205.

533. Edgar Jaffé in Transactions of the Third General Congress of German Bankers (Allgemeiner Deutscher Bankiertag), p. 96. Ad. Weber, loc. cit., p. 231. The reserve funds alone of all the 82 English deposit banks amounted to about £31,000,000=68 per cent of the paid-up capital, but only about 4½ per cent of their liabilities.

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534. The published balance sheets of the 13,912 cooperative societies connected with the Prussian Central Cooperative Society (*Preussische Central Genossenschaftskasse*) showed that at the end of 1905 their own resources amounted to 54,625,382 marks, the deposits to 758,514,000 marks. The proportion consequently was 93:7, i. e., the deposits were about thirteen times as much as their own means. For 1,002 cooperative societies with limited liability the proportion of deposits to own resources at that period, was 88:5.

535. Ed. Wagon, "Die finanzielle Entwicklung der deutschen Aktiengesellschaften," (Jena, Gustav Fischer, 1903), p. 146; see p. 470.

536. See Edgar Jaffé, p. 198.

537. See Ad. Wagner, "Beiträge zur Lehre von den Banken," Leipzig, 1857, pp. 166-170, and p. 61.

538. On the other hand, however, it must be remembered that if in time of crisis a demand is made on a bank for immediate payment of money which according to existing agreement is only due within a short time, it can not afford to refuse except in case of necessity, and even then for the most part not without risk. A different opinion, at least apparently, is expressed in *Der Deutsche Oekonomist* of Nov. 11, 1905; 23d year, No. 1194, p. 566).

539. Lansburgh, loc. cit., pp. 36-38, refers to other sources of error, namely, that both the capital and cash accounts, and the other balance sheet items are considerably influenced by the reciprocal relations of the banks, so that frequently the same amounts are necessarily counted twice, even three times. Consequently, the immediately available assets are frequently lower than they appear in the balance sheet, for instance, when according to the example given (p. 36) a provincial bank passes on its ready cash to a central bank. In this case the amount passed on figures in the balance sheet of the provincial bank as a bank credit, and in the balance sheet of the central bank as cash, and in case the central bank, as is often done, books its giro account at the Reichsbank as cash, the sum in question will figure for the third time as the central bank's cash balance at the Reichsbank. This inconvenience may in part be done away with by placing in the balance sheet of the Central Bank the amount passed on to it by the provincial bank not only among the cash holdings, that is to say among the assets, but also among the debit items, that is to say, among the liabilities.

540. As long ago as Sept. 5, 1907, in my report at the Third General Congress of German Bankers at Hamburg (*Transactions* p. 22; and reprint published by Leonh. Simion Nachfolger, Berlin, 1907, p. 32), I especially emphasised the fact that a permanent falling off in the liquidity of bank balances would constitute "one of the most serious drawbacks" of the concentration in the banking business.

541. The degree of liquidity of individual credit banks may of course be more or less favorable than the average for all banks, even decidedly so.

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542. In regard to the liquidity of the Austrian joint stock banks, Dr. Eugen Lopuszanski, secretary to the Ministry, Vienna, in a treatise entitled: 'Einige Streiflichter auf das Oesterreichische Bankwesen,' in the *Volkwirtschaftliche Wochenschrift*, von H. Dorn, vol. L. No. 1305, Dec. 31, 1908, p. 442, writes as follows: "The liquidity, in as far as it is exhibited by the ratio of the so-called liquid assets (cash, discounts, loans on collateral, and contango) to the total of creditors, deposits and acceptances, amounted at the end of 1883 to about 65 per cent, and at the end of 1907 to about 45 per cent."

This comparison shows a considerable decrease in the liquidity of the Austrian joint stock banks. But even the present percentage of 45 per cent is comparatively favorable.

543. I wish to emphasize once more that, in reference to the liquidity of the assets, the greatest difference may exist among different banks, without being noticeable in any balance sheet or summary statement.

544. *Conrads Jahrb.* III series. Vol. 34, No. 5, Nov. 1907, p. 588; cf. loc. cit., Vol. XX, pp. 86-97.

545. See his article in *Conrads Jahrb.* III series, Vol. XX, p. 90, in which he calculates that on Dec. 31, 1899, in 11 Berlin Banks the immediately available assets constituted only 57 per cent of the liabilities. However, he includes neither the loans on collateral, which for those banks amounted to about 463,000,000 marks on the date mentioned, nor the securities which in 1898 amounted for the same banks to 714,500,000 marks, but solely cash, specie, bank credits, bills and contango. This is not consistent, for the same objections that may be made against the immediate availability of the loans on collateral (which by the way at that time included also the Bourse contango) can be made against the contango, (which was regarded by Heinemann as immediately realisable), may even against the bills, which likewise cannot always be realised at a moment's notice.

546. See Robert Franz, "Die Deutschen Banken im Jahre 1908," p. 549.

547. Some banks, it is true, hold no doubt large amounts of bills due to industrial long-time investments.

548. See Rob. Franz, *Die Deutschen Banken im Jahre 1908* (Reprint from the *Deutscher Oekonomist*, Berlin, 1908), p. 549.

549. Loc. cit., p. 468-470.

550. *Transactions*, p. 118.

551. The compilation given in the "Tag" of Apr. 17, 1908, entitled "Die hauptsächlichsten Bank- und Bankierinsolvenzen 1906-1907," is utterly unreliable. Even the title is misleading, inasmuch as the table deals only with a single credit bank, the Marienburger Privatbank, a joint stock company with limited liability, with losses to depositors amounting to 6,600,000 marks, as already noted in the above-mentioned table by Dr. Salomonsohn. The firm of Messrs. Haller, Söhle & Co., despite its title "Hamburger Bank," was no Bank, but merely a private banking establishment. On the other hand, while the list purports to be essen-

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tially a statement of losses of deposits, it quite unwarrantably includes brokers' firms, as well as a whole series of banking establishments which either had no deposits, or whose depositors sustained no losses. One firm had simply gone into liquidation because it was taken over by a bank (without even a shadow of danger to depositors); another firm, alleged to have lost 672,000 marks, could not be traced even with the assistance of the chambers of commerce.

552. See *Deutscher Oekonomist*, Jan. 18, 1908, 26th year, No. 1308.

553. At the beginning of the Bank Inquiry of 1908, the Imperial chancellor expressly stated through Herr Wermuth, the Under Secretary of State, that no division between pure deposit banks and banks transacting miscellaneous business was contemplated.

554. See Edgar Jaffé, "Das Englische Bankwesen," pp. 170-178.

555. Caesar Straus, loc. cit., pp. 38-39; Otto Warschauer, loc. cit., p. 474.

556. This effectually disposes of the assertion by the former bank official Lansburgh (loc. cit., p. 55) to the effect that the German bank managers are opposed to deposit banks solely on the ground that they are not likely to yield to them (the managers) sufficient profit. This direct attack on the probity of all German bank managers does not become any more excusable by the fact that Lansburgh (ibid.) starts with the idea "that a deposit bank is far more profitable than a bank dealing in securities," an idea which, in view of the present absolutely and relatively small German national wealth, is utterly erroneous. This is not and never was the attitude of the managers of German credit banks. They are ready to establish deposit banks immediately they become convinced of the propriety of such a step, or as soon as legal enactments or the measures taken by State institutions or deposit banks shall force them to do so.

557. See O. Glauert, loc. cit., p. 815; Reichsbank President Koch in *Bank-Archiv*, 4th year, No. 5, March, 1905. The statement that the tasks of the Reichsbank have of late been rendered more difficult by the "concentration of the credit banks influencing the open market" would apply in a still greater degree to the proposed Reichsdepositenbank, and to any private, or non-Federal state banks, except that the effect of the latter would be not merely to hamper but even to thwart the discount policy of the Reichsbank.

558. See Edgar Jaffé "Das Englische Bankwesen," pp. 170-178. See also an essay entitled "La haute Banque allemande," in "La chronique industrielle, maritime et coloniale," Jan. 6, 1905, p. 3: "Thanks to the support and aid lent to it by high finance, German industry has in a short time undergone a gigantic development. There can be no doubt that without this alliance, without this union of its industrial and financial forces, the Empire would not have achieved the wonders which we have witnessed."

See also Ad. Weber, loc. cit., p. 257, citing various opinions including those of Anatole Leroy-Beaulieu and of an English expert, who speaks of German banks as follows: "They are virtually the pioneers of the home

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and foreign trade of the German Empire" (see Frederick J. Fuller and H. D. Rowan, "Foreign competition in its relation to banking" in the *Journal of the Institute of Bankers*, Vol. XXI, Part II, p. 55). Even André E. Sayous, who as a rule has little to say in favor of the management of the German banks, and who in his book, *Les Banques de Dépôt, les Banques de Crédit et les Sociétés financières* (Paris, 1901, L. Larose), pp. 292, 293, goes so far as to assert that a serious panic, even one of no great severity, "would force nearly all the German banks to suspend payment," nevertheless concludes the 3d chapter of that book with the words: "Be this as it may, while the French banks have accentuated the economic stagnation of our country, the German banks have had a considerable share in the brilliant industrial and commercial expansion of Germany."

559 I pointed out there, among other things, that, so far as human foresight goes, there was no reason to expect that the Reichsdepositenbank would receive deposits to the extent of at least 1,000,000,000 marks, the amount on which Warschauer bases his calculation of the chances of profit—unless the funds collected by the postal cheque offices were assigned to it. Even assuming this, the business expenses must be deducted from the gross profits, which at first could hardly exceed 1 per cent. As the expenses of the German credit banks absorb 31 per cent of their gross profits (see Rob. Franz, "Die Deutschen Banken in 1907," p. 78), and in the case of Berlin banks even 33 per cent, the net profits would scarcely amount to more than one-fourth to one-half of 1 per cent on the interest-bearing deposits, and the dividends would amount to about 5 to 6 per cent, according to the amount of the share capital. Even this would only be reached gradually. Further, I pointed out that the analogy with the English deposit banks, whose dividends had led Warschauer to make his estimate, did not hold. In the first place, in England the paid-up share capital, on which dividends are to be paid is, in contrast to the reserves, absolutely and relatively trifling in amount (in 1904 for 87 deposit banks an average of 15,000,000 marks per bank), while the turnover and deposits are extremely large, 6,250,000,000 marks (see p. 202). Moreover, deposits accepted in London with or without the condition of two weeks' notice bear interest only at $1\frac{1}{2}$ per cent below bank discount, and this applies to only such deposits that have been at the bank's disposal for at least one month, the minimum amount of deposit at any time being £10. I have misgivings concerning the use to be made of "first-class" industrial securities and bank shares for loans on collateral up to 30 per cent of their market value, a device admitted by Warschauer manifestly to increase the lucrativeness of the proposed institution. At his demand I will explain that these misgivings are based on the fact that dividend-paying securities are subject to great fluctuations in quotation and, in critical times, can either not be sold at all or only at a great sacrifice, while on those very occasions the margin is with difficulty kept up and the repayment of advances can not be readily expected. Further, the

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practice which Warschauer is disposed to admit would lead to the very evil for which the English deposit banks are blamed, namely, the use of deposits for Bourse speculation. Finally, as regards the "acquisition of first mortgages" by deposit banks pure and simple, which Warschauer even deems "advisable" (geboden), I do not regard it as a desirable investment, at least to a considerable extent, since these banks have to be ready at any time to repay call deposits or short-term deposits, and it may be difficult to realize even on first mortgages.

560. Nor can the advocates of this idea appeal to the fact that according to Roman law the creditors of noninterest-bearing deposits possessed a prior right in the case of bankruptcy of a banker (argentarius), which Papinian expressly states was introduced for the benefit of the whole community (Utilitate publica receptum—see l. 17, secs. 2, 3, 8 D, 16, 3), for modern business methods allow of no comparison with those of the argentarius.

561. Among the arguments raised against it, see *Deutscher Oekonomist*, 22d year, No. 1127, p. 432 (July, 1904), "Suggestions have been made relating to the proportion between deposits and share capital. This, however, is pure word-play without any value; for on the one hand the reserves are property of the bank, just as apt to be called upon to cover liabilities as the share capital, and on the other hand the assets are security for all liabilities, and not merely for the deposits. To establish a definite proportion between share capital and deposits would have a purpose only in case there were no other liabilities than the deposits. That is the condition of the Savings Banks, which of course is totally different from that of ordinary banks."

562. See *Deutscher Oekonomist*, July 13, 1904 (22d year, No. 1127), p. 432.

563. This remark, though often repeated, is a gross exaggeration, to say the least, intended, or at least apt, to scare the timid. The national wealth certainly does not consist merely of deposits, bills and current account balances, which for all those banks that had at least 1,000,000 marks capital each amounted at the end of 1908 to about 7,250,000,000 marks. Of these banks only the largest are managed by 10 to 12 managers, just as State and private industrial and agricultural concerns. On the contrary the national wealth, estimated at present to be between 216,000,000,000 to 360,000,000,000 marks, consists of a great number of enormous items, such as the savings deposited in savings banks and cooperative societies to the amount of about 14,000,000,000 marks, of the vast amounts, totaling about 40,000,000,000 marks, invested in mortgages and mortgage bonds, etc.

Nevertheless, I do not underrate the great power and responsibility of the heads of our great banks, as this book will show.

564. In *Schmoller's Jahrbuch*, vol. 31, No. 4, "Der Deutsche Geldmarkt," pp. 72-95.

565. Heiligenstadt very properly omits debits on current account from the list of immediately available assets. In giving his reasons for this

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omission, he makes, however, the surprising statement (p. 82) that "With a view to aiding the enlargement of commercial and industrial enterprises and enabling them to complete their works, the banks grant credit to these enterprises, in the form of current account credit, quite regularly, and to an increasing degree as the money market becomes less favorable (1). This is done in the hope and with the purpose of restoring the liquidity of such loans by the issue of shares and debentures, when the money market becomes more favorable." It is hard to imagine how the banks could have pursued such a business policy. What really occurred occasionally was that certain credits which were, originally working credits were, through the debtor's inability to pay, gradually transformed into investment credit (*Anlage-Kredit*) very much against the will of the creditors; or, that credit which was really intended to be used for investment was applied for as working credit (*Betriebskredit*), or finally, that during good times (or such as were considered good) the long-term credit, that is to say, investment credit, necessary for finishing works already begun, or for extending existing works, so as to make them profitable even in critical times, was granted in the hope and expectation that the debtor would soon be able to get clear of it in the form of debentures, or shares. Lansburgh probably goes too far when he says that the credit granted to industrial companies is "distinguished" from all other credit in that it can be cast off at almost any period desired ("Die Verwaltung des Volkvermögens durch die Banken," [separate reprint] pp. 9-10).

During many years of practical experience in banking I have not met with a case where a bank or bank director in his sound senses granted credit regularly during bad times and even "to an increasing degree as the market becomes more unfavorable," with the idea of restoring its liquidity by issuing shares and debentures at a more favorable season, and I do not believe that such banks or bank directors could remain in business very long.

It may not be amiss to point out that credit banks have, on the other hand, been frequently reproached with the opposite policy of having constrained manufacturers to adopt the generally unsuitable and far too expensive short-term personal credit with quick and frequent renewals, although in the case of improvements, rebuilding, and the erection of new works, long term credit, irredeemable for many years, or at least credit repayable in instalments, is more suitable.

566. See: Commission report, p. 26 "* * *" that it would be outright unbusinesslike, especially in the case of industrial companies, to oblige them to withdraw money for the reserve funds from their business and invest it independently, whereas they may perhaps be compelled to borrow the necessary capital at a higher rate of interest. * * *"

567. See "Deutscher Oekonomist," Dec. 28, 1901, (Vol. XIX, No. 993).

568. George Bernhard in "Plutus," Apr. 24, 1909, p. 306.

569. Reprinted among others by Ad. Weber, loc. cit., pp. 259, 260.

570. See Felix Hecht, "Die Katastrophe der Leipziger Bank," (Störungen im Deutschen Wirtschaftsleben während der Jahre 1900 ff, published by

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the Verein für Socialpolitik, Vol. 6, Geldmarkt, Kreditbanken, p. 373, et seq.): "At the end of 1900 the Leipziger Bank, according to its balance sheet, held bills amounting to 37,798,570.67 marks. But this balance sheet does not show that about 12,000,000 marks of these bills were pledged to the "lottery loan fund" (p. 384).

571. As an additional argument against the demand for a statement of the "total of moneys employed for contango transactions and loans on collateral," the following may be urged: Nothing is gained, least of all the object aimed at, by showing the extent to which the bank has favored speculation, as the contango and loans on collateral may comprise quite different engagements and advances on goods. Neither can the kind, number and above all the quality of the securities deposited at the bank as guarantees be ascertained from the statement demanded, although these are the most essential points; and matters would not be greatly altered if the "total amount"—nothing else is possible—of the guarantees were also published.

572. Doctor Salomonsohn in Transactions of the III General Congress of German Bankers, p. 116.

573. In regard to this see the very appropriate remark by Eugen Lopuszanski in his treatise "Einige Streiflichter auf das Oesterreichische Bankwesen (In the "Volksw. Wochenschrift" of Alex. Dorn, Vienna, Dec. 31, 1908, Vol. LX, No. 1305, p. 433): "While banking, outwardly, forms only a limited part of the national economy, yet by reason of its organic arrangement and purpose it is best fitted, through its condition at any given moment, to exhibit the interaction of the forces and the results of the movement of the national economy, in a cross section, as it were, of the economic organism."

574. See the essay: "Spargelder" in the "Neue Politische Correspondenz" of May 21, 1909.

575. Such a case is mentioned by the "Neue Politische Correspondenz" of May 21, 1909.

576. See "Aelteste der Berliner Kaufmannschaft" in the Berl. Börsen-Zeitung, No. 264, June 9, 1909; Alfred Loewenberg in the "Tag," No. 198, Aug. 25, 1909, and especially Koch in the "Zeitschrift für Handelswissenschaft und Handelspraxis," Vol. II, p. 38 et seq., who justly points out, that the proposal to increase the personnel seems rather strange at a time when everybody is studying how to reduce the number of employees.

577. In his book "Beiträge zur Lehre von den Banken," Leipzig, 1857 p. 159.

578. Ad. Wagner, "Bankbrüche u. Bankkontrollen," in the Deutsche Monatsschrift für das gesamte Leben der Gegenwart (ibid. Lohmeyer) Year I, No. 1 (Oct., 1901), pp. 74-85, and No. 2 (Nov., 1901), pp. 248-258, especially p. 255. See on the other hand the Deutscher Oekonomist of Oct. 19, 1901, and Nov. 1, 1902, and R. Rosendorff, "Bankbrüche u. Bankkontrollen," in Hirths "Annalen des Deutschen Reichs," 1902, No. 3, pp. 182-197.

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579. Paul Marcuse, *loc. cit.*, p. 136.

580. The fact, noted by Obst, that, according to the report of the Comptroller of the Currency of Sept. 23, 1908, the majority of the presidents of the national banks have declared themselves satisfied with the supervision hitherto exercised by the "national bank examiners," does not necessarily mean that this method has served its purpose; it may mean something totally different.

Part IV.

1. See Hermann Schumacher, *Die Ursachen und Wirkungen der Konzentration in deutschen Bankwesen* (Causes and Effects of Concentration in German Banking) in *Schmoller's Jahrbuch*, Jan. 27, 1906, Vol. XXX, No. 3, pp. 884, et seq. Paul Wallich, *Konzentration in deutschen Bankwesen* (Concentration in German Banking), Stuttgart and Berlin, Cotta, 1905. Julius Steinberg, *Die Konzentration in Bankgewerbe* (Concentration in Banking), Berlin, Franz Siemenroth, 1906. Adolf Weber, *Die Konzentration in deutschen Bankwesen* (Concentration in German Banking), *Krit. Blätter, f. d. ges. Sozialwissenschaften*, Vol. II, No. 7, pp. 299-303. Edgard Depitre, *Le mouvement de concentration dans les Banques Allemandes* (The concentration movement among German Banks), Paris, Arthur Rousseau 1905. Otto Warschauer, *Die Konzentration im deutschen Bankwesen* (Concentration in German Banking), *Conrad's Jahrbücher*, 3d series, Vol. XXXII, pp. 145-162. André Sayous, *La concentration de trafic de banque en Allemagne*, *Journal des Économistes* Jan. 15, 1899.

2. W. Sombart, *Der moderne Kapitalismus*, Vol. I, p. 407.

3. For a description of the movement of concentration in banking abroad see the very excellent accounts in the *Vossische Zeitung* of Jan. 26, 27, 28, and 31, 1905. (They cover Austria-Hungary, Great Britain, France, Belgium, and the United States.) Use has been made of these articles in various parts of the following discussion.

4. On this point the best references are the different sections (lectures) of the classic work of Karl Bücher, *Die Entstehung der Volkswirtschaft* (The Evolution of Economic Society), Tübingen, Laupp'sche Buchhandlung, 1901, and particularly the following sections: IV, *Die gewerblichen Betriebssysteme in ihrer geschichtlichen Entwicklung*, (The Industrial Systems in their Historical Evolution), pp. 175 et seq.; V, *Der Niedergang des Handwerks* (Decline of the Handicraft System), pp. 215 et seq.; VII, *Arbeitsvereinigung und Arbeitsgemeinschaft* (The Combination and Concentration of Labor); IX, *Arbeitsgliederung und soziale Klassenbildung*, p. 283 et seq.; (The Division of Labor and the Development of Social Classes) pp. 367 et seq.

5. In order to avoid duplication we must refer to the abundant material given on this point in what is now Part III, Chap. III, secs. 1 and 2 (See above pp. 191 to 407). See also the valuable work of Otto Jeidels, *Das Verhältnis der deutschen Grossbanken zur Industrie, mit besonderer Berücksichti-*

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gung der Eisenindustrie" (The Relation of the German Great Banks to Industry, with special reference to the iron industry), Leipzig, Duncker & Humblot, 1905.

6. But this does not necessarily mean the doubling of profits.

7. See Hermann Schumacher, *op. cit.*, pp. 5-6. The requirements of sound principle is that customers receiving large amounts of credit from a bank should be obliged to confine their entire banking business to the bank advancing its credit, in order that the bank may be in a position to keep posted on the business of the borrower. This requirement can not be readily enforced owing to competition, but so far as it is practicable, it is in a large measure lived up to by the banks. Unfortunately as the Terlinden case has proved, the observance of this obligation by the customer can not be readily controlled. So long as there is no central credit agency, such a clause in the contract must remain a *lex imperfecta*. Owing to practical difficulties, such an agency has not yet been established, although a few attempts have been made.

8. This too is a function of the bank floating securities, or of the banks interested in selling the stocks or bonds in connection with an issue of securities. For this activity exclusively, as distinguished from the banker's work as broker, he receives a "bonus." The bonus represents thus a special compensation for a special service performed by the banker. The service consists in the obligation assumed by the banker to make every effort, and to utilize his special knowledge of his clientele with a view to placing the securities issued in good hands, that is to say, where they will be held permanently. This is a duty that should be done by no one else but the banker and can not be done by any one else. It is therefore unreasonable to require him to divide the bonus with his principal, the purchaser of the securities. Neither can it be said, as the court (Reichsgericht, I Zivilsenat) has held in a decision of Dec. 10, 1904, that he is acting with fraudulent intent, in case he fails to inform the purchaser of the bonus received by him, or in turn fails to let the purchaser share the benefit of this bonus.

9. See K. Fleischhammer, *Zentralisation im Bankwesen in Deutschland*, Schmoller's Jahrbuch f. Gesetzgebung, Verwaltung und Volkswirtschaft, vol. 25, No. 2, pp. 241 et seq.

10. See No. 12 of the Bestimmungen für den Giroverkehr der Reichsbank. (Rules relating to Giro Business of the Reichsbank.) According to No. 10 of these rules money deposited for giro transactions does not bear interest.

11. Helfferich, *Der deutsche Geldmarkt 1895-1902*, p. 44.

12. It seems that similar occurrences have taken place also in England, (See Edgar Jaffé, *Das Englische Bankwesen*, p. 190), also in Austria. In 1899 the Anglobank established a branch in Aussig, and in the same year a branch was established by the Wiener Bankverein. In 1901 the Niederösterreichische Escomptegesellschaft acquired the branch of the Böhmi-sche Escomptebank in Trautenuau, and in the same year a branch of the

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Anglobank was opened in that town. There are many other such examples which may be found in the Prager Tageblatt for Oct. 12, 1905, No. 281, in the article entitled "Die Konkurrenz im Oesterreichischen Bankwesen."

13. The Rhenisch-Westphalian Pig Iron Syndicate came to an end on Jan. 1, 1909, as has been noted above (see note 170, p. 818) and likewise The Lorraine-Luxembourg and the Siegerland pig iron syndicates. For details consult the above discussion.

14. Among them are the general directors of the following mining and iron companies: Harpener Bergbau-Aktiengesellschaft, Oberschlesische Eisenindustrie-Aktiengesellschaft, Bergwerkgesellschaft Hibernia, Konsolidation, Bergwerks-Aktiengesellschaft zu Schalke, Prager Eisenindustrie in Wien, Hohenlohe Werke.

15. Among them are the general director of the Gelsenkirchener Bergwerks-Aktiengesellschaft, and as representatives of shipping circles the general directors of the Hamburg-American Line, and of the North German Lloyd.

16. Among them are a former director of the firm of Friedrich Krupp, and a general director of each of the following mining and smelting companies: Laura Hütte, Bismarkhütte, Schlesische Aktiengesellschaft für Bergbau und Zinkhüttenbetrieb in Lipine, and the Kattowitzer Aktiengesellschaft für Bergbau und Eisenhüttenbetrieb.

17. See Frankfurter Zeitung of May 26, 1884, No. 147.

18. The new tax provision was particularly oppressive for the buyer since the tax was paid in every case on multiples of 1,000 marks.

19. See Centralverbands-Denkschrift of December, 1903, pp. 32-34 and the Verhandlungen des II Allgem. Deutschen Bankiertages (Proceedings of the Second General Convention of German Bankers) at Berlin, May 16 and 17, 1904, p. 58 (Mommsen), pp. 73-74 (Arons), pp. 83-84 (Franck), and the Frankfurter Zeitung of May 31, 1901.

20. See Centralverbands-Denkschrift, pp. 42 et seq. and the Proceedings of the First General Convention of German Bankers at Frankfort-on-the-Main, Sept. 19 and 20, 1902, pp. 58-59 (von Pflaum), and Dr. Alfred Meyer, Die deutschen Börsensteuern 1881-1900 (German Stock Exchange Taxes), Stuttgart and Berlin, J. G. Cotta'sche Buchhandlung Nachf. 1902, pp. 55 et seq.

21. See Riesser, Das Bankdepotgesetz vom 5. Juli 1896. Aus der Praxis und für die Praxis, insbes. des Handelsstandes, erläutert (The Bank Deposit Law of July, 1896, based on its practical application, and explained for practical use, for special use of the commercial classes). Berlin, Otto Liebmann, 2d ed. 1906, pp. 67 et seq.

22. For a discussion of the economic injury resulting from the stock exchange law, see among others, Riesser, Die Notwendigkeit einer Revision des Börsengesetzes vom 22 Juni 1896/Jan. 1, 1897 (The Need for a Revision of the Stock Exchange Law of June 22, 1896, effective January 1, 1897), Berlin, 1902, Leonhard Simion Nachf.; and Stand und Aussichten der Börsengesetzreform (Position and Prospects of the Stock Exchange Reform

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Legislation, Berlin, 1907, Leonhard Simion Nachf.) and works mentioned in note indicated by one asterisk (*) in the aforementioned Centralverbands-Denkschrift, p. 17. Reference may be made to the following economic literature of more general character:

Franz Eulenburg, Die gegenwärtige Wirtschaftskrisis, Symptome und Ursachen, Conrad's Jahrbücher, 3d series, Vol. XXIV, p. 382; Helfferich, Der deutsche Geldmarkt 1895-1902, op. cit., p. 27; Ad. Weber, Depositenbanken und Spekulationsbanken, p. 7; Rud. Eberstadt, Die gegenwärtige Krisis, ihre Ursachen und die Aufgaben der Gesetzgebung, Berlin, 1902, K. Hoffmann, p. 33; v. Halle, Amerika, seine Bedeutung für die Weltwirtschaft und seine wirtschaftlichen Beziehungen zu Deutschland, insbesondere zu Hamburg (America, Its Significance in the Economic Life of the World, Its Economic Relations to Germany and Particularly to Hamburg), published by the Hamburger Börsenhalle, 1905, particularly p. 31: "Under the ill-advised stock exchange laws of the last ten years, there has been no proportionate progress even in participation in the financial operations of the various States." See also Otto Warschauer, Die Reform des Börsengesetzes in Deutschland in Conrad's Jahrb. f. Nationalökonomie und Statistik, 3d series, Vol. XXX, No. 4, Oct. 1905, pp. 433-469.

23. These limitations became applicable to both "legitimate" as well as "illegitimate" dealings in futures.

24. Helfferich, op. cit., p. 27.

25. See among others the annual report of the Deutsche Bank for 1895 and that of the Dresdner Bank for 1896.

26. See the article in the Frankfurter Zeitung of Nov. 15, 1904, No. 318 entitled Börsengesetz und Bankenanschwellung (Stock Exchange Legislation and the Growth of the Banks). This article shows in two tables the growth that has taken place in the case of 10 Great Berlin banks and 20 provincial banks contrasting their situation in 1896 and again in 1903 with their position in 1884.

27. As early as the beginning of the seventies the "provincial" banks established were based almost entirely on private banks which had been transformed or absorbed, as for instance the Provinzial-Disconto-Gesellschaft, the Provinzial-Gewerbebank in Berlin, the Süddeutsche Provinzialbank in Stuttgart, the Prov. Wechslerbank in Breslau, the Prov. Maklerbank in Berlin and the Allgemeine Deutsche Filialen-Kreditanstalt in Leipzig. The idea of these provincial or union central banks was ahead of its time, and for that reason failed in most instances.

As regards England, see Edgar Jaffé, Das Englische Bankwesen, p. 192; 1844-1875; Gradual Consolidation of Joint Stock Banks in London and the Provinces as a result of the absorption and supplanting of private banking firms; 1878-1890, consolidation of the provincial banks and the formation of large institutions; some of the latter gaining a foothold in London; 1890-1896, almost total supplanting of private banking firms in London as well. The great provincial banks have become consolidated in London. J. W. Gilbert, op. cit. (ibid., 1901), p. 423 mentions the fact

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that as early as 1836 no fewer than 138 private banking establishments had merged with deposit banks. The number of private bankers in England and Wales declined from 448 in 1837 to 261 in 1858, to 226 in 1878, to 144 in 1891 and to 100 in 1896.

With reference to Austria, the *Neues Wiener Tageblatt* said as far back as September 13, 1903, that the private banker "has disappeared even more rapidly than in Germany, we have well nigh reached the final stage in that process."

According to the *Berliner Tageblatt* (of May 27, 1904, No. 265), not a single private banker remained in Crefeld out of 20 that had once been in business there. For the disadvantages resulting from the decline of the profession of the private banker see *Frankfurter Zeitung* of Jan. 11, 1905, "Aktienbanken und Privatbankiers" and the *Centralverbands-Denkschrift* of 1903, pp. 39 et seq.

In the United States, private bankers until quite lately were still numerous (numbering in 1902, 4,188), in spite of the exceptional growth in number of joint-stock banks, which increased from 9,338 in 1892 to 13,684 at the close of 1903 (*Vossische Zeitung*, Jan. 31, 1905), and in spite of the fact that here too bank consolidations have played a great part. (In 1901, 27 national banks were absorbed by other national banks, in 1902, 46).

The special report of the U. S. Monetary Commission gives under date of Apr. 28, 1909, the total number of private banks as 1,497, as compared with 6,888 national banks and 11,292 state banks on the same date. This number is exclusive of 642 mutual savings banks, 1,061 stock savings banks, and 1,079 loan and trust companies. The total number of corporate and private banks, including those which had failed to report to the Commission, is estimated at about 25,000.

28. See below for a discussion of the question, whether the resultant severe depression and the lack of vitality occasioned by it, was justified to the extent observed. (Part VI, p. 751).

29. As an example we may cite the increase in small landholdings (less than two hectares) shown by the census of 1895. These form 58 per cent of all agricultural holdings. In 1895 they amounted to 3,236,367, as against 3,061,831 in 1882. (*Statist. Jahrb. f. d. Deutsche Reich für 1904*, p. 24.)

30. In consequence of mergers, the number of London banks (exclusive of colonial and so called foreign banks) decreased from 115 in 1885 to 77 in 1901. (See Schmöller, *Grundriss II*, p. 232.)

31. *Op. cit.*, pp. 198-247. See, however, his study, *Die Wirkungen des Börsengesetzes auf das Bank-und Börsengeschäft* (Effect of the Stock Exchange Law on the Business of the Banks and Stock Exchanges) in *Conrad's Jahrb.* 1897, 3d series, Vol. XIII pp. 725 et seq.

32. *Centralverbands-Denkschrift* for December, 1903, p. 37, and Table XV, p. 68.

33. These were the terms used by Eschenbach at the general convention of the *Verein für Sozialpolitik* in 1904 (*Verhandlungen*, p. 286) in con-

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troverting those who held that there had been a "relative decline," as well as an absolute diminution in the number of private bankers. Eschenbach himself seems to admit that there had been a relative decrease, but does not attribute it to the stock-exchange law. In my opinion there is not much difference between these two views; according to the above data both views would seem sufficiently founded.

34. *Op. cit.*, p. 248.

35. *Op. cit.*, p. 263.

36. Paul Wallich (*op. cit.*, p. 13) calls attention to another circumstance which tended to drive private firms out of the banking business to an increasing extent—the establishment of branches of the Reichsbank in the Provinces. This caused severe competition to the private bankers along the most legitimate lines, even in such places where joint stock banks had not yet made their influence felt. This competition of the Reichsbank, it is claimed, was particularly severe in the eastern part of the Kingdom of Prussia, for the reason that the Reichsbank rates for discount and Lombard loans, uniform for the entire Empire, were much lower than the rates charged before the advent of the Reichsbank, and thus caused an enormous lowering of interest rates in the respective sections of the country.

37. *Op. cit.*, p. 248. The Centralverband was unable to obtain absolutely accurate figures on this point, as the *Denkschrift* reports. More important, however, is the testimony of the author, who is a private banker in Berlin. A large proportion of the private firms still in existence have continued their business, in order not to deprive of a livelihood employees who had served them for many years. The business of many of these firms, however, no longer represents any considerable amounts. Julius Steinberg (*op. cit.*, p. 9) did not assert, as the *Deutscher Oekonomist* of December 23, 1905, wrongly assumed, that "generally speaking the number of private bankers had not declined, but on the contrary had increased somewhat." This assertion he made only for some German large cities; on the other hand, for the stock exchange centers of Berlin and Frankfurt-on-the-Main he showed a decrease.

38. See Julius Steinberg, *op. cit.*, p. 9. The figures reprinted here, taken from the giro-accounts of the Reichsbank and continued to 1904, do not give a clear picture, for the reason that no distinction is made between the provincial banks which had remained independent and the private banking firms.

39. I call attention here again to the fact that the decline of private banking like the concentration in banking, was, in my opinion, only hastened by the stock-exchange law and not caused by it. Even without the stock-exchange law, the movement toward concentration so clearly seen in entirely different fields, and in foreign countries as well as in Germany, would have set in, though perhaps not with such intensity and rapidity. We have here only one phase in a great and universal process of economic evolution. Concerning England, Edgar Jaffé tells us (*Inaugural-Dissert.*, p. 33) that of the old private banking firms that belonged to the clearing house (40 in

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1810) only 13 retained their membership in 1873 and 3 in 1900. However, English conditions can not be used for comparison, for the reason that, as Jaffé reports, (*Das Englische Bankwesen*, p. 93) in the closing decades of the nineteenth century, no new members were admitted to the clearing house, not even banks.

40. According to Ad. Weber, *Die rheinisch-westfälischen Provinzbanken und die Krisis* (Schriften des Vereins f. Sozialpolitik CX, and *Störungen im deutschen Wirtschaftsleben etc.* Vol. VI, pp. 326, 327). The inference made there that the capital stock of these banks increased during this period relatively more rapidly than that of the large Berlin banks cannot be accepted as correct without further evidence. In the first place comparison is made with only 6 of the 10 great Berlin banks then in existence. As a matter of fact these banks increased their capital stock during these seven years "only" from 428,000,000 million marks to 705,000,000 marks or "only" about 64 per cent whereas the increase for the other banks is 226 per cent. In the second place, all these large banks had previously made large additions to their capital beginning with 1885.

41. For other calculations see the article in the *Frankfurter Zeitung* for May 6 and 7, 1903, Nos. 125 and 126, *Konzentration im Bankgeschäft*, and for Nov. 15, 1904, No. 318, *Börsengesetz und Bankanschwellung*. If the period for 1890-1901 is taken, a different picture is obtained. See W. Christians, *Die Entwicklung der deutschen Aktienbanken von 1890-1901* in *Bank-Archiv.*, vol. 2, No. 4 Jan. 1903, pp. 53 et seq., and particularly p. 56. (Appeared also as reprint).

42. The Oberbergische Bank with the cooperation of the Rheinisch-Westfälische Disconto-Gesellschaft was consolidated November 11, 1907, with the Gummersbacher Volsbank into a new corporation, the Oberbergische Kreditanstalt in Ohl (capital 2,000,000 marks, with branches in Halver and Gummersbach).

43. See Paul Wallich, *op. cit.*, pp. 16-24. The chief example is the Provinzial-Discontogesellschaft, organized by the Disconto-Gesellschaft in 1871 with a nominal capital of 30,000,000 marks but liquidated as early as 1878.

44. *Die Konzentration im deutschen Bankwesen*, pp. 34-38.

45. Quoted from Paul Wallich, *op. cit.*, p. 131.

46. *Die Düsseldorfer Stahlwerksverband* was concluded until June 30, 1912. As to the Oberschlesischer Stahlwerksverband see note 171, pp. 818-819.

47. In alphabetic order. The share capital and reserves, unless otherwise stated, are given as reported on Dec. 31, 1908.

48. Next to it, even now, among the Berlin banks, in point of centralization, is the Nationalbank für Deutschland, which has no branches nor communities of interest, but 17 deposit offices and one commandite (The Mitteldeutsche Kreditbank **has** no communities of interest, but has 5 branches, 3 commandites, 22 deposit offices and 2 agencies).

49. See Appendix VII, p. 982.

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50. As regards the calculation of the full share capital, and of the surplus, see note p. 58 below.

51. See Supplement VII, p. 994 et seq. The Deutsch-Bulgarische Bank in Sofia is not included, because it is a foreign bank, nor the Revisions- und Vermögensverwaltungs-Aktiengesellschaft, because it is not a bank proper.

52. See Supplement VII, p. 999 et seq.

53. See Supplement VII, p. 1005 et seq. The Ostbank für Handel und Gewerbe in 1905 absorbed the Ostdeutsche Bank Aktiengesellschaft vormals J. Simon Wittwe & Söhne in Königsberg, formerly one of the "concern" banks of the A. Schaaffhausen'scher Bankverein, and thus belongs now to the Schaaffhausen group. It formerly maintained community of interest relations with the Bank für Handel und Industrie (Darmstädter Bank), as set forth in Supplement VII, p. 984 under 2, and hence can not be here enumerated again.

54. See Supplement VII, p. 982 et seq.

55. The Bromberger Bank für Handel und Gewerbe, formerly mentioned here as having a community of interest with the Ostbank, has meantime been absorbed by the latter.

56. See, however, note 7, p 1013.

57. It might also be proper to include the Württembergische Vereinsbank (share capital 30,000,000 marks), since there is a community of interest between it and the Württembergische Bankanstalt. (See Supplement VII).

58. I have here purposely left unnoticed the fact that the linking together of banks is in many cases effected by means of an exchange of shares, rendered possible through an increase of the capital of the annexing bank. Thus where the share capital both of the annexing and the annexed bank is taken at full value, there is often, though not always, an excessive, but by no means necessarily a double, reckoning of share capital, as a mere matter of arithmetic.

There may also be cases in which the same capital is counted twice or even three times, to wit, when the annexation is effected not through exchange but through acquisition of stock (without increase of capital). It may be that all or part of the capital of the provincial bank which is annexed by a central bank by the latter method is counted once more among the "permanent participations" of the central bank. On the other hand, among the "permanent participations" of the provincial bank there may be found once more the share capital, or part of it, of other banks, which the provincial bank in its turn has annexed by means of acquisition of shares, if it has allowed these banks to continue as separate stock companies.

This attitude, which I deliberately took in the first edition, I have decided to maintain after renewed reflection, especially since every other method of calculation would lead to errors at least equal and generally much larger in amount, which can only be avoided by omitting the summing up of the items into a total.

In case of an exchange of stock, it is generally impracticable, owing to lack of data in the reports, to ascertain how many shareholders of the

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annexed bank have availed themselves of the offer to exchange their stock for stock of the annexing bank. This is strikingly proved by the laborious and detailed calculation which Ernst Loeb, in his oft-cited work "Die Berliner Grossbanken in den Jahren 1895-1902" had to make (pp. 101-103), in order to ascertain, with only partial success, how many shareholders of the Bergisch-Märkische Bank and the Schlesischer Bankverein availed themselves of the offer of exchange made in 1897 by the Deutsche Bank.

Still less is it possible, in most cases, to ascertain how many of the shares received in exchange remained permanently in possession of the annexing bank, and how many were sold. Thus any estimates that may be made in this matter are almost entirely baseless.

Similarly, in the case of mere acquisition of shares, the balance sheets furnish no definite data for exact figures, since the "permanent participations" are mostly stated merely in the aggregate.

Thus, aside from a few exceptions, it is impossible by this method to ascertain the exact sum which would have to be deducted from the share capital of the annexed banks, in order to obtain an accurate result. The same objection, however, applies to the method proposed by some, which consists in ascertaining the book values of exchanged shares from the balance sheets or reports of the annexing banks, the reason being that these book values in most cases can not be ascertained from the sources in question, and it would of course be unscientific to adopt this method where it is possible, and another method in other instances.

Moreover annexations have occurred within one and the same group either through exchange of shares or through other methods of acquisition of shares, that is to say, without any increase of capital on the part of the annexing bank. This leads to differences within the various groups, which, if taken into account in the calculation, would result in a totally false picture of the relative power of the several groups.

Finally—and this is perhaps the most important point—the aim is not to ascertain the *capital* of the several groups but their capital *power*, and this can hardly be represented in any other way than by a statement of the share capital and reserves, unless we are prepared, with Otto Jeidels, (loc. cit., pp. 91-93) to take a further step and include in the calculation the entire earning capital, that is to say, current account credits and deposits.

If the object is simply to represent the capital power, which in fact is the only point of interest, the statement of the full share capital and reserves is justified by the consideration that, from the outsider's point of view, the sphere of influence of a bank, its credit and business power, are embodied in this share capital and reserves. Indeed, as rightly pointed out by W. Christians (in the *Deutscher Oekonomist*, Dec. 2, 1905, 23d year, No. 1197, p. 597), the fact that, for example, the entire capital of the Norddeutsche Bank is held by the Disconto-Gesellschaft, which in turn has passed over to the shareholders of the Norddeutsche Bank 50,000,000 marks of its total capital of 170,000,000 marks, does not justify the statement that the total capital of the Disconto-Gesellschaft now amounts only to 120,000,000

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marks, and the united capital of the two banks only to 170,000,000, not 220,000,000 marks. This would be so if we admitted the principle that the shares of the annexing bank turned over for the purpose of exchange should not be counted together with the shares of the annexed bank.

Even after the operation of exchange, the capital *power* of the two banks is equal to the sum of the share capital and reserves of both, as has been admitted by the Deutscher Oekonomist, not only in the above-cited article of Dec. 2, 1905, on the capital power of the bank groups (*loc. cit.*, p. 597) but even earlier (in No. 1178, July 22, 1905) as well as by Julius Steinberger (*op. cit.* p. 7) and Otto Jeidels (*op. cit.*, pp. 91-92).

However, the whole question becomes rather immaterial when we consider the sums involved. The aggregate capital and reserves of the five groups of banks, as set forth above, is in round numbers 2,000,000,000 marks. The significance of this total will not be greatly changed by adding or deducting a few million marks. For shares recurring as securities or permanent participations in the balance sheets of other institutions, Wallich (*op. cit.*, pp. 138-139, Table XIV) deducts 64,000,000 in the case of the Deutsche Bank group, 75,000,000 in the case of the Disconto-Gesellschaft group, 15,000,000 in the case of the Dresdner Bank group, and 22,000,000 in the case of the Darmstädter Bank group, making a total of 176,000,000. As a matter of fact, these figures represent in part arbitrary assumptions, as do those of Lansburgh (*op. cit.*, p. 35) who assumes a like total of 500,000,000 marks for all the banks.

59. In this point I differ from Otto Jeidels, *op. cit.*, p. 91-93.

60. One of the factors promoting the concentration of capital, as we have seen, is the formation of syndicates or groups. However, this factor does not belong here, since its professed aim is not concentration but quite different objects, to wit, the distribution of risk on the one hand and the facilitating of the issuing function on the other.

