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► **To cite this version:**

Nicolas Stoskopf. From the private bank to the joint-stock bank: the case of France (second half of the 19th century). 6th Annual Congress of the European Business History Association (EBHA), Aug 2002, Helsinki, Finland. hal-00934946

HAL Id: hal-00934946

<https://hal.science/hal-00934946>

Submitted on 22 Jan 2014

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**From the private bank to the joint-stock bank:
the case of France
(second half of the 19th century)**

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The political revolution of 1848 resulting in the fall of the July Monarchy and the advent of the Second Republic may be regarded as the starting point of the banking revolution in France. Initially, the credit crisis which accompanied these events underlined the failings of a banking system which, until then, had been highly unstable and deficient. The upper echelons of the system admittedly stood up reasonably well, even though operations were reduced: the *Banque de France* continued to fulfil its role as bank of issue and discount house but under very restrictive conditions; the major banking-house system (*haute banque*), comprising private banks – which stood apart by way of age, respectability and mutual recognition - managed the accounts of a wealthy clientele and were responsible for major business (State loans and mining and railway investments). At the lower echelons, however, the lower-ranked regional and local banks - inadequate for the needs of small and medium businesses as well as of ordinary clients even before 1848 - were unable to withstand the crisis and left a gap which was unfavourable to recovery of business¹.

It was in this context that the *Comptoir national d'escompte de Paris* was established, as a matter of urgency, in March 1848. It was the starting point of a banking revolution which flourished under the Second Empire (1852 - 1870) with the establishment of *Crédit foncier* (1852) and the Pereire brothers' *Crédit mobilier* (1852), followed by the foundation of the major deposit banks, the *Crédit industriel et commercial* (or CIC, 1859), *Crédit lyonnais* (1863) and *Société générale* (1864). This revolution continued at the beginning of the Third Republic with the creation of the investment banks - *Paribas* (1872) and the *Banque de*

¹ On the financial crisis of 1848 see A.J. TUDESQ, « La crise de 1847 vue par les milieux d'affaires parisiens », *Aspects de la crise et de la dépression de l'économie française au milieu du XIX^e siècle (1846-1851)*, *Bibliothèque de la révolution de 1848*, 1956, vol. XIX, p. 29 ; A. ROWLEY, « Deux crises économiques modernes : 1846 et 1848 ? », *1848, révolution et mutations au XIX^e siècle*, n° 2, 1986, p. 86 ; N. STOSKOPF, « La fondation du Comptoir d'escompte de Paris, banque révolutionnaire », *Histoire, Economie, Société*, sept. 2002.

l'Indochine (1874)².

The new banking system which was then set up, was very different from the old. The latter comprised simple or limited partnerships whose directors invested their own capital and were liable for their acts to the extent of their entire fortunes; the former were limited liability companies run by managers who were accountable to their shareholders and sometimes to the State, should they have been appointed by the latter. The banking revolution therefore took place at two levels: it renewed the banking offer by allowing banks to use clients' deposits on a large scale and diversify the distribution of credit and it drastically modified banking management practices by appointing salaried directors to head the new establishments.

In his famous article, David Landes pointed out that this divergence should not be exaggerated³; despite appearances, in particular the conflict between the Rothschilds and the Pereires, the new banking system was not created to compete with the old, but to exist alongside it. The heads of the major banking houses (Fould, Bischoffsheim, Blount, d'Eichthal, Mirabaud, Seillière etc.) made a considerable contribution to the foundation of the new establishments. The prosopographic study on the patrons of the Second Empire⁴, applied to Parisian financiers and bankers⁵, enables us to study this question and compare the directors of the old and the new banks, or, if one prefers, of the private⁶ and joint-stock banks. Do they differ in their cultural and sociological characteristics, their professional attitudes or in their banking practices?