61. In the *Kritische Blätter für die gesamten sozialen Wissenschaften*, Vol. II, No. 7, p. 300.

62. See tables given by Jeidels, *op. cit.*, pp. 172-173.

63. According to the table given by Jeidels (p. 603 et seq.), the following banks were represented during 1905 in the supervisory boards of companies belonging to the chemical and textile industries:

	Number of boards on which represented.	
	In the chemical industry.	In the textile industry.
Deutsche Bank	9	21
Darmstädter Bank	7	5
Disconto-Gesellschaft	5	5
A. Schaaffhausen'scher Bankverein	6	2
Dresdner Bank	3	6

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64. Depositenbankwesen und Scheckverkehr in England, p. 259.
65. In addition to the economic factors, there are psychologic factors that play a part in this movement, the significance and strength of which, particularly in the field of concentration, we have repeatedly pointed out in the text. Such factors are "the craving for individual freedom" (W. Sombart, *Der moderne Kapitalismus* II, p. 237), ampler room for individual exertion, wider aims, etc., and, later on, the attraction of a human conglomeration, of a vast traffic, of the facilities for learning the latest in economic and political matters, etc.
66. Apart from those banks which were satisfied with being represented in Berlin by the inadequate method of silent partnership connections (*commandites*) with Berlin banking houses (see Paul Wallich, *op. cit.*, p. 56, Table VIII.)
67. The Breslauer Discontobank of Breslau had likewise founded a branch in Berlin in 1896, which was however taken over in 1902 by the Bank für Handel und Industrie.
68. This is the same process that may be observed in France in the case of the Paris branch of the *Crédit Lyonnais*.
69. This is the view of Rudolf Eberstadt, *Depositenbanken und Scheckverkehr in England*, pp. 251 and 259, note 2.
70. For France see André Sayous, *Die Konzentration des Bankverkehrs in Frankreich* in the *Bank-Archiv*, vol. III, No. 8, of May 3, 1904, Table I, p. 129.
71. Edgar Jaffé, *Das englische Bankwesen*, p. 30.
72. Edgar Jaffé, *loc. cit.*, p. 192.
73. Thus the capital of the Joint Stock Banks in Great Britain during the years 1900-1905, rose from £76,000,000 to £79,500,000, in round figures, while their number fell from 83 to 62.
74. See above, p. 605.
75. See p. 607 and following of the text and notes thereto.
76. The several capital increases of the Darmstädter Bank during the second epoch were as follows: Up to 1880 to 60,000,000 marks, up to 1889 to 80,000,000 marks, up to 1898 to 105,000,000 marks, up to 1902 to 132,000,000 marks, up to 1904 to 154,000,000 marks. (The last-named figure has been maintained to date.)
77. The several capital increases of the Berliner Handelsgesellschaft during the second epoch were as follows: Up to 1880 to 30,000,000 marks (in 1882 reduced to 20,000,000 marks), up to 1886 to 30,000,000 marks, up to 1887 to 40,000,000 marks, up to 1889 to 50,000,000 marks, up to 1891 to 65,000,000 marks, up to 1896 to 80,000,000 marks, up to 1899 to 90,000,000 marks, up to 1903 to 100,000,000 marks, up to 1908 to 110,000,000 marks. (The last-named figure has been maintained to date.)
78. The several capital increases of the Disconto-Gesellschaft during the second epoch were as follows: Up to 1880 to 60,000,000 marks, up to 1889 to 75,000,000 marks, up to 1898 to 115,000,000 marks, up to 1899 to 130,000,000 marks, up to 1902 to 150,000,000 marks, up to 1904 to 170,000,000 marks. (The last-named figure has been maintained to date.)

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79. The several capital increases of the A. Schaaffhausen'scher Bankverein during the second epoch were as follows: Up to 1880 to 36,000,000 marks, up to 1891 to 48,000,000 marks, up to 1895 to 60,000,000 marks, up to 1897 to 75,000,000 marks, up to 1899 to 100,000,000 marks, up to 1904 to 130,000,000 marks, up to 1908 to 145,000,000 marks. (The last-named figure has been maintained to date.)

80. The several capital increases of the Mitteldeutsche Kreditbank during the second epoch were as follows: Up to 1880 to 30,000,000 marks, up to 1897 to 36,000,000 marks, up to 1899 to 45,000,000 marks, up to 1905 to 54,000,000 marks.

Assuming an original capital of 5,000,000 thalers (=15,000,000 marks) instead of 8,000,000 thalers (since 3,000,000 thalers remained in the portfolio of the bank), a nearly fourfold increase within the period may be figured out.

81. In Austria the earning capital (share capital plus surplus, acceptances, deposits and credits on current account (Kreditoren) of all Austrian joint-stock and provincial banks (*Landesbanken*) at the end of 1902 was in round figures 7,500,000,000 crowns, of which, it is true, the Austro-Hungarian Bank was credited with about 2,432,000,000 crowns, and the Kreditanstalt with 494,000,000 crowns. Out of 60 banks, 6 possessed in the aggregate more than 60 per cent of the total capital. At the end of 1908, the following Austrian banks, which since 1905 have also greatly increased the number of their branches, showed the following share capitals:

	Capital at end of 1908.	Capital in year of foundation.	Year of foundation.
	<i>Million crowns.</i>		
1. K. K. Priv. Kreditanstalt für Handel und Gewerbe.	120	^a 100,000,000 florins.	
2. K. K. Priv. Österreichische Bodenkreditanstalt.	45	7,200,000 crowns.	1864
3. K. K. Privilegierte Österreichische Länderbank.	130	100,000,000 francs.	1880
4. Wiener Bankverein.	130	6,400,000 crowns.	1869
5. Anglo-Österreichische Bank.	60	12,000,000 crowns.	1853
6. Niederösterreichische Escomte-gesellschaft.	60	10,461,000 crowns.	1853
7. Unionbank.	70	2,000,000 crowns.	1870

^a Beginning with 1864 only 60,000,000 florins.

The great Hungarian banks, too, have recently increased their share capitals very considerably (in part also the number of their branches), in particular the following: 1, Ungarische Allgemeine Kreditbank, capital increased to 60,000,000 crowns; 2 Österreichisch-Ungarische Commercialbank, capital increased to 42,000,000 crowns; 3, Ungarische Escomte- und Wechslerbank, capital increased to 40,000,000 crowns.

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In France, the following increases of share capital took place between 1870 and the end of 1908: Crédit Lyonnais (with 43 agencies in Paris, 9 in the suburbs of Paris, 174 in French provincial towns and in Algeria), from 20,000,000 to 250,000,000 francs; Comptoir national d'Escompte de Paris (with 35 bureaux de quartiers in Paris, 14 agencies in the suburbs and 150 agencies in the provinces), from 50,000,000 to 150,000,000 francs; Crédit industriel et commercial (with 30 succursales in Paris, 3 in the suburbs and 1 agency in London), from 15,000,000 to 100,000,000 francs; Société générale pour favoriser etc. (with 88 succursales, agencies and bureaux in Paris and suburbs, 637 agencies in the provinces, and one agency each in London and Saint Sebastian, Spain), from 60,000,000 to 300,000,000 francs.

82. The several increases of the Deutsche Bank were: Period ending 1880 to 45,000,000, 1881 to 60,000,000, 1888 to 75,000,000, 1895 to 100,000,000, 1897 to 150,000,000, 1902 to 160,000,000, 1904 to 180,000,000, 1905 to 200,000,000 marks; amount unchanged since then.

83. The several increases of the Dresdner Bank were: Period ending 1880 to 15,000,000, 1881 to 24,000,000, 1883 to 36,000,000, 1887 to 48,000,000, 1889 to 60,000,000, 1892 to 70,000,000, 1895 to 85,000,000, 1897 to 110,000,000, 1899 to 130,000,000, 1904 to 160,000,000, 1907 to 180,000,000 marks, 1910 to 200,000,000 marks.

84. The several increases of the Commerz- und Disconto-Bank were: Period ending 1883 to 40,000,000, 1897 to 50,000,000, 1904 to 85,000,000 marks; amount unchanged since then.

85. The several increases of the Nationalbank für Deutschland were: Period ending 1883 up to 24,000,000, 1899 (after reduction to 21,000,000 and to 18,000,000) to 27,000,000, 1890 to 36,000,000, 1895 to 45,000,000, 1898 to 60,000,000, 1905 to 80,000,000 marks; amount unchanged since then.

86. See also p. 629 and following, for list of banks and private banking firms absorbed by provincial banks which remained independent. For example, the *Rheinisch-Westfälische Disconto-Gesellschaft in Aachen* (Aix-la-Chapelle) alone absorbed a total of 7 banks and 2 private banking concerns (4 banks and 1 private banking concern being absorbed in a single year, 1905); see. p. 633 et seq.

87. In 1909 the Disconto-Gesellschaft set up a branch in Mainz, to take the place of the banking firm of Bamberger & Co. in Mainz, which it had absorbed.

88. In 1909 the Deutsche Bank, without absorbing any banking establishment, set up a branch in Constantinople, in order to foster and develop the manifold relations to Turkey.

89. Paul Wallich, (loc. cit., p. 59 et. seq.) says that fusion was "the characteristic form of concentration" in German banking in the period 1880-1895. I am unable to share that view, even as regards the period named. Concerning a bank which ceased to exist not long after its establishment, it soon became a common saying at the Bourse, that the shares were bought and sold "per disappearance."

90. Such is the case of the Berliner Bank, which had been unable fully to attain its purpose, namely to attract the credit business of the class of small traders.

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91. Such is, for example, the case of the Hessische Notenbank under the firm name of Bank für Süddeutschland, which, by reason of the new banking law, was no longer able to attain its aims as fully as had been intended and was in fact requisite. Paul Wallich (*loc. cit.*, p. 78) reports the absorption of six other former note banks by credit banks. Here must also be mentioned the absorption, in 1905, of the Braunschweigische Kreditanstalt (share capital, 6,750,000 marks) by the Braunschweigische Bank (share capital, 10,500,000 marks), the latter absorbing in 1906 also the banking firms of Hermann Schoof in Helmstedt and Hugo Rennau in Schöningen.

92. See article: "Zwangsfusionen" in the Berliner Tageblatt (*Handelszeitung*) Jan. 15, 1906.

93. Thus in the case of the absorption of the Anglo-Deutsche Bank by the Dresdner Bank in 1892.

94. Rudolf Eberstadt, *Depositenbankwesen und Scheckverkehr in England*, *op. cit.*, p. 249. Edgar Jaffé (*loc. cit.*, pp. 190-191) thinks on the contrary that "the movement has been slackening since the beginning of the new century."

95. Edgar Jaffé, *loc. cit.*, p. 191.

96. Karl Mamroth, *Die schottischen Banken*, p. 10, note 38.

97. *Vossische Zeitung*, Jan. 31, 1905; see Charles J. Bullock, *Concentration of Banking Interests*, in *Atlantic Monthly*, Aug. 1903.

98. See C. Stegemann, *Die Entwicklung des französischen Grossbankbetriebes (Münster in Westfalen, Theissing, 1908)*, pp. 22-23, 26, 39.

99. See p. 869, note 57.

100. This refers solely to the share capital, not to reserves nor to deposits of all kinds.

101. The Rheinisch-Westfälische Disconto-Gesellschaft (share capital 80,000,000 marks, 17 branches, see p. 633), which was enumerated in this connection in earlier editions, and which is particularly active in the mining region of the Rhineland and Westphalia, I no longer include in the group of the Disconto-Gesellschaft for reasons stated on p. 673.

102. The Westdeutsche Bank vormal's Jonas Cahn in Bonn, having in 1904 been absorbed by the A. Schaaffhausen'scher Bankverein, can of course not be separately mentioned. For the same reason the Niederrheinische Kreditanstalt vormal's Peter & Co. in Krefeld (fused in 1904) has to be omitted.

103. Georg Tischert, *Filialsystem und Zentralisation im Bankwesen* (*Bank-Archiv* May 1903, No. 8, pp. 119-120).

104. Paul Wallich, *Die Konzentration im deutschen Bankwesen, 1905*, pp. 17-24 and Table II, p. 19.

105. *Jubiläumsbericht der Disconto-Gesellschaft* (Jubilee report of the Disconto-Gesellschaft), p. 208. The practice of setting up independent provincial banks at the locality of the parent bank was probably prompted by considerations similar to those which as early as 1864 had led the Darmstädter Bank to transform its branch in Mainz into a commandite, "in order to limit the number of institutions that might directly commit the bank."

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106. See above (Part 3, chap. 2, par. 4, under II).

107. In the first period (1848-1870) and at the beginning of the second period the Darmstädter Bank took the lead in establishing subsidiary companies (Tochtergesellschaften).

108. See Supplement VII.

109. In the case of the domestic subsidiary companies (Tochtergesellschaften), which, as appears from the above remarks, have of late been established in somewhat larger number, several institutions have occasionally established them by joint action, in order to lessen some of the disadvantages here described.

110. The formation of trust companies was also greatly promoted by paragraph 39 (now 41) of the stock exchange act.

111. For details the reader is referred to Max Jörgens, *Finanzielle Trustgesellschaften* (Stuttgart and Berlin, J. G. Cotta Nachfolger, 1902); Robert Liefmann, *Beteiligungs- und Finanzierungsgesellschaften*, (Jena, Gustav Fischer, 1909) p. 369 et seq.

112. Even in these cases, however, the "closer connection" means for the most part that the bank whose shares are acquired becomes more or less subject to the will and guidance of the bank acquiring them. Such connections might be more properly called "communities of protection" (Schutzgemeinschaften) than "communities of interest" (Interessengemeinschaften).

A very peculiar kind of community of interest is represented by the connection established in 1905 between the Imperial Bank of Agricultural Credit Societies (Landwirtschaftliche Reichsgenossenschaftsbank) in Darmstadt and the Prussian Central Bank of Credit Societies (Preussische Zentralgenossenschaftskasse). The former, which was by far the weaker, was permitted to acquire shares of the latter to the amount of 1,000,000 marks, in exchange for which it surrendered to the latter the business with the Prussian Credit Societies (union deposit offices), this surrender being deemed an equivalent for the acquisition of the shares.

113. See *Frankfurter Zeitung* No. 216 (Aug. 6, 1905), where the view is expressed that the estimate of 2,000,000 marks as the amount of shares of the Rheinisch-Westfälische Disconto-Gesellschaft held by the Disconto-Gesellschaft is rather high.

For details concerning the Rheinisch-Westfälische Disconto-Gesellschaft see above, p. 633.

114. A similar condition exists in the case of the Schlesische Handelsbank Aktiengesellschaft in Breslau (formerly Perls & Co.), whose share capital at its foundation or rather transformation in 1905 was acquired in part by the Berliner Handelsgesellschaft and in part by the Disconto-Gesellschaft.

115. See Otto Jeidels, p. 261.

116. In the first edition of the present work I had pointed out that differences regarding the business management and the common policy would be apt to arise. The *Berliner Jahrbuch für Handel und Industrie* (1908, Vol. I, p. 261) states, I do not know on what grounds, that such

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differences did manifest themselves in the classic instance of the Dresdner Bank-Schaaffhausen alliance, one case occurring as early as 1904 in regard to the Hibernia nationalization plan, another in 1908 in regard to the occurrences connected with the International Exploration Company Erke-lenzen, whose shares were owned for the most part by the A. Schaaffhausen'scher Bankverein. It is to be noted that industrial communities of interests, too, have sometimes been terminated, mostly through the fusion of the contracting parties. Such was the case with the community of interest entered into in 1904 for five years between the Bismarckhütte and the Oberschlesische Eisenindustrie Aktiengesellschaft in Gleiwitz; the oft-mentioned community of interest entered into in 1904 for thirty-one years between the Schalker Gruben- & Hütten-Verein, the Gelsenkirchener Bergwerks-Aktien-Gesellschaft and the Eisenhüttenwerk Rote Erde Aktiengesellschaft Aachen, which were fused in 1907; the community of interest entered into in 1905 for thirty-five years between the firm Arthur Koppel and the Aktiengesellschaft für Feld- und Kleinbahnbedarf vormalis Orenstein & Koppel in Berlin. In this case, too, the alliance terminated in fusion, the former firm being merged in the latter, and the combined enterprise assuming the firm name of Orenstein & Koppel, Arthur Koppel Aktiengesellschaft.

117. This view has been substantiated since the first edition of this book in 1905, while in industry numerous communities of interest have meantime been entered into, such as the great communities of interest in the chemical industry described on pp. 721 et seq. See Henry Völcker, Vereinigungsformen und Interessenbeteiligungen in der deutschen Gross-industrie, in Schmoller's Jahrb. für Gesetzgebung, Band XXXIII, Heft 4, p. 11 et seq.

118. Report of the Bergisch-Märkische Bank for 1897, p. 3.

119. Paul Wallich (*loc. cit.*, p. 102) rightly refers also to the difficulties from the standpoint of taxation, citing a passage from Jörgens, Finanzielle Trustgesellschaften, p. 75: "Double taxation, which is likely to occur in the case of a stock company, inasmuch as the tax is laid on the income or profits first of the company and second of the shareholder, is apt to become triple taxation when one stock company owns the other." Again Wallich justly remarks (*loc. cit.*, p. 110) that "in banking, the permanent participation represents, in principle, the same degree of improvement on the stock company as the stock company does on individual enterprise." However, I am unable to agree with the argument he advances in support of the last-mentioned thesis, because, to my mind, the modern stock company is characterized by the fact that (contrary to the opinion expressed by Wallich, *loc. cit.*, p. 111) the stockholder (aside from exceptional cases), while possessing an "interest in the undertaking," does not possess an "undertaker's interest," especially since it is not the individual stockholder but the aggregate of the stockholders that has to be regarded as the undertaker. Now this aggregate, though perhaps not possessing the capacity to undertake, which even the physical undertaker may lack,

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certainly has the will to undertake, as appears from the very fact that it does not dissolve the enterprise but carries it on, or rather causes it to be carried on. Hence the assertion recently made (for example by Ad. Gottschewsky in his interesting and stimulating work "Ueber die Aktienform der Unternehmung," in Schmoller's *Jahrb.* 31 Jahrg. 1 Heft, p. 199 et seq.), that in the case of a stock company there is no undertaker at all, must be regarded as erroneous.

120. Toward the end of 1904 the number of commandites had decreased by two (see 1st ed., p. 211).

121. See Jubilee Report of the Disconto-Gesellschaft, pp. 204-205.

122. See Report of Darmstädter Bank, 1871, pp. 12-13.

123. See Model, pp. 75-76.

124. See Loeb, cited by Model, p. 168.

125. However, on looking into the details, we find that the conditions are entirely different. Among the great banks, the Dresdner Bank has the largest number of branches (14).

126. To this must be added 4 branches of the Westfälisch-Lippische Vereinsbank, a subsidiary company of the A. Schaaffhausen'scher Bankverein, mentioned in Supplement VII, and 3 branches of the Bayerische Disconto- und Wechselbank, also 2 branches of the Revisions- und Vermögens-Aktien-Gesellschaft, as well as 8 branches of the Bank für Thüringen vormals B. M. Strupp, Aktien-Gesellschaft, making a total of 17 branches. This does not change the general statement nor the average number of branches per allied bank (Konzernbank).

127. In the United States the obstacles are mainly of a legal nature.

In Austria, too, with the exception of the Oesterreichisch-Ungarische Bank, which is a note bank, the great banks have hitherto had a relatively small number of branches. The Oesterreichische Kreditanstalt at the end of 1904 had only 7 branches, the Wiener Bankverein 4, the Oesterreichische Länderbank 2. The three last named, however, had a number of exchange offices (Wechselstuben). In 1905 the branches began to multiply. According to the *Prager Tageblatt*, December 27, 1905, there were in Bohemia alone, at the end of 1905, not less than 31 branches and agencies of Bohemian banks and 27 branches and agencies of Vienna banks, besides 54 branches and sub-offices (Nebenstellen) of the note bank (Oesterreichisch-Ungarische Bank). In 1905-6 the Wiener Bankverein alone established branches in Marienbad, Karlsbad and Pilsen, which were to be followed by others in Bozen and Meeran and in Constantinople, and this movement continued in subsequent years.

128. *Depositenbanken und Spekulationsbanken* (1902), p. 62 et seq.

129. Rudolf Eberstadt, *Depositenbankwesen und Scheckverkehr in England*, p. 248.

130. In the case of England, however, it is advisable to use the term banking offices (Bankstellen) rather than the term branches, since the London "branches" at any rate in many cases resemble our deposit offices rather than our branches.

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131. Edgar Jaffé, *Das englische Bankwesen*, p. 189. See preceding note.

132. For the period up to 1903 see André A. Sayous, *Die Konzentration des Bankverkehrs in Frankreich*, *Bank-Archiv*, 3 Jahrgang, No. 8, May 1904, pp. 129-132, especially Table I: Number of agencies and branches of French credit institutions in Paris and vicinity (p. 129); and Table II: Number of agencies and branches of the French credit institutions in the province (p. 130); also *Vossische Zeitung* of Jan. 28, 1905.

133. See Karl Mamroth, *Die schottischen Banken*, loc. cit., p. 20 et seq.

134. See, however, note 130 on p. 872.

135. The words "in large part" were added in deference to an objection raised by C. Hegemann in his paper *Die Entwicklung des französischen Grossbankbetriebes* (Münster in Westfalen, 1908, Theissing), p. 27. The objection must be regarded as well-grounded. However, he himself states (p. 94) that the French branches of the credit institutions are merely instruments to carry out the orders of the central bank.

136. This is probably the reason why André A. Sayous, in the paper mentioned in the above note 132, combines agencies and branches.

137. Our Reichsbank, too, had at the end of 1908 487 banking offices (Stellen) (in 1903 379). See *Verwaltungsbericht der Reichsbank* für das Jahr 1909, page 16. In Scotland the number of branches rose very decidedly in 1854, because the stamp tax on bank notes was reduced from 5 pence to 1 penny (Karl Mamroth, loc. cit., pp. 19-20).

138. Quoted from Somers, *The Scotch banks and system of issue*, Edinburgh 1873. (See Karl Mamroth, loc. cit., p. 27).

139. *Die Berliner Grossbanken in den Jahren 1895-1902 etc.*, p. 114.

140. For details see Edgar Jaffé, *Das englische Bankwesen*, pp. 184-85.

141. Ad. Weber, *Depositenbanken und Spekulationsbanken*, p. 41.

142. The income tax depends on the legislation of the various states. The legislation of Prussia, for example, provides that stock companies having their main office in Prussia and branches in another German state are taxed in Prussia on that part of their total income which is derived from the business operations of the establishments located in Prussia.

Similarly, stock companies having their main office outside of Prussia but possessing branches in Prussia are subject to the Prussian income tax on that part of their total income which is derived from establishments located in Prussia.

143. Loc. cit., p. 112.

144. On this account, agencies, as contrasted with branches, would doubtless play a very prominent part in Germany also, but for the peculiar reasons mentioned in the text. From a business point of view it would be good policy to begin with the easier form, the agency, and develop it gradually, as business increases, into the more substantial and important juridical form, the branch. With this view some banks, for example the Pfälzische Bank, have established branches which they called "agencies"

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or "deposit offices" or "deposit and exchange offices" (*Wechselstuben*), but which had to be recorded as branches.

145. Of the remaining "agencies," the majority are agencies only in name, being entered in the trade register as branches. See preceding note.

146. Most of the sums in question are in fact deposits, because in Mecklenburg, Oldenburg, Schleswig-Holstein and Alsace-Lorraine, more than elsewhere in Germany, especially so far as the rural population is concerned, it is customary to keep available funds in the banks as deposits instead of investing them. These sums are sometimes quite large and are often kept in the bank for a long time.

147. See for example Ad. Wagner, *Beiträge zur Lehre von den Banken*, Leipzig, Leopold Voss, 1857, p. 164 et seq., and above, pages 189 and following, also notes thereto.

148. *Grundriss zum Studium der politischen Oekonomie* 4th ed., Jena, 1902, Gustav Fischer, p. 149.

149. Concerning an earlier period see Ad. Wagner, loc. cit., pp. 70-71 and others.

150. Edgar Jaffé, *Das englische Bankwesen*, p. 189.

151. Hans Gideon Heymann, loc. cit., p. 132.

Part V.

1. For details see W. Sombart, *Der moderne Kapitalismus*, I, pp. 553-569; Hans Gideon Heymann, *Die gemischten Gewerke im deutschen Gross-Eisengewerbe* (Stuttgart and Berlin, 1904, J. G. Cotta'sche Buchhandlung Nachf.), pp. 211 et seq. and 280 et seq.

2. *Kontradiktorische Verhandlungen über deutsche Kartelle*, Heft 5, Supplement I, pp. 102 et seq.

3. Hans Gideon Heymann, loc. cit., p. 211.

4. From an earlier period the following example may be cited:

The A. Borsig machine works, which as early as 1847 had built a puddling and rolling mill as an adjunct to the machine works, thereupon leased coal and ore mines and in the sixties erected in Upper Silesia other puddling and rolling mills, "thus developing from a "machine factory" into a great mixed steel plant, through the systematic annexation of establishments supplying the raw material and half-finished manufactures." (Hans Gideon Heymann, loc. cit., pp. 186-187). A multitude of other examples from recent times are found in the volume of Henry Voelcker cited on p. 871, note 117.

5. For details concerning these highly interesting developments, which however are beyond the scope of the present book, the reader is referred to the following works:

Robert Liefmann, *Die kontradiktorischen Verhandlungen über deutsche Kartelle* (Conrad's Jahrbücher, 3 Folge, Band XXV, p. 638 et seq.), 1903.

Idem, *Die Verhandlungen über die Roheisensyndikate und den Halbzeugverband in der deutschen Kartellenquête* (Conrad's Jahrbücher, 3 Folge, Band XXVII, p. 525 et seq.), 1904.

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Idem, Kartelle und Trusts (Stuttgart, Ernst Heinrich Moritz), 1905; see especially p. 99 et seq.: Die Weiterbildung der Kartelle.

Idem, Krisen und Kartelle (Schmoller's Jahrb. Jahrg. 1902, p. 661 et seq. and Schriften des Vereins für Sozialpolitik, Bd. CXIII, p. 261 et seq.

Idem, Die Weiterbildung der Unternehmungsformen unter dem Einfluss der Kartelle (Deutsche Wirtschaftszeitung, 1 Jahrgang, Nr. 2, 3 and 4, January and February 1905).

von Landmann, Die amtlichen Erhebungen über das deutsche Kartellwesen (Annalen des Deutschen Reichs, 1904, Ns. 1, 2 and 4).

Hans Gideon Heymann, loc. cit.

See also Kontradiktorische Verhandlungen über deutsche Kartelle, Heft 1-8, Berlin 1903 and 1904 (Franz Siemenroth), especially the reports of Regierungsrat Voelcker on the Rhenish-Westphalian Coal Syndicate, H. I (session of 26-27 Feb. 1902) pp. 25-47 and p. 275 et seq. note (List of syndicate coal mines acquired by other coal mines or smelting works), and Heft 5: Report on the cartel movement in the German iron industry (also published separately), and Supplement I: Betriebsvereinigungen in der deutschen Eisenindustrie, page 102 et seq.

6. See Robert Liefmann, Die kontradiktorischen Verhandlungen etc., p. 544.

7. Ibidem, pp. 642-645.

8. It is well known, of course, that some individual electrical firms, for example the A. E. G. (Allgemeine Elektrizitäts-Gesellschaft) have for many years kept large balances in their banks.

9. Completely absorbed by the Elektrizitäts-Aktien-Gesellschaft vormalis W. Lahmeyer & Co., the absorption taking effect on September 1, 1902. In May 1905 the manufacturing section of the Aktiengesellschaft vormalis W. Lahmeyer & Co. was united with the firm Felten & Guillaume Carlswerk Aktien-Gesellschaft in Mühlheim am Rhein, which for that purpose increased its share capital from 36,000,000 to 55,000,000 marks. The united companies bear the name "Felten & Guillaume-Lahmeyer Werke Aktien-Gesellschaft."

10. In 1898 the Schaaffhausen'scher Bankverein left the Schuckert group and joined the Loewe group (Union-Elektrizitätsgesellschaft).

11. Particular mention may be made here of the remarkable progress recently achieved in the production of dyes, perfumes, artificial silk, the extraction of nitrogen from the air, the manufacture of new explosives, of materials needed in aerial navigation, the discovery of prophylactic, anaesthetic and soporific remedies, and last but not least the transmutation of metals, and even of elements, or substances formerly regarded as elements.

12. The discussion here follows in the main L. Mueffelman, Les ententes dans l'industrie chimique Allemande (Revue économique internationale, Vol. III No. 4 December 15 to 20, 1904, pp. 882-890); a few errors are here corrected.

13. Besides those enumerated in the text mention should be made of the *Farbwerk Mühlheim* formerly A. Leonhardt & Co. in Mühlheim; Kalle &

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Co. in Biebrich (now part of the combined Höchster Farbwerke-Cassella); K. Oehler in Offenbach on-the-Main (now absorbed by the *Chemische Fabrik Griesheim-Elektron*).

14. See Otto Jeidels, op. cit. pp. 123-125, where illustrations are also given. See also p. 125.

15. Op. cit., p. 122.

16. Hans Gideon Heymann, op. cit., p. 43.

17. Ibid., p. 4, 62.

18. Ibid., p. 72.

19. Ibid., pp. 85-94.

20. Ibid., pp. 107-8

21. Ibid., p. 119.

22. Ibid., p. 199.

23. Ibid., p. 204

24. See Ludwig Eschwege, *Revolutionierende Tendenzen im deutschen Eisengewerbe* (Revolutionizing Tendencies in the German Iron Industry) in *die Bank*, Apr., 1909, pp. 313-318 and "Ladon" in *die Zukunft*, Apr. 3, 1909, p. 26.

25. Thyssen keeps aloof from the great banks that have hitherto been dominant in the Lorraine-Luxemburg district, neither has he developed closer relations to the Darmstädter Bank, which founded the above mentioned works or to the A. Schaaffhausen'scher Bankverein which reorganized, financed and improved the technical outfit of the Lorraine furnace company Aumetz-Friede (This company was merged in 1903 with the Fentscher Hüttenaktienverein and the Gewerkschaft Crone.)

Stinnes too at first had only a few minor bank connections in this district, chiefly through his directorship in the Mittelrheinische Bank and his relations to Spaeter & Co. This may have been the reason why he gladly availed himself of the opportunity in 1901 to secure a strong position in this district by entering the directorate of the Deutsch-Luxemburgische Bergwerks- und Hütten-Aktiengesellschaft.

Part VI

1. For certain reservations to be made here see above, p. 527 et seq. and particularly pp. 535 and 536.

2. For the future there is a possibility of combinations, which would at least lead to a saving of taxes.

3. Conditions in England are evidently similar. For these see John Cockburn Macdonald, *The Economic Effects, National and International, of the Concentration of Capital in Few Controlling Hands*. (The Institute of Bankers, Oct., 1900, Vol. XXI, pt. VII, pp. 371-3.)

4. *Finanzielle Trustgesellschaften*, p. 75.

5. With reference to his activity as a curb broker (coulisse) and in the arbitrage field see above pp. 620-621.

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6. Thus Karl Bücher says (*Die Entstehung der Volkswirtschaft*, 3d ed., 1901, p. 229): Concentrated demand cannot be met by scattered production. Progress of concentration in demand must be accompanied by progress of concentration in industrial production, the latter causing the disappearance of the craftsman.

7. Karl Bücher, *op. cit.*, p. 235.

8. Otto Jeidels is mistaken in his opinion with reference to these and the majority of listed bonds, that "industrial bonds yield only a small return." (*Op. cit.*, p. 55). The opposite is usually the case.

9. This has happened in England, too, but only in a few cases. (See Barclay etc.)

In France there has been formed from among the private bankers the "Syndicat des Banquiers de la province française," and the Banque de l'Union Parisienne (Mallet frères, Vèrnes et Cie., de Neufelize et Cie, etc).

The former publishes an organ of its own, "La France économique et financière." In Germany similar combinations have been proposed, among others by Julius Kohen (Aschersleben), in the *Plutus* for July 1, 1904, "A Bankers' Association for Cooperative Buying," and by Ludwig Eschwege in *Die Hilfe* of July 3, 1904, No. 27.

10. See W. Sombart, *Die deutsche Volkswirtschaft*, 2d ed., p. 191.

11. According to the excellent and exhaustive report (published also as reprint) made by the manager of the Centralverband des Deutschen Bank- und Bankiergewerbes, Wittner, Counsellor-at-law in Berlin, to the Third General Convention of German Bankers at Hamburg in September 1907, a schedule was prepared for the purpose of gathering statistics of salaries paid to German bank employees, also regarding the living conditions of these employees and their families, and 38,000 copies of this schedule were sent to about 4,000 banking institutions and firms. The data of these schedule were worked up by the Central Verband. Of the total number sent out, 24,146 or about 65 per cent were returned filled out by 1,247 establishments having 24,146 employees, distributed as follows—264 joint stock banks with 16,391 employees, 708 private banks with 5,938 employees and 275 cooperative banking institutions with 1,817 employees.

12. Memorial on the investigation into the economic condition of salaried employees in private establishments instituted during Oct., 1903, by the organizations of salaried employees and transmitted to the Reichstag March 14, 1907.

13. According to an article on Banking and Exchanges by Henry Crosby Emery, professor of political economy at Yale University there was recently established in the United States the International Banking Corporation with a capital of \$7,000,000, with the intention of having a bank with American managers and employees, and American customers. It was, however, impossible to find Americans trained for the positions, and "today all the branch managers are Englishmen," (in Ernst v. Halle, *Amerika, seine Bedeutung für die Weltwirtschaft und seine wirtschaftlichen Beziehungen zu Deutschland*, insbes. zu Hamburg, Verlag der Hamb. Börsen-

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halle 1905, p. 344) In these matters it is not always true that where there is a will, there is a way.

14. As an illustration of most recent occurrence I refer to the day of the outbreak of the Russo-Japanese war.

15. This and the following quotations are from Riesser "Die Notwendigkeit einer Revision des Börsengesetzes," Berlin, 1901, Leonhard Simion, pp. 42, 43.

16. See Ernst Loeb in the *Nationalzeitung* of Apr. 18, 1904, No. 244.

17. Thus for example Eschenbach in the *Proceedings of the Verein für Sozialpolitik* of September 16, 1903, *Schriften*, CXIII.

18. See above p. 97 et seq. The proportion of the population assessed for the income tax was in 1904 37.1 per cent of the total population; in 1903, 35.9 per cent, and in 1896 only 29.3 per cent.

19. Thus Ludwig Pohle, *Deutschland am Scheidewege* (Germany at the Parting of the Roads) Leipzig, B. G. Teubner, 1902, p. 199. Cf. also his polemic (*ibid.*, pp. 197-198) against Dietzel's theory that wages and the prices of grain have a tendency to vary in opposite directions, a view which I am neither able to share.

20. In his very interesting rectoral address of Jan. 26, 1910, on "The Development of the Iron Industry in Germany," (p. 10) Muthesius cites the official reports of the Krupp consumers' institution. According to these reports "there has been no increase worth mentioning during the last twenty years in the prices of the leading commodities entering into the cost of living." However this very gratifying statement must be used with caution, for conditions there are undoubtedly out of the ordinary.

21. Walter Troeltsch "Über die neuesten Veränderungen im deutschen Wirtschaftsleben" (On some recent changes in German Economic Life) Stuttgart, 1899, p. 145.

22. *Ibid.*, p. 147-148.

23. The well-known Hibernia case has been considered as one of such excesses, for the reason that the decline of the government offer was brought about by a coalition of banks, which bought up the stock. This is however a one-sided and incorrect interpretation. We must not forget that among those who favored the government's offer there were two great banks, viz. the Dresdner Bank, and the A. Schaaffhausen'scher Bankverein. Furthermore, even in the absence of the concentration movement a coalition of banks might be formed for a specific purpose. Moreover, any one of the allied great banks was sufficiently powerful by itself to buy up enough shares to bring about the refusal of the government's offer.

24. Max Sering says, "The question of supplanting our imports by domestic production, must be answered absolutely in the negative. If this is so, we must export on a scale, that will enable us to pay for those articles" (*Handels- und Machtpolitik*, Vol. II, pp. 38-39 Stuttgart, J. G. Cotta's Nachfolger, 1900). Sering goes somewhat too far, at least as regards tropical products, for these we may hope to draw in increasing quantities from

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our colonies. It may also prove possible to reduce considerably our imports of agricultural products.

25. Thus the cartels may be required to submit their by-laws and certain kinds of resolutions (as for example those relating to export premiums) also to answer inquiries and to publish certain information. Schmoller's proposal, that they be required to submit all of their more important resolutions, would prove impracticable owing to the indefiniteness of his formula, if for no other reason. See paragraph 7 of the report made to the general meeting of the Verein für Sozialpolitik in Mannheim, Sept. 27, 1905, reprinted in Schmoller's *Jahrbuch für Gesetzgebung* etc. vol. 29, No. 4, pp. 326 et seq., and particularly p. 362).

26. On this point cfr. the very instructive section in Paul Wallich, *Liquidation of Banks* ("Entgründungen"), op. cit., pp. 34-48.

27. *Schriften des Vereins für Sozialpolitik*, LXXI, pp. 183-184.

28. Heinrich Waentig, *Industriekartelle und Trusts und das Problem ihrer rechtlichen Regelung* (Industrial Cartels and Trusts—The Problem of their legal regulation) Schmoller's *Jahrb. f. Gesetzgebung* etc., vol. 25 1901, No. 4, p. 19.

APPENDICES.

APPENDIX I.

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A. NATURE AND DEVELOPMENT OF THE CREDIT BANKS.

[To page 26.]

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APPENDIX II.

Credit banks founded during the years 1848-1856.

[To page 45.]

Location.	Designation.	Year of founding.	Paid-up share capital at end of 1857.
			<i>Marks.</i>
Berlin	Disconto-Gesellschaft	1851	39,131,000
Do	Berliner Handels-Gesellschaft	1856	11,220,000
Breslau	Schlesischer Bankverein	1856	7,500,000
Coburg	Coburg-Gothaer Credit-Gesellschaft	1856	1,700,000
Darmstadt (Berlin)	Bank für Handel und Industrie	1853	42,936,000
Dessau	Creditanstalt für Industrie und Handel	1856	1,800,000
Eisleben	Eislebener Disconto-Gesellschaft	1856	600,000
Hamburg	Norddeutsche Bank	1856	30,000,000
Do	Vereinsbank	1856	6,000,000
Cologne	A. Schaaffhausen'scher Bankverein	1848	15,561,000
Leipzig	Allgemeine Deutsche Creditanstalt	1856	22,292,000
Mühlhausen (Alsace)	Comptoir d'Escompte de Mulhouse	1854	800,000
Oldenburg	Oldenburgische Spar- und Leih-Bank	1845	1,200,000
Strassburg (Alsace)	Strassburger Bank (Stähling)	1852	2,400,000
Total 14 banks			183,140,000

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APPENDIX III.

German credit banks in 1872.^a

[To page 188.]

Location.	Designation.	Year of foundation.	Paid-up share capital at end of 1872.
			<i>1,000 marks.</i>
Aix-la-Chapelle	Aachener Bank für Handel u. Industrie	1872	2,400
Do	Aachener Discontogesellschaft (Rheinische).	1872	2,400
Aschaffenburg	Bankverein Aschaffenburg	1872	1,500
Augsburg	Augsburger Bank	1871	2,400
Barmen	Barmer Bankverein, Hinsberg, Fischer & Co.	1867	12,000
Berlin	Allgem. Bau- u. Handelsbank	1873	1,200
Do	Allgem. Deutsche Handelsgesellschaft	1871	3,000
Do	Berliner Bank	1871	8,400
Do	Börsenbank für Maklergeschäfte	1871	1,800
Do	Berliner Bankverein	1871	18,000
Do	Börsen-Handels-Verein	1872	3,600
Do	Centralbank für Industrie u. Handel	1871	22,500
Do	Commissions- u. Maklerbank	1872	3,000
Do	Berliner Commerz- u. Wechselbank	1871	4,500
Do	Deutsche Bank	1870	45,000
Do	Deutsche Handelsbank	1869	900
Do	Deutsche Unionbank	1871	36,000
Do	Disconto-Gesellschaft	1851	60,000
Do	Deutsche Genossenschaftsbank, Sörgel, Parrisius & Co.	1865	7,500
Do	Gewerbebank, H. Schuster & Co	1863	18,000
Do	Generalbank für Maklergeschäfte	1872	3,000
Do	Hamburg-Berliner Bank	1872	9,000
Do	Berliner Handelsgesellschaft	1856	31,500
Do	Internationale Handelsgesellschaft	1871	5,250
Do	Berliner Lombardbank	1871	1,500
Do	Berliner Maklerbank	1871	2,400
Do	Maklervereinsbank	1871	2,400
Do	Preussische Creditanstalt	1872	15,000
Do	Provinzial-Disconto-Gesellschaft	1871	18,000
Do	Provinzial-Gewerbebank	1872	6,000
Do	Vereinsbank, Quistorp & Co	1870	7,500
Do	Wechselstuben A.-G.	1872	4,500
Do	Berliner Wechslerbank	1871	15,000

^aSee *Deutscher Oekonomist* of January 27, 1906 (Vol. XXIV, No. 1205), which includes, however, note banks, mortgage banks, the so-called *Baubanken*, *Handelsbanken*, and *Produktenbanken*, which are omitted from the above list. The latter includes, on the other hand, the so-called *Maklerbanken* (brokers' banks). This made necessary a number of changes in the table of the *Deutscher Oekonomist*.

The dates printed in heavy type indicate that the respective banks were founded during the fifties of the nineteenth century.

National Monetary Commission

German credit banks in 1872—Continued.

Location.	Designation.	Year of founda- tion.	Paid-up share capital at end of 1872.
			<i>1,000 marks.</i>
Beuthen (Upper Sile- sia.)	Oberschlesische Bank für Handel u. In- dustrie.	1872	3,000
Bielefeld	Westfälische Bank	1868	6,000
Braunschweig	Braunschweiger Creditanstalt	1871	9,000
Bremen	Bremer Bankverein	1871	3,000
Do	Deutsche Nationalbank	1871	13,500
Breslau	Breslauer Discontobank	1870	30,000
Do	Breslauer Maklerbank	1871	1,800
Do	Provinzial-Maklerbank	1872	2,400
Do	Maklerversbank	1872	1,800
Do	Breslauer Wechslerbank	1871	9,000
Do	Provinzial-Wechslerbank	1872	3,000
Do	Schlesischer Bankverein	1856	22,500
Do	Schlesische Vereinsbank	1872	7,200
Bromberg	Ostdeutsche Wechslervereinsbank	1872	3,000
Cassel	Hessische Bank	1871	3,000
Chemnitz	Chemnitzer Bankverein	1871	3,000
Coburg	Coburg-Gothaer Credit-Gesellschaft	1856	9,000
Cologne	Bank für Rheinland u. Westfalen	1871	15,000
Do	Rheinische Effektenbank	1872	12,000
Do	Rheinisch-Westfälische Genossenschafts- bank.	1872	1,500
Cologne (Berlin)	A. Schaaffhausen'scher Bankverein	1848	48,000
Cologne	Kölner Wechsler- u. Comm.-Bank	1871	3,000
Cottbus	Niederlausitzer Bank	1871	3,000
Crefeld	Bankverein von Gebr. Peter & Co.	1862	1,500
Danzig	Danziger Bankverein	1871	3,000
Darmstadt (Berlin)	Bank für Handel u. Industrie	1853	34,000
Dessau	Creditanstalt für Industrie u. Handel	1856	1,800
Dresden (Berlin)	Dresdner Bank	1872	9,600
Dresden	Dresdner Handelsbank	1872	3,000
Do	Dresdner Wechslerbank	1872	6,000
Do	Sächsischer Bankverein	1872	5,250
Do	Sächsische Creditbank	1871	9,000
Do	Sächsische Discont(Lomb.)-Bank	1868	1,500
Eisleben	Eisleber Disconto-Gesellschaft	1856	900
Elberfeld	Bergisch-Märkische Bank	1871	8,100
Do	Elberfelder Disconto- u. Wechslerbank	1872	6,000
Do	Elberfelder Handels-Gesellschaft	1872	1,200
Emden	Emder (Genossenschafts) Bank	1867	167
Erfurt	Thüringer Bankverein	1871	4,500
Essen	Essener Creditanstalt	1872	9,000

The German Great Banks

German credit banks in 1872—Continued.

Location.	Designation.	Year of foundation.	Paid-up share capital at end of 1872.
			<i>1,000 marks.</i>
Frankfurt a. M.	Frankfurter Bankverein	1870	18,000
Do	Deutsche Creditbank	1872	3,000
Do	Deutsche Effekten- u. Wechselbank	1872	12,000
Do	Deutsche Handels-Gesellschaft	1872	9,000
Do	Deutsche Vereinsbank	1871	30,000
Do	Österreichisch-Deutsche Bank	1871	23,800
Do	Frankfurter Wechslerbank	1871	7,200
Freiberg i. S.	Vorschussbank	1870	240
Geestemünde	Geestemünder Bank	1872	750
Gera	Geraer Handels-Creditbank	1872	6,000
Görlitz	Görlitzer Vereinsbank	1872	2,400
Grünberg in Silesia	Niederschlesischer Kassenverein	1868	3,000
Halle	Hallescher Bankverein	1866	4,500
Do	Hallesche Creditanstalt	1872	2,100
Hamburg	Waaren-Creditanstalt	1871	3,600
Do	Anglo-Deutsche Bank	1871	24,000
Do	Bankverein in Hamburg	1872	9,000
Hamburg (Berlin)	Commerz- u. Disconto-Bank	1870	21,000
Hamburg	Internationale Bank	1870	18,000
Do	Norddeutsche Bank	1856	45,000
Do	Vereinsbank	1856	9,000
Do	Maklerbank	1871	1,200
Do	Wechslerbank	1872	1,500
Hanover	Hannoversche Disconto- u. Wechslerbank	1872	4,800
Kiel	Kieler Bank	1872	2,400
Königsberg (Prussia)	Königsberger Vereinsbank	1871	4,200
Leer	Ostfriesische Bank	1872	900
Leipzig	Allgemeine Deutsche Creditanstalt	1856	30,000
Do	Communalbank des Königreichs Sachsen	1871	600
Do	F. Schönheimerscher Bankverein	1872	3,000
Do	Leipziger Disconto-Gesellschaft	1872	9,600
Do	Leipziger Vereinsbank	1871	8,400
Do	Leipziger Wechslerbank	1872	3,150
Do	Leipziger Wechsler- u. Depositenbank	1872	2,400
Lübeck	Lübecker Bank	1871	1,500
Do	Vorschuss- u. Sparverein	1864	72
Magdeburg	Magdeburger Bankverein	1867	3,000
Do	Magdeburger Wechsler- u. Discontobank	1872	2,400
Mannheim	Pfälzer Bankverein	1871	4,800
Do	Rheinische Creditbank	1870	12,000
Mühlhausen i. Thuringia	Vereinsbank	1872	1,200

National Monetary Commission

German credit banks in 1872—Continued.

Location.	Designation.	Year of foundation.	Paid-up share capital at end of 1872.
			<i>1,000 marks.</i>
Mühlhausen i. Alsace	Banque de Mulhouse	1871	4,800
Do	Comptoir d'Escompte de Mulhouse	1854	800
Munich	Bayerische Handelsbank	1869	5,100
Do	Bayerische Vereinsbank	1869	9,000
Do	Bayerische Wechslerbank	1872	3,600
Nuremberg	Vereinsbank	1871	3,600
Oldenburg	Oldenburger Spar- u. Leihbank	1845	1,200
Posen	Bank für Landwirtschaft u. Industrie	1870	2,269
Do	Ostdeutsche Bank	1871	6,000
Do	Provinzial Wechsler- u. Discontobank	1871	3,000
Ratibor	Oberschlesischer Creditverein	1871	1,800
Rostock	Rostocker Vereinsbank	1871	3,000
Do	Rostocker Gewerbebank	1872	240
Stettin	Stettiner Vereinsbank	1871	4,500
Do	Stettiner Maklerbank	1872	1,200
Strassburg i. Alsace	Strassburger Bank (Stähling)	1852	2,400
Do	Bank für Elsass und Lothringen	1871	4,800
Stuttgart	Stuttgarter Bank	1871	7,200
Do	Süddeutsche Provinzialbank	1872	3,600
Do	Württembergischer Commissionsbank	1872	600
Do	Württembergischer Vereinsbank	1869	6,800
Wernigerode	Wernigeroder Comm.-Gesellschaft A.-G	1865	150
Wismar	Vereinsbank	1868	375
Zittau	Oberlausitzer Bank	1871	4,800
Zwickau	Zwickauer Bank	1872	1,200

A total of 139 banks with a combined capital of 1,122,113,000 marks, of which, however, a considerable portion disappeared a short time after.

The German Great Banks

APPENDIX IV.

Representation of the great banks on the supervisory boards of stock companies.

[To page 367.]

BANK FÜR HANDEL UND INDUSTRIE.

Seats on the supervisory board.	Class of industry.
MINING, SMELTING, AND SALT WORKS.	
Two (vice-chairman)	Deutsch-Luxemburgische Bergwerks- u. Hütten-Gesellschaft in Bochum.
One	Heldburg, A.-G. für Bergbau, bergbauliche und andere industrielle Erzeugnisse, Hildesheim.
One	Harpener Bergbau A.-G., Dortmund.
One (chairman)	Holzverkohlungs-Industrie, Konstanz.
One	Internationale Kohlenbergwerks-A.-G., Cologne.
One	"Phönix," A.-G. für Bergbau und Hüttenbetrieb, Hörde.
One	Rheinische A.-G. für Braunkohlenbergbau u. Brikettfabrikation, Cologne.
One	A. Riebeck'sche Montanwerke, A.-G., Halle.
One	Saar- u. Mosel-Bergwerks-Gesellschaft, Karlingen.
STONES AND EARTHS.	
One (vice-chairman)	A.-G. für Glasindustrie vorm. Friedr. Siemens, Dresden.
One (vice-chairman)	Annawerke, Chamotte- u. Tonwaren, Oeslau.
One (chairman)	Glashütte Schreiber A.-G., Fürstenberg a. O.
One	Stralauer Glashütte A.-G., Berlin.
METAL WORKING.	
One	Berliner Metallwarenfabrik H. A. Jüst & Co. A.-G. Berlin.
One (vice-chairman)	Deutsche Gold- u. Silber-Scheideanstalt, Frankfort-on-the-Main.
MACHINE AND INSTRUMENT MAKING.	
One (chairman)	Adlerwerke vorm. Heinrich Kleyel A.-G., Frankfort-on-the-Main.
One	A.-G. Mix & Genest, Telefon- und Telegraphen-Werke, Berlin.
One	A.-G., Maschinenbau-Anstalt vorm. Venuleth & Edenberger, Darmstadt.
One	Allgemeine Elektrizitäts-Gesellschaft, Berlin.
One	Deutsche Niles, Werkzeugmaschinen-Fabrik, Oberschönweide.
One	Deutsch-Überseeische Elektrizitäts-Gesellschaft, Berlin.
One	Deutsch-Südamerikanische Telegraphen-Gesellschaft, Cologne.
Two (vice-chairman)	Elektrizitätswerke Homburg v. d. H.

National Monetary Commission

Representation of the great banks on the supervisory boards of stock companies—Continued.

BANK FÜR HANDEL UND INDUSTRIE—Continued.

Seats on the supervisory board.	Class of industry.
	MACHINE AND INSTRUMENT MAKING—continued.
One	"Fenstra," Fabrik für Eisenkonstruktionen und Brückenbau, Düsseldorf.
One	A.-G. Körtings Elektrizitätswerke, Berlin.
One (vice-chairman)	Lech-Elektrizitätswerke, Augsburg.
One	Ludw. Loewe & Co., Berlin.
One	Maschinenbau-Gesellschaft, Heilbronn.
One (chairman)	"Phönix," A.-G. für Stuhl-, Herd- u. Ofenindustrie in Oberhausen.
One	Veithwerke, A.-G., Sandbach, Automobil- und Fahrradfabrik.
	CHEMICALS.
One	Bayerische Stickstoffwerke in Munich.
One (vice-chairman)	Chemische Werke, vorm. H. und E. Albert, Biebrich.
One (chairman)	Chemische Fabrik Griesheim, Elektron, Frankfurt-on-the-Main.
	ILLUMINANTS, SOAPS, FATS, OILS, VARNISHES.
One	Deutsche Petroleum A.-G., Berlin.
One (vice-chairman)	Frankfurter Gasgesellschaft.
	TEXTILES AND LEATHER.
One	I. P. Bemberg, Oehde (Buntfärberei).
One (vice-chairman)	Gruschwitz, Textilwerke, Neusalz.
One	Eduard Lingel, Schuhfabrik A.-G., Erfurt.
One (vice-chairman)	Vereinigte Kunstseidefabriken, Frankfurt-on-the-Main.
One (chairman)	Württembergische Kattunmanufaktur, Heidenheim.
	PAPER.
One (vice-chairman)	Albrecht & Meister, A.-G., Berlin.
One	A.-G. für Buntpapierfabrikation, Aschaffenburg.
	WOOD AND CARVING INDUSTRY
One	Holzindustrie Herm. Schütt, Czersk.
	FOODS AND DRINKS.
One (chairman)	Aktien-Zuckerfabrik, Gr.-Gerau.
One	Aktien-Zuckerfabrik Wetterau, Friedberg
One (chairman)	Altmünster Brauerei, Mainz.
One	Continental Wasserwerks-Gesellschaft, Berlin.
One	Deutsche Bierbrauerei, Berlin.
One (vice-chairman)	Gebr. Stollwerck, A.-G., Cologne-on-the-Rhine.
One	Konservenfabrik Joh. Braun, Worms.

The German Great Banks

Representation of the great banks on the supervisory boards of stock companies—Continued.

BANK FÜR HANDEL UND INDUSTRIE—Continued.

Seats on the supervisory board.	Class of industry.
	COMMERCIAL ENTERPRISES.
One	Bank des Berliner Kassenvereins, Berlin.
One	Bank für Brauindustrie, Berlin.
One	Berliner Hypothekenbank.
One	Berg- u. Metallbank in Frankfort-on-the-Main.
One (chairman)	Boden-A.-G. am Amtsgericht Pankow.
Three (chairman)	Boden-A.-G. Berlin-Nord.
One	Borsigwalder Terrain-Ges. Berlin.
Two (chairman)	Breslauer Disconto-Bank in Breslau.
One	Deutsch-Asiatische Bank in Berlin.
One	Deutsche Treuhand-Gesellschaft, Berlin.
One	Gesellschaft für elektrische Unternehmungen, Berlin.
Two	Immobilien-Verkehrsbank, Berlin.
One	Kölnische Hausrenten-A.-G.
One	Neue Boden-A.-G., Berlin.
Two (vice-chairman)	Ostbank für Handel u. Gewerbe, Posen.
One	Preussische Pfandbriefbank, Berlin.
One (chairman)	Reiniger, Gebbert & Schall A.-G., Erlangen.
One	Süddeutsche Bodenkreditbank, Munich.
Two (chairman)	Süddeutsche Immobilien-Gesellschaft, Mainz.
One (vice-chairman)	Terrain-A.-G. Berlin-Mariendorf, Berlin.
One (chairman)	Terrain-Gesellschaft, Berlin u. Vororte, A.-G.
One	Vereinsbank, Wismar.
One	Westliche Boden-A.-G., Berlin.
One (chairman)	Wittenauer Boden-Gesellschaft, Berlin.
	INSURANCE.
One	"Allianz," Versicherungs-Gesellschaft, Berlin.
One (chairman)	Deutsche Lebensversicherungsbank, Berlin.
One	"Industrie," Versicherungs-A.-G., Berlin.
	TRANSPORTATION.
One (chairman)	Dessauer Strassenbahn-Gesellschaft.
Two (chairman)	Frankfurter Lokalbahn-Akt.-Ges.
One	Grosse Berliner Strassenbahn.
One	Kameruner Eisenbahn-Gesellschaft, Berlin.
One	Luftschiffahrt A.-G., Frankfort on the Main.
One (vice-chairman)	"Midgard," Deutsche Seeverkehrs-A.-G., Nordenham.
One (vice-chairman)	Santa Catharina-Eisenbahn-Gesellschaft, Berlin.
One (chairman)	Süddeutsche Eisenbahn-Gesellschaft, Darmstadt.
One	Westdeutsche Eisenbahn-Gesellschaft, Cologne.

National Monetary Commission

Representation of the great banks on the supervisory boards of stock companies—Continued.

BANK FÜR HANDEL UND INDUSTRIE—Continued.

Seats on the supervisory board.	Class of industry
	FOREIGN COMPANIES.
One.....	Amsterdamsche Bank.
One.....	Banca Marmorosch Blanck & Co., Bucharest.
One.....	Consolidated Mines Selection Company, London.
One.....	Gesellschaft für elektrische Beleuchtung vom Jahre 1886, St. Petersburg.
One.....	Société Générale Belge d'Entreprises Electriques, Brussels.
One.....	K. priv. Wechselstuben-A.-G., "Mercur," Vienna.

BERLINER HANDELSGESELLSCHAFT.

	MINING, SMELTING, AND SALT WORKS.
One.....	Bergwerks-Gesellschaft, "Hibernia," Herne.
One.....	"Bismarckhütte" in Bismarckhütte.
One (vice-chairman).....	Eisenhütte Silesia, Paruschowitz in Oberschl.
One.....	Frankfurt, Finckenheer, Braunkohlen, A.-G. Charlottenburg.
One (vice-chairman).....	Gewerkschaft, "Viktoria" Lünen, Dortmund.
One (director).....	Gewerkschaft Günthershall, Göllingen.
One.....	Harpener Bergbau-Gesellschaft, Dortmund.
One (chairman).....	Hohenlohe-Werke in Hohenlohehütte, Upper Silesia.
One.....	Kaliwerke Sarstedt.
One.....	Kaliwerke Friedrichshall in Schude.
One (chairman).....	Kraft, Bergbau, A.-G., Leipzig.
One (vice-chairman).....	Oberschlesische Kokswerke, Berlin.
One.....	Planiawerke, A.-G. für Kohlenfabrikation in Plania b. Ratibor.
One.....	A. Riebeck'sche Montanwerke in Halle a. S.
One.....	Rombacher Hüttenwerke, Rombach.
One.....	Schantung Bergbau-Gesellschaft, Berlin.
One.....	Schlesische Kohlen- u. Kokswerke in Gottesberg i. Schl.
One (chairman).....	Vereinigte Lausitzer Glaswerke, A.-G. Weisswasser.
	STONES AND EARTHS.
One.....	Breitenburger Portland-Cementwerke, Hamburg.
	METAL WORKING.
One (vice-chairman).....	Aluminiumindustrie Neuhausen.
One.....	Eisen- und Stahlwerk, Bethlen-Falva.
One (vice-chairman).....	Oberschlesische Eisenindustrie in Gleiwitz.
One.....	Rhenania, Emailierwerke, A.-G., Düsseldorf.

The German Great Banks

Representation of the great banks on the supervisory boards of stock companies—Continued.

BERLINER HANDELSGESELLSCHAFT—Continued.

Seats on the supervisory board.	Class of industry.
	METAL WORKING—continued.
One.....	Rheinische Stahlwerke, Meiderich.
One.....	Russische Eisenindustrie, Gleiwitz.
One.....	Vereinigte Deutsche Nickelwerke, Schwerte.
One.....	Westfälische Drahtindustrie, Hamm in Westphalia.
	MACHINE CONSTRUCTION AND INSTRUMENT MAKING.
One (chairman).....	Akkumulatorenfabrik, Berlin.
One (vice-chairman).....	Allgemeine Elektrizitäts-Gesellschaft, Berlin.
One.....	Beurather Maschinenfabrik, Berlin.
One.....	Berlin-Anhaltische Maschinenbau, Berlin.
One (vice-chairman).....	Berliner Elektrizitätswerke, Berlin.
One.....	Deutsche Nileswerke, Oberschönevide.
One (chairman).....	Elektrotechnische Werke, Berlin.
One (chairman).....	Kraftübertragungs-Werke, Rheinfelden.
One (vice-chairman).....	Julius Pintsch, Berlin, Elektrizitätswerk.
One.....	Stettiner Maschinenbau, "Vulcan," Stettin.
	CHEMICALS.
One.....	Bayerische Stickstoffwerke, München.
Two (vice-chairman).....	Chemische Fabrik, Lindenhof, C. Weyl, A.-G., Mannheim.
Two (vice-chairman).....	Dellarocca, Chemische Fabrik, A.-G., Berlin.
Two (vice-chairman).....	Rütgerswerke, Charlottenburg.
	ILLUMINANTS, SOAPS, FATS, OILS, VARNISHES.
One.....	Deutsche Continental-Gasgesellschaft, Dessau.
	FOODS AND DRINKS.
One.....	Leipziger Bierbrauerei, Reudnitz.
One (vice-chairman).....	W. A. Scholten, Stärke- und Syrupfabrik, A.-G., Brandenburg.
One (vice-chairman).....	Zuckerraffinerie Tangermünde.
	BUILDING TRADES.
Two (vice-chairman).....	Wilhelm Bruch, Kanalbau-A.-G., Berlin.
	COMMERCIAL ENTERPRISES.
One.....	A.-G. für Erwerb- u. Verwertungsindustrie, Neuhof.
One.....	Bahnhof Jungfernheide, Boden-Gesellschaft, Berlin.
One (chairman).....	Bank für deutsche Eisenbahnwerte, Berlin.
One (vice-chairman).....	Bank für elektrische Unternehmungen, Zürich.
One.....	Berliner Maklerverein, Berlin.
One.....	Deutsch-Asiatische Bank, Berlin.
One.....	Deutscher Eisenhandel, A.-G., Berlin.
One.....	Deutsche Hypothekenbank, Berlin.

National Monetary Commission

Representation of the great banks on the supervisory boards of stock companies—Continued.

BERLINER HANDELSGESELLSCHAFT—Continued.

Seats on the supervisory board.	Class of industry.
COMMERCIAL ENTERPRISES—continued.	
One	Diamanten-Pacht-Ges., Berlin.
Three (director)	Handelsgesellschaft für Grundbesitz, Berlin.
One (chairman)	Industriegelände Schöneberg, A.-G., Berlin.
One	Liquidationsverein für Zeitgeschäfte, Berlin.
One	Ostbank für Handel u. Gewerbe, Posen.
Two (chairman)	Papierfabrik Koeslin, A.-G., Koeslin.
One	Preussische Hypotheken-Aktienbank, Berlin.
One	Reichsbank, Berlin.
TRANSPORTATION ENTERPRISES.	
One (chairman)	A.-G. für Verkehrswesen, Berlin.
One	Braunschweig-Schöninger Eisenbahn, Braunschweig.
One	Bröhlthal Eisenbahn-Gesellschaft, Cologne.
One	Capito & Klein, A.-G., Benrath.
One	Deutsche Kolonial-Eisenbahn- u. Betriebs-Gesellschaft, Berlin.
Two (director and chairman)	Kamerun-Eisenbahn-Gesellschaft, Berlin.
One (vice-chairman)	Leipziger elektrische Strassenbahn, Leipzig.
Two (vice-chairman)	Ostdeutsche Eisenbahn-Gesellschaft, Königsberg.
One	Westdeutsche Eisenbahn-Gesellschaft, Cologne.
FOREIGN COMPANIES.	
One	A.-G. Hadeland, Bergwerk zu Grua (Norway).
One	A.-G. "Elektrizität," Warsaw.
Two	Banca Marmorosch, Blank & Co., Bucharest.
One	Banque Andréewitch & Co., A.-G., Belgrade.
One	Banque Internationale de Bruxelles.
One	Böhmische Montanges., vorm. fürstlich-Fürstenbergische Montanwerke, Vienna.
Two	Gesellschaft der Metallfabriken, vorm. B. Hantke, Warsaw.
One	A. Görz & Co., London.
One	Kraftwerk Laufenburg in Laufenburg, Switzerland.
One	Labouchère, Oyens & Co., Bank, Amsterdam.
One	Norge Erz-Bergbau, Ges. zu Hakedal (Norway).
One	Oesterreich. Alpine-Montan-Gesellschaft, Vienna.
Two	Prager Eisenindustrie, Vienna.
One	Schantung-Eisenbahn-Gesellschaft, Tsingtau, China.
One	Schweizerische Metallbank in Basle.
One	Süddeutsche Donau-Dampfschiffahrts-Gesellschaft, Vienna.
One	Züricher Eisenbahn-Bank, Zürich.

The German Great Banks

Representation of the great banks on the supervisory boards of stock companies—Continued.

COMMERZ- UND DISCONTO-BANK.

Seats on the supervisory board.	Class of industry.
	MINING, SMELTING, AND SALT WORKS.
One	Mecklenburgische Kali-Salzwerke, Jessenitz.
	STONES AND EARTHS.
One	Portland-Cementfabrik "Germania," A.-G. in Lehrte.
One (vice-chairman)	"Teutonia," Misburger Portland-Cementfabrik, Hanover.
	METAL WORKING.
One	Stanz- u. Emaillierwerke vorm. Carl Thiel & Söhne, A.-G. in Lübeck.
One	Berliner Gusstahl- u. Eisengiesserei, A.-G., Berlin.
	MACHINE AND INSTRUMENT MAKING.
One	A.-G. Görlitzer Maschinenbauanstalt u. Eisengiesserei.
One	Continental Gesellschaft für elektrische Unternehmungen, Nuremberg.
One	Düsseldorfer Maschinenbau-A.-G. vorm. J. Lohenhausen.
One	Elektrizitäts-A.-G. vorm. Schuckert & Co., Nuremberg.
One (vice-chairman)	Leipziger Werkzeugmaschinenfabrik vorm. W. v. Pittler.
Two (chairman)	Maschinenbauanstalt u. Eisengiesserei vorm. Th. Flöther, Gassen.
One	Maschinenfabrik für Mühlenbau vorm. C. G. W. Kapler Berlin.
	CHEMICALS.
One	Chemische Fabriken Harburg-Stassfurt, vorm. Thörl & Heidtmann, A.-G., Harburg.
	TEXTILES.
One	Norddeutsche Jutespinnerei u. Weberei, Hamburg-Harburg.
	FOODS AND DRINKS.
One	Barmbecker Brauerei-A.-G., Hamburg-Barmbeck.
One	Brauerei "Germania," A.-G., Berlin.
One	Norddeutsche Zuckerraffinerie, Frelstedt.
	BUILDING TRADES.
One	A.-G. Berliner Neustadt in Liquid. in Berlin.
	COMMERCIAL ENTERPRISES.
Two (chairman)	Credit- u. Sparbank in Leipzig.
Two (chairman)	Grundstücks-A.-G. in Berlin.
One	Lichtenberger Terrain-A.-G.
One	Revisions- u. Vermögensverwaltung, A.-G., Berlin.

National Monetary Commission

Representation of the great banks on the supervisory boards of stock companies—Continued.

COMMERZ- UND DISCONTO-BANK—Continued.

Seats on the supervisory board.	Class of industry.
	COMMERCIAL ENTERPRISES—Continued.
One	Terrain-Gesellschaft am Teltowkana! Rudow-Johannisthal.
One (vice-chairman)	Terrain-Gesellschaft München, Friedenheim.
One	Waren-Commissionsbank in Hamburg.
	INSURANCE ENTERPRISES.
One	"Industrie"-Versicherungs-A.-G., Berlin.
One	"Nordstern," Unfall- u. Altersversicherungs-A.-G., Elberfeld.
	TRANSPORTATION ENTERPRISES.
One	Bergische Kleinbahn-A.-G. in Elberfeld.
One (chairman)	Reinickendorf-Liebenwalde-Schönebecker Eisenbahn-A.-G.
One	Vereinigte Elbschiffahrts-Gesellschaften, A.-G. in Dresden.
	HOSTELRY AND TAVERN ENTERPRISES.
One	Kaiserkeller, A.-G., Berlin.
	FOREIGN COMPANIES.
One	Santa Catharina-Eisenbahn-Gesellschaft, Berlin.

DEUTSCHE BANK.

	MINING, SMELTING, AND SALT WORKS.
One (chairman)	Bleichert'sche Braunkohlenwerke, Neukirchen.
One (vice-chairman)	Bochumer Verein für Bergbau u. Gussstahlfabrikation.
One	Continental Wasserwerks-Gesellschaft, Berlin.
One	Deutsche Mineralöl-Industrie, A.-G., Berlin.
One	Essener Bergwerksverein "König Wilhelm."
One (vice-chairman)	Essener Steinkohlenbergwerke.
One	Gelsenkirchener Bergwerks-A.-G.
One	Gewerkschaft Wilhelmsschacht, Gnaudorf-Borna.
One	Harpener Bergbau-A.-G., Dortmund.
One (vice-chairman)	Königsborn, A.-G., für Bergbau, Salinen- u. Solbadbetrieb.
One	"Phönix," A.-G. für Bergbau und Hüttenbetrieb, Hörde.
One	Rombacher Hüttenwerke.
One	Otavi, Minen- u. Eisenbahn-Gesellschaft, Berlin.
	STONES AND EARTHS.
One (vice-chairman)	Steingutfabrik Sörnwitz, Meissen.

The German Great Banks

Representation of the great banks on the supervisory boards of stock companies—Continued.

DEUTSCHE BANK—Continued.

Seats on the supervisory board.	Class of industry.
	METAL WORKING.
One	Aluminium-Industrie, A.-G., Neuhausen.
One (vice-chairman)	Hirsch, Kupfer- und Messingwerke, Halberstadt.
One (chairman)	Reichelt, Metallschrauben-A.-G., Fürstenwalde.
	MACHINE CONSTRUCTION AND INSTRUMENT MAKING.
One (vice-chairman)	Akkumulatorenfabrik Berlin-Hagen.
One (chairman)	Bayerische Elektrizitätswerke, München.
One	Benrather Maschinenfabrik, Berlin.
One	Bergmann, Elektrizitätswerke, Berlin.
One	Berlin-Anhaltische Maschinenbau-Gesellschaft.
One	Berliner Elektrizitäts-Werke.
One	Chemnitzer Werkzeugmaschinenfabrik.
Two (1 chairman, 1 director)	Deutsche Ueberseeische Elektrizitäts-Gesellschaft, Berlin.
Two (chairman)	Elektrische Licht- u. Kraftanlagen, Berlin.
One	Fabrik für photographische Apparate, Dresden.
One	J. Frerichs & Co., Osterholz, Maschinenfabrik u. Schiffswerft.
One	Carl Hamel, Schönau, Maschinenfabrik.
One (vice-chairman)	Kraftübertragungswerke, Rheinfelden.
One (chairman)	Mannesmannröhren-Werke.
One	Märkische Maschinenbau-Anstalt, Wetter.
One	Maschinenfabrik Augsburg-Nürnberg.
One	Oberschlesische Eisenbahnbedarfs-A.-G., Friedenshütte.
One (vice-chairman)	Orenstein & Koppel, Berlin, A.-G. für Feld- und Kleinbahnbedarf.
One	Jul. Pintsch A.-G., Berlin, Maschinenfabrik u. Beleuchtungs-Gesellschaft.
One	Rheinisch-Westfälisches Elektrizitätswerk, Essen.
One	F. Küppersbusch & Söhne, A.-G.
Two	Siemens & Halske, Berlin.
One	Ernst Schiess, Werkzeugmaschinenfabrik, Düsseldorf.
One (chairman)	Voigt & Haefner, A.-G., Frankfort on the Main.
	CHEMICALS.
One	J. D. Riedel, Berlin, Chemische Fabrik.
	ILLUMINANTS, SOAPS, FATS, OILS, AND VARNISHES.
One	Deutsche Continental-Gas-Gesellschaft, Dessau.
Two (chairman)	Deutsche Petroleum-A.-G., Berlin.
One (chairman)	Europäische Petroleum-Union, Bremen.
One	F. Thörls, Vereinigte Harburger Ölfabriken.

National Monetary Commission

Representation of the great banks on the supervisory boards of stock companies—Continued.

DEUTSCHE BANK—Continued.

Seats on the supervisory board.	Class of industry.
	TEXTILES.
One	Allgäuer Baumwollspinnerei u. Weberei.
One	Baumwollspinnerei "Germania," Epe.
One (vice-chairman)	Bremer Wollkämmerei.
One	Bremer Tauwerkfabrik A.-G., vorm. C. H. Michelsen, Grohn.
One	Schlesische Textilwaren, Methner & Frahne, Landeshut.
One (vice-chairman)	Vereinigte Glanzstoffabriken, Elberfeld.
	PAPER.
One	Paul Süß, Luxuspapierfabrik, Dresden.
	RUBBER.
One (chairman)	Vereinigte Berlin-Frankfurter Gummiwaren.
	FOODS AND DRINKS.
One	Aktien-Mühlenwerke Stockau-Reichertshofen-Mauching.
One	Zuckerfabrik Fröbeln.
One	Wasserwerk für das nördliche westfälische Kohlenrevier, Gelsenkirchen.
	BUILDING TRADES.
One (chairman)	Gesellschaft für den Bau von Untergrundbahnen, Berlin.
One	Internationale Baugesellschaft, Frankfurt on-the-Main.
	ART INDUSTRY.
One (chairman)	Kunstdruck- u. Verlagsanstalt, Wetzel & Naumann, Leipzig.
One (vice-chairman)	Moritz Prescher Nachf., A.-G., Leutzsch, Kunstdruckerei.
	COMMERCIAL ENTERPRISES.
Two (chairman)	Bergisch-Märkische Bank, Elberfeld.
One	Berliner Maklerverein.
One (chairman)	Bodengesellschaft am Hochbahnhof Schönhauser Allee, Berlin.
One	Börsenhandelsverein, Berlin.
One (chairman)	Deutsche Treuhand-Gesellschaft, Berlin (Revisions-Gesellschaft).
One	Deutsche Handels- u. Plantagen-Gesellschaft, Hamburg.
One (president)	Deutsche Kolonial-Gesellschaft für Südwestafrika.
One	Deutsche Hypothekenbank, Meiningen.
Six (director)	Deutsche Ueberseeische Bank, Berlin.
One	Deutsche Vereinsbank, Frankfurt on-the-Main.
One (vice-chairman)	Essener Bankverein.
One	Essener Kreditanstalt.

The German Great Banks

Representation of the great banks on the supervisory boards of stock companies—Continued.

DEUTSCHE BANK—Continued.

Seats on the supervisory board.	Class of industry.
	COMMERCIAL ENTERPRISES—continued.
One	Hannoversche Bank.
One (chairman)	Mecklenburgische Hypotheken- und Wechselbank Schwerin.
One	Mecklenburgische Sparbank, Schwerin.
One	Neu-Bellevue, A.-G. für Grundstücksverwertung, Berlin.
One (chairman)	Neu-Westend, A.-G. für Grundstücksverwertung, Berlin.
One	Norddeutsche Kreditanstalt, Königsberg.
One (chairman)	Preussische Bodenkredit-Aktienbank, Berlin.
One	Privatbank, Gotha.
One (delegate and member of the central committee)	Reichsbank, Berlin.
One	Rheinische Kreditbank, Mannheim.
One	Sächsische Bank, Dresden.
One (chairman)	Schlesischer Bankverein, Breslau.
One	Süddeutsche Bank, Mannheim.
One	Schöneberg-West, A.-G. für Grundstücksverwertung, Berlin.
One	Terrain-Gesellschaft am Teltowkanal, Rudow-Johannisthal, A.-G.
One	Wilmsdorfer Terrain-Gesellschaft "Rheingau," Berlin.
	INSURANCE ENTERPRISES.
One	Allgemeine Versicherungs-Gesellschaft für See-, Fluss- u. Landtransport, Dresden.
One (vice-chairman)	"Allianz," Versicherungs-A.-G., Berlin.
One	"Atlas," Deutsche Lebensversicherungs-Gesellschaft, Ludwigshafen.
One	Kontinentale Versicherungs-Gesellschaft, Mannheim.
One	Mannheimer Versicherungs-Gesellschaft.
One	Sächsische Rückversicherungs-Gesellschaft in Dresden.
One (vice-chairman)	Transatlantische Güterversicherungs-Gesellschaft in Berlin.
One	"Union," Allgemeine Versicherungs-Gesellschaft, Berlin.
	TRANSPORTATION ENTERPRISES.
One	A.-G. "Weser," Schiffswerft, Bremen.
One (vice-chairman)	Deutsch-Australische Dampfschiffs-Gesellschaft, Hamburg.
One (vice-chairman)	Gesellschaft für elektrische Hoch- und Untergrundbahnen, Berlin.
One	Elektrische Strassenbahn, Barmen-Elberfeld.
One	Norddeutscher Lloyd, Bremen.
One	Ostafrikanische Eisenbahn-Gesellschaft, Berlin.

National Monetary Commission

Representation of the great banks on the supervisory boards of stock companies—Continued.

DEUTSCHE BANK—Continued.

Seats on the supervisory board.	Class of industry.
FOREIGN COMPANIES.	
Two (chairman)	Anatolische Eisenbahn-Gesellschaft, Constantinople.
Two (chairman)	Bagdad Eisenbahn-Gesellschaft.
Two (vice-chairman)	Bank für elektrische Unternehmungen, Zürich.
One (vice-chairman)	Bank für orientalische Eisenbahnen, Zürich.
One (vice-chairman)	Betriebsgesellschaft der orientalischen Eisenbahnen, Vienna.
One	Compañía Barcelonesa de Electricidad.
Two (chairman)	Eisenbahn-Gesellschaft Mersina-Adana.
One	A. Goerz & Co., Ltd., London.
One (chairman)	Gesellschaft für elektrische Beleuchtung, St. Petersburg.
One	National Bank of South Africa, London.
Two (vice-chairman)	Société du Chemin de Fer Ottoman Salonique-Monastir.
Three (vice-chairman)	Société du Port de Haidar-Pascha, Constantinople.
Two (chairman)	Steaua Romana, A.-G. für Petroleumindustrie, Bucharest.

DIRECTION DER DISCONTO-GESELLSCHAFT.

MINING, SMELTING, AND SALT WORKS.	
One (chairman)	Bochumer Bergwerks-A.-G., Bochum.
One	Continental Tiefbohrgesellschaft, Halle.
One	Deutsch-Luxemburger Bergwerks- u. Hütten-A.-G., Bochum.
One	Diamanten Regie-Gesellschaft.
One	Eschweiler Bergwerksverein.
Two (chairman)	Gelsenkirchener Bergwerks-A.-G., Gelsenkirchen.
Three	Gewerkschaft Braunkohlengrube, Borna.
Three	Gewerkschaft Christoph Friedrich.
One	Hüstenen Gewerkschaft.
Two	Otavi Minen- und Eisenbahn-Gesellschaft, Berlin.
Two	"Phönix," A.-G. für Bergbau u. Hüttenbetrieb, Laar.
One (chairman)	"Union," A.-G. für Bergbau, Eisen- u. Stahlindustrie, Dortmund.
Two	Zinkhütten- und Bergwerks-A.-G. vorm. Dr. A. Lowitsch & Co., Kattowitz.
STONES AND EARTHES.	
One	A.-G. für Betonbau Diss & Co., Düsseldorf.
One	Porzellanfabrik Kahla.
METAL WORKING.	
One	Neuwalzwerk, A.-G., Bösjerde.
One	Rheinische Stahlwerke, Meiderich.

The German Great Banks

Representation of the great banks on the supervisory boards of stock companies—Continued.

DIRECTION DER DISCONTO-GESELLSCHAFT—Continued.

Seats on the supervisory board.	Class of industry.
	MACHINE CONSTRUCTION AND INSTRUMENT MAKING.
One.....	Allgemeine Elektrizitäts-Gesellschaft, Berlin.
One.....	Bergmann, Elektrizitätswerke, Berlin.
One (vice-chairman).....	Berliner Maschinenbau-A.-G., Berlin.
One (vice-chairman).....	Deutsche Ueberseeische Elektrizitäts-Gesellschaft, Berlin.
Three.....	Maschinenfabrik u. Mühlbau-Anstalt H. Luther, Braunschweig.
One.....	Rheinisch-Westfälische Elektrizitätswerke, Essen.
One.....	Sächsische Maschinenfabrik, Chemnitz.
One.....	Turbinia, Deutsche Parsons Marine A.-G.
	CHEMICAL INDUSTRY.
One (vice-chairman).....	Anglo-Continent. vorm. Ollendorffsche Guano-Werke, Hamburg.
One.....	Berliner Benzinwerke, Lichtenberg.
One (chairman).....	Dynamit-A.-G., Hamburg.
Two.....	Internationale Wasserstoff-Gesellschaft.
Two.....	Kaliwerke, Aschersleben.
	ILLUMINANTS, SOAPS, FATS, OILS, VARNISHES.
One (chairman).....	Allgemeine Elektrizitäts-Gesellschaft, Berlin.
Three.....	Allgemeine Petroleumindustrie, Berlin.
	FOODS AND DRINKS.
One.....	Freiherrlich v. Tucher'sche Brauerei, Nuremberg.
	COMMERCIAL ENTERPRISES.
Two.....	Allgemeine Deutsche Kreditanstalt, Leipzig.
One.....	Bank des Berliner Kassenvereins, Berlin.
Two (vice-chairman).....	Bank für Thüringen vorm. B. M. Strupp, Meiningen.
Two.....	Bank für Chile und Deutschland, Hamburg.
One.....	Barmser Bankverein, Hinsberg, Fischer & Co., Barmen.
One.....	Bayerische Disconto- und Wechselbank, Nuremberg.
One.....	Bayerische Revisions- und Vermögens-A. G., Munich.
One.....	Berliner Maklerverein.
Four (1 vice-chairman, 1 chairman).	Brasilianische Bank für Deutschland, Hamburg.
Two (vice-chairman).....	Busse & Co., Berlin, Bankgeschäft.
One.....	Deutsche Afrika-Bank, Hamburg.
Four (1 chairman and 1 director).	Deutsche Asiatische Bank, Shanghai u. Berlin.
One.....	Deutscher Eisenhandel, A.-G.
One.....	Deutsche Grundkreditbank, Gotha.
One.....	Deutsche Hypothekenbank, Meiningen.
One.....	Deutsch-Ostafrikanische Bank, Berlin.

National Monetary Commission

Representation of the great banks on the supervisory boards of stock companies—Continued.

DIRECTION DER DISCONTO-GESELLSCHAFT—Continued.

Seats on the supervisory board.	Class of industry.
COMMERCIAL ENTERPRISES—continued.	
One.....	Königsberger Terrain-A.-G.
One (chairman).....	Landbank, Berlin.
One.....	Magdeburger Bankverein.
Two (unlimited partners)...	Norddeutsche Bank, Hamburg.
One.....	Oberlausitzer Bank, Zittau.
One.....	Preussische Zentral-Bodenkredit-A.-G., Berlin.
One.....	Preussische Hypotheken-Aktienbank, Berlin.
One (member of the central committee).	Reichsbank, Berlin.
Three.....	Revision, Treuhand-A.-G., Berlin.
One.....	Heinrich Aug. Schulte, A.-G., Dortmund.
Two (vice-chairman).....	Stahl & Federer, A.-G., Stuttgart.
Two (vice-chairman).....	Süddeutsche Disconto-Gesellschaft, Mannheim.
One.....	Terrain-Gesellschaft Berlin-Südwesten.
PLANTATION COMPANIES.	
One.....	Deutsche Kolonisationsgesellschaft für Südwestafrika.
One.....	Neu-Guinea-Compagnie.
ENTERTAINMENT ENTERPRISES.	
One.....	Berliner Eispalast-Gesellschaft, Berlin.
INSURANCE ENTERPRISES.	
One.....	"Nordstern," Lebensversicherung in Berlin.
One.....	"Nordstern," Unfall- und Altersversicherung in Berlin.
TRANSPORTATION ENTERPRISES.	
One.....	Bröthaler Eisenbahngesellschaft, Hennef.
Two.....	Deutsch-Chinesische Eisenbahn-Gesellschaft.
One.....	Deutsche Ostafrika-Linie, Hamburg, Dampfschiffahrts-Gesellschaft.
One.....	Grosse Leipziger Strassenbahn.
FOREIGN COMPANIES.	
One.....	Banca Commerciale Italiana, Milan.
One.....	Banque de Crédit, Sofia.
One (chairman).....	Banca Generala Romana.
Two.....	Banque Générale Roumaine, Bucharest.
One (chairman).....	Compagnie Générale des Tramways de Behire, Brussels.
One.....	Compagnie du Chemin de Fer du Congo.
One.....	Compagnie industrielle des Pétroles, Paris.
One.....	Compagnie internationale d'Orient, Brussels.
Two.....	Concordia, Rumänische Petroleumindustrie, Bucharest.

The German Great Banks

Representation of the great banks on the supervisory boards of stock companies—Continued.

DIRECTION DER DISCONTO-GESELLSCHAFT—Continued.

Seats on the supervisory board.	Class of industry.
FOREIGN COMPANIES—continued.	
One (chairman)	"Credit Petrolifer," Gesellschaft zur Förderung der Entwicklung der rumänischen Petroleumindustrie.
One	Deutsche Niederlassungs-Gesellschaft, Tientsin.
One	Elektrische Strassenbahn, Valparaiso.
One	General Mining and Finance Corporation, Johannesburg.
One	Grosse Venezuela-Eisenbahn.
One	Ostafrikanische Eisenbahn-Gesellschaft.
One	Osteuropäische Telegraphen-Gesellschaft.
Two (1 chairman, 1 director)	Schantung-Eisenbahn-Gesellschaft, Tsingtau.
One	Société Financière de Transport et d'Entreprises Industrielles, Brussels.
One	Société Générale Belge d'Entreprises électriques.
Two	"Vega," Rumänische Petroleum-Raffinerie.
One	Warschau-Wiener Eisenbahn-Gesellschaft.

DRESDNER BANK.

MINING, SMELTING, AND SALT WORKS	
One	"Bismarckhütte" in Bismarckhütte.
One	Deutsch-Luxemburger Bergwerks- und Hütten-Gesellschaft in Bochum.
Two (vice-chairman)	Deutsch-Oesterreichische Bergwerks-Gesellschaft, Dresden.
One	Gelsenkirchener Bergwerks-A.-G. in Gelsenkirchen.
One	Internationale Kohlenbergwerks-Gesellschaft, Cologne.
One	Mülheimer Bergwerksverein in Mülheim a. R.
One	"Phönix," A.-G. für Bergbau u. Hüttenbetrieb, Hörde.
Three (chairman)	Saar- u. Mosel-Bergwerks-Gesellschaft zu Karlingen.
One	Schlesische Zinkbütten-A.-G. in Lipine.
One	Vereinigte Königs- u. Laurahütte, A.-G. f. Bergbau u. Hüttenbetrieb, Berlin.
STONES AND EARTHS.	
One	Porzellanfabrik Ph. Rosenthal & Co., A.-G. in Selb.
One	Sächsisch-Böhmische Portland-Zementfabrik, A.-G., Dresden.
METAL WORKING.	
One	Gebr. Böhler & Co., A.-G., Berlin.
One (vice-chairman)	A.-G. Lauchhammer in Lauchhammer, Eisenwerk.
One	Sächsische Gussstahlfabrik in Döhlen bei Dresden.

National Monetary Commission

Representation of the great banks on the supervisory boards of stock companies—Continued.

DRESDNER BANK—Continued.

Seats on the supervisory board.	Class of industry.
	MACHINE CONSTRUCTION AND INSTRUMENT MAKING.
One	Allgemeine Elektrizitäts-Gesellschaft zu Berlin.
One	Ascherslebner Maschinenbau-A.-G. in Aschersleben.
One	Balcke, Telling & Co., A.-G. in Benrath.
One	Deutsche Waffen- und Munitionsfabriken in Berlin.
One	Deutsch-Überseeische Elektrizitäts-Gesellschaft in Berlin.
One	Felten & Guillaume-Lahmeyerwerke, A.-G., Mülheim.
One	Kraftübertragungswerke in Rheinfelden.
One	Kohl, M., A.-G. in Chemnitz.
One (vice-chairman)	Ludw. Loewe & Co., A.-G., Berlin.
One (chairman)	Maschinenbau-A.-G. Markt-Redwitz vorm. H. Rockstroh.
One	Norddeutsche Seekabelwerke in Köln-Nordenham.
One (chairman)	Orenstein & Koppel, A.-G. für Kleinbahnen etc.
One	Rheinisch-Westfälische Elektrizitäts-A.-G. in Essen.
One (vice-chairman)	Wanderer, Fahrradwerke vorm. Winkelhöfer & Jänicke in Schönau.
	CHEMICALS.
One (chairman)	Gehl & Co., A.-G. in Dresden.
	TEXTILES.
One (vice-chairman)	Erdmannsdorfer A.-G. für Flachsgarn-Maschinenspinnerei u. Weberei.
One	Vereinigte Strohstofffabriken, Dresden.
	PAPER.
One	A.-G. Kartonnagenindustrie in Loschwitz bei Dresden.
	FOODS AND DRINKS.
One	Aktien-Bierbrauerei zu Reisewitz bei Dresden-Löbtau.
One	Sächsische Malzfabrik in Dresden-Plauen.
	COMMERCIAL ENTERPRISES.
One	Allgemeine Boden-A.-G. zu Berlin.
One	Banque de Mulhouse in Mülhausen i. Els.
One	Baubank für die Residenzstadt Dresden.
One (chairman)	Berlinische Boden-Gesellschaft, Berlin.
One (chairman)	Berlinische Boden-Credit-A.-G. Berlin.
One	Berliner Maklerverein, Berlin.
Two (vice-chairman and chairman)	Bodengesellschaft Kurfürstendamm, Berlin.
Two (chairman)	Centralbank für Eisenbahnwerte, Berlin.
Two (chairman)	Deutsche Orientbank, A.-G., Berlin.
Two (director)	Deutsche Südamerikanische Bank, Berlin.
One	Eisenbahnbank, Frankfurt on-the-Main.

The German Great Banks

Representation of the great banks on the supervisory boards of stock companies—Continued.

DRESDNER BANK—Continued.