I. Two types of banker...

The first fact to emerge from the study is that each of these banking categories had its own distinct type of banker:

- The private Parisian bank was multi-confessional and cosmopolitan but fairly homogenous in its social origins. There were three main branches: the first, native French, comprised Catholics (Davillier, Laffitte, Perier, Seillière), Protestants (André, Neuflyze) and Jews (Fould); the second, was made up of a sizeable contingent of Swiss bankers of reformed religion who began to establish themselves in France at the beginning of the 18th century (Mallet) and continued up until the Restoration (1815-1830); most came from Geneva and its surrounding districts (Dassier, Delessert, Hentsch, Mirabaud, Vernes), with a few from Zurich

² Only the most important establishments are mentioned here. For the full list see P. DUPONT-FERRIER, *Le marché financier de Paris sous le Second Empire*, Paris, 1925, p. 245 ; R. BIGO, *Les banques françaises au cours du XIX^e siècle*, Paris, 1947, 304 p.

³ D. S. LANDES, « Vieille banque et banque nouvelle: la révolution financière du XIX^e siècle », *Revue d'histoire moderne et contemporaine*, III, 1956, p. 204-222

⁴ *Les patrons du Second Empire*, Paris, Picard-Cenomane, 6 volumes published: 1. Normandy, Maine, Anjou; 2. Burgundy; 3. Franche-Comté ; 4. Alsace ; 5. Marseille ; 6. Bordeaux.

⁵ It covers 93 bankers or financiers. Cf. N. STOSKOPF, *les patrons du Second Empire*, 7, , *Banquiers et financiers parisiens*, Paris, Picard, 2002. We refer to this work for bibliographic references on bankers' biographies; with a few exceptions these cannot be printed in the context of this article, given their extreme dispersal.

⁶ The expression "private bank" is not altogether satisfactory since the joint-stock bank is also privately owned; however, the term is used here for lack of a better expression and in accordance with common practice.

(Hottinguer) or Bern (Marquard). Finally, the most recent branch, who settled in France between the beginning of the century and the war of 1870, were German Jewish bankers from the Rhineland (Bischoffsheim, Cahen d'Anvers, Erlanger, Rothschild, Stern) or Bavaria (d'Eichthal, Koenigswarter). A few personalities such as the English Catholic Edward Blount or the Savoyard Frederic Pillet-Will completed this heterogeneous picture.

This remarkable cultural diversity was partly attenuated by mutual professional experience; these bankers usually belonged to families who had been engaged in business trading, and often even in banking⁷, for so long that at the time of the Second Empire they represented the second, third or – as in the case of Adolphe d'Eichthal, a fifth generation banker – even later generations in banking.

The new managers' profile was exactly the reverse, culturally homogenous but sociologically diverse; with the exception of the Italian Cernuschi, co-founder of the *Banque de Paris* in 1869, they were French and mainly Catholic. Yet, almost all of them were new men on the scene, not only to banking but also to commerce, which was not usually part of their family background. In this group we find a significant contingent of noblemen who thus accomplished a spectacular *aggiornamento* to the capitalist economy. They included the Count de Germiny, governor of *Crédit foncier* from 1854 to 1857 and of the *Banque de France* from 1857 to 1863 and of *Crédit mobilier*, which he liquidated; the Marquis d'Audiffret, Chairman of the CIC from 1859 until his death in 1878; the Marquis de Ploëuc, Managing Director of the Imperial Ottoman Bank from 1863 to 1867 and then Sub-Governor of the *Banque de France* from 1867 to 1878 and Baron de Soubeyran, Sub-Governor of *Crédit foncier* from 1860 to 1878. Their colleagues were drawn from a wide social spectrum, ranging from the Delahante brothers, born of a general farming family (*fermiers généraux*) notorious for their wealth and their role as tax collectors under the *Ancien Régime*, and thus part of the financial upper middle class, to Alphonse Pinard, Sub-director of the *Comptoir d'escompte de Paris* from 1848 to 1870, the son of a secondary school teacher.