Seats on the supervisory board.	Class of industry.
	COMMERCIAL ENTERPRISES—continued.
One	Eisenbahn-Rentenbank, Frankfurt on-the-Main.
One (vice-chairman)	Gesellschaft für elektrische Unternehmungen, Berlin.
One	Märkische Bank, Bochum.
Two (vice-chairman)	Mecklenburgische Bank, Schwerin i. M.
One (chairman)	Norddeutsche Lagerhaus-A.-G., Berlin.
Two (chairman)	Preussische Pfandbriefbank, Berlin.
One	Rheinische Bank in Essen.
One	Rheinisch-Westfälische Boden-Credit-Bank, Cologne.
One	Sächsische Boden-Creditanstalt in Dresden.
Two	A. Schaaffhausen'scher Bankverein, Cologne.
Two (vice-chairman and chairman)	Schmargendorfer Boden-A.-G.
Two	Schwarzburg, Hypothekenbank in Sondershausen.
Two (vice-chairman)	Schwarzburg, Landesbank in Sondershausen.
One	Terrain-Gesellschaft Berlin-Südwesten.
Two (chairman)	Terrain-Gesellschaft am Centralviehof, A.-G.
One	Terrain-Gesellschaft Dresden-Süd.
One	Terrain-Gesellschaft Park Witzleben, Berlin.
One	Württemberg, Landesbank, Stuttgart.
	INSURANCE ENTERPRISES.
One	"Allianz," Versicherungs-A.-G., Berlin.
One	"Deutscher Anker," Pensions- und Lebensversicherungs-A.-G., Berlin.
One	Magdeburger Feuerversicherungs-Gesellschaft.
	TRANSPORTATION ENTERPRISES.
One (chairman)	Berlin-Charlottenburger Strassenbahn, Berlin.
Two (chairman)	Continental Eisenbahn-Bau- und Betriebs-Gesellschaft, Berlin.
One (vice-chairman)	Deutsch-Atlantische Telegraphen-Gesellschaft, Cologne.
One (chairman)	Deutsch - Niederländische Telegraphen - Gesellschaft, Cologne.
One (vice-chairman)	Dux-Bodenbacher Eisenbahn, Vienna.
One	Gross Berliner Strassenbahn, Berlin.
One (chairman)	Lausitzer Eisenbahn-Gesellschaft, Sommerfeld.
One (chairman)	Osteuropäische Telegraphen-Gesellschaft, Berlin.
One (chairman)	Sächsisch - Böhmisches Dampfschiffahrts - Gesellschaft, Dresden.
One (vice-chairman)	Strasseneisenbahn-Gesellschaft in Hamburg.
One	Westliche Berliner Vorortbahn, Berlin.

National Monetary Commission

Representation of the great banks on the supervisory boards of stock companies—Continued.

DRESDNER BANK—Continued.

Seats on the supervisory board.	Class of industry.
	HOSTELRY AND TAVERN ENTERPRISES.
One (vice-chairman)	Deutsche Eisenbahn-Speisewagen-Gesellschaft, Berlin.
One	A.-G. vorm. Speyr & Co., Basle.
One	Bank für Orientalische Eisenbahnen in Zürich.
One	Betriebs-Gesellschaft für Orientalische Eisenbahnen, Vienna.
One	Belgische Eisenbahnbank, Brussels.
One	Deutsch-Asiatische Bank, Shanghai.
One	Gen. Mining and Finance-Comp., Ltd., Johannesburg, London.
One (chairman)	Gewerkschaft "Brucher Kohlenwerke" in Teplitz.
One	Schweizerische Gesellschaft für nordamerikanische Werte in Basel.

NATIONALBANK FÜR DEUTSCHLAND.

	MINING, SMELTING, AND SALT WORKS.
One	Alkaliwerke, Ronnenberg, Hanover.
One	Bergbau-Gesellschaft "Teutonia," Hanover.
One	"Bismarckhütte" in Bismarckhütte.
One	Deutsch-Luxemb. Bergwerks- u. Hütten-A.-G. in Bochum.
One	Kamerun-Bergwerks-A.-G., Berlin.
One	Lothringer Hüttenverein Aumetz-Friede.
One	Oberschlesische Eisenindustrie, A.-G. f. Bergbau u. Hüttenbetrieb in Gleiwitz.
One (chairman)	Oberschlesische Zinkhütten, A.-G. in Kattowitz.
One	"Phönix," A.-G. für Bergbau u. Hüttenbetrieb, Duisburg.
One	Rheinische A.-G. für Braunkohlen- u. Brikettindustrie in Harrem und Köln.
One	Schantung Bergbau-Gesellschaft in Berlin.
One	Styrumer Eisenindustrie A.-G. in Ligu., Oberhausen.
One	Zechau-Kribitzsche Kohlenwerke "Glückauf," A.-G., Zechau i. S.
	STONES AND EARTHS.
One	A.-G. für Asphaltierung u. Dachbedeckung vorm. J. Jeserich, Charlottenburg.
One	"Adler," deutsche Portland-Cementfabrik, A.-G., Berlin.
One	Oberschlesische Schamottefabrik früher "Didier" A.-G. Gleiwitz.
One (vice-chairman)	Schomburg, H., & Söhne, A.-G., Berlin.

The German Great Banks

Representation of the great banks on the supervisory boards of stock companies—Continued.

NATIONALBANK FÜR DEUTSCHLAND—Continued.

Seats on the supervisory board.	Class of industry.
	METAL WORKING.
One	Eisengiesserei A.-G. vorm. Keyling & Thomas in Berlin.
One	K. Kästner, A.-G. in Leipzig.
One	Schwelmer Eisenwerk Müller & Co., A.-G., Schwelm.
	MACHINE CONSTRUCTION AND INSTRUMENT MAKING.
One	A.-G. H. F. Eckert in Berlin-Friedrichsberg.
One	Allgemeine Elektrizitäts-Gesellschaft in Berlin.
One	Berliner Elektrizitätswerke.
One	Brandenburgische Carbid- u. Elektrizitätswerke, Berlin.
One	Breslauer A.-G. für Eisenbahnwagenbau in Breslau.
One	Deutsch-Niederländische Telegraphen-Gesellschaft, Cologne.
One	Deutsche "Niles"-Werkzeugmaschinenfabrik, Berlin.
One	Deutsche Ueberseeische Elektrizitäts-Gesellschaft, Berlin.
One	Deutsche Waffen- u. Munitionsfabriken, Berlin.
One	F. Dippe, Maschinenfabrik, A.-G. in Schladen a. Harz.
One	J. Frerichs & Co., A.-G. in Osterholz.
One	Kraftübertragungswerke Rheinfelden.
One	Ludw. Loewe & Co., A.-G., Berlin.
One	Oberschlesische Eisenbahnbedarfs-A.-G. Friedenshütte, Upper Silesia.
One	G. Sauerbrey, Maschinenfabrik, A.-G., Stassfurt.
One	Schlesische Elektrizitäts-Gesellschaft, Breslau.
One	Telefonfabrik, A.-G., vorm. Jul. Berliner zu Hannover.
One	Waggonfabrik, A.-G., Rastatt.
	CHEMICAL.
One	Chemische Fabrik Hönningen, vorm. Walther Fulda & Co.
Two (chairman)	Chemische Werke vorm. Dr. Heinrich Byk, Berlin.
	ILLUMINANTS, SOAPS, FATS, OILS, AND VARNISHES.
One	Celle-Wietze, A.-G. für Erdölgewinnung in Hannover.
One	Deutsche Mineralölindustrie, A.-G., Berlin.
One	Deutsche Petroleum-A.-G., Berlin.
	LEATHER.
One	Leipziger Gummiwarenfabrik vorm. Jul. Marx, Heine & Co.
	FOODS AND DRINKS.
One	Aktien-Brauerei Friedrichshain, Berlin.
One (vice-chairman)	Berliner Bockbrauerei, Berlin.
One	Bierbrauerei, A.-G., vorm. Gebr. Hugger in Posen.
One	Bierbrauerei A. Schifferer, A.-G. in Kiel.

National Monetary Commission

Representation of the great banks on the supervisory boards of stock companies—Continued.

NATIONALBANK FÜR DEUTSCHLAND—Continued.

Seats on the supervisory board	Class of industry.
	FOODS AND DRINKS—continued.
One	Breslauer Aktien-Malzfabrik, Breslau.
One	Deutsche Bierbrauerei, A.-G. in Berlin.
One	Rositzer Zuckerraffinerie, Rositz (S.-A.).
	BUILDING TRADES.
One	Tiefbau- u. Kälteindustrie, A.-G., vorm. Gebhardt & Koenig, Nordhausen.
Two	"Union," Baugesellschaft auf Aktien in Berlin.
	ART INDUSTRY.
One	A.-G. H. Gladenbeck & Sohn, Bildgiesserei, Berlin.
One	R. W. Dinnendal, A.-G., Kunstwerkerhütte bei Steele.
One	Kunstanstalt B. Gross, A.-G. in Leipzig.
One	H. Schött, A.-G. in Rheydt.
	COMMERCIAL ENTERPRISES.
One	A.-G. für Montanindustrie, Berlin.
One	Bank für Brauindustrie, Berlin.
One	Berliner Maklerverein, Berlin.
One	Boden-A.-G. Berlin-Nord, Berlin.
One	Boden-Gesellschaft an der Kreisbahn Berlin-Nordost, Berlin.
One	Deutsch-Asiatische Bank, Berlin.
Two (vice-chairman)	Deutsche Orientbank, A.-G., Berlin.
Two (director)	Deutsch-Südamerikanische Bank, Berlin.
One	Deutsche Treuhand-Gesellschaft, Berlin.
One	Gesellschaft für elektrische Unternehmungen, Berlin.
Two	Handelsstätte "Bellealliance," A.-G., Berlin.
One	Industriegelände Schöneberg, Berlin.
One	Neue Boden-A.-G., Berlin.
One	Norddeutsche Creditanstalt, Königsberg i. Pr.
Two (chairman)	Norddeutsche Immobilien-A.-G., Berlin.
One	Preussische Pfandbriefbank, Berlin.
One	Rheinisch-Westfälische Boden-Creditbank, Cologne.
One	Stansdorfer Terrain-A.-G. am Teltowkanal, Berlin.
One	Teltower Boden-A.G. zu Berlin.
One	Terrain-A.-G. München Nord-Ost, Munich.
One	Terrain-Gesellschaft am neuen Botanischen Garten Berlin.
	INSURANCE ENTERPRISES.
One	"Deutscher Anker," Pensions- u. Lebensversicherung Berlin.

The German Great Banks

Representation of the great banks on the supervisory boards of stock companies—Continued.

NATIONALBANK FÜR DEUTSCHLAND—Continued.

Seats on the supervisory board.	Class of industry.
TRANSPORTATION ENTERPRISES.	
One	Deutsch-Südamerikanische Telegraphen-Gesellschaft, Cologne.
One	S. Eichelbaum, Transport-A.-G., Breslau.
One	Grosse Berliner Strassenbahn.
One	Kamerun-Eisenbahn-Gesellschaft zu Berlin.
One	"Midgard," Deutsche Seeverkehrs-A.-G. in Bremen.
One (vice-director)	Niederlausitzer Eisenbahn-Gesellschaft, Berlin.
One	Osteuropäische Telegraphen-Gesellschaft, Cologne.
One	Santa Katharina-Eisenbahn-Gesellschaft, Berlin.
One	Schantung-Eisenbahn-Gesellschaft, Tsingtau.
PLANTATION COMPANIES.	
One	Guatemala-Plantagen-Gesellschaft, Hamburg.
One	Osma-Rochela-Plantagen-Gesellschaft, Hamburg.
FOREIGN COMPANIES.	
One	Bank für elektrische Unternehmungen in Zürich.
One	Credito Italiano, Genoa.
One	Compagnie Métallurgique Franco-Belge de Martagne, Brussels.
One	Orientbank, A.-G., Athens.
One	Rumänische A.-G. für Industrie "Königreich Rumänien," Campina.
One	Ungarische Lokaleisenbahnen-A.-G. in Budapest.

A. SCHAAFFHAUSEN'SCHER BANKVEREIN.

MINING, SMELTING, AND SALT WORKS.	
Two (chairman)	Bergwerks-Gesellschaft "Aller Nordstern" m. b. H., Gr.-Häuslingen.
One	Bergwerks-Gesellschaft "Glückaufsegen" in Hörde.
One (chairman)	Bergwerks-Gesellschaft "Trier" m. b. H. in Hamm.
One	Deutsch-Luxemburg. Bergwerks- u. Hütten-A.-G. in Bochum.
One	Eschweiler Bergwerksverein in Eschweiler-Pumpe.
One	Gelsenkirchener Bergwerks-A.-G.
One (chairman)	Gewerkschaft der Zeche Blankenburg in Hammerthal a d. Ruhr.
One	Gewerkschaft "Zukunft", Cologne.
One	Harpener Bergbau-A.-G. in Dortmund.
Six (chairman)	Internationale Bohrgesellschaft Erkelenz.
Two (chairman)	Internationale Kohlenbergwerks-A.-G., St. Avold.

National Monetary Commission

Representation of the great banks on the supervisory boards of stock companies—Continued.

A. SCHAAFFHAUSEN'SCHER BANKVEREIN—Continued.

Seats on the supervisory board.	Class of industry.
	MINING, SMELTING, AND SALT WORKS—continued.
One (chairman)	Lothringer Hüttenverein Aumetz-Friede in Kneuttingen i. L.
One	"Phönix," A.-G. für Bergbau u. Hüttenbetrieb, Duisburg-Ruhrort.
One	Rheinische Wasserwerks-Gesellschaft, Cologne.
One	Rombacher Hüttenwerke, Cologne.
One	Sieg-Rhein. Hütten-A.-G. zu Friedrich Wilhelmshütte.
One	Vereinigte Stahlwerke v. d. Zypen & Wissen Eisenhütte, Cologne-Deutz.
One	Zechau-Kriebitzsche Kohlenwerke "Glückauf," A.-G., Zechau (S.-A.).
	STONES AND EARTHS.
One (vice-chairman)	A.-G. für Rhein.-Westfäl. Cementindustrie in Beckum.
One	Weseler Portland-Cement- u. Tonwerke in Wesel.
	METAL WORKING.
One (vice-chairman)	Eschweiler-Köln. Eisenwerke, A.-G. in Eschweiler.
One (vice-chairman)	Façonisen-Walzwerk L. Mannstaedt & Cie., Kalk, near Cologne.
One (chairman)	Schwelmer Eisenwerk Müller & Co., Schwelm (Westphalia).
One	Stahlwerk "Krieger," A.-G. in Düsseldorf.
	MACHINE CONSTRUCTION AND INSTRUMENT MAKING.
One	Allgemeine Elektrizitätsgesellschaft in Berlin.
One	Anker-Werke, A.-G., vorm. Hengstenberg & Co., Bielefeld.
One	Bergmanns Elektrizitätswerke, A.-G., Berlin.
One	Deutsche Waffen- und Munitionsfabriken, Berlin.
Two (chairman)	de Fries & Co., A.-G., Düsseldorf.
One (chairman)	Gasmotorenfabrik "Deutz."
One	Gesellschaft für elektrische Unternehmungen.
One	Kottbuser Maschinenbauanstalt u. Eisengiesserei, A.-G.
One (vice-chairman)	Maschinenbauanstalt Humboldt, Kalk, near Cologne.
One (chairman)	A.-G. Maschinenfabrik "Deutschland" in Dortmund.
One	Waggonfabrik A.-G., vorm. P. Herbrandt & Co., Cologne-Ehrenfeld.
One	Waggonfabrik, A.-G., Uerdingen.
One	Walther & Co., Commandit-Gesellschaft auf Aktien, Delbrück, near Cologne.
One	Werkzeugmaschinenfabrik Gildemeister & Co., A.-G., Bielefeld.
One	Weyersberg, Kirschbaum & Co., A.-G. für Waffen u. Fahrradteile in Solingen.

The German Great Banks

Representation of the great banks on the supervisory boards of stock companies—Continued.

A. SCHAAPFHAUSEN'SCHER BANKVEREIN—Continued.

Seats on the supervisory board.	Class of industry.
	CHEMICAL.
One (vice-chairman)	A.-G. für chemische Industrie in Gelsenkirchen-Schalke.
One	Chemische Fabrik Hönningen, vorm. Walther Feld & Co., A.-G.
	ILLUMINANTS, SOAPS, FATS, OILS, AND VARNISHES.
Two (chairman)	Deutsche Mineralöl-Industrie, A.-G., Cologne.
	TEXTILES.
One (vice-chairman)	Dülkener Baumwollspinnerei, A.-G. in Dülken.
One	Krefelder Teppichfabrik, A.-G., Krefeld.
Two (chairman)	Rhein. Kunstseidefabrik, A.-G., Cologne.
One (chairman)	Schöllersche und Eitorfer Kammgarnspinnerei, A.-G. Breslau.
	FOODS AND DRINKS.
One	Rositzer Zuckerraffinerie in Rositz.
	BUILDING TRADES.
Two (chairman)	A.-G. für Brückenbau, Tiefbohrung u. Eisenkonstruktionen in Neuwied.
One	Rhein. Baugesellschaft, Cologne.
One (chairman)	Tiefbau u. Kälteindustrie, vorm. Gebhardt & König, Nordhausen.
	ART INDUSTRY.
One (chairman)	W. Hugelberg, A.-G., Berlin (Art prints).
	COMMERCIAL ENTERPRISES.
One (vice-chairman)	A.-G. für Rhein.-Westfäl. Industrie, Cologne.
One (chairman)	Alexanderwerk, A. v. d. Nahmer, A.-G. in Remscheid.
One (vice-chairman)	Allgemeine Boden-A.-G. in Berlin.
One	Bank für deutsche Eisenbahnwerte in Berlin.
Three	Deutsche Orientbank, A.-G., Berlin.
Two (vice-chairman)	Deutsch-Südamerikanische Bank, A.-G., Berlin.
Two	Dresdner Bank in Dresden.
One	Düsseldorfer Baubank in Düsseldorf.
One (chairman)	Kölner Verlagsanstalt u. Druckerei, A.-G., Cologne.
Two	Mittelrhein. Bank, Koblenz.
One (chairman)	Neue Boden-A.-G., Berlin.
One	Oldenburg. Landesbank.
One	Ostbank für Handel u. Gewerbe, Posen.
One	Preussische Pfandbriefbank, Berlin.
Two (vice-chairman)	Rheinische Bank, Essen on-the-Ruhr.
One	Rhein.-Westf. Boden-Creditbank, Cologne.
One (vice-chairman)	Schwarzburg. Hypothekenbank in Sondershausen.

National Monetary Commission

Representation of the great banks on the supervisory boards of stock companies—Continued.

A. SCHAAFFHAUSEN'SCHER BANKVEREIN—Continued.

Seats on the supervisory board.	Class of industry.
	COMMERCIAL ENTERPRISES—continued.
One.....	Schwarzburg. Landesbank, Sondershausen.
One.....	Treuhand-Vereinigung, A.-G., Berlin.
Two (chairman).....	Westfälisch-Lippische Vereinsbank in Bielefeld.
	INSURANCE ENTERPRISES.
One.....	"Rhenania," Versicherungs-A.-G. in Cologne.
	TRANSPORTATION ENTERPRISES.
One.....	A.-G. für Verkehrswesen in Berlin.
One.....	Badische Lokaleisenbahnen-A.-G. in Karlsruhe.
One.....	Berlin-Charlottenburger Strassenbahn, Berlin.
One.....	Braunschweig. Landeseisenbahn-Gesellschaft.
One (chairman).....	Braunschweig-Schöninger Eisenbahn-Gesellschaft in Braunschweig.
One (vice-chairman).....	Brohltal-Eisenbahn-Gesellschaft, Cologne.
One.....	Grosse Berliner Strassenbahn, Berlin.
One.....	Kamerun-Eisenbahn-Gesellschaft zu Berlin.
One (chairman).....	Moselbahn-A.-G. in Trier.
One (chairman).....	Mödrath-Liblar-Brühler Eisenbahn-A.-G., Cologne.
One (vice-chairman).....	Rinteln-Stadthagener Eisenbahn-Gesellschaft in Rinteln.
One (vice-chairman).....	Schlesische Dampfer-Compagnie in Breslau.
One (vice-chairman).....	Schlesische Kleinbahn A.-G. in Kattowitz.
One (chairman).....	Vereinigte Westdeutsche Kleinbahn-A.-G., Cologne.
One (chairman).....	Westdeutsche Eisenbahn-Gesellschaft, Cologne.
One (chairman).....	Württembergische Nebenbahnen-A.-G., Stuttgart.
	FOREIGN COMPANIES.
One.....	Banque Internationale de Bruxelles in Brussels.
One.....	Foraky Soc. au Belge de l'Entreprise de Forage et de Fonçage, Brussels.
One (vice-chairman).....	Rumänische A.-G. für Industrie, Königreich Rumänien.
One.....	Schantung-Eisenbahn-Gesellschaft in Tsingtau.
One.....	Società Italiana Langen & Wolf, Milan.
One.....	Société Française de Forage et de Recherches Minières (Brevet Raky), Paris.

The German Great Banks

APPENDIX V.

TOTAL VALUE OF SECURITIES ISSUED AT THE BERLIN STOCK EXCHANGE BY THE GREAT BANKS DURING THE YEARS 1882-1908.

BANK FÜR HANDEL UND INDUSTRIE.

Total value of securities issued at the Berlin stock exchange during the years 1882-1908.

[To page 395.]

Year. ^a	Issued exclusively by the bank.	Issued jointly with other great banks.	Issued jointly with other banks. ^b	Issued jointly with other banks and great banks. ^b
	Marks.	Marks.	Marks.	Marks.
1882.....	10,500,000	6,500,000		
1883.....	11,600,000	20,000,000		
1884.....	12,850,000			39,437,200
1885.....		209,512,800		75,380,800
1886.....	71,757,200		10,000,000	
1887.....	10,000,000			22,440,000
1888.....	87,852,800	21,500,000	3,000,000	314,620,000
1889.....	68,440,000	28,000,000	16,000,000	1,123,509,740
1890.....	8,000,000		77,600,000	495,195,694
1891.....		38,250,400		531,925,020
1892.....		9,600,000		398,800,000
1893.....	3,000,000	3,000,000	2,330,000	194,902,700
1894.....	14,358,400	3,000,000		110,000,000
1895.....	19,873,500	39,000,000	40,234,525	110,000,000
1896.....	25,756,000	41,183,500	8,000,000	109,100,000
1897.....	232,394,000	5,700,000		74,750,000
1898.....	112,386,000	21,750,000	14,703,000	125,000,000
1899.....	75,400,000	36,500,000	6,939,500	118,700,000
1900.....	2,300,000	8,200,000	83,139,500	247,400,000
1901.....	68,500,000	14,500,000	1,079,000	363,691,250
1902.....	140,265,700	23,000,000	7,500,000	1,261,099,500
1903.....	284,050,000	30,000,000	1,250,000	3,434,609,074
1904.....	24,625,000	44,000,000	35,000,000	197,723,570
1905.....	70,000,000	80,250,000	21,400,000	820,611,000
1906.....	110,000,000	184,000,000	82,497,200	274,798,000
1907.....	13,400,000	118,000,000	9,750,000	6,584,065,232
1908.....	9,310,000	136,200,000	3,300,000	565,600,000

^a Only those years are given during which issues were made.

^b Including private banking firms.

National Monetary Commission

Value of securities issued and listed at the Berlin stock exchange during the years 1882-1908.

GERMAN PUBLIC SECURITIES.

Year. ^a	Issued exclusively by the bank.	Issued jointly with other great banks.	Issued jointly with other banks. ^b	Issued jointly with other banks and great banks. ^b
	<i>Marks.</i>	<i>Marks.</i>	<i>Marks.</i>	<i>Marks.</i>
1882.....	4,500,000			
1884.....	10,000,000			
1886.....			10,000,000	
1887.....	10,000,000			
1888.....			3,000,000	40,000,000
1889.....	4,040,000			
1890.....				235,000,000
1891.....				450,000,000
1892.....				340,000,000
1893.....	2,000,000	3,000,000	2,330,000	25,000,000
1894.....	13,000,000			10,000,000
1895.....	16,280,700		39,034,525	
1896.....	17,750,000	2,321,000	8,000,000	2,800,000
1897.....	98,250,000			20,000,000
1898.....			14,703,000	6,000,000
1899.....	21,500,000	7,500,000	4,939,500	27,700,000
1900.....	2,300,000	3,000,000	3,639,500	57,500,000
1901.....	1,500,000	14,500,000	1,079,000	5,000,000
1902.....		6,000,000	6,000,000	17,000,000
1903.....				26,960,100
1904.....		16,000,000	35,000,000	17,000,000
1905.....	9,000,000	12,000,000		24,000,000
1906.....		50,000,000	9,017,200	26,000,000
1907.....	5,000,000	42,500,000	2,250,000	24,500,000
1908.....	2,000,000	67,000,000		190,000,000

FOREIGN PUBLIC SECURITIES

1886.....	51,757,200			
1887.....				22,440,000
1888.....	40,252,800			274,620,000
1889.....	16,400,000			247,020,000
1890.....			28,000,000	148,906,944
1891.....		34,650,400		50,750,000
1893.....				138,902,700
1895.....		26,000,000		
1896.....		14,062,500		
1898.....				51,000,000

^a Only those years are given during which issues were made.

^b Including private banking firms.

The German Great Banks

Value of securities issued and listed at the Berlin stock exchange during the years 1882-1908—Continued.

FOREIGN PUBLIC SECURITIES—Continued.

Year. ^a	Issued exclusively by the bank.	Issued jointly with other great banks.	Issued jointly with other banks. ^b	Issued jointly with other banks and great banks. ^b
	<i>Marks.</i>	<i>Marks.</i>	<i>Marks.</i>	<i>Marks.</i>
1900.....				102,000,000
1901.....				226,191,250
1902.....				1,166,599,500
1903.....	280,000,000			3,383,148,974
1904.....				90,426,570
1905.....				678,300,000
1906.....	80,000,000		48,480,000	28,350,000
1907.....				6,481,565,232
1908.....				127,500,000

GERMAN MORTGAGE BONDS.

1888.....	30,000,000			
1889.....	10,000,000			
1896.....		20,000,000		
1897.....	115,000,000			
1898.....	55,300,000			
1900.....			75,000,000	
1902.....	26,040,700	10,000,000		
1903.....		20,000,000		
1904.....		25,000,000		
1905.....		65,000,000	20,000,000	
1906.....			25,000,000	

FOREIGN MORTGAGE BONDS.

.....				51,000,000
1897.....				51,000,000
1904.....				34,000,000

GERMAN RAILWAY SHARES.

1896.....				1,800,000
1897.....				1,250,000
1898.....	13,150,000			
1900.....				1,200,000

^a Only those years are given during which issues were made.

^b Including private banking firms.

National Monetary Commission

Value of securities issued and listed at the Berlin stock exchange during the years 1882-1908—Continued.

GERMAN RAILWAY SHARES—Continued.

Year. ^a	Issued exclusively by the bank.	Issued jointly with other great banks.	Issued jointly with other banks. ^b	Issued jointly with other banks and great banks. ^b
	<i>Marks.</i>	<i>Marks.</i>	<i>Marks.</i>	<i>Marks.</i>
1902.....	11,450,000			2,000,000
1904.....				14,297,000
1906.....				4,024,000
1908.....				11,000,000

FOREIGN RAILWAY SHARES.

1888.....	17,600,000			
1890.....			49,600,000	
1892.....		5,600,000		

GERMAN RAILWAY BONDS.

1888.....		2,500,000		
1890.....	8,000,000			
1897.....		5,700,000		2,500,000
1900.....				3,000,000
1901.....				5,500,000
1902.....				4,000,000
1905.....	3,000,000			5,000,000
1906.....	7,000,000			4,500,000

FOREIGN RAILWAY BONDS.

1882.....		6,500,000		
1883.....		20,000,000		
1884.....				39,437,200
1885.....		209,512,800		75,380,800
1886.....	20,000,000			
1889.....		16,000,000	16,000,000	876,489,740
1890.....				111,288,750
1891.....				31,175,020
1892.....				52,800,000
1893.....				16,000,000
1894.....				100,000,000
1895.....				100,000,000
1899.....	48,000,000			

^a Only those years are given during which issues were made.

^b Including private banking firms.

The German Great Banks

Value of securities issued and listed at the Berlin stock exchange during the
years 1882-1908—Continued.

FOREIGN RAILWAY BONDS—Continued.

Year. ^a	Issued exclusively by the bank.	Issued jointly with other great banks.	Issued jointly with other banks. ^b	Issued jointly with other banks and great banks. ^b
	<i>Marks.</i>	<i>Marks.</i>	<i>Marks.</i>	<i>Marks.</i>
1901.....				87,000,000
1906.....				1,687,500
1907.....		42,000,000		

GERMAN STREET RAILWAY BONDS.

1896.....				7,500,000
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BANK SHARES.

1882.....	6,000,000			
1889.....	20,000,000			
1896.....	3,000,000			16,000,000
1897.....	16,200,000			
1898.....	28,000,000			8,000,000
1899.....				17,000,000
1901.....				24,000,000
1902.....	52,000,000			
1903.....		4,000,000		
1904.....				12,500,000
1905.....	22,000,000	3,000,000		16,000,000
1906.....	19,000,000	18,000,000		33,250,000
1907.....	3,400,000			20,000,000
1908.....	3,000,000			8,000,000

INDUSTRIAL SHARES.

1888.....		19,000,000		
1889.....	7,000,000	12,000,000		
1891.....		3,600,000		
1892.....		4,000,000		
1893.....	1,000,000			
1894.....	1,358,400	3,000,000		
1895.....	3,592,800	13,000,000		
1896.....	5,006,000	4,800,000		30,000,000
1897.....	2,944,000			
1898.....	2,436,000	9,750,000		20,000,000

^a Only those years are given during which issues were made.

^b Including private banking firms.

National Monetary Commission

Value of securities issued and listed at the Berlin stock exchange during the years 1882-1908—Continued.

INDUSTRIAL SHARES—Continued.

Year. ^a	Issued exclusively by the bank.	Issued jointly with other great banks.	Issued jointly with other banks. ^b	Issued jointly with other banks and great banks. ^b
	<i>Marks.</i>	<i>Marks</i>	<i>Marks.</i>	<i>Marks.</i>
1899.....	5,900,000	29,000,000	2,000,000	74,000,000
1900.....		5,200,000	2,500,000	48,700,000
1901.....	41,000,000			
1902.....	25,675,000	1,000,000	1,500,000	28,000,000
1903.....	4,050,000	5,000,000	1,250,000	12,500,000
1904.....	10,625,000	3,000,000		25,000,000
1905.....	26,000,000	250,000	1,400,000	80,311,000
1905.....	4,000,000	96,000,000		145,589,000
1907.....	5,000,000	30,000,000	7,500,000	43,000,000
1908.....	4,310,000	24,200,000	3,300,000	54,530,000

INDUSTRIAL BONDS.

1883.....	11,600,000			
1884.....	2,850,000			
1889.....	11,000,000			
1892.....				6,000,000
1893.....				15,000,000
1895.....			1,200,000	10,000,000
1898.....	13,500,000	12,000,000		40,000,000
1900.....			2,000,000	35,000,000
1901.....	26,000,000			23,000,000
1902.....	25,100,000	6,000,000		43,500,000
1903.....		1,000,000		12,000,000
1904.....	14,000,000			4,500,000
1905.....	10,000,000			17,000,000
1906.....		20,000,000		31,397,500
1907.....		3,500,000		15,000,000
1908.....		45,000,000		174,570,000

^a Only those years are given during which issues were made.

^b Including private banking firms.

The German Great Banks

BERLINER HANDELS-GESELLSCHAFT.

*Total value of securities issued at the Berlin Stock Exchange during the years
1882-1908.*

Year. ^a	Issued exclusively by the bank.	Issued jointly with other great banks.	Issued jointly with other banks. ^b	Issued jointly with other banks and great banks. ^b
	<i>Marks.</i>	<i>Marks.</i>	<i>Marks.</i>	<i>Marks.</i>
1883.....	35,730,000		12,000,000	
1884.....	35,486,380	14,225,000	196,043,820	
1885.....	60,975,000		14,000,000	
1886.....	57,975,000	16,000,000	519,249,720	48,645,000
1887.....	173,015,000		21,000,000	96,726,500
1888.....	17,900,000	19,000,000	444,620,000	344,620,000
1889.....	62,198,600	204,000,000	9,999,500	215,520,000
1890.....			16,800,000	419,906,944
1891.....	3,716,000	3,600,000	7,000,000	473,770,000
1892.....	15,000,000	14,600,000	40,400,000	522,250,000
1893.....	1,050,000	6,000,000	14,350,800	117,000,000
1894.....	8,313,000	7,000,000	108,320,000	149,118,000
1895.....	13,025,000	42,000,000	62,233,000	196,219,000
1896.....	339,936,520	4,800,000	55,056,600	172,236,000
1897.....	25,848,000	29,350,000	65,685,500	288,760,000
1898.....	13,980,000	69,700,500	40,700,000	313,598,500
1899.....	19,600,000	85,000,000	85,198,000	155,100,000
1900.....	10,500,000	15,200,000	28,500,000	104,300,000
1901.....	4,000,000	54,200,000		235,000,000
1902.....	171,508,800	73,300,000	22,350,000	478,800,000
1903.....	10,225,000	63,000,000	16,100,000	3,396,623,974
1904.....	19,000,000	35,500,000	38,250,000	65,100,000
1905.....	28,350,000	112,150,000	5,000,000	604,000,000
1906.....	21,173,750	69,100,000		254,309,000
1907.....	8,000,000	73,296,000	24,920,000	6,591,435,232
1908.....	18,000,000	69,910,000	62,000,000	438,920,000

^a Only those years are given during which issues were made.

^b Including private banking firms.

National Monetary Commission

Value of securities issued and listed at the Berlin Stock Exchange during the
years 1882-1908.

GERMAN PUBLIC SECURITIES.

Year. ^a	Issued exclusively by the bank.	Issued jointly with other great banks.	Issued jointly with other banks. ^b	Issued jointly with other banks and great banks. ^b
	Marks.	Marks.	Marks.	Marks.
1883.....	2,000,000			
1888.....				40,000,000
1889.....	3,500,000			
1890.....				235,000,000
1891.....				450,000,000
1892.....				340,000,000
1893.....		3,000,000		50,000,000
1894.....				10,000,000
1895.....		3,500,000	10,500,000	2,000,000
1897.....		2,750,000		
1899.....			6,000,000	15,700,000
1900.....			14,000,000	
1901.....				3,000,000
1902.....			12,000,000	
1903.....		3,000,000		
1904.....			27,000,000	
1905.....	8,000,000			24,000,000
1905.....				26,000,000
1907.....		9,796,000	12,000,000	20,000,000
1908.....		3,000,000	60,000,000	85,000,000

FOREIGN PUBLIC SECURITIES.

1884.....			32,860,320	
1886.....			492,129,720	
1887.....			5,000,000	22,440,000
1888.....			300,620,000	304,620,000
1889.....				170,520,000
1890.....				148,906,944
1892.....				11,250,000
1895.....		26,000,000	38,250,000	
1896.....	287,786,520			
1898.....		46,406,500		
1902.....		66,300,000		393,000,000
1903.....				3,399,323,974
1905.....				500,000,000
1906.....				28,350,000
1907.....				6,481,565,232
1908.....				127,500,000

^a Only those years are given during which issues were made.

^b Including private banking firms.

The German Great Banks

Value of securities issued and listed at the Berlin Stock Exchange during the years 1882-1908—Continued.

GERMAN MORTGAGE BONDS.

Year. ^a	Issued exclusively by the bank.	Issued jointly with other great banks.	Issued jointly with other banks. ^b	Issued jointly with other banks and great banks. ^b
	Marks.	Marks.	Marks.	Marks.
1892.....			20,000,000	30,000,000
1894.....				74,118,000
1895.....				20,000,000
1896.....	20,000,000		30,000,000	25,000,000
1898.....			20,000,000	
1899.....		70,000,000	20,000,000	
1901.....		20,000,000		
1903.....		40,000,000		
1904.....		15,000,000		
1905.....		75,000,000		
1907.....			10,000,000	
1908.....		20,000,000		

FOREIGN MORTGAGE BONDS.

1883.....	7,425,000			
1886.....	9,375,000			
1887.....	13,975,000			
1893.....			10,600,800	
1902.....			6,750,000	
1904.....			11,250,000	
1906.....		22,500,000		

GERMAN RAILWAY SHARES.

1883.....	1,905,000		12,000,000	
1884.....	2,000,000			
1889.....	3,150,000			
1891.....	2,316,000			
1895.....				3,000,000
1896.....	2,000,000		3,650,000	
1897.....				3,500,000
1898.....	1,400,000			6,500,000
1899.....	2,100,000			11,050,000
1900.....			8,500,000	8,600,000
1902.....	1,350,000		600,000	
1903.....	3,725,000			

^a Only those years are given during which issues were made.

^b Including private banking firms.

National Monetary Commission

Value of securities issued and listed at the Berlin Stock Exchange during the years 1882-1908--Continued.

GERMAN RAILWAY SHARES--Continued.

Year. ^a	Issued exclusively by the bank.	Issued jointly with other great banks.	Issued jointly with other banks. ^b	Issued jointly with other banks and great banks. ^b
	<i>Marks.</i>	<i>Marks.</i>	<i>Marks.</i>	<i>Marks.</i>
1904.....	1,500,000			5,300,000
1906.....				4,024,000
1908.....		4,210,000		11,000,000

FOREIGN RAILWAY SHARES.

1883.....	16,000,000			
1884.....	25,486,380			
1885.....	51,975,000			
1888.....			144,000,000	
1889.....				24,000,000
1892.....		5,600,000		
1894.....			11,000,000	

GERMAN RAILWAY BONDS.

1885.....	3,000,000			
1886.....			4,500,000	
1893.....	1,050,000			2,000,000
1894.....	2,638,000			
1895.....	4,275,000			
1896.....			960,600	15,000,000
1897.....				2,300,000
1898.....	1,830,000			10,000,000
1899.....				12,500,000
1900.....				14,000,000
1901.....	4,000,000			4,000,000
1902.....				19,650,000
1903.....	1,500,000			
1904.....	2,000,000			4,300,000
1906.....				11,700,000
1907.....		2,000,000		10,000,000

^a Only those years are given during which issues were made.
^b Including private banking firms.

The German Great Banks

Value of securities issued and listed at the Berlin Stock Exchange during the years 1882-1908—Continued.

FOREIGN RAILWAY BONDS.

Year. ^a	Issued exclusively by the bank.	Issued jointly with other great banks.	Issued jointly with other banks. ^b	Issued jointly with other banks and great banks. ^b
	<i>Marks.</i>	<i>Marks.</i>	<i>Marks.</i>	<i>Marks.</i>
1883.....	8,400,000			
1884.....			161,683,500	
1885.....			14,000,000	
1886.....	21,000,000	16,000,000	21,420,000	48,645,000
1887.....	149,040,000		11,000,000	67,286,500
1889.....	6,753,600	185,000,000	6,800,000	16,000,000
1890.....			10,200,000	36,000,000
1891.....				9,770,000
1892.....			20,400,000	132,000,000
1893.....				16,000,000
1894.....			75,820,000	60,000,000
1895.....				158,219,000
1896.....			7,446,000	56,736,000
1897.....			36,955,500	243,210,000
1898.....				228,300,500
1899.....			44,800,000	
1900.....				27,000,000
1901.....				160,000,000
1902.....	170,158,800			
1906.....				1,687,500
1907.....		42,000,000		

GERMAN STREET RAILWAY SHARES.

1896.....				1,200,000
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BANK SHARES.

1886.....	17,000,000			
1889.....	11,043,000			
1891.....	1,400,000			1,500,000
1892.....	15,000,000			3,000,000
1894.....	1,000,000	4,000,000		
1895.....	5,000,000	9,500,000		3,000,000
1896.....	15,000,000		10,000,000	40,000,000
1897.....	3,498,000			25,500,000
1898.....	7,500,000			8,000,000

^a Only those years are given during which issues were made.

^b Including private banking firms.

National Monetary Commission

Value of securities issued and listed at the Berlin Stock Exchange during the years 1882-1908—Continued.

BANK SHARES—Continued.

Year. ^a	Issued exclusively by the bank.	Issued jointly with other great banks.	Issued jointly with other banks. ^b	Issued jointly with other banks and great banks. ^b
	<i>Marks.</i>	<i>Marks.</i>	<i>Marks.</i>	<i>Marks.</i>
1899.....	10,000,000		5,000,000	
1901.....				8,000,000
1903.....		4,000,000		
1904.....	10,000,000	5,000,000		12,500,000
1905.....				16,000,000
1906.....	10,923,750	24,000,000		10,000,000
1907.....				20,000,000
1908.....	18,000,000			8,000,000

INDUSTRIAL SHARES.

1884.....	6,000,000		1,500,000	
1885.....	6,000,000			
1886.....	10,600,000		1,200,000	
1887.....	4,000,000			7,000,000
1888.....	17,900,000	19,000,000		
1889.....	37,752,000	19,000,000	3,199,500	4,000,000
1890.....			6,600,000	
1891.....		3,600,000	1,000,000	
1892.....		4,000,000		
1893.....			3,750,000	
1894.....	675,000	3,000,000	21,500,000	
1895.....	3,750,000	3,000,000	2,000,000	
1896.....	12,150,000	4,800,000	3,000,000	
1897.....	12,350,000			14,250,000
1898.....	3,250,000	6,294,000	10,000,800	40,798,000
1899.....	7,500,000	8,000,000	9,398,000	91,850,000
1900.....	3,000,000	15,200,000	6,000,000	25,700,000
1901.....		18,200,000		5,000,000
1902.....		1,000,000		29,050,000
1903.....	5,000,000	10,000,000	11,600,000	
1904.....	1,000,000	11,000,000		35,000,000
1905.....	13,850,000	1,750,000	5,000,000	56,500,000
1906.....	10,250,000	17,800,000		152,200,000
1907.....	4,000,000	9,000,000		55,870,000
1908.....		21,200,000	1,000,000	46,100,000

^a Only those years are given during which issues were made.

^b Including private banking firms.

The German Great Banks

Value of securities issued and listed at the Berlin Stock Exchange during the years 1882-1908—Continued.

INDUSTRIAL BONDS.

Year. ^a	Issued exclusively by the bank.	Issued jointly with other great banks.	Issued jointly with other banks. ^b	Issued jointly with other banks and great banks. ^b
	<i>Marks.</i>	<i>Marks</i>	<i>Marks.</i>	<i>Marks.</i>
1884.....	2,000,000	14,225,000		
1887.....	6,000,000		5,000,000	
1891.....			6,000,000	12,500,000
1892.....		5,000,000		6,000,000
1893.....		3,000,000		49,000,000
1894.....	4,000,000			5,000,000
1895.....			11,483,000	10,000,000
1896.....	3,000,000			34,300,000
1897.....	10,000,000	26,600,000	28,730,000	
1898.....		17,000,000	10,700,000	20,000,000
1899.....		7,000,000		24,000,000
1900.....	7,500,000			29,000,000
1901.....		16,000,000		55,000,000
1902.....		6,000,000	3,000,000	37,100,000
1903.....		6,000,000	4,500,000	17,300,000
1904.....	4,500,000	4,500,000		8,000,000
1905.....	6,500,000	35,400,000		7,500,000
1906.....		4,800,000		20,347,500
1907.....	4,000,000	10,500,000	2,920,000	4,000,000
1908.....		21,500,000	1,000,000	161,320,000

DEUTSCHE BANK.

Total value of securities issued at the Berlin Stock Exchange during the years 1882-1908.

Year. ^a	Issued exclusively by the bank.	Issued jointly with other great banks.	Issued jointly with other banks. ^b	Issued jointly with other banks and great banks. ^b
	<i>Marks.</i>	<i>Marks.</i>	<i>Marks.</i>	<i>Marks.</i>
1882.....		1,500,000		35,782,560
1883.....	14,400,000	2,600,000	15,000,000	
1884.....	323,405,080	6,980,000	17,400,000	
1885.....	23,875,700	220,612,800		
1886.....	124,375,000		1,678,966,538	
1887.....	69,460,000	210,000,000	16,000,000	7,000,000
1888.....	78,354,600	100,000,000	5,000,000	85,734,200

^a Only those years are given during which issues were made.

^b Including private banking firms.

National Monetary Commission

Total value of securities issued at the Berlin Stock Exchange during the years
1882-1908—Continued.

Year. ^a	Issued exclusively by the bank.	Issued jointly with other great banks.	Issued jointly with other banks. ^b	Issued jointly with other banks and great banks. ^b
	<i>Marks.</i>	<i>Marks.</i>	<i>Marks.</i>	<i>Marks.</i>
1889.....	71,000,000	547,132,048	59,446,397	321,080,000
1890.....	135,116,800			401,306,944
1891.....	34,320,000	34,910,400	3,000,000	572,400,000
1892.....	136,100,000	10,600,000		366,750,000
1893.....	67,100,000			64,750,000
1894.....	54,140,000	8,500,000		158,000,000
1895.....	180,243,600	35,450,000	18,500,000	33,000,000
1896.....	1,433,080,000	10,000,000	27,600,000	178,550,000
1897.....	67,655,000	11,700,000	6,500,000	65,800,000
1898.....	171,379,480	68,406,500	21,998,400	116,198,400
1899.....	329,430,000	77,500,000	10,000,000	606,430,000
1900.....	455,747,000	74,591,200	41,228,000	133,350,000
1901.....	81,378,800	241,700,000	119,320,000	183,000,000
1902.....	144,530,000	118,300,000	65,772,000	388,050,000
1903.....	603,334,040	59,500,000	110,650,800	3,209,204,490
1904.....	710,269,800	80,887,000	691,038,408	130,100,000
1905.....	635,947,900	235,687,000	109,092,000	829,900,000
1906.....	737,543,800	259,100,000	250,125,000	234,950,000
1907.....	227,963,600	370,270,000	97,265,000	6,603,235,232
1908.....	206,395,000	220,064,900	72,900,000	6,308,030,000

Value of securities issued and listed at the Berlin Stock Exchange during the
years 1882-1908.

GERMAN PUBLIC SECURITIES.