Their professional careers were equally varied; those who had experience of banking were a minority; they included Emile Pereire, who was employed by the Rothschilds for a long time and Pinard, a partner at a small banking house since 1840. Some started out as lawyers, others as industrialists and still others acquired considerable experience sitting on Boards of Directors before becoming directors. Yet the most frequent and remarkable career path - at the origin of a particularly French tradition - was via the civil service. At the outset, the government became obsessed with the dilution of responsibility in limited companies; this obsession led the *Conseil d'Etat* to refuse all requests for authorization from limited companies until 1848 and to accept them in dribs and drabs thereafter, coupling them with restrictive conditions, ostensibly for the protection of shareholders, until the enactment of liberal laws which ended the control procedures for companies with a capital of less than

⁷ It is for this reason that D. Landes prefers to refer to them by the English term merchant banker.

twenty million francs in 1863, and then for all companies in 1867. These restrictions included the government's right to appoint the directors of credit establishments or at least to approve their appointment. The presence of senior civil servants at the head of the major credit establishments was justified by the need to establish confidence, no longer based on the solvency of a director who was liable to the full extent of his fortune but on recognized competence and a residual authority inherited from the exercise of public responsibility. Thus, when France's first deposit bank, the CIC, was created in 1859, the State insisted on appointing the 73-year-old Marquis d'Audiffret, *Grand Officier* of the *Légion d'Honneur*, Chairman of the *Cour des Comptes*, senator and French specialist in public finance.

Many civil servants, and in particular the finance inspectors, were attracted by the notion of *pantouflage*⁸ ('crossing the floor' from the public to the private sector): Ploëuc, for example, tried to enter *Crédit mobilier* in 1853 and gave up because the salary was insufficient, but he 'crossed the floor' in 1863, when he accepted the directorship of the Imperial Ottoman Bank. Several of his colleagues, including Adrien Delahante, the first director of the *Société générale*, forsook the service of the State and the Prince to serve the shareholder and the client.

The careers of these new bankers bore no resemblance to those of a Rothschild, a Hottinguer or a Seillière. There was Louis Frémy (1805 - 1891), born in the little commune of the Yonne department where his father had been mayor, and orphaned at the age of two; nevertheless he was able to study law, to begin his career as a lawyer and then to enter the *Conseil d'Etat* as an auditor. He became *sous-préfet* of Domfront in 1835 and of Gien in 1837 and was appointed to the Railways Management Commission, where he established relations with many of the investors who shared the railway concessions. He also had political connections, among others with Léon Faucher who took him as departmental head at the Ministry of the Interior in 1848, with Persigny, a faithful ally of Louis-Napoleon Bonaparte and Baron Haussmann, future *préfet* of Paris under the Second Empire. These multiple connections enabled him to start a banking career in 1857 at the age of fifty-two, when he was appointed Governor of *Crédit foncier*. When he resigned in 1877, he was managing credits of the order of two billion francs, significantly greater than those of any other major banking house.

The French language makes no distinction between the various categories of financial professionals, who are all included in the generic term 'banker', but there are doubtless several historical reasons for this lack of precision.

II. Of those who mixed the genres...

When we mention the passages of arms between James de Rothschild and Emile Pereire

⁸ The term *pantouflage*, which means leaving public service for employment in the private sector, appeared in 1878, according to A. REY, *Dictionnaire historique de la langue française*, Paris, Le Robert, 1992.

we usually forget to specify that the latter was not a banker in the strict sense of the term: under the Second Empire he chaired the *Compagnie des chemins de fer du Midi*, the *Compagnie immobilière de Paris*, the *Compagnie générale Transatlantique* and several other insurance or service companies, but he always sufficed himself with a simple administrative position in the board of the *Crédit mobilier*, headed by his brother Isaac after Benoît Fould resigned in December 1854. However, in the eyes of his contemporaries and of historians, *Crédit mobilier* was very similar to a Pereire bank and almost the equal of a major banking house. Admittedly, the Pereire and Fould families subscribed 28.6% of the capital in November 1852 and therefore held a majority of the original capital⁹; they brought men such as Ernest André, Adolphe d'Eichthal, the Duke de Galliera, Charles Mallet and Achille Seillière onto the Board of Directors - these men, imbued with major banking, brought the caution of the old bank to the new. When *Crédit mobilier* was in difficulties in 1867, the *Banque de France* was only prepared to help on condition that the Pereire brothers resigned and personally deposited ten million francs by way of guarantee¹⁰.

The personalization of the management of limited companies may come as no surprise to an observer at the beginning of the twenty-first century, but contemporaries such as the economist Alfred Neymarck found it much more striking; in 1880 he wrote 'In France we have a very fine group of first rank credit institutions (which are) huge associations, vast aggregates of interest, which are limited companies (*sociétés anonymes*) according to the law and their articles of association. Well, well! In reality they are far from 'limited' (*anonymes*). What one sees in them, and sometimes above them, is the name of a talented founder, an experienced administrator, a competent and approved director, a noted and well-known organizer¹¹ ».

Stable management was probably a significant factor in this identification. Biesta and Pinard remained at the head of the *Comptoir d'escompte* from 1848 to 1870-1871, Frémy and Soubeyran at *Crédit foncier* from 1860 to 1877-1878, Henri Germain at *Crédit lyonnais* from its foundation in 1863 until his death in 1905. From here to regarding the company as personal property was just one step that some people give the impression of having taken. At any rate they felt that they were omnipotent and untouchable. This development was particularly noticeable at the *Comptoir d'escompte de Paris* and at *Crédit foncier* after 1860, the starting point of a liberal revolution inaugurated by the Franco-British commerce treaty.

- Though the *Comptoir d'escompte* had been created to meet commercial needs in Paris, it was under governmental pressure to finance external business, particularly overseas and in the colonies¹². This new orientation was orchestrated by its sub-director, Alphonse

⁹ *Bulletin des lois, partie supplémentaire*, 1852, t. 2.

¹⁰ *Crédit mobilier general meetings*, Centre des archives du monde du travail (Working World Archive Centre) (CAMT, Roubaix), 65 AQ A 949-1.

¹¹ Cited by C. JANNET, *Le capital, la spéculation et la finance au XIXe siècle*, 1880, p. 177.

¹² Articles of Association and General Meeting Minutes, *Comptoir d'escompte de Paris*, BNF 4 Wz 3159 et 4324.

Pinard, who was closely associated with Chasseloup-Laubat, the Minister for the Colonies: he was so committed to it that in October 1860 he personally subscribed 4.7% of the capital of *Crédit colonial*, established under the patronage of the *Comptoir d'escompte*, of which he became Chairman¹³. He formed an alliance with Louis Bischoffsheim and Edouard Hentsch, two major bank heavyweights, to found the *Banque de dépôt et de crédit des Pays-Bas*, the forerunner of *Paribas*, in March 1863 and the *Société générale* in May of the following year. When the shares were subscribed he took 16 000 for the *Comptoir* and 7 450 for his own account - a capital investment of 3 725 000 francs¹⁴. The *Comptoir* specialized in French foreign loan business from 1864 onward and Pinard 'gambled' recklessly with the company's money and with his own. Rumour had it that the *Comptoir* had 15 million francs' worth of its director's discounted bills in its portfolio! Pinard was under attack - from shareholders at general meetings, in lampoons and in the press. He was accused of betraying the *Comptoir's* original mission, of scarcifying money in France, of using the company for his own personal ends, of getting rich at the shareholders' expense and on the backs of the investors who subscribed to the *Comptoir's* 'rotten' loans¹⁵. All of this was probably true, but Pinard could count on his political protectors and take refuge behind the excellent results of his establishment which paid out a dividend in excess of 10% from 1864 to 1868.

- At *Crédit foncier*¹⁶, Frémy and Soubeyran did not draw a very clear line between their public function and their private affairs either: Frémy, for example, chaired a number of companies whose activities would clash with those of the establishment of which he was Governor. When *Crédit foncier* was in difficulties following the Egyptian bankruptcy of April 1875, Soubeyran behaved like a major banking house patron: he placed a governors' guarantee of sixteen million francs on the table, fifteen million of which he provided himself. When the Government revoked his appointment in August 1878, to the amazement of his fellow colleagues, who had stood in admiration of his competence, Soubeyran at least had the satisfaction of seeing the Egyptian operation - which could have been disastrous - finally settled, with a gross profit of thirty-eight million for *Crédit Foncier*¹⁷; however, he was never able to recover his fifteen-million-franc guarantee deposit and the major part of his will, drafted in January 1890, was devoted to enjoining his heirs to continue fighting for its restitution¹⁸. Several times he had occasion to explain why he had acted in such a manner; he believed that bankers, even in limited liability companies, should put their personal fortune on the line in order to inspire confidence in their partners and their clients, their wealth being the

¹³ *Bulletin des lois, partie supplémentaire*, 1860, t. 2.