Year. ^a	Issued exclusively by the bank.	Issued jointly with other great banks.	Issued jointly with other banks. ^b	Issued jointly with other banks and great banks. ^b
	<i>Marks.</i>	<i>Marks.</i>	<i>Marks.</i>	<i>Marks.</i>
1882.....		1,500,000		
1886.....	12,000,000			
1887.....	41,200,000			
1888.....	9,854,200			40,000,000
1889.....			7,000,000	
1890.....	38,500,000			235,000,000
1891.....				508,000,000
1892.....	1,000,000			342,500,000
1893.....	1,100,000			25,000,000

^a Only those years are given during which issues were made.

^b Including private banking firms.

The German Great Banks

Value of securities issued and listed at the Berlin Stock Exchange during the years 1882-1908—Continued.

GERMAN PUBLIC SECURITIES—Continued.

Year. ^a	Issued exclusively by the bank.	Issued jointly with other great banks.	Issued jointly with other banks. ^b	Issued jointly with other banks and great banks. ^b
	Marks.	Marks.	Marks.	Marks.
1894.....	21,500,000			
1895.....	6,000,000	3,000,000		10,000,000
1896.....	47,000,000			57,800,000
1897.....	8,950,000			24,000,000
1898.....	6,500,000	4,000,000	3,000,000	
1899.....	208,200,000	7,500,000		10,000,000
1900.....	48,200,000	5,000,000	3,228,000	59,000,000
1901.....	13,310,000	172,500,000	88,570,000	19,000,000
1902.....	12,300,000	42,000,000	1,272,000	74,000,000
1903.....	11,873,200	3,500,000	1,000,000	69,865,000
1904.....	16,500,000	20,937,000		60,000,000
1905.....	28,000,000	58,937,000	3,952,000	60,000,000
1906.....	42,400,000	75,500,000	20,000,000	44,000,000
1907.....	59,464,000	125,000,000	2,165,000	7,500,000
1908.....	52,575,000	123,654,900	29,000,000	73,000,000

FOREIGN PUBLIC SECURITIES.

1883.....	14,400,000			
1884.....	14,055,600			
1885.....	16,000,000			
1886.....	16,000,000		1,626,966,538	
1887.....	14,400,000			
1888.....	19,200,000			45,734,320
1889.....	21,600,000	294,132,048	51,546,397	
1890.....				148,906,944
1891.....		34,610,400		
1892.....				11,250,000
1895.....		26,000,000		
1896.....			20,400,000	
1898.....	116,767,080	46,406,500		51,000,000
1899.....				463,080,000
1902.....		66,300,000		242,250,000
1903.....				3,121,539,490
1904.....			651,219,408	
1905.....	216,960,000			678,300,000
1906.....	75,850,000		173,400,000	
1907.....		142,800,000		6,481,565,232

^a Only those years are given during which issues were made.

^b Including private banking firms.

National Monetary Commission

Value of securities issued and listed at the Berlin Stock Exchange during the years 1882-1908—Continued.

GERMAN MORTGAGE BONDS.

Year. ^a	Issued exclusively by the bank.	Issued jointly with other great banks.	Issued jointly with other banks. ^b	Issued jointly with other banks and great banks. ^b
	<i>Marks.</i>	<i>Marks.</i>	<i>Marks.</i>	<i>Marks.</i>
1886.....	5,000,000			
1888.....	1,500,000			
1892.....				10,000,000
1894.....				70,000,000
1895.....	3,453,600	4,450,000		
1896.....		10,000,000		25,000,000
1899.....	5,000,000	70,000,000	10,000,000	
1900.....	45,000,000		10,000,000	
1901.....	30,000,000	35,000,000	30,000,000	
1902.....	46,000,000	10,000,000	60,000,000	
1903.....	76,000,000	45,000,000	100,000,000	
1904.....	25,000,000	29,000,000		
1905.....	32,420,000	100,000,000	80,000,000	
1906.....	30,000,000	15,000,000	50,000,000	
1907.....	50,000,000	10,000,000	60,000,000	
1908.....		30,000,000	40,000,000	

FOREIGN MORTGAGE BONDS.

1885.....	5,100,000			
1886.....	6,375,000		52,000,000	
1887.....		20,000,000	16,000,000	
1895.....	17,000,000		17,000,000	
1896.....	110,500,000			
1898.....	8,100,000			
1899.....	11,250,000			
1900.....		13,931,200		
1902.....	33,750,000			
1903.....	45,000,000			
1904.....	67,500,000			
1905.....	56,250,000			

GERMAN RAILWAY SHARES

1889.....	2,200,000			
1891.....	1,200,000			
1895.....				3,000,000

^a Only those years are given during which issues were made.

^b Including private banking firms.

The German Great Banks

Value of securities issued and listed at the Berlin Stock Exchange during the years 1882-1908—Continued.

GERMAN RAILWAY SHARES—Continued.

Year. ^a	Issued exclusively by the bank.	Issued jointly with other great banks.	Issued jointly with other banks. ^b	Issued jointly with other banks and great banks. ^b
	<i>Marks.</i>	<i>Marks.</i>	<i>Marks.</i>	<i>Marks.</i>
1897.....				3,500,000
1899.....				5,000,000
1900.....				600,000
1902.....				2,000,000
1904.....				26,300,000
1906.....	1,700,000	40,000,000		
1908.....		4,210,000		

GERMAN RAILWAY BONDS.

1884.....	6,000,000			
1885.....	2,775,700			
1888.....	500,000			
1891.....	1,000,000			
1893.....				2,000,000
1895.....	1,000,000			
1896.....				15,000,000
1897.....		5,700,000		2,300,000
1899.....				12,500,000
1900.....				10,000,000
1902.....				23,650,000
1903.....	2,000,000			
1904.....				4,300,000
1906.....	2,500,000			7,200,000
1907.....		2,000,000		10,000,000

FOREIGN RAILWAY SHARES.

1884.....			10,800,000	
1889.....				24,000,000
1892.....		5,600,000		
1899.....	52,500,000			
1900.....	331,162,000	48,960,000		
1901.....				80,000,000
1902.....	23,100,000			
1903.....	404,835,840			
1904.....	525,000,000			

^a Only those years are given during which issues were made.

^b Including private banking firms.

National Monetary Commission

Value of securities issued and listed at the Berlin Stock Exchange during the years 1882-1908—Continued.

FOREIGN RAILWAY SHARES—Continued.

Year. ^a	Issued exclusively by the bank.	Issued jointly with other great banks.	Issued jointly with other banks. ^b	Issued jointly with other banks and great banks. ^b
	<i>Marks.</i>	<i>Marks.</i>	<i>Marks.</i>	<i>Marks.</i>
1905.....	136,743,600			
1906.....	481,042,800			
1907.....	73,500,000			

FOREIGN RAILWAY BONDS.

1882.....				35,782,560
1884.....	303,409,480			
1885.....		209,512,800		
1886.....	84,000,000			
1887.....	13,860,000	190,000,000		
1888.....	27,300,000	100,000,000		
1889.....	46,200,000	169,000,000		293,080,000
1890.....	92,100,000			
1891.....	26,120,000			
1892.....	132,000,000			
1893.....	64,000,000			
1894.....	32,640,000			
1895.....	132,640,000			
1896.....	1,176,730,800			

GERMAN STREET RAILWAY SHARES.

1896.....				1,200,000
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GERMAN STREET RAILWAY BONDS.

1894.....				16,000,000
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BANK SHARES.

1888.....	20,000,400			
1889.....		68,000,000		
1891.....	3,000,000	300,000		1,500,000
1892.....				3,000,000
1894.....		5,500,000		36,500,000

^a Only those years are given during which issues were made.

^b Including private banking firms.

The German Great Banks

Value of securities issued and listed at the Berlin Stock Exchange during the years 1882-1908—Continued.

BANK SHARES—Continued.

Year. ^a	Issued exclusively by the bank.	Issued jointly with other great banks.	Issued jointly with other banks. ^b	Issued jointly with other banks and great banks. ^b
	<i>Marks.</i>	<i>Marks.</i>	<i>Marks.</i>	<i>Marks.</i>
1895.....	5,000,000	2,000,000		3,000,000
1896.....	93,249,200			42,250,000
1897.....	50,000,000	6,000,000		25,500,000
1898.....	24,201,600	9,000,000		8,000,000
1899.....	17,880,000			
1900.....	18,000,000			
1901.....				24,000,000
1902.....	9,252,000			
1903.....	18,400,000			
1904.....	44,750,800			12,500,000
1905.....	108,500,800	4,500,000	11,400,000	16,000,000
1906.....	71,316,000	34,000,000	13,500,000	6,250,000
1907.....	23,999,600			20,000,000
1908.....	29,220,000			

BANK DEBENTURES.

1891.....				50,400,000
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INDUSTRIAL SHARES.

1883.....		2,600,000		
1884.....		1,980,000		
1885.....		11,100,000		
1887.....				7,000,000
1888.....			900,000	
1889.....		16,000,000	900,000	4,000,000
1890.....	3,316,800			17,400,000
1891.....	3,000,000			
1892.....	1,600,000			
1893.....	2,000,000			3,750,000
1894.....				15,500,000
1895.....	12,150,000		1,500,000	2,000,000
1896.....	4,600,000		4,700,000	3,000,000
1897.....	8,705,000			10,500,000
1898.....	7,810,800	4,000,000	18,998,400	37,198,400
1899.....	34,600,000			91,850,000

^a Only those years are given during which issues were made.

^b Including private banking firms.

National Monetary Commission

Value of securities issued and listed at the Berlin Stock Exchange during the years 1882-1908—Continued.

INDUSTRIAL SHARES—Continued.

Year. ^a	Issued exclusively by the bank.	Issued jointly with other great banks.	Issued jointly with other banks. ^b	Issued jointly with other banks and great banks. ^b
	<i>Marks.</i>	<i>Marks.</i>	<i>Marks.</i>	<i>Marks.</i>
1900.....	7,385,000	6,700,000	5,000,000	34,750,000
1901.....	38,068,800	18,200,000	750,000	5,000,000
1902.....	7,600,000	.....	4,500,000	29,050,000
1903.....	10,100,000	10,000,000	1,000,000	5,000,000
1904.....	27,519,000	2,450,000	30,219,000	19,000,000
1905.....	18,423,500	59,250,000	5,000,000	68,100,000
1906.....	21,235,000	36,800,000	13,225,000	162,300,000
1907.....	10,000,000	44,000,000	15,100,000	42,670,000
1908.....	74,400,000	34,700,000	3,900,000	66,780,000

INDUSTRIAL BONDS.

1883.....	.....	.....	15,000,000	.....
1884.....	.....	5,000,000	6,600,000	.....
1886.....	1,000,000	.....	.....	.....
1888.....	.....	.....	4,100,000	.....
1889.....	1,000,000	.....	.....	.....
1890.....	1,200,000	.....	.....	.....
1891.....	.....	.....	3,000,000	12,500,000
1892.....	1,500,000	5,000,000	.....	.....
1893.....	.....	.....	.....	34,000,000
1894.....	.....	3,000,000	.....	20,000,000
1895.....	3,000,000	.....	.....	15,000,000
1896.....	1,000,000	.....	2,500,000	34,300,000
1897.....	.....	.....	6,500,000	.....
1898.....	8,000,000	5,000,000	.....	20,000,000
1899.....	.....	.....	.....	24,000,000
1900.....	6,000,000	.....	23,000,000	29,000,000
1901.....	.....	16,000,000	.....	55,000,000
1902.....	12,528,000	.....	.....	17,100,000
1903.....	35,125,000	1,000,000	8,650,800	12,800,000
1904.....	4,000,000	28,500,000	9,600,000	8,000,000
1905.....	38,650,000	13,000,000	8,740,000	7,500,000
1906.....	11,500,000	57,800,000	.....	15,200,000
1907.....	11,000,000	46,470,000	20,000,000	41,500,000
1908.....	40,200,000	27,500,000	.....	168,250,000

^a Only those years are given during which issues were made.

^b Including private banking firms.

The German Great Banks

DISCONTO-GESELLSCHAFT.

Total value of securities issued at the Berlin Stock Exchange during the years
1882-1908.

Year. ^a	Issued exclusively by the bank.	Issued jointly with other great banks.	Issued jointly with other banks. ^b	Issued jointly with other banks and great banks. ^b
	<i>Marks.</i>	<i>Marks.</i>	<i>Marks.</i>	<i>Marks.</i>
1882.....	136,360,000	8,000,000		85,782,560
1883.....	42,550,000	20,000,000		
1884.....	13,000,000	9,225,000	12,800,000	39,437,200
1885.....	197,565,260		4,000,000	75,380,800
1886.....	46,328,000	16,000,000	65,250,000	48,645,000
1887.....	30,509,250	210,000,000	253,377,090	67,286,500
1888.....	30,615,300	94,500,000	169,838,345	34,418,825
1889.....	65,205,400	148,392,048	1,315,738,680	924,869,360
1890.....	3,600,000		1,495,903,264	349,738,750
1891.....	53,400,000		224,800,000	482,374,000
1892.....	9,500,000	8,100,000	66,987,500	415,300,000
1893.....	42,000,000		294,231,632	237,252,700
1894.....	33,138,000		2,940,992,200	215,618,000
1895.....	104,807,000	7,500,000	182,730,000	198,219,000
1896.....	73,550,000	24,000,000	1,883,595,700	241,986,000
1897.....	711,692,000	30,350,000	331,900,000	315,960,000
1898.....	67,680,900	27,251,600	632,690,784	417,813,280
1899.....	185,724,000	41,100,000	357,200,000	67,500,000
1900.....	122,619,000	23,031,200	204,200,000	240,450,000
1901.....	49,464,600	179,000,000	89,400,000	516,492,000
1902.....	171,000,000	52,000,000	561,600,000	1,505,349,500
1903.....	213,615,188	32,213,000	159,850,000	3,214,824,590
1904.....	169,000,800	64,937,000	21,500,000	585,540,570
1905.....	2,193,222,000	231,337,000	487,771,330	1,141,250,000
1906.....	23,322,340	172,500,000	8,000,000	218,559,000
1907.....	53,499,600	333,796,000	92,550,000	6,575,015,232
1908.....	97,600,000	165,000,000	61,700,000	531,820,000

^a Only those years are given during which issues were made.

^b Including private banking firms.

National Monetary Commission

Value of securities issued and listed at the Berlin Stock Exchange during the years 1882-1908.

GERMAN PUBLIC SECURITIES.

Year. ^a	Issued exclusively by the bank.	Issued jointly with other great banks.	Issued jointly with other banks. ^b	Issued jointly with other banks and great banks. ^b
	<i>Marks.</i>	<i>Marks.</i>	<i>Marks.</i>	<i>Marks.</i>
1882.....	6,050,000	1,500,000		
1883.....	15,000,000			
1884.....	2,000,000			
1885.....			4,000,000	
1886.....	5,000,000			
1888.....	13,740,000			
1890.....			11,500,000	235,000,000
1891.....			3,000,000	458,000,000
1892.....	7,500,000			342,500,000
1893.....	12,000,000			50,000,000
1894.....			32,000,000	10,000,000
1895.....	36,357,000	3,500,000	6,230,000	10,000,000
1896.....			115,395,700	3,000,000
1897.....	18,552,500	2,750,000	40,000,000	
1898.....		4,000,000		6,000,000
1899.....		7,500,000		12,000,000
1900.....			8,000,000	7,500,000
1901.....	6,275,800	169,000,000	67,000,000	10,000,000
1902.....		42,000,000		138,000,000
1903.....	4,092,500	9,500,000		64,960,100
1904.....	54,000,000	11,937,000		408,317,000
1905.....	15,488,000	23,937,000		474,000,000
1906.....	1,000,000	56,000,000		26,000,000
1907.....		127,296,000	25,000,000	20,000,000
1908.....	36,200,000	106,000,000	5,000,000	190,000,000

FOREIGN PUBLIC SECURITIES.

1882.....	118,560,000			
1883.....	4,050,000			
1884.....			12,800,000	
1886.....	7,128,000		54,000,000	
1887.....	18,009,250		238,500,000	
1888.....			161,064,455	34,418,825
1889.....		148,392,048	1,081,561,680	76,500,000
1890.....			1,425,887,664	
1891.....			206,400,000	
1892.....			36,187,500	

^a Only those years are given during which issues were made.
^b Including private banking firms.

The German Great Banks

Value of securities issued and listed at the Berlin Stock Exchange during the years 1882-1908—Continued.

FOREIGN PUBLIC SECURITIES—Continued.

Year. ^a	Issued exclusively by the bank.	Issued jointly with other great banks.	Issued jointly with other banks. ^b	Issued jointly with other banks and great banks. ^b
	<i>Marks.</i>	<i>Marks.</i>	<i>Marks.</i>	<i>Marks.</i>
1893.....			40,000,000	133,502,700
1894.....			2,883,035,200	
1895.....			108,000,000	
1896.....			1,757,700,000	
1897.....			286,900,000	
1898.....			448,200,000	51,000,000
1899.....			357,200,000	
1900.....			151,200,000	102,000,000
1901.....				212,500,000
1902.....			561,600,000	1,317,349,500
1903.....			149,850,000	3,125,364,490
1904.....				90,426,570
1905.....			424,936,530	500,000,000
1907.....		142,800,000		6,481,565,232
1908.....			56,700,000	127,500,000

GERMAN MORTGAGE BONDS.

1887.....			3,500,000	
1891.....			4,000,000	3,000,000
1892.....			20,000,000	20,000,000
1893.....			10,000,000	
1894.....	30,000,000			4,118,000
1895.....	20,000,000		60,000,000	20,000,000
1896.....		20,000,000		50,000,000
1897.....	678,139,500			
1898.....	31,000,000			
1900.....	10,000,000		30,000,000	
1901.....			22,400,000	
1902.....	70,000,000	10,000,000		
1903.....	150,000,000	10,000,000		
1904.....	16,000,000	29,000,000	12,500,000	
1905.....	32,000,000	115,000,000	40,634,800	
1907.....				23,950,000
1908.....	23,000,000	20,000,000		

^a Only those years are given during which issues were made.

^b Including private banking firms.

National Monetary Commission

Value of securities issued and listed at the Berlin Stock Exchange during the
years 1882-1908—Continued.

FOREIGN MORTGAGE BONDS.

Year. ^a	Issued exclusively by the bank.	Issued jointly with other great banks.	Issued jointly with other banks. ^b	Issued jointly with other banks and great banks. ^b
	<i>Marks.</i>	<i>Marks.</i>	<i>Marks.</i>	<i>Marks.</i>
1886.....			11,250,000	
1887.....		20,000,000	11,377,090	
1888.....	7,800,300			
1889.....			26,775,000	
1891.....			3,400,000	
1892.....			850,000	
1893.....			244,231,632	
1896.....				51,000,000
1897.....				51,000,000
1898.....			184,490,784	
1900.....		13,931,200		
1904.....				34,000,000
1907.....	22,500,000			

GERMAN RAILWAY SHARES.

1883.....	1,500,000			
1890.....	1,500,000			
1891.....	2,400,000			
1894.....	1,938,000			
1896.....				1,800,000
1897.....				1,250,000
1898.....				5,000,000
1899.....				5,000,000
1900.....	6,000,000			9,200,000
1901.....	1,560,000			
1904.....				35,297,000
1906.....	3,199,200			4,024,000
1908.....				11,000,000

GERMAN RAILWAY BONDS.

1888.....		2,500,000		
1894.....	1,200,000			
1896.....	6,000,000			
1897.....				2,500,000
1898.....				10,000,000

^a Only those years are given during which issues were made.

^b Including private banking firms.

The German Great Banks

Value of securities issued and listed at the Berlin Stock Exchange during the years 1882-1908—Continued.

GERMAN RAILWAY BONDS—Continued.

Year. ^a	Issued exclusively by the bank.	Issued jointly with other great banks.	Issued jointly with other banks. ^b	Issued jointly with other banks and great banks. ^b
	<i>Marks.</i>	<i>Marks.</i>	<i>Marks.</i>	<i>Marks.</i>
1899.....	25,000,000			
1900.....	42,000,000			7,000,000
1901.....	1,560,000			9,500,000
1905.....				5,000,000
1906.....				4,500,000
1907.....	500,000			

FOREIGN RAILWAY SHARES.

1885.....	37,120,000			
1888.....	4,800,000		6,913,890	
1891.....	36,000,000		8,000,000	
1892.....		5,600,000		
1897.....				243,210,000
1898.....				273,013,280
1899.....	126,000,000			
1900.....				27,000,000
1901.....				214,992,000
1903.....	56,522,688			
1904.....	42,000,000			
1905.....	2,100,000,000			105,000,000

FOREIGN RAILWAY BONDS.

1882.....		6,500,000		85,782,560
1883.....	16,000,000	20,000,000		
1884.....				39,437,200
1885.....	160,445,260			75,380,800
1886.....	15,200,000	16,000,000		48,645,000
1887.....		190,000,000		67,286,500
1888.....		92,000,000		
1889.....	22,450,000		207,402,000	848,369,360
1890.....			46,515,600	111,288,750
1891.....				21,374,000
1892.....				52,800,000
1893.....				16,000,000
1894.....			25,957,000	160,000,000

^a Only those years are given during which issues were made.

^b Including private banking firms.

National Monetary Commission

Value of securities issued and listed at the Berlin Stock Exchange during the years 1882-1908—Continued.

FOREIGN RAILWAY BONDS—Continued.

Year. ^a	Issued exclusively by the bank.	Issued jointly with other great banks	Issued jointly with other banks. ^b	Issued jointly with other banks and great banks. ^b
	<i>Marks.</i>	<i>Marks.</i>	<i>Marks.</i>	<i>Marks.</i>
1895.....				158,219,000
1896.....				56,736,000
1906.....				1,687,500

GERMAN STREET RAILWAY BONDS.

1894.....				16,000,000
1896.....				7,500,000

BANK SHARES.

1887.....	2,500,000			
1889.....	16,500,000			
1891.....	15,000,000			
1892.....			9,950,000	
1894.....				4,500,000
1895.....	41,500,000			
1896.....	14,500,000		10,500,000	28,250,000
1897.....		6,000,000		18,000,000
1898.....	24,500,000	9,000,000		8,000,000
1899.....	4,000,000			17,000,000
1900.....	27,510,000			
1901.....	7,800,000			24,000,000
1902.....	36,500,000			
1903.....		7,713,000	10,000,000	
1904.....	30,000,800		9,000,000	12,500,000
1905.....	30,834,000		16,000,000	16,000,000
1906.....	1,008,000	6,000,000	8,000,000	23,250,000
1907.....	21,999,600		33,600,000	20,000,000
1908.....	4,500,000			

INDUSTRIAL SHARES.

1882.....	6,750,000			
1888.....			1,860,000	
1889.....	22,440,400			
1890.....	2,100,000		12,000,000	3,450,000

^a Only those years are given during which issues were made.

^b Including private banking firms.

The German Great Banks

Value of securities issued and listed at the Berlin Stock Exchange during the years 1882-1908—Continued.

INDUSTRIAL SHARES—Continued.

Year. ^a	Issued exclusively by the bank.	Issued jointly with other great banks.	Issued jointly with other banks. ^b	Issued jointly with other banks and great banks. ^b
	<i>Marks.</i>	<i>Marks.</i>	<i>Marks.</i>	<i>Marks.</i>
1893.....				3,750,000
1894.....				6,000,000
1895.....	4,950,000	1,750,000	5,000,000	
1896.....	47,050,000	4,000,000		36,200,000
1897.....	15,000,000		5,000,000	
1898.....	12,180,900	11,751,600		24,800,000
1899.....	30,724,000	28,600,000		33,500,000
1900.....	31,100,000	9,100,000	5,000,000	52,750,000
1901.....	4,768,800			
1902.....	62,000,000			20,000,000
1903.....	3,000,000	5,000,000		12,500,000
1904.....	27,000,000			5,000,000
1905.....	14,900,000	50,000,000	6,200,000	41,250,000
1906.....	16,315,140	57,500,000		131,700,000
1907.....	4,500,000	54,000,000		38,450,000
1908.....	12,900,000	21,000,000		22,000,000

INDUSTRIAL BONDS.

1882.....	5,000,000			
1883.....	6,000,000			
1884.....	11,000,000	9,225,000		
1886.....	19,000,000			
1887.....	10,000,000			
1888.....	4,275,000			
1889.....	3,815,000			
1892.....	2,000,000	2,500,000		
1893.....	30,000,000			34,000,000
1894.....				15,000,000
1895.....	2,000,000	2,500,000	3,500,000	10,000,000
1896.....	6,000,000			7,500,000
1897.....		21,600,000		
1898.....		2,500,000		40,000,000
1899.....		5,000,000		
1900.....	6,000,000		10,000,000	35,000,000
1901.....	27,500,000	10,000,000		45,500,000
1902.....	2,500,000			30,000,000
1903.....				12,000,000

^a Only those years are given during which issues were made.

^b Including private banking firms.

National Monetary Commission

Value of securities issued and listed at the Berlin Stock Exchange during the years 1882-1908—Continued.

INDUSTRIAL BONDS—Continued.

Year, ^a	Issued exclusively by the bank.	Issued jointly with other great banks.	Issued jointly with other banks, ^b	Issued jointly with other banks and great banks. ^b
	<i>Marks.</i>	<i>Marks.</i>	<i>Marks.</i>	<i>Marks.</i>
1904.....		24,000,000		
1905.....		42,400,000		
1906.....	1,800,000	53,000,000		27,397,500
1907.....	4,000,000	9,700,000	10,000,000	15,000,000
1908.....	21,000,000	18,000,000		181,320,000

DRESDNER BANK.

Total value of securities issued at the Berlin Stock Exchange during the years 1882-1908.

Year, ^a	Issued exclusively by the bank.	Issued jointly with other great banks.	Issued jointly with other banks, ^b	Issued jointly with other banks and great banks. ^b
	<i>Marks.</i>	<i>Marks.</i>	<i>Marks.</i>	<i>Marks.</i>
1882.....	12,920,000			
1883.....	25,000,200			
1884.....	26,413,200			
1885.....	7,000,000			
1886.....	320,000		31,966,800	
1887.....	14,000,000			
1888.....	36,650,000			158,340,000
1889.....	82,138,200	213,740,000	4,000,000	170,520,000
1890.....	6,100,060		15,500,000	256,150,000
1891.....		3,900,000	29,499,900	628,470,000
1892.....	10,140,000	6,000,000	41,000,000	372,000,000
1893.....		34,000,000	66,500,000	92,750,000
1894.....	13,825,000	3,000,000	6,000,000	100,758,000
1895.....	155,323,000	16,250,000	106,000,000	52,640,000
1896.....	100,648,000	30,362,500	38,900,000	119,500,000
1897.....	84,350,000		131,000,000	23,750,000
1898.....	31,450,000	14,001,600	132,000,000	69,200,000
1899.....	90,650,000	40,100,000	605,080,000	44,700,000
1900.....	37,734,400	62,200,000	30,000,000	142,900,000
1901.....	20,839,000	143,000,000	24,491,250	172,000,000
1902.....	50,000,000	13,000,000	242,250,000	480,000,000

^a Only those years are given during which issues were made.

^b Including private banking firms.

The German Great Banks

Total value of securities issued at the Berlin Stock Exchange during the years
1882-1908—Continued.

Year. ^a	Issued exclusively by the bank.	Issued jointly with other great banks.	Issued jointly with other banks. ^b	Issued jointly with other banks and great banks. ^b
	<i>Marks.</i>	<i>Marks.</i>	<i>Marks.</i>	<i>Marks.</i>
1903.....	43,293,100	32,713,000	36,260,000	85,404,900
1904.....	100,393,000	225,229,000	10,000,000	498,114,000
1905.....	128,247,400	457,070,000	684,000,000	158,700,000
1906.....	25,200,000	320,415,200	5,000,000	121,835,750
1907.....	47,550,000	357,990,000	.....	6,620,315,232
1908.....	209,734,400	278,154,900	.....	268,120,000

Value of securities issued and listed at the Berlin Stock Exchange during the years 1882-1908.

GERMAN PUBLIC SECURITIES.

Year. ^a	Issued exclusively by the bank.	Issued jointly with other great banks.	Issued jointly with other banks. ^b	Issued jointly with other banks and great banks. ^b
	<i>Marks.</i>	<i>Marks.</i>	<i>Marks.</i>	<i>Marks.</i>
1883.....	3,000,000	.....	.....	.....
1890.....	.....	.....	12,000,000	235,000,000
1891.....	.....	.....	.....	508,000,000
1892.....	.....	.....	12,000,000	340,000,000
1893.....	.....	.....	66,500,000	25,000,000
1894.....	1,000,000	.....	.....	10,000,000
1895.....	11,100,000	.....	106,000,000	.....
1896.....	.....	.....	4,000,000	48,000,000
1897.....	1,750,000	.....	20,000,000	29,000,000
1898.....	17,000,000	.....	75,000,000	.....
1899.....	4,000,000	.....	112,000,000	15,700,000
1900.....	13,000,000	5,000,000	.....	50,000,000
1901.....	15,000,000	118,000,000	9,800,000	17,000,000
1902.....	12,500,000	.....	.....	416,000,000
1903.....	29,142,100	.....	35,000,000	54,904,900
1904.....	6,000,000	48,779,000	.....	460,317,000
1905.....	5,652,400	67,000,000	3,200,000	60,000,000
1906.....	10,000,000	81,500,000	.....	.....
1907.....	24,000,000	63,720,000	.....	.....
1908.....	7,000,000	118,154,900	.....	65,000,000

^a Only those years are given during which issues were made.

^b Including private banking firms.

National Monetary Commission

Value of securities issued and listed at the Berlin Stock Exchange during the years 1882-1908—Continued.

FOREIGN PUBLIC SECURITIES.

Year. ^a	Issued exclusively by the bank.	Issued jointly with other great banks.	Issued jointly with other banks. ^b	Issued jointly with other banks and great banks. ^b
	<i>Marks.</i>	<i>Marks.</i>	<i>Marks.</i>	<i>Marks.</i>
1888.....	10,400,000			158,340,000
1889.....	26,520,000	145,740,000		170,520,000
1891.....				50,750,000
1892.....			14,000,000	
1894.....	6,750,000			
1895.....	117,748,000			
1896.....		14,062,500		
1898.....			51,000,000	
1899.....			463,080,000	
1901.....			13,691,250	
1902.....			242,250,000	
1905.....		77,520,000	678,300,000	
1907.....		142,800,000		6,481,565,232
1908.....	199,834,400			

GERMAN MORTGAGE BONDS.

1885.....	7,000,000			
1889.....	15,718,200			
1891.....				3,000,000
1892.....				20,000,000
1894.....				4,118,000
1895.....				20,000,000
1896.....	30,000,000			
1897.....			60,000,000	
1899.....			30,000,000	
1900.....			30,000,000	
1901.....		15,000,000		
1902.....		10,000,000		
1903.....		25,000,000		
1904.....	30,000,000	120,000,000		
1905.....		220,000,000		15,000,000
1906.....		15,000,000		
1907.....		55,000,000		50,000,000
1908.....		90,000,000		

^a Only those years are given during which issues were made.

^b Including private banking firms.

The German Great Banks

Value of securities issued and listed at the Berlin Stock Exchange during the years 1882-1908—Continued.

FOREIGN MORTGAGE BONDS.

Year. ^a	Issued exclusively by the bank.	Issued jointly with other great banks.	Issued jointly with other banks. ^b	Issued jointly with other banks and great banks. ^b
	<i>Marks.</i>	<i>Marks.</i>	<i>Marks.</i>	<i>Marks.</i>
1895.....	6,075,000			
1896.....	9,000,000		17,000,000	
1905.....	67,500,000			

GERMAN RAILWAY SHARES.

1894.....	1,200,000			
1896.....				1,800,000
1906.....		40,000,000		

GERMAN RAILWAY BONDS.

1899.....	25,000,000			
1900.....	4,000,000			
1901.....	1,839,000			
1905.....				11,900,000
1906.....				4,500,000
1908.....		4,000,000		

FOREIGN RAILWAY SHARES.

1882.....	12,920,000			
1890.....	2,740,060			
1900.....		48,000,000		
1901.....				80,000,000
1904.....		25,500,000		
1905.....	25,000,000	15,300,000		

FOREIGN RAILWAY BONDS.

1883.....	10,000,200			
1884.....	26,413,200			
1890.....				20,400,000
1891.....			29,499,900	16,320,000
1892.....			15,000,000	12,000,000
1893.....				64,000,000

^a Only those years are given during which issues were made.

^b Including private banking firms.

National Monetary Commission

Value of securities issued and listed at the Berlin Stock Exchange during the years 1882-1908—Continued.

FOREIGN RAILWAY BONDS—Continued.

Year. ^a	Issued exclusively by the bank.	Issued jointly with other great banks.	Issued jointly with other banks. ^b	Issued jointly with other banks and great banks. ^b
	<i>Marks.</i>	<i>Marks.</i>	<i>Marks.</i>	<i>Marks.</i>
1894.....				32,640,000
1895.....				32,640,000
1896.....	48,948,000			
1906.....				1,687,500

GERMAN STREET-RAILWAY SHARES.

1894.....	4,275,000			
1895.....	3,000,000			
1896.....	8,650,000			
1897.....	1,350,000			1,250,000
1898.....			6,000,000	
1899.....	26,000,000			
1900.....				1,200,000
1902.....	23,000,000			
1904.....				14,297,000
1906.....				500,000

GERMAN STREET-RAILWAY BONDS.

1894.....				16,000,000
1896.....				7,500,000
1897.....				2,500,000
1900.....				3,000,000
1901.....				5,500,000

BANK SHARES.

1883.....	12,000,000			
1887.....	12,000,000			
1889.....	16,800,000	68,000,000		
1891.....		300,000		50,400,000
1892.....	10,000,000			
1894.....				32,000,000
1895.....	15,000,000			

^a Only those years are given during which issues were made.

^b Including private banking firms.

The German Great Banks

Value of securities issued and listed at the Berlin Stock Exchange during the years 1882-1908—Continued.

BANK SHARES—Continued.

Year. ^a	Issued exclusively by the bank.	Issued jointly with other great banks.	Issued jointly with other banks. ^b	Issued jointly with other banks and great banks. ^b
	Marks.	Marks.	Marks.	Marks.
1896.....			2,900,000	26,000,000
1897.....	78,000,000			
1898.....	9,600,000			8,000,000
1899.....	29,600,000			
1901.....				24,000,000
1903.....		7,713,000		
1904.....	41,000,000			12,500,000
1905.....	300,000	6,500,000		16,000,000
1906.....	10,500,000	22,100,000		6,250,000
1907.....	20,600,000	25,500,000		20,000,000

INDUSTRIAL SHARES.

1886.....	320,000		31,966,800	
1887.....	2,000,000			
1888.....	15,000,000			
1889.....	10,500,000		4,000,000	
1890.....	3,360,000		3,500,000	750,000
1891.....		3,600,000		
1892.....	140,000			
1893.....				3,750,000
1894.....	600,000	3,000,000	6,000,000	6,000,000
1895.....	2,400,000	4,750,000		
1896.....	2,800,000	8,800,000	15,000,000	36,200,000
1897.....	750,000			
1898.....	4,850,000	2,001,600		21,200,000
1899.....	6,050,000	40,100,000		29,000,000
1900.....	20,734,400	9,200,000		53,700,000
1902.....	1,000,000			28,000,000
1903.....	5,700,000		1,260,000	18,500,000
1904.....	20,193,000	10,950,000		11,000,000
1905.....	28,195,000	60,750,000		49,800,000
1906.....	4,700,000	79,315,200	5,000,000	91,750,750
1907.....	2,950,000	37,000,000		41,250,000
1908.....	2,900,000	23,000,000		31,800,000

^a Only those years are given during which issues were made.

^b Including private banking firms.

National Monetary Commission

Value of securities issued and listed at the Berlin Stock Exchange during the years 1882-1908—Continued.

INDUSTRIAL BONDS.

Year. ^a	Issued exclusively by the bank.	Issued jointly with other great banks.	Issued jointly with other banks. ^b	Issued jointly with other banks and great banks. ^b
	<i>Marks.</i>	<i>Marks.</i>	<i>Marks.</i>	<i>Marks.</i>
1888.....	11,250,000			
1889.....	12,600,000			
1892.....		6,000,000		
1893.....		34,000,000		
1895.....		11,500,000		
1896.....	1,250,000	7,500,000		
1897.....	2,500,000			
1898.....		12,000,000		40,000,000
1900.....				35,000,000
1901.....	4,000,000	10,000,000	1,000,000	45,500,000
1902.....	13,500,000	3,000,000		36,000,000
1903.....	8,451,000			12,000,000
1904.....	3,200,000	20,000,000	10,000,000	
1905.....	1,600,000	10,000,000	2,500,000	6,000,000
1906.....		82,500,000		17,147,500
1907.....		33,970,000		27,500,000
1908.....		43,000,000		171,320,000

A. SCHAAFFHAUSEN'SCHR BANKVEREIN.

Total value of securities issued at the Berlin Stock Exchange during the years 1882-1908.

Year. ^a	Issued exclusively by the bank.	Issued jointly with other great banks.	Issued jointly with other banks. ^b	Issued jointly with other banks and great banks. ^b
	<i>Marks.</i>	<i>Marks.</i>	<i>Marks.</i>	<i>Marks.</i>
1890.....				20,100,000
1891.....				450,000,000
1892.....	18,000,000		3,000,000	346,000,000
1893.....	19,980,000	3,000,000		
1894.....	36,189,000		12,000,000	110,500,000
1895.....	106,000,000	17,000,000	2,500,000	15,500,000
1896.....	40,870,000	7,121,000	18,850,000	5,050,000
1897.....	127,558,600	11,000,000	17,870,000	20,000,000
1898.....	135,589,000	43,544,000	5,000,000	23,000,000
1899.....	69,950,000	27,780,000		29,700,000
1900.....	45,700,000	18,600,000	12,500,000	130,450,000

^a Only those years are given during which issues were made.

^b Including private banking firms.

The German Great Banks

Total value of securities issued at the Berlin Stock Exchange during the years 1882-1908—Continued.

Year. ^a	Issued exclusively by the bank.	Issued jointly with other great banks.	Issued jointly with other banks. ^b	Issued jointly with other banks and great banks. ^b
	Marks.	Marks.	Marks.	Marks.
1901.....	4,800,000	33,700,000	21,000,000	101,500,000
1902.....	44,500,000	11,000,000	26,000,000	76,000,000
1903.....	8,600,000	43,400,000	30,000,000	37,000,000
1904.....	37,784,000	231,179,000	60,000,000	68,797,000
1905.....	13,550,000	290,297,770	30,000,000	749,600,000
1906.....	60,500,000	185,815,200	31,000,000	140,359,000
1907.....	4,684,600	154,920,000	31,520,000	105,500,000
1908.....	600,000	238,320,000	30,000,000	216,870,000

Value of securities issued and listed at the Berlin Stock Exchange during the years 1882-1908.

GERMAN PUBLIC SECURITIES.

Year. ^a	Issued exclusively by the bank.	Issued jointly with other great banks.	Issued jointly with other banks. ^b	Issued jointly with other banks and great banks. ^b
	Marks.	Marks.	Marks.	Marks.
1891.....				450,000,000
1892.....			3,000,000	340,000,000
1894.....	2,500,000			
1895.....	5,500,000	3,000,000	2,500,000	12,000,000
1896.....		2,321,000	8,100,000	2,800,000
1897.....	3,500,000		17,500,000	20,000,000
1898.....		4,000,000		
1899.....		7,500,000		15,700,000
1900.....			10,000,000	40,000,000
1901.....		2,500,000	15,000,000	5,000,000
1902.....	23,000,000			26,000,000
1903.....	5,000,000	6,000,000	30,000,000	
1904.....		39,779,000	60,000,000	18,000,000
1905.....		10,000,000	30,000,000	
1906.....		2,000,000	30,000,000	
1907.....		41,220,000	30,000,000	
1908.....		96,500,000	30,000,000	65,000,000

FOREIGN PUBLIC SECURITIES.

1905.....		77,625,170		678,300,000
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^a Only those years are given during which issues were made.

^b Including private banking firms.

National Monetary Commission

Value of securities issued and listed at the Berlin Stock Exchange during the years 1882-1908—Continued.

GERMAN MORTGAGE BONDS.

Year. ^a	Issued exclusively by the bank.	Issued jointly with other great banks.	Issued jointly with other banks. ^b	Issued jointly with other banks and great banks. ^b
	<i>Marks.</i>	<i>Marks.</i>	<i>Marks.</i>	<i>Marks.</i>
1894.....	20,000,000			
1895.....	80,000,000			
1897.....	20,000,000			
1898.....	60,000,000			
1900.....	30,000,000			
1902.....	20,000,000			
1903.....		20,000,000		
1904.....		110,000,000		
1905.....		165,000,000		15,000,000
1907.....		45,000,000		50,000,000
1908.....		60,000,000		

GERMAN RAILWAY SHARES.

1898.....			5,000,000	5,000,000
1899.....				5,000,000
1900.....				9,200,000
1904.....				14,297,000
1906.....				4,024,000
1908.....				11,000,000

FOREIGN RAILWAY SHARES.

1901.....				60,000,000
1904.....		25,500,000		
1905.....		15,300,000		
1906.....				1,687,500

GERMAN RAILWAY BONDS.

1898.....				10,000,000
1900.....				13,000,000
1901.....				9,500,000
1905.....				11,900,000
1906.....				4,500,000

^a Only those years are given during which issues were made.

^b Including private banking firms.

The German Great Banks

Value of securities issued and listed at the Berlin Stock Exchange during the years 1882-1908—Continued.

FOREIGN RAILWAY BONDS.

Year, ^a	Issued exclusively by the bank.	Issued jointly with other great banks.	Issued jointly with other banks. ^b	Issued jointly with other banks and great banks. ^b
1894.....	Marks.	Marks.	Marks.	Marks. 100,000,000

BANK SHARES.

1892.....	12,000,000			
1894.....	4,000,000			4,500,000
1895.....	12,000,000	7,500,000		
1896.....	4,000,000			2,250,000
1897.....	30,000,000	6,000,000		
1898.....	5,500,000	9,000,000		8,000,000
1899.....	34,800,000			
1901.....	600,000		6,000,000	24,000,000
1904.....	25,000,000			12,500,000
1905.....	8,750,000	6,500,000		16,000,000
1906.....	35,200,000	22,100,000		16,250,000
1907.....				20,000,000

INDUSTRIAL SHARES.

1890.....				20,100,000
1892.....	1,500,000			
1893.....	16,980,000	3,000,000		
1894.....	3,689,000		12,000,000	6,000,000
1895.....	8,500,000	3,000,000		
1896.....	33,620,000	4,800,000	750,000	
1897.....	74,058,600		370,000	
1898.....	29,589,000	16,044,000		
1899.....	35,150,000	8,280,000		9,000,000
1900.....	15,700,000	18,600,000	2,500,000	43,250,250
1901.....	4,200,000	15,200,000		
1902.....	1,500,000	8,000,000		
1903.....	3,600,000	11,400,000		25,000,000
1904.....	12,784,000	25,400,000		21,000,000
1905.....	4,800,000	5,872,600		22,400,000
1906.....	25,300,000	104,415,200	1,000,000	89,500,000
1907.....	4,684,600	51,000,000	1,520,000	20,500,000
1908.....	600,000	22,700,000		34,550,000

^a Only those years are given during which issues were made.

^b Including private banking firms.

National Monetary Commission

Value of securities issued and listed at the Berlin Stock Exchange during the years 1882-1908—Continued.

INDUSTRIAL BONDS.

Year. ^a	Issued exclusively by the bank.	Issued jointly with other great banks.	Issued jointly with other banks. ^b	Issued jointly with other banks and great banks. ^b
	<i>Marks.</i>	<i>Marks.</i>	<i>Marks.</i>	<i>Marks.</i>
1892.....	4,500,000			6,000,000
1893.....	3,000,000			
1894.....	6,000,000			
1895.....		3,500,000		3,500,000
1896.....	3,250,000		10,000,000	
1897.....		5,000,000		
1898.....	40,500,000	14,500,000		
1899.....		12,000,000		
1900.....				25,000,000
1901.....		16,000,000		3,000,000
1902.....		3,000,000		26,000,000
1903.....		6,000,000		12,000,000
1904.....		30,500,000		3,000,000
1905.....		10,000,000		6,000,000
1906.....		57,300,000		24,397,500
1907.....		17,700,000		15,000,000
1908.....		59,120,000		106,320,000

^a Only those years are given during which issues were made.
^b Including private banking firms.

The German Great Banks

APPENDIX VI.

TOTAL VALUE OF SECURITIES ISSUED AT ALL GERMAN STOCK EXCHANGES BY THE GREAT BANKS DURING THE YEARS 1897-1908.

BANK FÜR HANDEL UND INDUSTRIE.

Total value of securities issued at all German stock exchanges during the years 1897-1908.

[To page 396.]