¹⁴ *Bulletin des lois, partie supplémentaire*, 1864, t. 1.

¹⁵ *Comic-Finance*, 21.4.1870 H. MATHOREL, *La situation de nos sociétés de crédit: Le Comptoir d'Escompte*, 1873, 23 p.

¹⁶ J.P. ALLINE, *Banquiers et bâtisseurs, un siècle de Crédit foncier, 1852-1940*, Toulouse, 1984, p. 1-99.

¹⁷ On the Egyptian loans, see also J. BOUVIER, « Les intérêts financiers et la question d'Égypte (1875-1876) », *Histoire économique et histoire sociale*, Droz, Geneva, 1968, p. 241-269.

¹⁸ Inventory after death, 19.2.1897, M^e Constantin, National Archives (Fontainebleau Centre), MC XXVI-1520.

ultimate proof of their competence. As far as his opponents were concerned (among them the Pereires and the Republican left), his success was proof of his dishonesty.

Private bankers, on the other hand, took the opposite path, as we have seen in the case of the Pereires and the Comptoir d'Escompte: they agreed to commit part of their fortune to the 'vast interest aggregates' and to lend their name and reputation to the new companies. Frédéric Pillet-Will was an exception; he distanced himself from all the financial groups of his time and constantly demonstrated his hostility to the new joint-stock banks. Among his fellow bankers, the prospect of profit took precedence over respect for outmoded principles: David Landes is correct in declaring that "the joint-stock banks promised to be profitable businesses which, far from clashing with the established framework of their activities, seemed to be in perfect harmony with it".¹⁹ The first to understand this and to declare himself in favour was Benoît Fould, co-founder and short-term Chairman of *Crédit mobilier*, before attacks of insanity forced him to resign. He had many imitators, including Louis Bischoffsheim, Chairman of the *Banque franco-égyptienne* (1870-1873), Edouard Hentsch, Chairman of the *Comptoir d'escompte* (1873-1889) and Edward Blount, Chairman of the *Société générale* (1886-1901), etc. The latter was an exception, having liquidated his personal businesses, but the rule was to combine the management of a private bank and one or two joint-stock banks. In this respect Armand Donon and his associates Maurice Aubry and Jules Gautier were typical: their private bank Donon, Aubry, Gautier & Co, founded in 1851, immediately took its place among the leaders in the market, acting as a small-scale *Crédit mobilier* and investing the deposits of several large clients such as the Count de Morny, the Emperor's half-brother, in France and overseas. Donon joined up with William Gladstone - of the London bank J. Thomson, T. Bonar & Co. - a cousin of the English statesman of the same name, in promoting joint-stock banking on the English model in France. Their efforts resulted in the foundation in 1859 of the CIC - of which they subsequently lost control²⁰ - and of the *Société de dépôts et de comptes courants* in 1863, of which Donon was appointed Chairman. Subsequently, they linked up with the CIC to found similar establishments in the provinces in Lyon, Lille, Marseille and Bordeaux, with more specialized real estate and investment banking companies in Paris (*Société financière de Paris*) or even popular banks (*Caisse centrale populaire*). In every case, Donon and his personal associates in Donon, Aubry, Gautier & Co, and the other companies in the group subscribed a significant part of the new company's capital. In the end Donon controlled a large group of companies, built around a private bank of which the partners, their families and their friends in the political and financial worlds were directors of many limited companies.

The absence of a definite dividing line between private and public money, private and public business or between business and politics is altogether typical of the climate of

¹⁹ D. LANDES, *op. cit.*, p. 217.

²⁰ G. BEAUJOUAN and E. LEBÉE, «La fondation du Crédit industriel et commercial », *Histoire des entreprises*, 6, November 1960, p. 5-40.

political racketeering (*affairisme*) which reigned under the Second Empire and at the beginning of the Third Republic. It has often been denounced as immoral. Its economic effectiveness remains to be seen.