Year. ^a	Issued exclusively by the bank.	Issued jointly with other great banks.	Issued jointly with other banks. ^b	Issued jointly with other banks and great banks. ^b
	<i>Marks.</i>	<i>Marks.</i>	<i>Marks.</i>	<i>Marks.</i>
1897.....	421,644,000	5,700,000	.....	74,750,000
1898.....	269,840,000	68,156,500	25,703,000	451,400,000
1899.....	85,500,000	36,500,000	6,939,500	118,700,000
1900.....	31,600,000	8,200,000	83,139,500	247,400,000
1901.....	73,100,000	34,500,000	5,079,000	386,691,250
1902.....	187,815,700	43,000,000	12,500,000	1,261,099,500
1903.....	421,374,700	30,000,000	11,906,800	3,434,609,074
1904.....	54,509,000	44,000,000	38,500,000	586,040,570
1905.....	90,050,000	81,450,000	21,400,000	1,183,611,000
1906.....	203,250,000	184,000,000	82,497,200	420,158,200
1907.....	14,550,000	190,000,000	9,750,000	7,008,815,232
1908.....	48,810,000	142,700,000	3,300,000	1,573,185,000

Value of newly issued securities listed at all German stock exchanges during the years 1897-1908.

GERMAN PUBLIC SECURITIES.

Year. ^a	Issued exclusively by the bank.	Issued jointly with other great banks.	Issued jointly with other banks. ^b	Issued jointly with other banks and great banks. ^b
	<i>Marks.</i>	<i>Marks.</i>	<i>Marks.</i>	<i>Marks.</i>
1897.....	287,500,000	.....	.....	20,000,000
1898.....	14,703,000	.....	24,703,000	6,000,000
1899.....	26,500,000	7,500,000	4,939,500	27,700,000
1900.....	2,300,000	3,000,000	3,639,500	57,500,000
1901.....	4,500,000	14,500,000	1,079,000	28,000,000
1902.....	1,050,000	6,000,000	8,500,000	17,000,000
1903.....	13,000,000	.....	10,656,800	26,960,100

^a Only those years are given during which issues were made.

^b Including private banking firms.

National Monetary Commission

Value of newly issued securities listed at all German stock exchanges during the years 1897-1908—Continued.

GERMAN PUBLIC SECURITIES—Continued.

Year. ^a	Issued exclusively by the bank.	Issued jointly with other great banks.	Issued jointly with other banks. ^b	Issued jointly with other banks and great banks. ^b
	<i>Marks.</i>	<i>Marks.</i>	<i>Marks.</i>	<i>Marks.</i>
1904.....		16,000,000	35,000,000	405,317,000
1905.....	12,500,000	12,000,000		387,000,000
1906.....	2,000,000	50,000,000	9,017,200	44,000,000
1907.....	5,000,000	42,500,000	2,250,000	438,500,000
1908.....	6,000,000	67,000,000		1,133,325,000

FOREIGN PUBLIC SECURITIES.

1898.....		46,406,500		377,400,000
1900.....				102,000,000
1901.....				226,191,250
1902.....				1,166,599,500
1903.....	280,000,000			3,383,148,974
1904.....				90,426,570
1905.....				678,300,000
1906.....	80,000,000		48,480,000	28,350,000
1907.....				6,481,565,232
1908.....				191,760,000

GERMAN MORTGAGE BONDS.

1897.....	115,000,000			
1898.....	85,300,000			
1900.....	20,000,000		75,000,000	
1902.....	66,040,700	30,000,000		
1903.....	124,324,700	20,000,000		
1904.....	21,500,000	25,000,000		
1905.....		65,000,000	20,000,000	
1906.....	45,000,000		25,000,000	95,360,200
1907.....				10,750,000
1908.....	30,000,000			

FOREIGN MORTGAGE BONDS.

1897.....				51,000,000
1904.....				34,000,000

^a Only those years are given during which issues were made.

^b Including private banking firms.

The German Great Banks

Value of newly issued securities listed at all German stock exchanges during the years 1897-1908—Continued.

GERMAN RAILWAY SHARES.

Year. ^a	Issued exclusively by the bank.	Issued jointly with other great banks.	Issued jointly with other banks. ^b	Issued jointly with other banks and great banks. ^b
	Marks.	Marks.	Marks.	Marks.
1897.....				1,250,000
1898.....	19,800,000			
1900.....				1,200,000
1902.....	11,450,000			2,000,000
1904.....				14,297,000
1906.....				4,024,000
1908.....				11,000,000

GERMAN RAILWAY BONDS.

1897.....		5,700,000		2,500,000
1898.....	7,500,000			
1900.....	1,300,000			3,000,000
1901.....				5,500,000
1902.....				4,000,000
1905.....	10,000,000			5,000,000
1906.....	7,000,000			4,500,000
1908.....		4,000,000		

FOREIGN RAILWAY BONDS.

1898.....	48,000,000			
1899.....	48,000,000			
1901.....				80,000,000
1906.....				1,687,500
1907.....		42,000,000		

BANK SHARES.

1897.....	16,200,000			
1898.....	78,101,000			8,000,000
1899.....	1,500,000			17,000,000
1900.....	3,000,000			
1901.....				24,000,000
1902.....	52,000,000			
1903.....		4,000,000		

^a Only those years are given during which issues were made.

^b Including private banking firms.

National Monetary Commission

Value of newly issued securities listed at all German stock exchanges during the years 1897-1908—Continued.

BANK SHARES—Continued.

Year, ^a	Issued exclusively by the bank.	Issued jointly with other great banks.	Issued jointly with other banks, ^b	Issued jointly with other banks and great banks, ^b
	<i>Marks.</i>	<i>Marks.</i>	<i>Marks.</i>	<i>Marks.</i>
1904.....				12,500,000
1905.....	22,000,000	3,000,000		16,000,000
1906.....	19,000,000	18,000,000		33,250,000
1907.....	3,400,000			20,000,000
1908.....	6,000,000			8,000,000

INDUSTRIAL SHARES.

1897.....	2,944,000			
1898.....	2,936,000	9,750,000		20,000,000
1899.....	9,500,000	29,000,000	2,000,000	74,000,000
1900.....		5,200,000	2,500,000	48,700,000
1901.....	41,000,000			
1902.....	30,675,000	1,000,000	2,750,000	28,000,000
1903.....	4,050,000	5,000,000	1,250,000	12,500,000
1904.....	19,009,000	3,000,000		25,000,000
1905.....	33,000,000	1,450,000	1,400,000	80,311,000
1906.....	49,500,000	96,000,000		173,589,000
1907.....	5,150,000	102,000,000	7,500,000	43,000,000
1908.....	6,810,000	24,200,000	3,300,000	54,530,000

INDUSTRIAL BONDS.

1898.....	13,500,000	12,000,000	1,000,000	40,000,000
1899.....				
1900.....	5,000,000		2,000,000	35,000,000
1901.....	27,600,000	20,000,000	4,000,000	23,000,000
1902.....	26,600,000	6,000,000	1,250,000	43,500,000
1903.....		1,000,000		12,000,000
1904.....	14,000,000		3,500,000	4,500,000
1905.....	12,550,000			17,000,000
1906.....	750,000	20,000,000		35,397,500
1907.....	1,000,000	3,500,000		15,000,000
1908.....		47,500,000		174,570,000

^a Only those years are given during which issues were made.

^b Including private banking firms.

The German Great Banks

BERLINER HANDELS-GESELLSCHAFT.

Total value of securities issued at all German stock exchanges during the years
1897-1908.

Year. ^a	Issued exclusively by the bank.	Issued jointly with other great banks.	Issued jointly with other banks. ^b	Issued jointly with other banks and great banks. ^b
	<i>Marks.</i>	<i>Marks.</i>	<i>Marks.</i>	<i>Marks.</i>
1897.....	25,848,000	29,350,000	65,685,500	288,760,000
1898.....	13,980,000	69,700,500	40,700,000	313,598,500
1899.....	19,600,000	85,000,000	85,198,000	155,100,000
1900.....	10,500,000	15,200,000	28,500,000	104,300,000
1901.....	4,000,000	54,200,000	.....	235,000,000
1902.....	171,508,800	73,300,000	22,350,000	478,800,000
1903.....	10,225,000	63,000,000	16,100,000	3,396,623,974
1904.....	19,000,000	35,500,000	38,250,000	65,100,000
1905.....	28,350,000	112,150,000	14,000,000	604,000,000
1906.....	21,173,750	69,100,000	.....	254,309,000
1907.....	8,000,000	73,296,000	24,920,000	6,591,435,232
1908.....	18,000,000	69,910,000	62,000,000	438,920,000

Value of newly issued securities listed at all German stock exchanges during
the years 1897-1908.

GERMAN PUBLIC SECURITIES.

Year. ^a	Issued exclusively by the bank.	Issued jointly with other great banks.	Issued jointly with other banks. ^b	Issued jointly with other banks and great banks. ^b
	<i>Marks.</i>	<i>Marks.</i>	<i>Marks.</i>	<i>Marks.</i>
1897.....	2,750,000	.....	.....
1899.....	6,000,000	15,700,000
1900.....	14,000,000	.....
1901.....	3,000,000
1902.....	12,000,000	.....
1903.....	3,000,000	.....	.....
1904.....	27,000,000	.....
1905.....	8,000,000	.....	.....	24,000,000
1906.....	26,000,000
1907.....	9,796,000	12,000,000	20,000,000
1908.....	3,000,000	60,000,000	85,000,000

^a Only those years are given during which issues were made.

^b Including private banking firms.

National Monetary Commission

Value of newly issued securities listed at all German stock exchanges during
the years 1897-1908—Continued.

FOREIGN PUBLIC SECURITIES.

Year. ^a	Issued exclusively by the bank.	Issued jointly with other great banks.	Issued jointly with other banks. ^b	Issued jointly with other banks and great banks. ^b
	<i>Marks.</i>	<i>Marks.</i>	<i>Marks.</i>	<i>Marks.</i>
1898.....		46,406,500		
1902.....		66,300,000		393,000,000
1903.....				3,379,323,974
1905.....				500,000,000
1906.....				28,350,000
1907.....				6,484,565,232
1908.....				127,500,000

GERMAN MORTGAGE BONDS.

1898.....			20,000,000	
1899.....		70,000,000	20,000,000	
1901.....		20,000,000		
1903.....		40,000,000		
1904.....		15,000,000		
1905.....		75,000,000		
1907.....			10,000,000	
1908.....		20,000,000		

FOREIGN MORTGAGE BONDS.

1902.....			6,750,000	
1904.....			11,250,000	
1906.....		22,500,000		

GERMAN RAILWAY SHARES.

1897.....				3,500,000
1898.....	1,400,000			6,500,000
1899.....	2,100,000			11,050,000
1900.....			8,500,000	8,600,000
1902.....	1,350,000		600,000	
1903.....	3,725,000			
1904.....	1,500,000			5,300,000
1906.....				4,024,000
1908.....		4,210,000		11,000,000

^a Only those years are given during which issues were made.

^b Including private banking firms.

The German Great Banks

Value of newly issued securities listed at all German stock exchanges during the years 1897-1908—Continued.

GERMAN RAILWAY BONDS.

Year. ^a	Issued exclusively by the bank.	Issued jointly with other great banks.	Issued jointly with other banks. ^b	Issued jointly with other banks and great banks. ^b
	Marks.	Marks.	Marks.	Marks.
1897.....				2,300,000
1898.....	1,830,000			10,000,000
1899.....				12,500,000
1900.....				14,000,000
1901.....	4,000,000			4,000,000
1902.....				19,650,000
1903.....	1,500,000			
1904.....	2,000,000			4,300,000
1906.....				11,700,000
1907.....		2,000,000		10,000,000

FOREIGN RAILWAY BONDS.

1897.....			36,955,500	243,210,000
1898.....				228,300,500
1899.....			44,800,000	
1900.....				27,000,000
1901.....				160,000,000
1902.....	170,158,800			
1906.....				1,687,500
1907.....		42,000,000		

BANK SHARES.

1897.....	3,498,000			25,500,000
1898.....	7,500,000			8,000,000
1899.....	10,000,000		5,000,000	
1901.....				8,000,000
1903.....		4,000,000		
1904.....	10,000,000	5,000,000		12,500,000
1905.....				16,000,000
1906.....	10,923,750	24,000,000		10,000,000
1907.....				20,000,000
1908.....	18,000,000			8,000,000

^a Only those years are given during which issues were made.
^b Including private banking firms.

National Monetary Commission

Value of newly issued securities listed at all German stock exchanges during
the years 1897-1908—Continued.

INDUSTRIAL SHARES.

Year. ^a	Issued exclusively by the bank.	Issued jointly with other great banks.	Issued jointly with other banks. ^b	Issued jointly with other banks and great banks. ^b
	<i>Marks.</i>	<i>Marks.</i>	<i>Marks.</i>	<i>Marks.</i>
1897.....	12,350,000			14,250,000
1898.....	3,250,000	6,294,000	10,000,000	40,798,000
1899.....	7,500,000	8,000,000	9,398,000	91,850,000
1900.....	3,000,000	15,200,000	6,000,000	25,700,000
1901.....		18,200,000		5,000,000
1902.....		1,000,000		29,050,000
1903.....	5,000,000	10,000,000	11,600,000	
1904.....	1,000,000	11,000,000		35,000,000
1905.....	13,850,000	1,750,000	14,000,000	56,500,000
1906.....	10,250,000	17,800,000		152,200,000
1907.....	4,000,000	9,000,000		55,870,000
1908.....		21,200,000	1,000,000	46,100,000

INDUSTRIAL BONDS.

1897.....	10,000,000	26,600,000	28,730,000	
1898.....		17,000,000	10,700,000	20,000,000
1899.....		7,000,000		24,000,000
1900.....	7,500,000			29,000,000
1901.....		16,000,000		55,000,000
1902.....		6,000,000	3,000,000	37,100,000
1903.....		6,000,000	4,500,000	17,300,000
1904.....	4,500,000	4,500,000		8,000,000
1905.....	6,500,000	35,400,000		7,500,000
1906.....		4,800,000		20,347,500
1907.....	4,000,000	10,500,000	2,920,000	4,000,000
1908.....		21,500,000	1,000,000	161,320,000

^a Only those years are given during which issues were made.

^b Including private banking firms.

The German Great Banks

DEUTSCHE BANK.

Total value of securities issued at all German stock exchanges during the years 1897-1908.

Year. ^a	Issued exclusively by the bank.	Issued jointly with other great banks.	Issued jointly with other banks. ^b	Issued jointly with other banks and great banks. ^b
	Marks.	Marks.	Marks.	Marks.
1897.....	103,955,000	11,700,000	27,950,000	65,800,000
1898.....	258,279,480	68,406,500	247,149,480	489,004,900
1899.....	347,330,000	77,500,000	10,000,000	606,430,000
1900.....	476,497,000	74,591,200	61,228,000	133,350,000
1901.....	98,347,550	261,700,000	125,320,000	206,000,000
1902.....	217,030,000	140,500,000	172,632,000	705,650,000
1903.....	656,134,040	60,750,000	131,566,300	3,221,204,490
1904.....	736,019,800	82,887,000	843,338,408	527,417,000
1905.....	688,797,900	235,687,000	129,842,000	1,346,550,000
1906.....	762,043,800	267,037,000	291,125,000	1,555,674,856
1907.....	262,763,600	370,270,000	107,915,000	7,100,435,232
1908.....	241,945,000	221,264,000	318,900,000	1,315,865,000

^a Only those years are given during which issues were made.

^b Including private banking firms.

Value of newly issued securities listed at all German stock exchanges during the years 1897-1908.

GERMAN PUBLIC SECURITIES.

Year. ^a	Issued exclusively by the bank.	Issued jointly with other great banks.	Issued jointly with other banks. ^b	Issued jointly with other banks and great banks. ^b
	Marks.	Marks.	Marks.	Marks.
1897.....	37,950,000	.....	2,450,000	24,000,000
1898.....	8,000,000	4,000,000	3,000,000	.....
1899.....	208,200,000	7,500,000	.....	10,000,000
1900.....	48,200,000	5,000,000	3,228,000	59,000,000
1901.....	13,310,000	172,500,000	94,570,000	42,000,000
1902.....	13,800,000	45,000,000	5,272,000	388,000,000
1903.....	11,873,200	3,500,000	1,000,000	81,865,000
1904.....	17,600,000	20,937,000	3,800,000	448,317,000
1905.....	28,000,000	58,937,000	3,952,000	450,000,000
1906.....	42,400,000	83,437,000	32,000,000	1,321,720,600
1907.....	59,464,000	125,000,000	10,165,000	481,500,000
1908.....	52,575,000	123,654,900	245,000,000	1,016,325,000

^a Only those years are given during which issues were made.

^b Including private banking firms.

National Monetary Commission

Value of newly issued securities listed at all German stock exchanges during
the years 1897-1908—Continued.

FOREIGN PUBLIC SECURITIES.

Year. ^a	Issued exclusively by the bank.	Issued jointly with other great banks.	Issued jointly with other banks. ^b	Issued jointly with other banks and great banks. ^b
	<i>Marks.</i>	<i>Marks.</i>	<i>Marks.</i>	<i>Marks.</i>
1898.....	116,767,080	46,406,500	86,551,080	423,806,500
1899.....				463,080,000
1901.....	7,818,750			
1902.....		66,300,000	85,860,000	242,250,000
1903.....			4,387,500	3,121,539,490
1904.....			798,219,408	
1905.....	216,960,000			698,700,000
1906.....	75,850,000		173,400,000	
1907.....		142,800,000		6,481,565,232
1908.....				64,260,000

GERMAN MORTGAGE BONDS.

1898.....	80,000,000		120,000,000	
1899.....	5,000,000	70,000,000	10,000,000	
1900.....	55,000,000		10,000,000	
1901.....	30,000,000	35,000,000	30,000,000	
1902.....	101,000,000	10,000,000	60,000,000	
1903.....	126,000,000	45,000,000	110,000,000	
1904.....	45,000,000	29,000,000		
1905.....	82,420,000	100,040,000	90,000,000	
1906.....	45,000,000	15,000,000	50,000,000	34,000,000
1907.....	80,000,000	10,000,000	60,000,000	
1908.....	30,000,000	30,000,000	55,000,000	

FOREIGN MORTGAGE BONDS.

1898.....	8,100,000			
1899.....	11,250,000			
1900.....		13,931,200		
1902.....	33,750,000			
1903.....	45,000,000			
1904.....	67,500,000			
1905.....	56,250,000			

^a Only those years are given during which issues were made.

^b Including private banking firms.

The German Great Banks

Value of newly issued securities listed at all German stock exchanges during the years 1897-1908—Continued.

GERMAN RAILWAY SHARES.

Year. ^a	Issued exclusively by the bank.	Issued jointly with other great banks.	Issued jointly with other banks. ^b	Issued jointly with other banks and great banks. ^b
	Marks.	Marks.	Marks.	Marks.
1897.....			8,500,000	3,500,000
1898.....	5,400,000			
1899.....				5,000,000
1900.....				600,000
1901.....	1,800,000			
1902.....				2,000,000
1904.....				26,300,000
1906.....	1,700,000	40,000,000		
1908.....		4,210,000		

GERMAN RAILWAY BONDS.

1897.....		5,700,000		2,300,000
1899.....	5,000,000			12,500,000
1900.....				10,000,000
1901.....	900,000			
1902.....				23,650,000
1903.....	2,000,000			
1904.....				4,300,000
1906.....	2,500,000			16,204,256
1907.....		2,000,000		10,000,000

FOREIGN RAILWAY SHARES.

1899.....	52,500,000			
1900.....	331,162,000	48,960,000		
1901.....				80,000,000
1902.....	23,100,000			
1903.....	404,835,840			
1904.....	525,000,000			
1905.....	136,743,600			105,000,000
1906.....	481,042,800			
1907.....	73,500,000			

BANK SHARES.

1897.....	52,000,000	6,000,000		25,500,000
1898.....	24,201,600	9,000,000		8,000,000
1899.....	20,880,000			

^a Only those years are given during which issues were made.

^b Including private banking firms.

National Monetary Commission

Value of newly issued securities listed at all German stock exchanges during
the years 1897-1908--Continued.

BANK SHARES--Continued.

Year. ^a	Issued exclusively by the bank.	Issued jointly with other great banks.	Issued jointly with other banks. ^b	Issued jointly with other banks and great banks. ^b
	Marks.	Marks.	Marks.	Marks.
1900.....	18,000,000			
1901.....				24,000,000
1902.....	10,252,000			
1903.....	19,400,000			
1904.....	44,750,800			12,500,000
1905.....	109,500,800	4,500,000	14,400,000	16,000,000
1906.....	72,816,000	34,000,000	13,500,000	6,250,000
1907.....	24,999,600			20,000,000
1908.....	43,220,000			

INDUSTRIAL SHARES.

1897.....	10,505,000		10,500,000	10,500,000
1898.....	7,810,800	4,000,000	36,498,400	37,198,400
1899.....	39,000,000			91,850,000
1900.....	18,135,000	6,700,000	5,000,000	34,750,000
1901.....	44,518,800	18,200,000	750,000	5,000,000
1902.....	22,600,000	19,200,000	5,500,000	29,050,000
1903.....	10,100,000	11,250,000	1,000,000	5,000,000
1904.....	29,669,000	2,450,000	30,969,000	26,600,000
1905.....	20,273,500	59,250,000	12,750,000	69,350,000
1906.....	25,235,000	36,800,000	22,225,000	162,300,000
1907.....	13,000,000	44,000,000	17,000,000	62,670,000
1908.....	75,950,000	35,900,000	18,900,000	67,030,000

INDUSTRIAL BONDS.

1897.....	3,500,000		6,500,000	
1898.....	8,000,000	5,000,000	1,100,000	20,000,000
1899.....	5,500,000			24,000,000
1900.....	6,000,000		43,000,000	29,000,000
1901.....		36,000,000		55,000,000
1902.....	12,528,000		16,000,000	20,700,000
1903.....	36,925,000	1,000,000	15,178,800	12,800,000
1904.....	6,500,000	30,500,000	10,350,000	9,400,000
1905.....	38,650,000	13,000,000	8,740,000	7,500,000
1906.....	15,500,000	57,800,000		15,200,000
1907.....	11,800,000	46,470,000	20,750,000	44,700,000
1908.....	40,200,000	27,500,000		168,250,000

^a Only those years are given during which issues were made.

^b Including private banking firms.

The German Great Banks

DISCONTO-GESELLSCHAFT.

Total value of securities issued at all German stock exchanges during the years 1897-1908.

Year. ^a	Issued exclusively by the bank.	Issued jointly with other great banks.	Issued jointly with other banks. ^b	Issued jointly with other banks and great banks. ^b
	Marks	Marks.	Marks.	Marks.
1897.....	711,692,000	30,350,000	331,900,000	365,960,000
1898.....	67,680,900	27,251,600	632,690,784	417,813,280
1899.....	185,724,000	41,100,000	357,200,000	67,500,000
1900.....	122,610,000	23,031,200	204,200,000	240,450,000
1901.....	49,464,600	179,000,000	89,400,000	561,492,000
1902.....	172,000,000	72,000,000	561,600,000	1,505,349,500
1903.....	213,615,188	32,213,000	159,850,000	3,214,824,590
1904.....	259,000,800	64,937,000	51,500,000	585,540,570
1905.....	2,193,222,000	231,337,000	521,271,330	1,141,250,000
1906.....	93,022,340	180,437,000	25,942,200	246,559,000
1907.....	77,499,600	405,796,000	94,550,000	7,010,415,232
1908.....	137,850,000	169,000,000	75,300,000	1,539,655,000

Value of newly issued securities listed at all German stock exchanges during the years 1897-1908.

GERMAN PUBLIC SECURITIES.

Year. ^a	Issued exclusively by the bank.	Issued jointly with other great banks.	Issued jointly with other banks. ^b	Issued jointly with other banks and great banks. ^b
	Marks.	Marks.	Marks.	Marks.
1897.....	18,552,500	2,750,000	40,000,000	.....
1898.....	.....	4,000,000	.....	6,000,000
1899.....	.....	7,500,000	.....	12,000,000
1900.....	.....	.....	8,000,000	7,500,000
1901.....	6,275,800	169,000,000	67,000,000	10,000,000
1902.....	1,000,000	42,000,000	.....	138,000,000
1903.....	4,092,500	9,500,000	.....	64,960,100
1904.....	94,000,000	11,937,000	30,000,000	408,317,000
1905.....	15,488,000	23,937,000	31,500,000	474,000,000
1906.....	2,000,000	63,937,000	.....	26,000,000
1907.....	.....	127,296,000	25,000,000	434,000,000
1908.....	43,200,000	106,000,000	7,000,000	1,133,325,000

^a Only those years are given during which issues were made.

^b Including private banking firms.

National Monetary Commission

Value of newly issued securities listed at all German stock exchanges during
the years 1897-1908—Continued.

FOREIGN PUBLIC SECURITIES.

Year. ^a	Issued exclusively by the bank.	Issued jointly with other great banks.	Issued jointly with other banks. ^b	Issued jointly with other banks and great banks. ^b
	<i>Marks.</i>	<i>Marks.</i>	<i>Marks.</i>	<i>Marks.</i>
1897.....			286,900,000	
1898.....			448,200,000	51,000,000
1899.....			357,200,000	
1900.....			151,200,000	102,000,000
1901.....				212,500,000
1902.....			561,600,000	1,317,349,500
1903.....			149,850,000	3,125,364,490
1904.....				90,426,570
1905.....			424,936,530	500,000,000
1907.....		142,800,000		6,481,565,232
1908.....			56,700,000	191,760,000

GERMAN MORTGAGE BONDS.

1897.....	678,139,500			50,000,000
1898.....	31,000,000			
1900.....	10,000,000		30,000,000	
1901.....			22,400,000	
1902.....	70,000,000	30,000,000		
1903.....	150,000,000	10,000,000		
1904.....	66,000,000	29,000,000	12,500,000	
1905.....	32,000,000	115,000,000	40,634,800	
1906.....	65,000,000		17,942,200	
1907.....	24,000,000		23,950,000	
1908.....	55,000,000	20,000,000	11,600,000	

FOREIGN MORTGAGE BONDS.

1897.....				51,000,000
1898.....			184,490,784	
1900.....		13,931,200		
1904.....				34,000,000
1907.....	22,500,000			

^a Only those years are given during which issues were made.

^b Including private banking firms.

The German Great Banks

Value of newly issued securities listed at all German stock exchanges during
the years 1897-1908—Continued.

GERMAN RAILWAY SHARES.

Year. ^a	Issued exclusively by the bank.	Issued jointly with other great banks.	Issued jointly with other banks. ^b	Issued jointly with other banks and great banks. ^b
	<i>Marks.</i>	<i>Marks.</i>	<i>Marks.</i>	<i>Marks.</i>
1897.....				1,250,000
1898.....				5,000,000
1899.....				5,000,000
1900.....	6,000,000			9,200,000
1901.....	1,560,000			
1904.....				35,297,000
1906.....	3,199,200			4,024,000
1908.....				11,000,000

GERMAN RAILWAY BONDS.

1897.....				2,500,000
1898.....				10,000,000
1899.....	25,000,000			
1900.....	42,000,000			7,000,000
1901.....	1,560,000			9,500,000
1905.....				5,000,000
1906.....				4,500,000
1907.....	500,000			
1908.....		4,000,000		

FOREIGN RAILWAY SHARES.

1897.....				243,210,000
1898.....				273,013,280
1899.....	126,000,000			
1900.....				27,000,000
1901.....				214,992,000
1903.....	56,522,688			
1904.....	42,000,000			
1905.....	2,100,000,000			105,000,000
1906.....				1,687,500

BANK SHARES.

1897.....		6,000,000		18,000,000
1898.....	24,500,000	9,000,000		8,000,000
1899.....	4,000,000			17,000,000

^a Only those years are given during which issues were made.

^b Including private banking firms.

National Monetary Commission

Value of newly issued securities listed at all German stock exchanges during
the years 1897-1908—Continued.

BANK SHARES—Continued.

Year. ^a	Issued exclusively by the bank.	Issued jointly with other great banks.	Issued jointly with other banks. ^b	Issued jointly with other banks and great banks. ^b
	<i>Marks.</i>	<i>Marks.</i>	<i>Marks.</i>	<i>Marks.</i>
1900.....	27,510,000			
1901.....	7,800,000			24,000,000
1902.....	36,500,000			
1903.....		7,713,000	10,000,000	
1904.....	30,000,800		9,000,000	12,500,000
1905.....	30,834,000		16,000,000	16,000,000
1906.....	3,508,000	6,000,000	8,000,000	23,250,000
1907.....	21,999,600		33,600,000	20,000,000
1908.....	4,500,000			

INDUSTRIAL SHARES.

1897.....	15,000,000		5,000,000	
1898.....	12,180,900	11,751,600		24,800,000
1899.....	30,724,000	28,600,000		33,500,000
1900.....	31,100,000	9,100,000	5,000,000	52,750,000
1901.....	4,768,800			
1902.....	62,000,000			20,000,000
1903.....	3,000,000	5,000,000		12,500,000
1904.....	27,000,000			5,000,000
1905.....	14,900,000	50,000,000	6,200,000	41,250,000
1906.....	16,315,140	57,500,000		159,700,000
1907.....	4,500,000	126,000,000		58,450,000
1908.....	14,150,000	21,000,000		22,250,000

INDUSTRIAL BONDS.

1897.....		21,600,000		
1898.....		2,500,000		40,000,000
1899.....		5,000,000		
1900.....	6,000,000		10,000,000	35,000,000
1901.....	27,500,000	10,000,000		45,500,000
1902.....	2,500,000			30,000,000
1903.....				12,000,000
1904.....		24,000,000		
1905.....		42,400,000	2,000,000	
1906.....	3,000,000	53,000,000		27,397,500
1907.....	4,000,000	9,700,000	12,000,000	16,400,000
1908.....	21,000,000	18,000,000		181,320,000

^a Only those years are given during which issues were made.

^b Including private banking firms.

The German Great Banks

DRESDNER BANK.

Total value of securities issued at all German stock exchanges during the years
1897-1908.

Year. ^a	Issued exclusively by the bank.	Issued jointly with other great banks.	Issued jointly with other banks. ^b	Issued jointly with other banks and great banks. ^b
	<i>Marks.</i>	<i>Marks.</i>	<i>Marks.</i>	<i>Marks.</i>
1897.....	85,350,000	.....	82,000,000	23,750,000
1898.....	47,451,600	14,001,600	134,000,000	69,200,000
1899.....	101,700,000	40,100,000	605,980,000	44,700,000
1900.....	44,613,400	62,200,000	32,500,000	142,900,000
1901.....	28,439,000	143,000,000	26,991,250	172,000,000
1902.....	59,546,900	35,200,000	280,530,000	480,000,000
1903.....	47,053,100	33,963,000	1,260,000	90,404,900
1904.....	106,893,000	225,229,000	48,200,000	505,714,000
1905.....	136,122,400	458,270,000	721,400,000	541,700,000
1906.....	65,551,400	320,415,200	662,400,000	1,509,720,806
1907.....	56,820,000	357,990,000	15,000,000	7,091,065,232
1908.....	210,734,400	280,654,900	32,500,000	1,222,380,000

Value of newly issued securities listed at all German stock exchanges during
the years 1897-1908.

GERMAN PUBLIC SECURITIES.

Year. ^a	Issued exclusively by the bank.	Issued jointly with other great banks.	Issued jointly with other banks. ^b	Issued jointly with other banks and great banks. ^b
	<i>Marks.</i>	<i>Marks.</i>	<i>Marks.</i>	<i>Marks.</i>
1897.....	1,750,000	.....	20,000,000	20,000,000
1898.....	29,000,000	.....	75,000,000	.....
1899.....	10,000,000	.....	112,000,000	15,700,000
1900.....	13,000,000	5,000,000	.....	50,000,000
1901.....	15,000,000	118,000,000	9,800,000	17,000,000
1902.....	14,000,000	3,000,000	37,280,000	416,000,000
1903.....	29,142,100	.....	.....	54,904,900
1904.....	6,000,000	48,779,000	6,200,000	460,317,000
1905.....	5,652,400	67,000,000	16,500,000	443,000,000
1906.....	10,000,000	81,500,000	562,400,000	1,277,720,600
1907.....	25,500,000	63,720,000	12,000,000	460,000,000
1908.....	7,000,000	118,154,900	29,500,000	955,000,000

^a Only those years are given during which issues were made.

^b Including private banking firms

National Monetary Commission

Value of newly issued securities listed at all German stock exchanges during
the years 1897-1908—Continued.

FOREIGN PUBLIC SECURITIES.

Year. ^a	Issued exclusively by the bank.	Issued jointly with other great banks.	Issued jointly with other banks. ^b	Issued jointly with other banks and great banks. ^b
	<i>Marks.</i>	<i>Marks.</i>	<i>Marks.</i>	<i>Marks.</i>
1898.....			51,000,000	
1899.....			463,080,000	
1901.....			13,691,250	
1902.....			242,250,000	
1905.....	7,875,000	77,520,000	698,700,000	
1907.....		142,800,000		6,481,565,232
1908.....	199,834,400			64,260,000

GERMAN MORTGAGE BONDS.

1897.....			60,000,000	
1899.....			30,000,000	
1900.....			30,000,000	
1901.....		15,000,000		
1902.....		10,000,000		
1903.....		25,000,000		
1904.....	30,000,000	120,000,000		
1905.....		220,000,000		15,000,000
1906.....	35,000,000	15,000,000	95,000,000	95,360,200
1907.....		55,000,000		60,750,000
1908.....		90,000,000		

FOREIGN MORTGAGE BONDS.

1905.....	67,500,000			
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GERMAN RAILWAY SHARES.

1906.....		40,000,000		
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GERMAN RAILWAY BONDS.

1898.....			2,000,000	
1899.....	25,000,000			
1900.....	6,479,000			
1901.....	8,839,000			

^a Only those years are given during which issues were made.

^b Including private banking firms.

The German Great Banks

Value of newly issued securities listed at the German stock exchanges during the years 1897-1908—Continued.

GERMAN RAILWAY BONDS—Continued.

Year. ^a	Issued exclusively by the bank.	Issued jointly with other great banks.	Issued jointly with other banks. ^b	Issued jointly with other banks and great banks. ^b
	<i>Marks.</i>	<i>Marks.</i>	<i>Marks.</i>	<i>Marks.</i>
1902.....			1,000,000	
1903.....	1,500,000			
1904.....			7,000,000	
1905.....				11,900,000
1906.....				13,504,256
1908.....		4,000,000	2,000,000	

FOREIGN RAILWAY SHARES.

1900.....		48,000,000		
1901.....				80,000,000
1904.....		25,500,000		
1905.....	25,000,000	15,300,000		

FOREIGN RAILWAY BONDS.

1906.....				1,687,500
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GERMAN STREET RAILWAY SHARES.

1897.....	1,350,000			1,250,000
1898.....			6,000,000	
1899.....	26,000,000			
1900.....				1,200,000
1901.....			1,000,000	
1902.....	26,795,000			
1904.....				14,297,000
1906.....				500,000

GERMAN STREET RAILWAY BONDS.

1897.....				2,500,000
1900.....				3,000,000
1901.....				5,500,000

^a Only those years are given during which issues were made.

^b Including private banking firms.

National Monetary Commission

Value of newly issued securities listed at all German stock exchanges during
the years 1897-1908—Continued.

BANK SHARES.

Year. ^a	Issued exclusively by the bank.	Issued jointly with other great banks.	Issued jointly with other banks. ^b	Issued jointly with other banks and great banks. ^b
	<i>Marks.</i>	<i>Marks.</i>	<i>Marks.</i>	<i>Marks.</i>
1897.....	78,000,000			
1898.....	9,600,000			8,000,000
1899.....	29,600,000			
1901.....				24,000,000
1903.....		7,713,000		
1904.....	41,000,000		25,000,000	12,500,000
1905.....	300,000	6,500,000		16,000,000
1906.....	10,500,000	22,100,000		6,250,000
1907.....	22,600,000	25,500,000		20,000,000

INDUSTRIAL SHARES.

1897.....	1,750,000		2,060,000	
1898.....	8,851,600	2,001,600		21,200,000
1899.....	7,850,000	40,100,000		29,000,000
1900.....	25,134,400	9,200,000		53,700,000
1901.....	600,000			
1902.....	1,500,000	19,200,000		28,000,000
1903.....	7,460,000	1,250,000	1,260,000	23,500,000
1904.....	20,193,000	10,950,000		18,600,000
1905.....	28,195,000	61,950,000	2,200,000	49,800,000
1906.....	9,550,000	79,315,200	5,000,000	91,750,750
1907.....	5,720,000	37,000,000	3,000,000	41,250,000
1908.....	3,900,000	23,000,000	1,000,000	31,800,000

INDUSTRIAL BONDS.

1897.....	2,500,000			
1898.....		12,000,000		40,000,000
1899.....	3,250,000		900,000	
1900.....			2,500,000	35,000,000
1901.....	4,000,000	10,000,000	2,500,000	45,500,000
1902.....	16,000,000	3,000,000		36,000,000
1903.....	8,951,000			12,000,000
1904.....	9,700,000	20,000,000	10,000,000	
1905.....	1,600,000	10,000,000	4,000,000	6,000,000
1906.....	1,501,400	82,500,000		22,947,500
1907.....	3,000,000	33,970,000		27,500,000
1908.....		45,500,000		171,320,000

^a Only those years are given during which issues were made.

^b Including private banking firms.

The German Great Banks

A. SCHAAFFHAUSEN'SCHER BANKVEREIN.

Total value of securities issued at all German stock exchanges during the years 1897-1908.

Year. ^a	Issued exclusively by the bank.	Issued jointly with other great banks.	Issued jointly with other banks. ^b	Issued jointly with other banks and great banks. ^b
	<i>Marks.</i>	<i>Marks.</i>	<i>Marks.</i>	<i>Marks.</i>
1897.....	127,558,600	11,000,000	17,870,000	20,000,000
1898.....	135,589,000	43,544,000	27,250,000	23,000,000
1899.....	85,450,000	27,780,000	1,350,000	29,700,000
1900.....	45,700,000	18,600,000	14,500,000	130,450,000
1901.....	4,800,000	33,700,000	21,000,000	101,500,000
1902.....	46,000,000	11,000,000	26,000,000	76,000,000
1903.....	11,600,000	43,400,000	30,000,000	37,000,000
1904.....	39,284,000	231,179,000	417,617,000	68,797,000
1905.....	20,550,000	290,297,770	31,250,000	749,600,000
1906.....	60,500,000	185,815,200	31,000,000	140,359,000
1907.....	184,684,600	154,920,000	33,470,000	105,500,000
1908.....	5,100,000	238,320,000	30,000,000	216,870,000

^a Only those years are given during which issues were made.

^b Including private banking firms.

Value of newly issued securities listed at German stock exchanges during the years 1897-1908.

GERMAN PUBLIC SECURITIES.

Year. ^a	Issued exclusively by the bank.	Issued jointly with other great banks.	Issued jointly with other banks. ^b	Issued jointly with other banks and great banks. ^b
	<i>Marks.</i>	<i>Marks.</i>	<i>Marks.</i>	<i>Marks.</i>
1897.....	3,500,000	.....	17,500,000	20,000,000
1898.....	.....	4,000,000	.....	.....
1899.....	.....	7,500,000	.....	15,700,000
1900.....	.....	.....	10,000,000	40,000,000
1901.....	.....	2,500,000	15,000,000	5,000,000
1902.....	23,000,000	.....	26,000,000	50,000,000
1903.....	5,000,000	6,000,000	30,000,000	.....
1904.....	.....	39,779,000	408,317,000	18,000,000
1905.....	.....	10,000,000	30,000,000	.....
1906.....	.....	2,000,000	30,000,000	.....
1907.....	.....	41,220,000	30,000,000	.....
1908.....	.....	96,500,000	30,000,000	65,000,000

^a Only those years are given during which issues were made.

^b Including private banking firms.

National Monetary Commission

Value of newly issued securities listed at all German stock exchanges during
the years 1897-1908—Continued.

FOREIGN PUBLIC SECURITIES.

Year. ^a	Issued exclusively by the bank.	Issued jointly with other great banks.	Issued jointly with other banks. ^b	Issued jointly with other banks and great banks. ^b
	Marks.	Marks.	Marks.	Marks.
1905.....	77,625,170	.....	678,300,000

GERMAN MORTGAGE BONDS.

1897.....	20,000,000	.....	.....	.....
1898.....	60,000,000	.....	.....	.....
1900.....	30,000,000	.....	.....	.....
1902.....	20,000,000	.....	.....	.....
1903.....	.....	20,000,000	.....	.....
1904.....	.....	110,000,000	.....	.....
1905.....	.....	165,000,000	.....	15,000,000
1907.....	.....	45,000,000	.....	50,000,000
1908.....	.....	60,000,000	.....	.....

GERMAN RAILWAY SHARES.

1898.....	.....	.....	5,000,000	5,000,000
1899.....	.....	.....	.....	5,000,000
1900.....	.....	.....	.....	9,200,000
1904.....	.....	.....	.....	14,297,000
1906.....	.....	.....	.....	4,024,000
1908.....	.....	.....	.....	11,000,000

FOREIGN RAILWAY SHARES.

1901.....	.....	.....	.....	60,000,000
1904.....	.....	25,500,000	.....	.....
1905.....	.....	15,300,000	.....	.....
1906.....	.....	.....	.....	1,687,500

GERMAN RAILWAY BONDS.

1898.....	.....	.....	10,000,000	10,000,000
1900.....	.....	.....	.....	13,000,000
1901.....	.....	.....	.....	9,500,000
1904.....	.....	.....	3,680,000	.....
1905.....	.....	.....	1,250,000	11,900,000
1906.....	.....	.....	.....	4,500,000

^a Only those years are given during which issues were effected.

^b Including private banking firms.

The German Great Banks

Value of newly issued securities listed at German stock exchanges during the years 1897-1908—Continued.

BANK SHARES.

Year. ^a	Issued exclusively by the bank.	Issued jointly with other great banks.	Issued jointly with other banks. ^b	Issued jointly with other banks and great banks. ^b
	<i>Marks.</i>	<i>Marks.</i>	<i>Marks.</i>	<i>Marks.</i>
1897.....	30,000,000	6,000,000		
1898.....	5,500,000	9,000,000		8,000,000
1899.....	34,800,000			
1901.....	600,000		6,000,000	24,000,000
1904.....	25,000,000			12,500,000
1905.....	8,750,000	6,500,000		16,000,000
1906.....	35,200,000	22,100,000		16,250,000
1907.....	180,000,000			20,000,000

INDUSTRIAL SHARES.

1897.....	74,058,600		370,000	
1898.....	29,589,000	16,044,000	9,750,000	
1899.....	40,650,000	8,280,000	1,350,000	9,000,000
1900.....	15,700,000	18,600,000	4,500,000	43,250,000
1901.....	4,200,000	15,200,000		
1902.....	3,000,000	8,000,000		
1903.....	3,600,000	11,400,000		25,000,000
1904.....	12,784,000	25,400,000	1,620,000	21,000,000
1905.....	4,800,000	5,872,600		22,400,000
1906.....	25,300,000	104,415,200	1,000,000	89,500,000
1907.....	4,684,600	51,000,000	3,470,000	20,500,000
1908.....	3,100,000	22,700,000		34,550,000

INDUSTRIAL BONDS.

1897.....		5,000,000		
1898.....	40,500,000	14,500,000	2,500,000	
1899.....	10,000,000	12,000,000		
1900.....				25,000,000
1901.....		16,000,000		3,000,000
1902.....		3,000,000		26,000,000
1903.....	3,000,000	6,000,000		12,000,000
1904.....	1,500,000	30,500,000	4,000,000	3,000,000
1905.....	7,000,000	10,000,000		6,000,000
1906.....		57,300,000		24,397,500
1907.....		17,700,000		15,000,000
1908.....	2,000,000	59,120,000		106,320,000

^a Only those years are given during which issues were made.

^b Including private banking firms.

APPENDIX VII.

THE DEVELOPMENT OF CONCENTRATION OF THE GERMAN GREAT BANKS.¹

I. BANK FÜR HANDEL UND INDUSTRIE IN DARMSTADT.

[Founded in 1853. Capital, 154,000,000 marks. Surplus, 30,250,000 marks.]

[To page 641.]

Branches (7).—Frankfort on-the-Main since 1864 (agency as early as 1854); Berlin since 1871; Hannover since 1900; Strassburg since 1901; Halle and Stettin (with deposit office Bollwerk) since 1906; Leipzig (with deposit office Leutzsch) since 1908.

*Commandites*² (4).—Rümelin & Co. in Heilbronn; Wingenroth, Scherr & Co. in Mannheim; Schmitz, Heidelberger & Co. in Mainz; Fuld & Co., Pforzheim.

Deposit offices (31).—Since 1900, viz, 16 in Berlin; 2 in Charlottenburg; 1 each in Halensee, Gross-Lichterfelde W., Zehlendorf, Kottbus, Forst (Lausitz), Frankfort-on-the-Oder, Greifswald, Guben, Lahr (Baden), Offenbach-on-the-Main, Prenzlau, Spremberg (Mark), Stargard (Pomerania).

Establishments (*Niederlassungen*) (5).—In Freiburg-in-the-Breisgau, Giessen, Landau (Pfalz), Neustadt (Haardt), Quedlinburg.

Agencies (7).—In Alsfeld, Butzbach, Herborn, Pasewalk, Sangerhausen, Senftenberg, and Sorau.

The Darmstädter Bank has founded or participated in the founding of the following subsidiary institutions (*Tochtergesellschaften*).³

1871. The *Amsterdamsche Bank* in Amsterdam (share capital 6,000,000 florins.)

The Bank für Handel und Industrie is represented on the supervisory board by three members of its own managing board.