III. For a brief period of euphoria

If we may judge by the international spread of French capitalism in the third quarter of the nineteenth century, it must be recognised that the banking system established from 1850 onward was particularly effective²¹. It was as if French savings were a dormant nest egg which only needed to be called upon in order to reveal its full potential. The phenomenon was explosive, particularly under the aegis of the Pereire brothers and *Credit mobilier*, who multiplied their major international operations between 1853 and 1856; they included the co-foundation of the *Darmstädter Bank* (1853), financing the Mines and foundries of the *Vieille Montagne* in Belgium (1853), founding the Austrian State Railway (1854), the *Crédit mobilier espagnol* (1855), the Russian Railway Great Company (1856)²², etc. Rivalry with the Rothschilds was a further stimulant to this expansion in which other French groups took part, particularly after 1860: French capital was dominant in Spain, Italy, Austria, the Ottoman Empire, Egypt and Tunisia etc. When Bismarck imposed an indemnity of five billion francs on France under the Treaty of Frankfurt, everyone was amazed at the ease with which the territorial liberation loans were raised in 1872–1873. We may wonder whether this remarkable efficiency is to be attributed to political racketeering - if, in other words, the mixture of genres observed in the bankers' behaviour also extended to banking practices.

To answer this question we should start with the private Parisian bank, and in particular its elite, the major banking houses. Unlike the London exchange, with its specialized establishments, each with very specific functions²³, the major banking houses were non-specific: the same houses undertook classic banking operations (exchange, discount, recoveries), financial operations (issuing loans and company shares), as well as international trade and direct investment (railways, mines, heavy industry, real estate)²⁴. Admittedly, we can discern certain orientations which reveal very precise strategies; thus the Seillière bank was very active in financing the European steel industry, granting sizeable advances to Schneider, Wendel and Krupp; the Hottinguers had a solid position in transatlantic commerce and the Marcuard-Andrés main interests were in the Mediterranean. Yet this kind of specialization did not lead to a sharing of markets or to a real division of labour. On the contrary, the activity of a Charles Lafitte, striking by way of its sectorial and geographical eclecticism, was doubtless more representative of this all-purpose bank, a bank for all types of

²¹ Cf. R. CAMERON, *France and the economic development of Europe, 1800-1914*, Princeton, Princeton University Press, 1961, 586 p.

²² R. CAMERON, « The Credit Mobilier and the Economic Development of Europe », *Journal of Political Economy*, LXI, 1953, p. 461-488.

²³ Cf. Y. CASSIS, *La City de Londres, 1870-1914*, Paris, 1987, 235 p.

²⁴ D. LANDES, « Vieille banque... », *loc. cit.*, P. 207-214.

business, which first and foremost kept an open mind in seeking the best opportunities for making a profit, as soon as the opportunity arose: under the Second Empire, Lafitte was chairman of the Victor-Emmanuel Railway Company (Piedmont-Sardinia), obtained the concession for Cordova-Seville, speculated in the Bois de Boulogne land at the gates of Paris, financed a canned-food company at Meaux, issued an Egyptian loan, took a passing interest in an Ottoman bank creation project, set up the *Compagnie des lits militaires* and administered the Maubeuge blast furnaces.

The banking revolution should have established some order in these practices by setting up a specialized, hierarchic banking system. This was also the main concern of the Pereire brothers who, as good disciples of the Count de Saint-Simon, wanted to end the anarchy of liberal capitalism, damaging both to entrepreneurs and to workers, and to replace it with harmonious organisation of production²⁵. The Pereire brothers were already very much involved in the creation of the *Comptoir d'escompte* and *Crédit foncier* and they believed they could achieve their objectives through *Crédit mobilier*: the basic idea was to centralise the financing of major enterprises by issuing debentures which would attract dormant savings and replace the multitude of certificates on the market with a single bond - an 'omnium' bond - which would distribute credit throughout the French economy. This centralisation would be the prelude to a progressive merging of all enterprises in the same sector into a single company. The process knew no apparent limits: in 1855, Isaac Pereire not only explained the need to create similar establishments abroad, but also envisaged the issue of a European credit bond which would eliminate the differences in interest and exchange rates in the various financial markets. The Pereire brothers were visionaries who came up against powerful opponents: the Rothschilds, who denounced their hegemonic ambitions, but above all the State, which prohibited *Crédit mobilier* from increasing its resources by issuing short- or long-term debentures; they were never able to realize their ambitions and their failure to gain acceptance for their ideas was at least as great as the failure of their business enterprise.