1881. The *Württembergische Bankanstalt*, formerly Pflaum & Co., in Stuttgart (share capital 10,000,000 marks). Since 1881 it has had a contractual community of interest with the *Württembergische Vereinsbank* in Stuttgart, founded in 1869 (share capital 30,000,000 marks; branches in Heilbronn, Reutlingen, and Ulm; commandites in Ellwangen, Esslingen, and Gerabronn). The two banks share up to 1930 profits and losses pro rata of their share capital, i. e., in the proportion of 1 to 3.⁴

The Bank für Handel und Industrie is represented on the supervisory board of the *Württembergische Bankanstalt* by two members of its own managing board.

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1889. The *Deutsch-Asiatische Bank* in Shanghai, with 12 branches in Berlin, Hamburg, Tientsin, Tsingtau, Hankow, Hongkong, Calcutta, Tsinanfu, Peking, Yokohama, Kobe (Japan), and Singapore, share capital, 7,500,000 Shanghai taels, fully paid up (jointly with other firms).

This bank has the privilege of note issue by its establishments situated within the check districts of Kiauchau and in China.

The Bank für Handel und Industrie is represented on the supervisory board.

1894. The *Banca Commerciale Italiana* in Milan (share capital 105,000,000 lire) jointly with other German, Austrian, and Swiss firms.

Number of branches 33 (in Italy).

The Bank für Handel und Industrie is represented on the supervisory board.

1898. The *Banque Internationale de Bruxelles* in Brussels (share capital 25,000,000 francs, fully paid up) jointly with other German and foreign firms.

The Bank für Handel und Industrie is represented on the supervisory board.

1900. The *Bankers' Trading Syndicate* in London (capital £100,000).

1904-5. The *Banca Marmorosch Blank & Co., Societate anonima* in Bucharest, formerly a commandite of the bank (share capital 10,000,000 lei) jointly with the Berliner Handelsgesellschaft.

1906. The *Amerika-Bank Aktien-Gesellschaft* (capital 25,000,000 marks in five series, of which 5,000,000 are fully paid up and the remaining 20,000,000 marks to the extent of 25 per cent).⁵

The Darmstädter Bank has absorbed the following banks and banking firms:

1900. The banking firm Gust. Maier & Co. in Frankfort on-the-Main.

1901. The banking firm H. Oppenheimer in Hannover.

1901. The banking firm Otto Davisson in Hannover.

1901. The banking firm Bernhard Lillienthal in Güstrow.

1902. The Bank für Süddeutschland in Darmstadt (share capital 15,672,300 marks).

1902. The Berlin office of the Breslauer Discontobank.

1904-5. The banking firm Robert Warschauer & Co. in Berlin.

1905. The banking firm Philipp Nicolaus Schmidt in Frankfort-on-the-Main.

1906. The banking firm Hermann Arnold & Co., banking commandite, in Halle-on-the-Saale.

1907. The banking firm Ed. Loeb & Co. in Neustadt a. d. H. and Landau.

1907. The banking firm Max Klette in Prenzlau.

Through stock ownership the Darmstädter Bank maintains communities of interest with the following institutions:

1. Since 1902 with the *Breslauer Discontobank* in Breslau (share capital 25,000,000 marks) which has 10 branches in Glatz, Gleiwitz, Görlitz, Kat-

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towitz, Lauban, Myslowitz (Upper Silesia), Oppeln, Ratibor, Zabrze (Upper Silesia), and Ziegenhals. This bank also has:

Three deposit offices in Breslau.

One agency in Habelschwerdt.

It absorbed the following firms and banks:

1888. Perls & Co. in Gleiwitz.

1900. Landsberger & Co. in Kattowitz.

1905. L. Silberberg in Myslowitz.

1905. L. Reymann in Oppeln.

1905. The Zabrzer Discontobank Kochmann & Co. in Zabrze.

1908. The banking firm Karl Schubert Nachf. in Görlitz.

Two members of the managing board of the Bank für Handel und Industrie have seats on the supervisory board of this bank.

2. Since 1902 with the *Ostbank für Handel und Gewerbe in Posen* (share capital 18,000,000 marks), which has 9 branches, viz, in Allenstein, Bromberg, Danzig, Graudenz, Königsberg, Landsberg a. d. W., Memel, Stolp i. P., and Tilsit).

One commandite, viz, R. Damme in Danzig.

Two agencies, viz, in Culm (Western Prussia) and Schwerin a. W.

Twenty-two deposit offices, viz, in Braunsberg, Danzig, Gnesen, Hohensalza, Insterburg, Kaukehmen in Eastern Prussia, Königsberg in Prussia (2), Konitz, Krotoschin, Lissa in Prussia, Lyck in Eastern Prussia, Marienburg, Marienwerder, Osterode, Posen (3), Rastenburg, Rawitsch, and Schneidemühl.

One exchange office (Wechselstube) in Neu-Skalmierschütz.

It absorbed the following banking firms and banks:

1898. The banking firm Heimann Saul in Posen.

1899. The banking firm C. W. Quilitz in Landsberg a. d. W.

1905. The banking firm Ostdeutsche Bank, formerly J. Simon Wwe. & Söhne in Königsberg (share capital 10,000,000 marks) which in turn had absorbed the banking firms J. Simon Wwe. & Söhne in Königsberg in Prussia, and M. Friedländer in Bromberg, and had two branches, one in Tilsit and one in Danzig.

1906. The *Bromberger Bank für Handel und Gewerbe* (capital 2,000,000 marks), founded by the *Ostdeutsche Bank*. The former took over the Bromberg branch of the *Ostdeutsche Bank* and absorbed the following firms:

1901. Franz Lietz in Inowrazlaw.

1908. Hermann Küster in Stolp i. P.

3. Since 1903 with the *Deutsche Nationalbank*, stock company *en commandite* (formerly the *Nordwestdeutsche Bank*, stock company *en commandite*, in Bremen). Share capital, 33,000,000 marks. This bank has—

Eight branches, viz, in Bremen, Bremerhaven, Dortmund, Lehe, Minden, Mülheim-on-the-Ruhr, Oldenburg, and Osnabrück.

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Eleven deposit offices, viz, in Bremen-Neustadt, Blumenthal in Hanover, Cloppenburg, Delmenhorst, Hohenkirchen, Jever, Lübbecke, Nordenham, Rinteln, Vechta, and Vegesack.

It absorbed the following banking houses and banks:

1901. Georg C. Mecke & Co. in Bremen.
 1905. The Vegesacker Bank Schild & Co. in Vegesack, near Bremen, with branch in Blumenthal (Hanover).
 1905. The Oldenburger Bank (share capital 2,000,000 marks) with 6 branches in Atens-Nordenham, Cloppenburg, Delmenhorst, Hohenkirchen, Jever, and Vechta.
 1906. The Deutsche Nationalbank in Bremen (share capital 1,500,000 marks).⁶
 1906. The *Mindener Bankverein* (share capital 4,500,000 marks), with 2 branches in Lübbecke and Rinteln.
 1906. The *Leher Bankverein* Bischoff & Co. in Lehe.
 1908. Gerh. Mühlenbeck in Mülheim-on-the-Ruhr.
4. Since 1905 with the *Bayerische Bank für Handel und Industrie* (formerly *Bayerische Bank*) in Munich (share capital 8,000,000 marks).⁷

This bank has—

Four branches, viz, in Bamberg, Fürth, Nuremberg, and Würzburg.
One exchange office (Wechselstube) in Nuremberg.

The bank has absorbed the following houses:

1905. The banking firm Gutleben & Weidert in Munich.
1907. The banking firm Erdmann & Frankenau in Nuremberg.
1908. The banking firm Gerh. Mühlenbeck in Mülheim-on-the-Ruhr.

The Darmstädter Bank is represented by three members of its managing board on the supervisory board of the *Bayerische Bank für Handel und Industrie*.

Since 1904 the *Bank für Handel und Industrie* has maintained contractual business connections with the *Vereinsbank* in Wismar, which took over the former deposit office of the *Bank für Handel und Industrie* in Rostock (share capital 1,500,000 marks, with 59 agencies in Mecklenburg); likewise since 1902 with the *Wechselstuben-Aktiengesellschaft Merkur* in Vienna (share capital in 1908, 20,000,000 kronen, with 9 branches), which took over the clientele of the former commandite of the bank (Dutschka & Co.). The former is represented on the supervisory board of the Vienna institution by two members of its managing board.

II. BERLINER HANDELSGESELLSCHAFT, BERLIN.

[Founded in 1856.]

Capital *en commandite*, 110,000,000 marks.

Surplus (in round figures), 34,500,000 marks, equal to 31.63 per cent of the share capital.

Branches.—None.

Commandites.—None.

Deposit offices.—None.

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Has absorbed—

1901. The banking firm Breest & Gelpcke in Berlin, which in 1891 had taken over the *Internationale Bank* (capital 40,000,000 marks).

Participated in the founding of the following subsidiary companies (Tochtergesellschaften):⁸

1872. The Schweizerischer Bankverein in Basle (share capital 50,000,000 francs).

1889. The Deutsch-Asiatische Bank.

1894. The Banca Commerciale Italiana in Milan.

1898. The Banque Internationale de Bruxelles, Brussels.

1904-5. The Banca Marmorosch Blank & Co., Societate anonima in Bucharest (jointly with the Bank für Handel und Industrie).

III. COMMERZ- UND DISCONTO-BANK IN HAMBURG.

[Founded in 1870.]

Share capital, 85,000,000 marks.

Surplus, 12,801,555 marks.

Branches.—Three, viz, in Berlin, Hannover, and Kiel.

Deposit offices.—Fifty-four, viz, 10 in Hamburg, 1 each in Wandsbeck and Altona-Ottensen, 29 in Berlin, 2 each in Charlottenburg and Schöneberg, 1 each in Wilmersdorf, Friedenau, Rixdorf, Weissensee, Halensee, Neumünster, Potsdam, Spandau, and Eberswalde.

Commandites.—Two, viz, J. Dreyfuss & Co. in Frankfort on-the-Main, S. Kaufmann & Co. in Berlin.

The Commerz- und Disconto-Bank has absorbed the following institutions:

1904-5. The *Berliner Bank* in Berlin (share capital 42,000,000 marks).

This bank had 14 deposit offices, viz, Berlin, 9; Charlottenburg, 1; Schöneberg, 1; Spandau, 1; Eberswalde, 1; Neustrelitz, 1 —Commandites, 1 (S. Kaufmann & Co. in Berlin).

It had absorbed—

1889. The Berliner Handelsbank, E.- G. in Berlin.

1889. The banking firm A. Russ jun. in Berlin.

1907. The banking firm B. Magnus in Hanover.

The Commerz- und Disconto-Bank founded as its subsidiary company (Tochtergesellschaft):

1905. Jointly with the Disconto-Gesellschaft, the *Revisions- und Vermögensverwaltungs-Aktiengesellschaft*, Berlin (share capital 1,000,000 marks), with 4 branches in Hamburg, Hof, Leipzig, and Munich.

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Since 1872 it maintains a community of interest⁹ through share ownership (19,302 shares, at £10 paid in, £193,020) with the London and Hanseatic Bank, Ltd., in London (total capital is made up of 40,000 shares).

Since 1904 it has maintained friendly relations with the *Kredit- und Sparbank* in Leipzig (share capital 10,350,000 marks) which had absorbed—

1888. The *Kredit- und Sparbankverein* in Leipzig.

1897. The banking firm *Franz H. Möschlers Söhne* in Altenburg and had a commandite interest in the banking firm *Schirmer & Schlick* (in liquidation) in Leipzig.

IV. DEUTSCHE BANK IN BERLIN.

[Founded in 1870.]

Share capital, 200,000,000 marks.

Surplus (in round figures), 102,000,000 marks.

Branches.—Nine, viz, Bremen since 1871; Hamburg, since 1872; London, since 1873; Frankfort on-the-Main, since 1886, when the Deutsche Bank took over the assets and liabilities of the *Frankfurter Bankverein*; Munich, since 1889;¹⁰ Leipzig and Dresden, since 1900; Nuremberg, since 1905; and Constantinople, since 1909.

Commandites.—Two, viz, Rosenfeld & Co., Vienna, and, since 1905, G. E. Heydemann in Bautzen with branches in Löbau and Zittau.¹¹

Deposit offices. Seventy-seven, viz, Berlin, 27; Charlottenburg, 6; Schöneberg, 2; Rixdorf, 1; Steglitz, 1; Wilmersdorf, 2; 1 each in Friedenau, Weissensee, Spandau, Wiesbaden, Deuben, Meissen, and Augsburg; Hamburg, 14; Leipzig, 7; Dresden, 9; Munich, 1.

The Deutsche Bank founded or took part in the founding of the following subsidiary companies (*Tochtergesellschaften*):¹²

1889. The *Deutsch-Asiatische Bank* (jointly with other domestic and foreign concerns). (See above, p. 983.)

1890. The *Deutsche Treuhand-Gesellschaft* in Berlin (share capital, 1,500,000 marks) (former firm name: *Deutsch-Amerikanische Treuhand-Gesellschaft*).

1890. The *Deutsche Ueberseeische Bank* in Berlin, which took the place of the *Deutsche Ueberseebank*, founded in 1886 (share capital 20,000,000 marks.) (See above, p. 433, sub *a*.)

Twenty-two branches, viz, in Santiago de Chile, Valparaiso, Antofagasta, Concepcion, Iquique, Temuco, Valdivia, Osorno, and Puerto Montt, in Chile; Buenos Aires, Bahia Blanca, Cordoba, and Tucuman, in Argentina; Mexico City; Lima, Callao, Trujillo, and Arequipa, in Peru; La Paz and Oruro, in Bolivia; Montevideo, in Uruguay; Madrid and Barcelona, in Spain; Guayaquil, in Ecuador.

1894. The *Banca Commerciale Italiana* in Milan (jointly with other domestic and foreign concerns). (See above, p. 983.)

Thirty-three branches in Italy.

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- 1904-5. The *Aktiengesellschaft für überseeische Bauunternehmungen*, Berlin, which operated until 1906 under the firm name of the *Deutsch-Ostafrikanische Bank* (jointly with nine other German firms, including the *Deutsch-Ostafrikanische Handelsgesellschaft*); share capital, 2,000,000 marks. (See above, p. 438, sub *l*.)
1905. The *Zentralamerika-Bank, Aktiengesellschaft* in Berlin (jointly with the *Deutsche Überseeische Bank*, the banking house Lazard Speyer-Ellissen in Frankfort-on-the-Main, and the *Schweizerische Kreditanstalt*). Share capital, 10,000,000 marks, of which for the time being 25 per cent has been paid in.
1906. The *Mexikanische Bank für Handel und Industrie* (Banco Mexicano de Comercio é Industria) in Mexico (jointly with the banking house Speyer & Co. in New York); share capital, 16,000,000 pesos; the bank took over the business of the Banco-Alemán Transatlántico in Mexico; the concession runs for forty years beginning with March 19, 1897. (See above, p. 439, sub *m*.)

The Deutsche Bank has absorbed the following banks and private banking firms:¹³

1886. Frankfurter Bankverein.
 1901. Menz, Blochmann & Co., Dresden.
 1905. H. Chr. Schmidt, Hamburg.
 1906. Bühler & Heymann, Munich and Augsburg.

Through stock ownership, the Deutsche Bank has communities of interest with the following banks¹⁴ (for which the date of affiliation and share capital are shown):

		Share capital (marks).
1897.	(1) Bergische Märkische Bank, Elberfeld	75, 000, 000
	(2) Schlesischer Bankverein, Breslau	30, 000, 000
	(3) Hannoversche Bank, Hanover	22, 500, 000
1898.	(4) Oberrheinische Bank, Mannheim	20, 000, 000
1902.	(5) Duisburg-Ruhrorterbank, Duisburg	12, 000, 000
1903.	(6) Essener Kreditanstalt, Essen-on-the-Ruhr . .	60, 000, 000
1904.	(7) Siegener Bank für Handel und Gewerbe, Siegen i. W.	4, 000, 000
	(8) Sächsische Bank, Dresden	30, 000, 000
	(9) Essener Bankverein, Essen-on-the-Ruhr . .	15, 000, 000
	(10) Oldenburgische Spar- und Leihbank, Oldenburg	4, 000, 000
	(11) Privatbank zu Gotha	10, 000, 000
1905.	(12) Deutsch-Ostafrikanische Bank, Berlin, with a branch in Dar-es-Salam	2, 000, 000

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(1) Bergisch-Märkische Bank, share capital 75,000,000 marks, has 17 branches, viz, Aix-la-Chapelle, Barmen, Bocholt, Bonn, Coblenz, Düsseldorf (in combination with a deposit office), Duisburg, Hagen, Cologne, Krefeld, Maria-Gladbach, Paderborn, Remscheid, Rheydt, Solingen, St. Johann-Saarbrücken, Trier; 8 deposit offices, viz, Bad Neuenahr, Bernkastel, Cues, Cronenberg, Düsseldorf-Wehrhahn, Goch, Hilden, Schwelm, Warburg; 3 commandites, viz, Hüser & Co., in Solingen; Max Gerson & Co., Ltd., in Hamm and Soest; D. Fleck & Scheuer, in Düsseldorf.

It has absorbed the following banks and private bankers:

1895. R. Jacobi, Cologne; J. H. Brink & Co., Elberfeld; Salomon Philipp, Ruhrort.

1898. The Remscheider Bank, Ruhrort (capital stock, 2,000,000 marks); Hüser & Co., Solingen.

1901. A. & C. Sohmann, Krefeld; Goldschmidt & Co., Bonn. In the same year the Bergisch-Märkische Bank undertook the liquidation of the firms Beckerath & Heilmann in Krefeld and Rob. Suermondt & Co. in Aix-la-Chapelle.

1902. Barmer Handelsbank, Barmen.

1904. Paderstein'scher Bankverein, Paderborn und Warburg (share capital, 5,000,000 marks); Lazard, Brach & Co. (Kommanditgesellschaft) in St. Johann-Saarbrücken; Trierer Bank, Trier (share capital, 2,000,000 marks); A. Molenaar & Co. (Kommanditgesellschaft auf Aktien, Krefeld (share capital, 1,260,000 marks); this bank delegates two of its officers to serve on the supervisory board of the Deutsche Bank, and the Deutsche Bank in turn delegates two of its officers to serve on the board of A. Molenaar & Co.

(2) The Schlesischer Bankverein of Breslau (capital stock, 30,000,000 marks) has 13 branches, located as follows: Beuthen (in Silesia), Glatz, Gleiwitz, Glogau, Görlitz, Hirschberg (in Silesia), Königshütte, Leobschütz, Liegnitz, Neisse, Rybnik (in Upper Silesia), and Sprottau and Waldenburg (in Lower Silesia). Two deposit offices, both in Breslau, and three commandites, Georg Fromberg & Co., Berlin, Richard Vogt & Co., Frankenstein (Silesia), and Hugo Scherzer (Schweidnitz). It absorbed in 1905 the Hirschberg branch of the banking house Abraham Schlesinger, and in 1906 the banking firm Gebrüder Herzberg, Breslau.

At the close of 1905 it established friendly relations with the Oberschlesischer Credit-Verein of Ratibor, and the Niederlausitzer Kredit- und Sparbank at Kottbus. It has a branch in Guben and an agency in Weisswasser O.-L. The latter has absorbed the banking house of Wilhelm Wilke in Guben, and earlier the Kattowitzer Bankverein. The Schlesischer Bankverein is represented on the supervisory board of the Deutsche Bank by a member of its own executive board. The Deutsche Bank delegates

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two of its executive officers to the supervisory board of the Schlesischer Bankverein.

(3) The Hannoversche Bank, Hanover (capital stock, 22,500,000 marks), has 5 branches, located as follows: Celle, Hameln, Harburg a. E., Lüneburg, and Verden; 2 deposit offices—one at Linden and the other in Stade. Commandites, none.¹⁵

The Hannoversche Bank absorbed in 1906 the banking firm of A. Lehmann in Verden. Jointly with the Hildesheimer Bank and the Osnabrücker Bank it established a subsidiary, the Braunschweiger Privatbank, A.-G., with an authorized capital stock of 6,000,000 marks, of which 3,000,000 is paid in. This was formerly the banking firm of Ludwig Peters Nachfolger of Brunswick, commandite of the Hildesheimer Bank, and was transformed in 1905 under its present name.

Through stock ownership it has communities of interest with the (a) Osnabrücker Bank and (b) the Hildesheimer Bank.

(a) The Osnabrücker Bank, in Osnabrück (share capital 14,500,000 marks), which has also founded the Quakenbrücker Bank, has 11 branches, located as follows: Aurich, Emden, Esens, Herford, Leer, Lingen, Meppen, Münster, Norden, Salzuflen, Weener. It has 13 agencies and has absorbed the following:

1905. The *Ostfriesische Bank*, in Leer and Weener; capital stock, 3,000,000 marks. This institution has been retained as a branch bank of the Osnabrücker Bank under its former name and in 1907 absorbed the banking firm of R. Van Hoorn, of Leer in Ostfriesland.

—— Marcus D. Ganz, a banking firm in Herford which has been continued as a branch of the Osnabrücker Bank under the name of the Herforder Bank.

1906. Harlingerländische Bank Eyben, Bode & Jansen, in Esens (Ostfriesland).

1907. The Emdener Bank, Emden (with a branch in Weener); capital stock, 1,000,350 marks. Carl Krecke, in Salzuflen.

1908. The Volksbank Arenberg-Meppen and the banking firm Langschmidt & Sohn, Lingen.

(b) The Hildesheimer Bank, in Hildesheim (capital stock, 8,000,000 marks), has two branches (one in Göttingen and one in Goslar), two deposit offices (Harzburg, Langspringe), and 3 commandites, Joseph Kayser & Co. in Einbeck, M. Falck in Einbeck, and M. Katz in Duderstadt. It has absorbed the following:

1886. M. Davidsohn, Hildesheim.

1886. Schiff & Traube, Hildesheim.

1905. Benfey & Co., Göttingen.

The Deutsche Bank is represented on the supervisory board of the Hannoversche Bank.

(4) The Oberrheinische Bank (formerly Köster & Co.) in Mannheim which was merged in 1904 with the Rheinische Kreditbank. It had 9

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branches, located as follows: Heidelberg, Karlsruhe, Freiburg i. B., Rastatt, Bruchsal, Baden-Baden, Strassburg i. E., Mülhausen i. E., Basle. It had a deposit office in Ludvigshafen; 2 commandites, in Baden-Baden and Rastatt, and had absorbed the following banking firms:

- 1883. Köster & Co., Mannheim.
- 1896. C. Schwarzmann, Strassburg.
- 1898. Christian Mez, Freiburg; R. Nicolai & Co., Baden-Baden and Rastatt; F. S. Meyer, Baden-Baden.
- 1903. Ed. Koelle, Karlsruhe.

Through ownership of stock the Oberrheinische Bank and the Deutsche Bank had a community of interest with the *Süddeutsche Bank*, in Mannheim.

(5) The Duisburg-Ruhrorter Bank, in Duisburg¹⁶ (capital stock, 12,000,000 marks) has 4 branches. In Düsseldorf it had a branch since 1897 under the name of the Niederrheinische Bank, Zweiganstalt der Duisburg-Ruhrorter Bank. The other branch was established by taking over the Homberger Volksbank, with offices in Oberhausen and Ruhrort.

(6) The Essener Kreditanstalt in Essen-on-the-Ruhr (capital stock, 60,000,000 marks) has 16 branches, located as follows: Bocholt, Bochum, Dortmund, Duisburg, Duisburg-Ruhrort, Gelsenkirchen, Iserlohn, Mülheim (Ruhr), Münster i. W., Oberhausen, Recklinghausen, and Wesel. Eight agencies, as follows: Altenessen, Dorsten, Hamborn, Herne i. W., Homberg, Schalke, Witten, Wanne. Three commandites, viz, Ernst Osthaus in Hagen, C. Basse in Lüdenscheid, and J. A. Hölling in Buer.

It has absorbed the following:

- 1895. Levi Hirschland, Essen.
- 1902. Kreditbank, Recklinghausen.
- 1903. S. Hanf, Witten.
- 1905. The Iserlohner Volksbank (capital stock, 1,000,000 marks).
- 1905. Poppe & Schmoelder, Wesel.
- 1906. The Westfälischer Bankverein (capital stock, 8,000,000 marks), Münster (with a branch in Bocholt).
- 1908. Albert Heinrich Rost, Münster.
- 1909. The Duisburg-Ruhrorter Bank, Duisburg.

(7) The Siegener Bank für Handel und Gewerbe in Siegen i. W. (capital stock, 4,000,000 marks). The Deutsche Bank is represented on its supervisory board.

(8) The Sächsische Bank, Dresden (capital stock, 30,000,000 marks), has 8 branches, located as follows: Annaberg, Chemnitz, Leipzig, Meerane, Plauen i. V., Reichenbach i. V., Zittau, and Zwickau.

(9) The Essener Bankverein of Essen-on-the-Ruhr (capital stock 15,000,000 marks), grew out in 1899 of the banking firm Rebling & Rehn. It has 3 branches, viz, Borbeck, Bottrop i. W., and Oberhausen; 2 deposit offices (Altenessen and Essen-Rüttenscheid), and 1 commandite, the banking house Ferdinand Klostermann in Hattingen.

The Deutsche Bank is represented on the supervisory board of the Essener Bankverein.

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(10) The Oldenburgische Spar- und Leihbank¹⁷ in Oldenburg (capital stock, 4,000,000 marks) has 6 branches, viz, Brake, Delmenhorst, Jever, Lohne, Nordenham, Varel, Wilhelmshaven, and 1 deposit office at Ovelgönne.

(11) The Privatbank zu Gotha (capital stock, 10,000,000 marks) has 3 branches—Erfurt, Leipzig, and Weimar. The Deutsche Bank is represented on its supervisory board.

(12) The Deutsch-Ostafrikanische Bank in Berlin has a branch in Dar-es-Salam.

The Deutsche Bank is united with (a) the *Mecklenburgische Hypotheken- und Wechselbank* and (b) the *Rheinische Kreditbank* in a community of interest, based on agreements and exchange of representatives on the supervisory boards.

(a) Since 1897 it has been allied with the *Mecklenburgische Hypotheken- und Wechselbank* in Schwerin¹⁸ (capital stock, 9,000,000 marks). This institution has a branch in Güstrow and 63 agencies (62 in Mecklenburg and 1 in Ratzeburg). Through ownership of stock it has a community of interest with the *Mecklenburgische Sparbank* (capital stock, 3,000,000 marks), with a branch in Rostock, an office in Schöneberg, and 79 agencies in Mecklenburg. The Deutsche Bank has, moreover, a direct interest in the Mecklenburgische Sparbank. The latter has an interest in the Mecklenburgische Treuhandgesellschaft m. b. H. in Schwerin.

The Mecklenburgische Hypotheken- und Wechselbank delegates one of its officers to represent it on the supervisory board of the Deutsche Bank, and the latter delegates one of its executive officers to serve on the board of the Mecklenburgische Hypotheken- und Wechselbank.

(b) The community of interest with the Rheinische Kreditbank in Mannheim (capital stock, 75,000,800 marks) dates from 1904. This bank has 13 branches, located as follows: Baden-Baden, Freiburg i. B., Heidelberg, Kaiserslautern, Karlsruhe, Konstanz, Lahr i. B., Mühlhausen i. E., Offenburg, Pforzheim, Speyer, Strassburg i. E., and Zweibrücken. It has 3 deposit offices (1 in Bruchsal and 2 in Mannheim). Since the absorption of the Oberrheinische Bank it has two agencies—1 in Neunkirchen (district of Trier) and 1 in Rastatt; 2 commandites: G. F. Grohé-Henrich & Co. in Saarbrücken and B. Burger & Co. in Wolfach.

It has absorbed the following banks and banking firms:

1871. Joseph Sautier, Freiburg i. B.

1874. Pfälzer Bankverein, Mannheim; Gebrüder Zimmermann, Heidelberg.

1897. G. Müller & Kons., Karlsruhe and Baden-Baden, Franz Funck (formerly Gebrüder Wolff), Baden-Baden.

1898. The Kaiserslauterer Bank, formerly Böcking, Karcher & Co.

1899. The Ortenauer Kreditbank, Offenburg.

1899. Kaufmann, Engelhorn & Co., bank commandite, Strassburg i. E.; Ed. Strohmeyer, Baden-Baden; the Lahrer Kreditbank, Karl Bader & Co.

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1901. The Mannheimer Bank, A.-G. (capital stock, 6,000,000 marks).
1903. Gebrüder Kapferer, Freiburg i. B.
1904. The Kredit- und Depositenbank, Zweibrücken (capital stock, 4,000,000 marks).
1905. The Oberrheinische Bank (capital stock, 20,000,000 marks), with its branches, deposit office, commandites, and communities of interest as given on page 990, No. 4.
1906. A. Sulzberger, Konstanz; Julius Kahn & Co., Pforzheim (formerly the commandite of the Württembergische Vereinsbank).
1907. The Gewerbebank, Speyer.

Through stock ownership the Rheinische Kreditbank has been united in a community of interest since 1901, with the newly organized *Mannheimer Bank* (capital stock, 1,000,000 marks) and since 1904 with the *Süddeutsche Bank* in Mannheim (capital stock, 10,000,000 marks), with a branch in Worms. This community of interest, however, it shares with the Deutsche Bank, both banks being represented on the supervisory board of the Süddeutsche Bank.

The Rheinische Kreditbank elects two of its officers to serve on the supervisory board of the Deutsche Bank, and the latter delegates two members of its executive staff to serve on the supervisory board of the Rheinische Kreditbank.

Finally the Deutsche Bank maintains friendly relations with the following institutions:

(a) The *Anhalt-Dessauische Landesbank*, of Dessau. This bank has 6 branches, located as follows: Ballenstedt, Finsterwalde, Köthen, Torgau, Wittenberg, Zerbst, and 6 deposit offices (Coswig, Dahme, Jessnitz, Kirchhain N.-L., Raguhn, and Rosslau in Anhalt). It has abandoned its Berlin branch. In 1908 it took over the *Raguhner Gewerbebank*, and the deposit office in Jessnitz of the banking firm Paul Schauseil & Co. of Halle.

(b) The *Braunschweiger Privatbank*, of Brunswick. It has deposit offices in Wolfenbüttel and in Braunschweig (the latter took the place of the banking house Louis Bremer & Co., of Brunswick, absorbed by the Braunschweiger Privatbank in 1909).

(c) The *Braunschweigische Bank und Kreditanstalt*, of Brunswick. It has 3 deposit offices, viz, Goslar, Blankenburg, and Oschersleben, and 8 commandites.

It absorbed in 1908 the Blankenburger Bank and the banking firm C. Uhl & Co. in Brunswick, and in 1909 the firm F. Heine, of Oschersleben, transforming the latter into a deposit office.

(d) The *Chemnitzer Bankverein*, of Chemnitz, with its branches and 3 agencies.

(e) The *Danziger Privat-Aktienbank* in Danzig, with 3 branches, 6 deposit offices, 7 agencies, and 2 commandites.

In 1900 it absorbed the banking firm Ernst Poschmann in Danzig.

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(f) The *Norddeutsche Kreditanstalt in Königsberg* (Prussia); capital stock, 15,000,000 marks. It has a branch in Danzig (which has deposit offices in Langfuhr, Oliva, and Zoppot), Posen (with deposit office), and Stettin (with deposit office); deposit offices in Königsberg, Briesen i. W., Elbing, Insterburg, Thorn, Culmsee, Gumbinnen, Kolberg, and Tiegenhof, besides a number of agencies.

(g) The *Magdeburger Privatbank*, Magdeburg (for details, see p. 630).

(h) The *Bayerische Handelsbank*, Munich (for details, see p. 632).

(i) The *Bayerische Vereinsbank*, Munich (for details, see p. 632).

(j) The *Commerzbank*, Lübeck.

(k) The *Lübecker Privatbank*, Lübeck.

(l) The *Deutsche Vereinsbank*, Frankfort-on-the-Main. This bank absorbed in 1908 the firm Gebrüder Schuster, of the same city.

V. THE DISCONTO-GESELLSCHAFT.

(Direktion der Disconto-Gesellschaft, Berlin.)

[Founded 1851 (present organization since 1856).]

Share capital, 170,000,000 marks.

Surplus, 57,592,611 marks, equal to 33.88 per cent of its share capital.

Branches.—Four, located as follows: London, 1900; Frankfort-on-the-Main, 1901; Bremen, 1903; and Mainz, 1909.

Commandites.—One, Ernesto Tornquist & Co., Buenos Ayres, since 1889.

Deposit offices (dating from 1895).—Sixteen, of which 11 are in Berlin, 3 in Charlottenburg, 1 in Friedenau, and 1 in Wiesbaden.

It has established or participated in the establishment of the following subsidiary companies:¹⁹

1880. The *Deutsche Handels- und Plantagensellschaft der Südseeinseln*, Hamburg, capital stock, 2,750,000 marks (a reorganized company).

1883–86. The *Neu-Guinea-Kompagnie*, capital stock, 6,000,000 marks.

1887. The *Brasilianische Bank für Deutschland*, Hamburg (capital stock, 10,000,000 marks, jointly with the Norddeutsche Bank). The institution has 5 branches, located as follows: Rio de Janeiro, São Paulo, Santos, Porto Alegre, and Bahia.

1889. The *Deutsch-Asiatische Bank*, Shanghai. It was organized by the Disconto-Gesellschaft jointly with German and foreign concerns, and has a paid-up capital stock of 7,500,000 Shanghai taels. It has 12 branches, located as follows: Berlin, Hamburg, Tientsin, Tsingtau, Hankow, Hongkong, Calcutta, Tsinanfu, Peking, Yokohama, Kobe (Japan), and Singapore.

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1894. The *Banca Commerciale Italiana*, Milan, capital stock, 105,000,000 lire (jointly with German and foreign banking firms)—33 branches in Italy.
1895. The *Bank für Chile und Deutschland*, Hamburg, capital stock 10,000,000 marks, of which 25 per cent or 2,500,000 marks has been paid in (jointly with the Norddeutsche Bank). It has 9 branches, located as follows: Valparaiso, Santiago, Concepcion, Temuco, Antofagasta, Victoria, and Valdivia, in Chile, and La Paz and Oruro in Bolivia.
1897. The *Banca Generala Romana*, Bucharest, capital stock, 10,000,000 lei. It has 2 branches, in Braila and Grajova, and an agency in Constantza.
1898. The *Banque Internationale de Bruxelles*, capital stock, 25,000,000 francs. (See p. 442, letter h.)
1900. The *Compagnie Commerciale Belge*, anciennement H. Albert de Bary & Co., Société anonyme à Anvers, capital stock, 5,000,000 francs.
1905. The *Bayerische Disconto- und Wechselbank*, Nuremberg, capital stock, 12,000,000 marks (jointly with the Bayerische Hypotheken- und Wechselbank, Munich).

This bank has 15 branches, located in Augsburg, Bamberg, Bayreuth, Hersbruck, Hof, Kempten, Kitzingen, Kulmbach, Lauf, Regensburg, Roth i. B., Schwabach, Schweinfurt, Uffenheim, and Würzburg; 4 deposit offices, in Neumark (Oberpfalz), Pfaffenhofen-on-the-Iler, Rothenburg-on-the-Tauber, and Weissenburg.

It has absorbed the following banking firms:

1905. G. J. Gutmann, Nuremberg; P. C. Bonnet, Augsburg; Friedrich Günthert, Würzburg; Jonas Nordschild's Nachf., Schweinfurt; Conrad Arnold, Lauf and Hersbruck.
1906. Klunk & Gerber, Hof; Jos. S. Schmid, Bamberg; Max Feichtmeyer, Regensburg; Friedrich Grieninger & Sohn, Uffenheim and Rothenburg; M. Oettinger Söhne, Neumarkt (Oberpfalz).
1907. Julius Leisser, Würzburg; S. Schwabacher Nachf., Bayreuth and Kulmbach.
1908. G. W. Loos, Weissenburg; Hans Schmitt, Bamberg; Siegmund Edenfeld, Würzburg; Abrell & Deffner, Kempten; Jonas Nordschild, Schweinfurt-on-the-Main.
1909. August Ahammer & Co., Weissenburg a. D., merged with the bank's deposit office at the same town.

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1905. The *Revisions- und Vermögensverwaltungs-Aktien-Gesellschaft* (Audit and Trust Company)—name changed in 1909 to "*Revision*," *Treuhand-Aktiengesellschaft*, Berlin. Capital stock, 1,000,000 marks, increased to 2,000,000 in 1909. The institution has 3 branches (Cologne, Dresden, Leipzig,) jointly with the *Commerz- und Disconto-Bank*. The former branch at Munich was in 1907 made a separate institution with a capital stock of 400,000 marks under the name of the *Bayerische Revisions- und Vermögensverwaltungs-Aktiengesellschaft*.
1905. The *Bank für Thüringen*, formerly B. M. Strupp A.-G., in Meiningen; capital stock, 10,000,000 marks, of which 7,500,000 marks is paid in. This bank was established jointly with the former banking house of B. M. Strupp, the *Mitteldeutsche Kreditbank*, and the *Allgemeine Deutsche Kreditanstalt*. It has 12 branches, located as follows: Apolda, Eisenach, Frankenhäuser a. Kyffhäuser, Gotha, Hildburghausen, Jena, Neustadt on the Orla, Pössneck, Ruhla, Saalfeld, Salzungen, and Sonneberg. It has absorbed the following firms:
- 1905. B. M. Strupp, Meiningen, with branch offices in Gotha, Hildburghausen, Salzungen, Ruhla, and Jena.
 - 1906. Hermann Lobe, Meiningen; the Meiningen branch of the *Mitteldeutsche Kreditbank*; J. G. Böhme & Sohn, Apolda; Richard Eberlein, Pössneck.
 - 1907. Severus Ziegler, Eisenach; Nikol. Martin Scheler & Sohn, Saalfeld.
 - 1909. The Bankverein Frankenhäuser.
1906. The *Deutsch-Afrika Bank*, capital stock 1,000,000 marks. It has branches in Swakopmund, Windhuk, and Lüderitzbucht, and an agency in Santa Cruz.
1906. The *Banque de Crédit (Kreditna Banka)*, Sofia, capital stock 3,000,000 gold leva (francs), of which 1,000,000 gold leva has been paid in, jointly with S. Bleichröder and the *Norddeutsche Bank*.
- . The *Stahl & Federer Aktiengesellschaft*, Stuttgart, capital stock 10,000,000 marks. It has 3 branches, located in Heilbronn, Reutlingen, and Pfullingen. It has absorbed the following firms:
- 1907. I. Gumbel, Markt in Heilbronn; Emil Ruoff, Reutlingen.
 - 1908. Johannes Rieger, Pfullingen.
- It has a community of interest with the *Gewerbebank* in Ulm.

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The Disconto-Gesellschaft has absorbed the following firms:

- 1904. J. Schultze & Wolde, Bremen.
- 1906. Eugen Schlieper & Co., Berlin; Gebr. Neustadt, Frankfort-on-the-Main.
- 1907-8. Meyer Cohn, Berlin.
- 1909. Bamberger & Co., Mainz. This firm had on November, 1908, absorbed the firm Gebrüder Oppenheim, of Mainz.

Through stock ownership, the Disconto-Gesellschaft has been united in a community of interest with the following institutions:

- 1895. Norddeutsche Bank, Hamburg.
- 1901. Allgemeine Deutsche Kreditanstalt, Leipzig.
- 1904. Barmer Bankverein, Hinsberg, Fischer & Co., Barmen.
- 1904-5. Süddeutsche Disconto-Gesellschaft, Mannheim; Geestemünder Bank, Geestmünde.

1. The *Norddeutsche Bank*, Hamburg, capital stock 50,000,000 marks, cash contributions of "complementary" partners (Komplementäre) 1,200,000 marks, ordinary surplus 5,120,000 marks, special reserves 6,235,000 marks. It has 1 branch in Altona; 6 deposit (giro) offices, 5 of which are in Hamburg and 1 in Harburg; and 1 commandite, Ephraim Meyer & Sohn in Hanover. It absorbed in 1904 the banking firm of W. S. Warburg, in Altona.

2. The *Allgemeine Deutsche Kreditanstalt*, Leipzig; capital stock, 90,000,000 marks; surplus, 37,850,751 marks. It has 21 branches, located as follows: Altenburg, Annaberg, Bautzen, Bernburg, Chemnitz, Dresden, Freiberg, Gera, Glauchau, Greiz, Grimma, Leopoldshall, Limbach in Saxony, Markranstädt, Meerane, Oschatz, Pirna, Riesa, Schkeuditz, Schmöln, Zittau, and, since 1909, Meuselwitz.

It has 15 deposit offices (9 in Leipzig and suburbs, 6 in Dresden and suburbs), but no commandites. It has absorbed the following banks and firms:

- 1873. Lingke & Co., Altenburg.
- 1901. Becker & Co., Leipzig and Greiz. Before that time the Disconto-Gesellschaft had had an interest in this firm.
- 1902. C. F. Blaufuss, Gera.
- 1903. Günther & Rudolph, Dresden.
- 1905. *Vereinsbank*, Grimma (capital stock, 500,000 marks); Ernst Berndt, Annaberg; C. G. Lochmann, Wwe. & Sohn, Oschatz; Kunath & Nieritz, Chemnitz.
- 1907. Ketzscher & Andreae, Pirna; Bernburger Bankverein Wichmann & Co., Bernburg and Leopoldshall (Stassfurt); Ferdinand Heyne, Glauchau; Ludwig & Co., Freiberg (Saxony).

Through stock ownership the Allgemeine Deutsche Kreditanstalt is united in a community of interest with the following banks:

The *Vogtländische Bank*, Plauen i. V. (capital stock, 5,500,000 marks), with branches in Auerbach and Falkenstein i. V., Klingenthal i. S., and Reichenbach i. V.; Busse & Co., Berlin; Bayerische Disconto- und Wechselbank in Nuremberg; Bank für Thüringen, formerly B. M. Strupp, Meiningen.

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Since 1904-5 the *Oberlausitzer Bank*, in Zittau (capital stock, 2,700,000 marks, branch at Neugersdorf), and the *Vereinsbank*, in Zwickau (capital stock, 4,500,000 marks). The shares of the Allgemeine Deutsche Kreditanstalt, which had to be given in exchange for the shares of these institutions, were obtained primarily from the holdings of the Disconto-Gesellschaft. On the supervisory board of the Oberlausitzer Kreditanstalt both the Allgemeine Kreditanstalt and the Disconto-Gesellschaft are represented.

3. The *Barmer Bankverein Hinsberg, Fischer & Co.*, Barmen (capital stock, 59,836,200 marks), has 17 branches, located as follows: Bielefeld, Cologne, Crefeld, Dortmund, Düsseldorf, Hagen, Hamm, Iserlohn, Lennep, Lüdenscheid, Maria-Gladbach, Ohligs, Osnabrück, Remscheid, Rheydt, Soest, and Solingen.

It has 5 deposit offices, located as follows: Barmen-Rittershausen, Hohenlimburg, Uerdingen, and 2 in Düsseldorf.

It has absorbed the following banks and firms:

- 1898. The Gladbacher Bankverein Quack & Co., Maria-Gladbach.
- 1900. Leffmann Stern, Hagen.
- 1902. The Düsseldorfer Bankverein (capital stock, 9,000,000 marks).
- 1904. The Dortmunder Bankverein, which had a commandite interest in the banking house Balcke & Co., and had branches in Hamm and Soest.
- 1905. A. W. Dreyer, Wwe., Bielefeld; Wallach & Emanuel, Iserlohn; N. Blumenfeld, Osnabrück; The Crefelder Gewerbebank, Crefeld (capital stock, 2,000,100 marks); the Lüdenscheider Bank, formerly Lüdenscheider Volksbank (capital stock, 1,250,000 marks).
- 1906. Albert Simon & Co., Kommanditgesellschaft, Cologne.
- 1907. The Lennep Volksbank, Lennep.
- 1908. The Bonner Privatbank, Bonn.

The Disconto-Gesellschaft delegates one of its managing partners to serve on the supervisory board of the Barmer Bankverein, and the Barmer Bankverein in turn delegates one of its directors to serve on the supervisory board of the Disconto-Gesellschaft.

4. The *Süddeutsche Disconto-Gesellschaft*, Mannheim (capital stock, 31,250,000 marks), has 4 branches, located as follows: Freiburg i. Br., Lahr i. B. Landau, and Pforzheim; 1 deposit office, in Heidelberg; 6 agencies, in Annweiler, Bergzabern, Edenkoben, Germersheim, Müllheim i. B., and Neustadt i. Schw.; and 1 commandite, viz. E. Ladenburg in Frankfurt on-the-Main.

It has absorbed the following firms:

- 1904-5. W. H. Ladenburg & Söhne, Mannheim.
- 1906. Weil & Benjamin (Kommanditgesellschaft), Mannheim; Stösser-Fischer, Lahr; J. M. Bernion, Landau.
- 1908. Jacob Baer, Bruchsal.

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The Disconto-Gesellschaft is represented on the supervisory board of the Süddeutsche Disconto-Gesellschaft, and one of the partners of the firm E. Ladenburg, has entered the supervisory board of the Disconto-Gesellschaft.

Finally, since 1907, the Disconto-Gesellschaft is on friendly terms with the *Magdeburger Bankverein*, of Magdeburg (capital stock, 15,000,000 marks) (see above, p. 629). This became manifest in the election of a director of the Disconto-Gesellschaft to a place on the supervisory board of the Magdeburger Bankverein.

VI. DRESDNER BANK, DRESDEN.

[Founded 1872.]

Capital, 180,000,000 marks. (200,000,000 marks since 1910.)

Surplus, 51,500,000 marks.

The Dresdner Bank has 27 branches, located as follows: Altona, Augsburg, Bautzen, Bremen, Bückeburg, Kassel, Chemnitz, Detmold, Dresden, Emden, Freiburg i. B., Frankfort-on-the-Main, Fürth, Greiz, Hamburg, Hanover, Heidelberg, Leer, London, Lübeck, Mannheim,²⁰ Meissen, Munich, Nuremberg, Plauen i. V., Wiesbaden, and Zwickau.

It has 1 commandite, viz., the exchange office (Wechselstube) Bosse, Keil & Co., Berlin, formerly the commandite of the Deutsche Genossenschaftsbank Sörgel, Parrisius & Co.

Since 1895 its deposit offices have grown to 57 in number—23 in Berlin, 2 each in Charlottenburg, Schöneberg, Friedenau, and Gross-Lichterfelde; 1 each in Pankow, Steglitz, Wilmersdorf, Rixdorf, Tempelhof, and Altona; 4 in Dresden, 1 in Frankfort-on-the-Main, 11 in Hamburg, 1 in Linden near Hanover, 2 in Nuremberg, and 1 in Wiesbaden. In 1909 there were added branches in Eschwege and Fulda.

The Dresdner Bank has cooperated in the establishment of the following subsidiaries:²¹

1889. The *Deutsch-Asiatische Bank* (with other firms). (See p. 983.)

1894. The *Banca Commerciale Italiana* (with other firms). (See p. 983.)

1904. The *Deutsch-Westafrikanische Bank* (established jointly with the *Deutsch-Westafrikanische Handelsgesellschaft*. (See p. 457, sub 4.)

The capital stock of this company is 1,000,000 marks. The bank is a colonial company, having its office in Berlin, and branches in Hamburg, Lome, and Duala. Its purpose is to regulate the currency circulation and facilitate payments both within the German colony of West Africa, and in its relations with foreign countries, and to carry on banking in accordance with its charter.

1904. *Speyr & Co., A.-G., Basle* (capital stock, 15,000,000 francs).

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1905.²² The Treuhand Vereinigung, A.-G., Berlin (capital stock, 1,000,000 marks), with a branch in Dresden and an office jointly with the A. Schaaffhausen'scher Bankverein in Cologne.

The Deutsche Orientbank, A.-G., Berlin, capital stock, 16,000,000 marks, established jointly with the National bank für Deutschland, see pages 446 and 454.

1906. The Deutsch-Südamerikanische Bank, A.-G., Berlin, capital stock, 20,000,000 marks, established jointly with the A. Schaaffhausen'scher Bankverein.

The Dresdner Bank has absorbed the following banks and firms:

1872. Michael Kaskel, Dresden.

1873. The Sächsischer Bankverein, capital stock, 5,250,000 marks.

1877. The Sächsische Kreditbank, capital stock, 9,000,000 marks.

1891. R. Thode & Co.

1892. The Anglo-Deutsche Bank, Hamburg, capital stock, 12,300,000 marks.

1895. The Bremer Bank, Bremen, capital stock, 20,000,000 marks.

1896. S. E. Wertheimer, Nuremberg and Fürth.

1898. Alexander Simon, Hanover; W. J. Gutmann, Nuremberg.

1899. The Niedersächsische Bank, Bückeberg, capital stock, 6,000,000 marks.

1904. The Deutsche Genossenschaftsbank Sörgel, Parrisius & Co., Frankfort on-the-Main and Berlin, capital stock, 30,000,000 marks.

Through stock ownership this bank had a community of interest with the *Württembergische Landesbank* of Stuttgart, capital stock, 8,000,000 marks, with 2 branches (Ulm and Heilbronn) and 1 deposit office (Cannstatt).

The *Württembergische Landesbank* had absorbed the following firms:

1899. Breunig & Fischer, Stuttgart.

1900. Albert Schmidts Nachfolger, Heilbronn, and had a commandite interest in the Wechselstube Bosse, Keil & Co., in Berlin.

In taking over and continuing the business of the Genossenschaftsbank (Bank for Cooperative Credit Societies), the Dresdner Bank instituted special cooperative credit departments with cooperative society advisory councils in Ber-

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lin and Frankfort-on-the-Main in order to minister to the business of the German industrial and agricultural cooperative societies.

1904. Von Erlanger & Söhne, Frankfort-on-the-Main, absorbed by the Dresdner Bank jointly with the A. Schaaffhausen'scher Bankverein. Through stock ownership, this firm had a community of interest with the following banks:²³

(a) The *Oldenburgische Landesbank*, Oldenburg, capital stock, 3,000,000 marks, of which 40 per cent, or 1,200,000 marks, is paid up. This bank has 7 branches and 43 agencies.

(b) The *Mecklenburgische Bank*, Schwerin, capital stock, 5,000,000 marks, of which 40 per cent, or 2,000,000 marks, is paid in. It has a branch in Neubrandenburg and 54 agencies and has in turn a community of interest with the following banks:

Rostocker Gewerbebank, A.-G., Rostock, capital stock, 980,000 marks, with 26 agencies.

Neuvorpommersche Spar- und Kreditbank, A.-G., Stralsund, capital stock, 1,000,000 marks, with 26 agencies.

The Dresdner Bank and the A. Schaaffhausen'scher Bankverein are both represented on the supervisory board of the Mecklenburgische Bank.

(c) The *Landgräfllich-Hessische konzessionierte Landesbank*, Homburg v. d. H., capital stock, 1,000,000 marks, with 2 branches (Nauheim and Friedberg).

(d) The *Schwarzburgische Landesbank*, Sondershausen (capital stock, 2,500,000 marks, of which 1,000,000 marks are paid in), with 6 branches, located as follows:

Arnstadt, Ilmenau, Rudolstadt, Saalfeld, Suhl, Weida.

The Dresdner Bank and the A. Schaaffhausen'scher Bankverein are represented on the supervisory board of this bank.

1906. Ed. Kauffmann & Fehr, Freiburgi. B.²⁴; Ernst Heydemann, Meissen; C. H. Reinhardt, Bautzen.

1907. Paul von Steffen, Augsburg.

1908. M. Kapeller, Munich; Eduard Bauermeister, Zwickau; Kahl & Oelschlägel, Dresden, whose business was then in process of liquidation: Mauer & Plaut, Kassel.

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1909. David M. Kahn, Eschwege; F. Wallach, Fulda.

Through stock ownership²⁵ the Dresdner Bank has a community of interest with the following banks since the dates given:

1903. (1) The *Märkische Bank*, Bochum, capital stock 9,000,000 marks.

(2) The *Rheinische Bank*, Essen (formerly Mülheim-on-the-Ruhr), capital stock 21,000,000 marks.²⁶

1904. (3) The *Oberschlesische Bank*, Beuthen, capital stock, 2,500,000 marks.

(4) The *Württembergische Landesbank*, Stuttgart, capital stock, 8,000,000 marks.

(5) The *Oldenburgische Landesbank*, Oldenburg, capital stock, 3,000,000 marks, of which 1,200,000 marks are paid in.

(6) The *Mecklenburgische Bank*, Schwerin, capital stock, 5,000,000 marks, of which 2,000,000 marks are paid in.

(7) The *Landgräfllich Hessische konzessionierte Landesbank* in Homburg v. d. H., capital stock, 1,000,000 marks.

(8) The *Schwarzburgische Landesbank*,²⁷ Sondershausen, capital stock, 2,500,000 marks, of which 1,000,000 marks are paid in.

(1) The *Märkische Bank*, Bochum, has 9 branches, located as follows: Arnsberg, Beckum, Castrop, Dortmund, Gelsenkirchen, Langendreer, Münster i. W., Recklinghausen, and Witten. It has 2 agencies, in Buer and Oelde, and 1 exchange office at Wanne. It absorbed in—

1898. The banking firm Albert Lauffs, Bochum.

1899. The Herner Bank, Herne, capital stock, 1,000,000 marks.

(2) The *Rheinische Bank*, Essen (formerly in Mülheim-on-the-Ruhr), has 4 branches at Mülheim, Duisburg, Meiderich, and Dinslaken, and 1 exchange office at Hochfeld. It has absorbed the following firms:

1897. Gust. Hanau, Mülheim-on-the-Ruhr.

1905. Herm. Thate, Meiderich.

1906. Dietrich Schröter, Dinslaken.

1907. Fr. H. Moeschlers Söhne, Meerane (i. S.).

The Dresdner Bank is represented on the supervisory board of the *Rheinische Bank*.

(3) The *Oberschlesische Bank*, Beuthen, has 2 deposit offices (exchange offices), 1 in Königshütte and 1 in Tarnowitz.

(4) The *Württembergische Landesbank*, Stuttgart, has 2 branches (Ulm and Heilbronn) and 1 deposit office (in Kannstadt), had a community of interest with the *Deutsche Genossenschaftsbank* until 1904, and since then with the banks formerly affiliated with the banking house von Erlanger & Söhne (see p. 1001), i. e., with the following:

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(5) The *Oldenburgische Landesbank*, Oldenburg, with 8 branches and 43 agencies.

(6) The *Mecklenburgische Bank*, Schwerin, which has a branch in Neubrandenburg and 50 agencies, and has a community of interest with the (a) *Rostocker Gewerbebank*, A.-G., Rostock, capital stock, 2,000,000 marks, with 50 agencies, and the (b) *Neuvorpommersche Spar- und Kreditbank*, Stralsund, capital stock, 1,000,000 marks, with 26 agencies.

(7) *Landgräfllich Hessische Konzessionierte Landesbank*, Homburg v. d. H., with two branches (Nauheim and Friedberg in Hesse).

(8) *Schwarzburgische Landesbank*, Sondershausen, with 6 branches.

Between 1903 and the end of 1908 the Dresdner Bank was united by agreement with the A. Schaaffhausen'scher Bankverein in a community of interest. The A. Schaaffhausen'scher Bankverein, of Cologne, has a capital stock of 145,000,000 marks.

The contract was in substance as follows: The community of interest was to run from January 1, 1904, for thirty years. The two companies were not merged, but the business of both was conducted jointly, the net profits were pooled, and then divided in proportion to the capital stock of each, including surplus funds as shown by the balance sheets. Only such sums as had been permanently put into the surplus were to be counted—i. e., amounts definitely set aside as surplus, and not funds set aside to cover particular risks.

The annual profits were pooled under the following conditions: Each company was to keep its own profit-and-loss account, regardless of its community of interest. From the gross profits each bank was to deduct first all the general expenses and the amounts required to be written off or set aside for surplus funds by statute or by the by-laws, and then the amounts of compensation shown by the books as due to the general managerial staff, the managers of the branches, to other officials and members of the supervisory board, the bonuses to employees, and a suitable amount for depreciation on bank buildings. The remaining net profits were to go into a common fund, to be divided on the basis indicated above. After the share of the profits due to each bank had been determined, each institution was to prepare independently its own final balance sheet and profit-and-loss account, in accordance with statute and its by-laws.

Whatever amount one bank might have to pay to the other was to be entered as profit or loss in the profit-and-loss account of either bank, decreasing by so much the amount of net profits of the bank making payment, and increasing by so much the net profits of the bank receiving payment.

The computation of the actual allowances (*Tantiemen*) to the members of the managerial staff and of the supervisory board were thus to be based not on the amounts shown by the provisional profit-and-loss statement, but on the final determination of net profits.

The pooling applied only to the annual profits, but not to losses. In this case the accounts of either company showed a net loss for the year, loss, unless made up by the share in the profits of the other company,

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was to be covered from its surplus or in some other manner, in order that the net profits of the following year might not be reduced by any losses carried over from the preceding year's account. In order to insure unity of management and the pursuance of a common policy, the following provisions were made and carried into effect:

(1) Either bank was to be represented by two of its executive officers, and three members of its supervisory board on the supervisory board of the other bank.

(2) For the preliminary consideration of important transactions the supervisory board of either bank was to elect from its midst a standing committee, composed of an equal number of members, who were to be joined by two persons, normally executive officers, of the other company.

(3) These two committees combined were to form a council of delegates (Delegationsrat). Aside from passing upon questions involving differences of opinion, this council was to approve the provisional balance sheet and profit-and-loss statement drawn up by each bank with the view of arriving at the joint profits, to pass upon the division of the common fund, and particularly to determine what sums were to be written off or set aside for surplus funds before computing profits.

The increase of capital by either company was made dependent on the approval of the council in the sense that any increase of capital stock made by either bank without such approval was to be disregarded in apportioning the annual profits, and furthermore that such an increase was to give to the other bank the right to withdraw from the agreement.

It was further agreed that whenever experience showed that a modification of the terms of the agreement became necessary in any respect, any change was to be approved by at least two-thirds of all the members of either supervisory board, in the same way, as when the original agreement was made.

The community of interest, as a matter of fact, came to an end on January 1, 1909, although the annual report spoke only of a "modification." "Provision was however made" for the continuation of the existing intimate relations and the mutual representation on both boards under a new agreement.

For data regarding the Mitteldeutsche Kreditbank, see note²⁸ on page 1016.

VII. NATIONALBANK FÜR DEUTSCHLAND, IN BERLIN.

[Founded in 1881.]

Share capital, 80,000,000 marks.

Surplus, 13,220 000 marks.

Branches.—None.

Commandites (2).—Erttel, Freyberg & Co. in Leipzig and, since 1905, Born & Busse in Berlin.

Deposit offices (17).—Fourteen in Berlin and 1 each in Charlottenburg, Potsdam, and Steglitz.

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Jointly with several other concerns the bank founded the following subsidiary companies (Tochtergesellschaften):²⁹

- 1889. The Deutsch-Asiatische Bank. (See p. 983.)
- 1895. The Credito Italiano in Rome (share capital, 75,000,000 lire), with 17 branches.

Jointly with the Banque Nationale de Grèce, it founded:

- 1904. The Banque d'Orient in Athens (share capital, 10,000,000 francs); branches in Saloniki and Smyrna.

- 1905. Jointly with the Dresdner Bank and the A. Schaaffhausen'scher Bankverein, it founded the *Deutsche Orientbank Aktiengesellschaft* in Berlin, which took over the former branches of the *Banque d'Orient* in Hamburg and Constantinople.³⁰ Deposit offices, 3, including Stamboul and Pera. Additional branches have been opened in Cairo, Alexandria, Brussa, Kalamata, Constantinople, Saloniki, Smyrna, Tangier, and Casablanca (share capital, 16,000,000 marks).

Has a community of interest since 1905 with the *Deutsche Palästina-Bank* in Berlin (share capital, 5,000,000 marks), founded in 1899, with 5 branches in Haifa, Jaffa, Jerusalem, Beirut, and Hamburg; founded in turn as its subsidiary (Tochtergesellschaft) the *Levante-Kontor, G. m. b. H.*, with office in Constantinople.

The Nationalbank für Deutschland absorbed the following banking firms:

- 1898. Jacob Landau in Berlin.
- 1904. S. Lange in Berlin.
- 1907. Born & Busse in Berlin, which since 1905 was conducted as a commandite of the bank in conjunction with other partners.³¹

VIII. A. SCHAAPPHAUSEN'SCHER BANKVEREIN, IN COLOGNE-ON-THE-RHINE

[Founded in 1848.]

Share capital, 145,000,000 marks.

Surplus, 34,157,125 marks.

Branches (10).³²—Berlin (since 1891), Bonn, Cleve, Crefeld, Duisburg, Düsseldorf, Neuss, Rheydt, Ruhrort, and Viersen.

Commandite—Philipp Elimeyer in Dresden, since 1898.

Deposit offices (15).—Cologne (3), Godesberg, Charlottenburg, Schöneberg, Potsdam, Dülken, Emmerich, Grevenbroich, Kempen, Krefeld, Moers, Odenkirchen, Wesel.

Founded or took part in the founding of the following subsidiary companies (Tochtergesellschaften).³³

- 1889. The *Deutsch-Asiatische Bank* jointly with other domestic and foreign concerns. (See p. 983.)
- 1898. The *Banque Internationale de Bruxelles* jointly with other concerns. (See p. 442, letter *h*.)

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1900. The *Westfälisch-Lippische Vereinsbank*, A.-G., in Bielefeld (share capital, 7,000,000 marks). The latter has 4 branches, viz, in Detmold, Herford, Lemgo, Minden; 2 deposit offices, Oeynhausien and Rinteln on the Weser.

It absorbed the following banking firms:

1900. Katzenstein & Söhne, Bielefeld.

1900. Gebrüder Siekmann in Herford.

— . Salomon & Oppenheimer in Detmold and Lemgo.

1904. Jointly with the Dresdner Bank, the Stock Company Speyr & Co. in Basle (share capital, 15,000,000 francs).

1905. Jointly with the Dresdner Bank, the *Treuhand-Vereinigung, Aktiengesellschaft*, in Berlin (share captal, 1,000,000 marks).

— . Jointly with the Dresdner Bank and the Nationalbank für Deutschland, the *Deutsche Orientbank, Aktiengesellschaft*, in Berlin (share capital, 16,000,000 marks), with branches in Constantinople and Hamburg, taken over from the Banque d'Orient, and additional branches in Alexandria, Brussa, Cairo, Kalamata, Saloniki, and Smyrna.

1906. Jointly with the Dresdner Bank, the *Deutsch-Südamerikanische Bank, Aktiengesellschaft*, in Berlin (share capital, 20,000,000 marks). (See p. 446.)

The A. Schaaffhausen'scher Bankverein absorbed the following banking firms and institutions:

1903. The banking firm A. & L. Camphausen in Cologne-on-the-Rhine.

1904. The *Westdeutsche Bank*, formerly Jonas Cahn, in Bonn (share capital, 8,000,000 marks). Originated from the transformation in 1896 of the banking firm Jonas Cahn in Bonn, and took over in 1898 the banking firm Solmitz & Cohen in Cologne-on-the-Rhine.

1904. The *Niederrheinische Kredit-Anstalt*, formerly Peters & Co., in Crefeld (share capital, 21,000,000 marks) with twelve branches, in Duisburg, Rheydt, Ruhrort, Neuss, Emmerich, Mörs, Grevenbroich, Odenkirchen, Viersen, Wesel, Cleve, and Kempen-on-the-Rhine.

1904. Jointly with the Dresdner Bank, the banking house von Erlanger & Söhne in Frankfort-on-the-Main. (See p. 1001.)

1908. The banking firm Blumberg & Gollmick in Berlin.

The A. Schaaffhausen'scher Bankverein maintains community of interest relations³⁴ with the following institutions:

I. Through ownership of shares:

(1) Since 1901 with the *Pfälzische Bank* in Ludwigshafen (share capital, 50,000,000 marks). Branches, 16, viz, in Alzey, Bamberg, Bensheim a. d. B., Dürkheim a. d. D., Frankenthal, Frankfort-on-the-Main, Kaiserslautern, Landau (Palatinate), Mannheim, Munich, Neustadt a. d. H., Nuremberg, Pirmasens, Speyer, Worms, and Zweibrücken. Agencies, 4, viz, in Donau-

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eschingen, Gemersheim, Grünstadt, and Osthofen (Rhenish Hesse). Exchange and deposit offices, 11, viz, Frankfort-on-the-Main, 4; Munich, 3; Lambrecht, 1; Lampertheim, 1; Landstuhl, 1. Absorbed the following banks and banking firms:

- 1886. The *Volksbank* in Ludwigshafen.
- 1894. The banking firm Joh. Franck in Worms on-the-Rhine; the banking firm Louis Dacqué in Neustadt a. d. H.
- 1895. The *Deutsche Unionbank* in Mannheim (founded in 1873 with a capital of 6,000,000 marks) and in Frankfort-on-the-Main, which in turn had absorbed the banking firm Gebr. Sonneberg in Frankfort-on-the-Main.
- 1896. The banking firm J. F. Haid in Speyer.
- 1897. The banking firm Müller & Weyland in Landau; the banking firm Karl Weyland in Landau; the banking firm Hermann Menner in Landau; the banking firm Zweibrücker Bank, Lehmann, Müller & Co., in Zweibrücken.
- 1898. The banking firm Bloch & Co., in Munich and Nuremberg; the banking firm Seb. Pichler's sel. Erben in Munich; the banking firm Reichard & Glaser in Frankenthal.
- 1899. The *Vorschussverein* in Bamberg; the *Vorschussverein* in Alzey.
- 1900. The banking firm Markus Levy in Worms-on-the-Rhine.
- The *Volksbank* in Bensheim.
- 1908. The banking firm Baruch Bonn in Frankfort-on-the-Main.
- The *Volksbank* in Gemersheim.

(2) Since 1903 with the *Mittelrheinische Bank* in Coblenz (share capital, 20,000,000 marks). Branches, 3, viz, in Duisburg, Meiderich, and Metz. The *Mittelrheinische Bank* maintains community of interest relations with the following institutions:

The *Mülheimer Bank* in Mülheim-on-the-Ruhr, founded in 1889 with a share capital of 9,000,000 marks (number of branches, 3, viz., in Hamborn, Oberhausen, and Sterkrade); the *Dorstener Bank* in Dorsten, and the *Märkischer Bankverein* in Gevelsberg.

A director of the A. Schaaffhausen'scher Bankverein and a former director of the Bankverein, at present a director of the Rheinische Bank, have joined the supervisory board of the *Mittelrheinische Bank*.

(3) Since 1905 with the *Ostbank für Handel und Gewerbe* in Posen, a constituent of the Darmstädter Bank group (see p. 984, No. 2), with a share capital of 18,000,000 marks, which absorbed in 1905 the *Ostdeutsche Bank vorm. J. Simon Ww. & Söhne* (share capital, 10,000,000 marks), with which the A. Schaaffhausen'scher Bankverein had been maintaining community of interest relations.

II. By agreement:

The A. Schaaffhausen'scher Bankverein maintained a community of interest with the Dresdner Bank from 1903 to January 1, 1909. (The tenor of the earlier agreement is stated above on p. 1003 under the head of

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the Dresdner Bank.) Since then as a result of a new understanding there exist merely "intimate business relations" which find expression in the fact that "provision has been made for the mutual representation on the supervisory boards of either institution."

APPENDIX VIII.

PROGRESS OF CONCENTRATION WITHIN EACH OF THE GREAT BANKS AND WITHIN THE BANKS ALLIED WITH THEM (KONZERNBANKEN).

Data for the eight Berlin great banks

TABLE I.

End of year—	Number of establishments (main office and branches) in Germany.	Deposit and exchange offices in Germany.	Commandite connections with banking houses in Germany.	Permanent participations in German joint stock banks. ⁸⁵	Sum total of institutions.
1895	18	23	13	2	59
1896	20	27	14	2	63
1900	25	53	12	9	99
1902	33	87	11	16	147
1905	46	149	12	34	241
1908	69	264	12	97	442

Data for each of the great banks.

TABLE 2.—*Darmstädter Bank.*

1895	3	1	10	.....	14
1896	3	1	10	.....	14
1900	3	4	8	.....	15
1902	5	10	8	4	27
1905	⁸⁶ 6	⁸⁷ 21	⁸⁸ 5	⁸⁹ 4	36
1908	8	32	4	7	51

TABLE 3.—*Berliner Handelsgesellschaft.*

1895	1	1	2
1896	1	1	2
1900	1	1	2
1902	1	1
1905	1	1
1908	1	1

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Data for the eight Berlin great banks—Continued.

TABLE 4.—Commerz- und Disconto-Bank.

End of year—	Number of establishments (main office and branches) in Germany.	Deposit and exchange offices in Germany.	Commandite connections with banking houses in Germany.	Permanent participations in German joint stock banks. ³⁵	Sum total of institutions.
1895.....	1			49 1	2
1896.....	1			1	2
1900.....	3	2		1	6
1902.....	3	5			8
1905.....	3	26	2		31
1908.....	4	54	2	6	66

TABLE 5.—Deutsche Bank.

1895.....	5	12			17
1896.....	5	12			17
1900.....	5	17		5	27
1902.....	7	35		5	47
1905.....	41 8	44	42 1	43 11	64
1908.....	10	73	2	31	116

TABLE 6.—Direktion der Disconto-Gesellschaft.

1895.....	1	1		1	3
1896.....	1	1		1	3
1900.....	1	1		3	5
1902.....	2	5		3	10
1905.....	43	8	(45)	48 7	18
1908.....	6	16		20	42

TABLE 7.—Dresdner Bank.

1895.....	4				7
1896.....	6	4			10
1900.....	10	17			27
1902.....	11	21			32
1905.....	41 14	24	1	48 9	48
1908.....	28	57	1	19	105

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Data for the eight Berlin great banks—Continued.

TABLE 8.—Nationalbank für Deutschland.

End of year—	Number of establishments (main office and branches) in Germany.	Deposit and exchange offices in Germany.	Commandite connections with banking houses in Germany.	Permanent participations in German joint stock banks. ³³	Sum total of institutions.
1895.....	1	9	2		12
1896.....	1	9	3		13
1900.....	1	11	1		13
1902.....	1	10	1		12
1905.....	1	13	2	(49)	16
1908.....	1	17	2	2	22

TABLE 9.—A. Schaaffhausenscher Bankverein.⁵⁰

1895.....	2				2
1896.....	2				2
1900.....	2	1			5
1902.....	4	1	2	3	10
1905.....	61 10	13	1	3	27
1908.....	11	15	1	12	39

In the subsequent table (10) a comprehensive picture of the progress of concentration is given for those provincial banks which are allied with one of the five Berlin great banks, each of which, as we saw, is at the head of a bank group.

The 41 banks which are part of the community-of-interest systems of the great banks—the so-called *Konzernbanken*, exclusive of subsidiary banks (*Tochterbanken*)—show the following development:

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TABLE 10.

Group (Konzern) of—	Branches.	Agencies.	Commandites.	Deposit offices.	Have absorbed.		Communities of interest by ownership or exchange of stock.
					Private banking houses.	Banks.	
I. BANK FÜR HANDEL UND INDUSTRIE (DARMSTÄDTER BANK).⁵²							
1. Breslauer Discontobank	10	1		3	5	1	
2. Ostbank für Handel und Gewerbe	9	2	1	22	6	2	
3. Nordwestdeutsche Bank	8			11	3	4	
4. Bayerische Bank für Handel und Industrie	4			1	3		
II. DEUTSCHE BANK.⁵⁴							
1. Bergisch-Märkische Bank	17		3	8	8	5	
2. Schlesischer Bankverein	13		3	2	2	1	
3. Hannoversche Bank	5			2	1		2
(a) Osnabrücker Bank	11	13			2	4	
(b) Hildesheimer Bank	2		3	2	3		
4. Duisburg-Ruhrorter Bank	4					1	
5. Essener Kreditanstalt	13	8	3		5	3	
6. Siegener Bank für Handel und Gewerbe							
7. Sächsische Bank	8						
8. Essener Bankverein	3		1	2	1		
9. Oldenburgische Spar- und Leihbank	6						
10. Emdener Bank	1						
11. Privatbank zu Gotha	3						
12. Mecklenburger Hypotheken- u. Wechselbank, with the Mecklenburgische Sparbank	1	63					1
13. Rheinische Kreditbank ⁵⁵	13	2	2	3	9	7	2
III. DISCONTO-GESELLSCHAFT.⁵⁶							
1. Norddeutsche Bank	1		1	6	1		

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TABLE 10—Continued.

Group (Konzern) of—	Branches.	Agencies.	Commandites.	Deposit offices	Have absorbed.		Communities of interest by ownership or exchange of stock.
					Private banking houses.	Banks.	
2. Allgemeine Deutsche Kreditanstalt.....	27			15	11	1	6
(b) Vogtländische Bank..	4						
(c) Oberlausitzer Bank...	1						
(d) Vereinsbank in Zwickau.....				1			
3. Barmer Bankverein.....	17			5	5	7	
4. Süddeutsche Disconto-Gesellschaft.....	4	6	1	1	6		
5. Geestemünder Bank.....	1						
IV. DRESDNER BANK. ⁵⁷							
1. Märkische Bank.....	9	2		1	1	1	
2. Rheinische Bank.....	4			1	1		
3. Oberschlesische Bank.....				2			
4. Württembergische Landesbank	2			1	2		
5. Oldenburgische Landesbank..	8	43		1			
6. Mecklenburgische Bank.....	1	50					2
(a) Rostocker Gewerbebank, Aktiengesellschaft.....		26					
(b) Neuvorpommer'sche Spar- und Kreditbank.....		26					
7. Landgräfl. Hessische konzess. Landesbank.....	2						
8. Schwarzburgische Landesbank	6						
V. A. SCHAAFFHAUSEN'SCHER BANKVEREIN. ⁵⁸							
1. Pfälzische Bank.....	16	4		11	11	6	
2. Mittelrheinische Bank, with the Müllheimer Bank.....	3						3
	3						
Total.....	241	325	18	102	89	43	⁵⁹ 16

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NOTES TO APPENDICES VII AND VIII.

1. In alphabetical order. The amounts of share capital and surplus, unless otherwise specified, are as per Dec. 31, 1908.

2. In the case of commandites, i. e. firms in which a bank has a silent-partnership interest, account is taken here of the commandite interests in banking firms.

3. No account is taken of institutions such as the Bank für Brauindustrie (founded in 1899, share capital 7,000,000 marks) which are financing institutions, but not banks proper; for the same reason no mention is made of the Süddeutsche Bodenkreditbank in Munich, founded in 1871 by the Bank für Handel und Industrie, which is represented on its supervisory board, and of the Süddeutsche Immobiliengesellschaft in Mainz, on the supervisory board of which the parent bank is likewise represented.

4. In the beginning of 1906 the two institutions, with the cooperation of the administration of the royal private fortune, transformed the Königliche Württembergische Hofbank, hitherto conducted as a partnership (offene Handelsgesellschaft), into a limited company with an original capital of 10,000,000 marks. In 1908 the three institutions jointly transformed the banking firm Doertenbachels in Stuttgart into a limited company with an original capital of 4,000,000 marks. In 1908 the Württembergische Vereinsbank took over the banking firm Schlack & Fritsch in Aalen.

5. In addition a premium of 10 per cent, equal to 2,500,000 marks, has been paid in, which constitutes part of the legally prescribed surplus.

6. This bank originated from a transformation of the banking firm Hincke, Blüthe & Meininghaus and had branches in Blumenthal (Hannover), Dortmund, Osnabrück, and Vegesack.

7. According to its balance sheet as per Mar. 31, 1905, the Bayerische Bank had a capital of 9,000,000 marks and a surplus of 76,210 marks (13,044 marks of reserve) when the firm was transformed into the Bayerische Bank für Handel und Industrie. The capital was reduced to 8,000,000 marks by an exchange of stock at the rate of 9 old shares for 8 new ones. The 1,000,000 thus set free, together with the existing surplus and the undivided profits for the period Apr. 1 to Dec. 31, 1905, was used to form the new surplus and to cover losses to be written off. With the change of firm the business year was changed to conform with the calendar year period. In the general meeting of Nov. 20, 1905, the capital was raised by 12,000,000 marks, so that at present it amounts to 20,000,000 marks. Of the 12,000,000 marks of new shares 1,000,000 were taken over at the rate of 110 per cent by the Darmstädter Bank, 6,000,000 were used in taking over the good will of the firm Gutleben & Weidert, while 5,000,000 serve to strengthen the operating resources of the bank.

8. No account is taken in this connection of the enterprise founded in 1904-5 under the firm name of the Deutsche-Kolonial-Eisenbahnbau-und Betriebsgesellschaft. Its object is the construction and operation in the German colonies of railroads, minor railways, and harbor facilities. Since

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Apr. 1, 1905, this company has been operating as a lessee the Usambara Railroad in German East Africa; in 1905 it commenced, for account of the Imperial Government, the construction of the Lüderitzbucht-Kubub Railway (about 130 km.) in German Southwest Africa. Neither is any account taken here of the Bank für deutsche Eisenbahnwerte, founded in 1906 (capital 10,000,000 marks, of which 25 per cent was paid in; bonds, 5,000,000 marks).

9. No account is taken here of the Bank für Bergbau und Industrie, the shares of which are partly owned by the Commerz-und Disconto-Bank, for the reason that the former is a financing company.

10. The Munich branch opened in 1906 deposit offices in Munich and Augsburg, while taking over the banking firm Bähler & Heymann in Munich and Augsburg; the Dresden branch opened in 1907 a deposit office in Meissen, and in 1908 one in Radeberg (Saxony).

11. The former commandite Guillermo Vogel & Co. in Madrid has been transformed into a branch of the Deutsche Ueberseeische Bank (see supra. p. 439).

12. No account is taken here of institutions, such as the Bank für elektrische Unternehmungen in Zurich, founded in 1895 with a capital of 33,000,000 francs, and the Bank für orientalische Eisenbahnen in Zurich, founded in 1896 with a share capital of 50,000,000 francs, both of them being financing institutions and not banks proper.

13. In addition the Deutsche Bank undertook the liquidation of the Berliner Bankverein (1875) and of the Deutsche Unionbank (1876), taking over at the same time their customers. See *Deutscher Oekonomist*, Jan. 27, 1906; vol. 24, No. 1205, p. 35. With reference to the La Plata Bank, see above pp. 423 and 433.

14. With reference to the acquisition of shares, a notable instance is the taking over of about 3,000,000 marks of newly issued shares of the Anhalt-Dessauische Landesbank of Dessau in 1905, the capital stock of which was increased by this issue to 12,000,000 marks (see p. 993, sub. a). In 1906 the shares of the Braunschweigische Privatbank and of the Württembergische Vereinsbank were newly acquired, while the share holdings in the Niederlausitzer Kredit-und Sparbank were increased.

15. The firm of David Daniel, of Celle, which had formerly been a commandite of the Hannoversche Bank, was made a branch of that bank, which relinquished its commandite interests in the firms of Menz, Blochmann & Co., Dresden; H. J. Kledwig & Reibstein, Göttingen; and Reibstein & Co., Münden.

16. The Duisburg-Ruhrorter Bank became a branch of the Essener Kreditanstalt in the middle of 1909.

17. The Deutsche Bank in 1904 (effective Jan. 1, 1905) took over a new stock issue of 1,000,000 marks (nominal) of the Oldenburgische Spar- und Leihbank. Unlike the old shares, these have not thus far been listed on the stock exchange.

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18. Under the direction of the Mecklenburgische Hypotheken-und Wechselbank, there was founded in 1906 the Mecklenburgische Treuhandgesellschaft m. b. H. (share capital, 1,000,000 marks), with office in Schwerin.

19. Among stock acquisitions for the last few years we mention 300,000 marks nominal of new shares of the Geestemünder Bank, in 1906—an issue by which the capital of this bank was increased to 1,300,000 marks, and 300,000 marks of shares of the Bayerische Bodenkreditanstalt of Würzburg.

20. The Mannheim branch in 1906 opened a deposit office in Freiburg i. B., which took the place of the firm of Ed. Kaufmann & Fehr, acquired by it.

21. We disregard here institutions, which the Dresdner Bank helped to organize, such as the Bank für orientalische Eisenbahnen in Zurich, or the Zentralbank für Eisenbahnwerte in Berlin, capital stock 6,000,000 marks, these being financing institutions, but not banks proper. For the same reason we ignore the General Mining and Finance Corporation Limited, of London, capital £1,250,000, an institution in which the Dresdner Bank is heavily interested.

22. For an account of the Deutsche Orientbank founded jointly by the Dresdner Bank, the A. Schaaffhausen'scher Bankverein, and the Nationalbank, see p. 1005 under the head of Nationalbank für Deutschland.

23. The permanent investments in the stock of the Eisenbahnbank, and the Eisenbahnrentenbank of Frankfort-on-the-Main are here ignored, as these are financing institutions, but not banks proper.

24. See above note 20. In addition, the Dresdner Bank in 1906 took over all the assets of the Zwickauer Gewerbebank, which went into liquidation.

25. I assume that there exists at least an agreement of regulating the mutual relations of the Dresdner and the affiliated banks, numbered 5 to 8, inclusive.

26. In 1905 10,000,000 marks additional stock was issued, raising the former capitalization to 21,000,000 marks. Of the new issue the A. Schaaffhausen'scher Bankverein took 6,000,000 at par as a permanent participation. At the same time on July 1, 1905, it handed over the business of its branch in Essen to the Rheinische Bank. A former director of the A. Schaaffhausen'scher Bankverein took over the management of the Rheinische Bank and members of the board of managers (Vorstandsmitglieder) of the Schaaffhausen'scher Bankverein took seats on the supervisory board of the Rheinische Bank, as did also the chairman of the supervisory board of the Mittelrheinische Bank. The Rheinische Bank in turn took over in 1906 2,000,000 marks nominal of stock of the Bankverein Gelsenkirchen of Gelsenkirchen (with a branch in Wattenscheid), in the establishment of which it had shared.

27. The banks, numbered 5 to 8, may perhaps better be regarded as affiliated with the Dresdner Bank by contract rather than through stock ownership. In the case of these banks the community of interest is based

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for the time being on permanent stock holdings of the Dresdner Bank, and not upon the mutual exchange of stock.

28. The Mitteldeutsche Kreditbank, Frankfort-on-the-Main, founded 1856, capital stock (since 1905) 54,000,000 marks; surplus (approximately), 6,400,000 marks. It has 6 branches, located as follows: Berlin, Essen, Fürth, Giessen, Nuremberg, Wiesbaden, and 3 commandites—Meyer & Diss, Baden-Baden, the Kommanditgesellschaft Bernard Weinmann, Munich, and Weiss Herz & Co., Mayence. Since 1899 it opened 22 deposit offices (13 in Berlin and Charlottenburg, 1 in Pankow, 4 in Frankfort-on-the-Main, 1 in Höchst, 1 each in Marburg, Offenbach, and Wetzlar. It has 2 agencies (in Büdingen and Butzbach). It has absorbed the following firms:

1898, B. Berlé, Wiesbaden.

1899, S. Pflaum & Co., Nuremberg & Fürth.

1906, Arthur Andreae & Co., Frankfort-on-the-Main; Aron Heichelheim, Giessen; Moritz Heertz, Wetzlar; Hermann Wertheim, Marburg.

1907, North, Kammeier & Co., Essen (formerly a commandite of the Mitteldeutsche Kreditbank).

1909, Otto Goebel, Fulda (acquired to serve as a deposit office). Gebr. Fürth & Co., Hanau (acquired to serve as a branch).

In conjunction with the Disconto-Gesellschaft, the Allgemeine Deutsche Kreditanstalt, and the former banking firm of B. M. Strupp of Meiningen (see p. 996), the Mitteldeutsche Kreditanstalt established as a subsidiary the Bank für Thüringen formerly B. M. Strupp A. G., Meiningen (share capital 10,000,000 marks, of which 5,000,000 marks were paid in.) The latter has twelve branches (in Eisenach, Frankenhäusen, Gotha, Hildburghausen, Jena, Neustadt (Orla), Ruhla, Salungen, Saalfeld, Sonneberg, Apolda, and Pößneck. It has absorbed the former Meiningen branch of the Mitteldeutsche Kreditbank, the banking firms B. M. Strupp and Hermann Lobe at Meiningen (the latter since January 1, 1906), also the banking firms J. G. Böhme & Sohn at Apolda, and Richard Eberlein at Pößneck.

29. No account is taken here of the Bank für elektrische Unternehmungen in Zurich, founded in 1895 with the cooperation of the Nationalbank.

30. In the same year (1905) the Wiener Bankverein opened a branch in Constantinople.

31. In 1907 the Nationalbank took over the clientele of the dissolved firm Strauss, Thalmessinger & Co. in Berlin.

32. The former branch in Essen passed over since July 1, 1905, to the Rheinische Bank (see p. 1015, note 26).

33. No account is taken here of institutions such as the Bank für Deutsche Eisenbahnwerte (share capital, 10,000,000 marks), founded by the A. Schaaffhausen'scher Bankverein in conjunction with other concerns, the former being a financing institution, but not a bank proper.

34. See above p. 1015, note 26, regarding the relations of the A. Schaaffhausen'scher Bankverein to the Rheinische Bank.

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35. No account is taken here of the German oversea banks, nor of the mortgage and brokers' banks. Institutions in which several great banks participate are counted in the table only once.

36. Moreover 6 agencies; no branches in foreign countries.

37. The deposit office in Rostock has been taken over by the Vereinsbank in Wismar.

38. The Bucharest commandite has been transformed (in 1904-5) into a stock company, but does not figure in the table for the reason that it is a foreign bank. A new commandite, Fuld & Co., in Pforzheim, was founded in 1905; the commandite in Dresden, on the other hand, was relinquished in 1905.

39. No account is taken here of the permanent participations in foreign stock companies: The Wechselstuben-Aktiengesellschaft Merkur, in Vienna, the Banca Marmorosch Blank & Co., in Bucharest, and the Bankers' Trading Syndicate, in London.

40. No account is taken here of the permanent participation in the London and Hanseatic Bank (19,302 shares, at £10, paid in, equal to £193,020), the latter being a foreign company.

41. Moreover an agency in London.

42. Moreover two commandites in foreign countries of which no account is taken here.

43. Account is taken only of participations in the shape of stock ownership (see above, p. 988 et seq.). No account is taken in this and the other tables of communities of interest, concluded in turn by each of the 13 allied banks (Konzernbanken). The former are shown on p. 1011 and for each of the bank groups in Table 10, last column. Neither is any account taken of the participation in the Zentralamerika-Bank Aktiengesellschaft, although it has its main office in Berlin.

44. Moreover an agency in London.

45. One commandite in a foreign country.

46. No account is taken of the stock participation in the Rheinisch-Westfälische Disconto-Gesellschaft.

47. Moreover an agency in London.

48. No account is taken of the stock participation in the Eisenbahnbank and Eisenbahnrentenbank in Frankfort-on-the-Main, which are financing institutions but not banks proper, nor of the stock participation in the foreign stock company, Speyr & Co., in Basle, etc. Neither do the figures include the stock participations in the Orientbank and in the Deutsch-Südamerikanische Bank, though the latter has its central office at Berlin.

49. No account is taken of the stock participation in the Deutsche Orientbank, although the latter has its main office in Berlin.

50. The communities of interest entered into by the absorption of the banking house von Erlanger & Söhne (see above p. 1001, sub. a-d) have been enumerated under the head of the Dresdner Bank, which took them over jointly with the A. Schaaffhausen'scher Bankverein. No account is taken here of the stock ownership in the Deutsche Orientbank and the Deutsch-Südamerikanische Bank.

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51. The branch Essen has been dropped (taken over by the Rheinische Bank).

52. The Darmstädter Bank group includes also the domestic subsidiary company, Württembergische Bankanstalt vorm. Pflaum & Co., which has a contractual community of interest with the Württembergische Vereinsbank.

53. In 1905 the Ostbank für Handel und Gewerbe absorbed the Ostdeutsche Bank vorm. J. Simon Wwe. & Söhne in Königsberg. The latter had 2 branches and had absorbed 2 private banking firms.

54. No account is taken here of domestic subsidiary companies (Tochtergesellschaften) doing business within the country and belonging to the Deutsche Bank group, viz, the Deutsche Treuhand Gesellschaft and the Braunschweiger Privatbank Aktiengesellschaft in Brunswick, founded in 1905 by the Hannoversche (Osnabrücker und Hildesheimer) Bank through the transformation of the banking firm Ludwig Peters Nachf.

55. The Oberrheinische Bank (vorm. Köster & Co.), taken over in 1904 by the Rheinische Kreditbank, had 9 branches, 2 commandites, one deposit office, had absorbed 6 private banking firms, and jointly with the Deutsche Bank had a community of interest through stock ownership with the Süddeutsche Bank in Mannheim.

56. The Rheinisch-Westfälische Disconto-Gesellschaft (share capital 80,000,000 marks) is no longer included among the Disconto-Gesellschaft group. At the end of December, 1905, it had 14 branches, 2 commandites, 3 deposit offices, had absorbed 2 private banking firms and 7 banks, and has communities of interest through stock ownership with 5 other banks. The Disconto-Gesellschaft group has been augmented by the accession of the following domestic subsidiary companies: The Bayerische Disconto- und Wechselbank in Nuremberg with 3 branches and 4 deposit offices, which has absorbed 5 private banking firms (see p. 995); the Bank für Thüringen vorm. B. M. Strupp, Aktiengesellschaft in Meiningen, which has 8 branches and in turn has absorbed 4 private banking firms as well as the Meiningen branch of the Mitteldeutsche Kreditbank (see p. 996); and the Revisions- und Vermögens-Verwaltungs-Aktiengesellschaft in Berlin with 2 branches (see *ibid.*).

57. The Dresdner Bank group comprises also the domestic subsidiary company: Treuhand-Vereinigung, Aktiengesellschaft, in Berlin (see p. 1000). The Deutsche Genossenschaftsbank Sörgel, Parrisius & Co., taken over by the Dresdner Bank, had absorbed 2 private banking firms (see above, p. 1000).

58. The Ostdeutsche Bank vorm. J. Simon Wwe. & Söhne in Königsberg (which had 2 branches and had absorbed 2 banking firms), taken over in 1905 by the Ostbank für Handel und Gewerbe in Posen (which belongs to the Darmstädter Bank group) no longer belongs to the A. Schaaffhausen'scher Bankverein group. The Ostbank für Handel und Gewerbe belongs now simultaneously to the Darmstädter Bank and to the Bankverein groups.

59. The smaller number of communities of interest (16 instead of 20, given as per Dec., 1904, on p. 211 of the first edition of this work) is accounted for by the elimination of the 6 communities of interest of the Rheinisch-Westfälische Disconto-Gesellschaft and the accession of two new ones.

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