Whilst the interventionism of the Bonapartist State initially got the better of the school of Saint-Simon, the liberal turning point of the 1860s was the heyday of 'capitalist anarchy'. The apparent specialisation of the major credit establishments such as *Crédit foncier* or the *Comptoir d'escompte* was progressively diminished either by changes in the articles of association or by the creation of subsidiaries with more liberal articles. Thus in 1860, Frémy, the Governor of *Crédit foncier*, founded the *Crédit agricole* and managed to ensure that the new establishment could operate in ways which were prohibited at *Crédit foncier*. His resources were partly diverted through his Marseilles branch to highly remunerative unsecured short-term investments in Turkey, Russia, and Tunisia and above all in Egypt²⁶. As Chairman, in a private capacity, of the *Société générale Algérienne*, a company which could

²⁵ B. GILLE, *La banque en France au XIX^e siècle.*, Geneva-Paris, 1970, pp. 15-143 and 163-183.

²⁶ A. GUESLIN, *Les origines du Crédit agricole*, Nancy, 1978, p. 110-115.

compete with *Crédit foncier* when necessary, Frémy also distanced himself from his obligations under the treaty with the State, which was signed in May 1865: instead of undertaking works in Algeria on behalf of the State and supplying the necessary funding, he turned the company's resources to more directly and rapidly profitable operations such as the territorial liberation loans of 1872 – 1873, advances to the Spanish Treasury and the Spanish Mortgage Bank and other foreign loans. At the beginning of the Third Republic, it was common knowledge that the Hôtel d'Evreux, the residence of the Governor of *Crédit foncier*, was the place where all major business was shared out among the Parisian bankers.

The example of Frémy and *Crédit foncier* was indicative of a marked trend in the French banking system, i.e. the progressive slide of specialist establishments towards mixed banking, the all-purpose bank which was undifferentiated and modelled upon the private bank. They were joined by the deposit banks established in the 1860s (*Crédit lyonnais*, *Société générale*), even when this was not their original intention: Armand Donon, for example, championed the notion, in France, of the distribution of banking tasks and a deposit bank along English lines, in which the assets were as liquid as their liabilities, concentrating solely on short-term credit²⁷. Yet he did not strictly adhere to his own beliefs when he created a multifunctional group; although it was made up of separate companies, these were financially interconnected for better or - as was finally the case - for worse. The new managers not only aligned themselves to the behaviour of traditional bankers but they also constantly competed with them on their own territory and shared the best sources of profit with them. The scope of the banking revolution was thereby greatly reduced; it applied to obtaining resources but it made few innovations in respect of utilisation of same. The new bank did not strike out in new directions, but extended the old system, of which it was the culmination. Its effect was quantitative rather than qualitative: it was content to merely deliver a solid boost to French capitalism.

However, the euphoria was of short duration and the aftermath was like the painful hangover which follows one drink too many. The Great Depression provided the necessary toxic agent and the effect was maximised when Republican politicians settled a few accounts with bankers who were regarded as creatures from the Second Empire. Most of these new managers, as we have already seen, had generally allowed their private and public interests to overlap and were sanctioned one after another by the government or by the market:

- At *Crédit foncier*, as we have seen, Frémy was obliged to resign in January 1877 following the Egyptian bankruptcy and Soubeyran was dismissed in August 1878. .

- 1882 was marked by the most famous crash of the era, that of the *Union générale*, a Catholic bank, founded in 1877 and directed by Eugene Bontoux, who cannot be omitted

²⁷ He defended these positions at the Study into the principles and general facts governing fiduciary and monetary circulation (*Enquête sur les principes et les faits généraux qui régissent la circulation monétaire et fiduciaire*), 1867-1869, t. I.

from this chain of disasters, though his was a particular case²⁸.

- Guillaume Denière, however, as Chairman of the *Société générale* from 1868 and Regent *Banque de France*, was both an eminent player in the banking revolution and a pure product of Second-Empire racketeering: he received, for example, rent from the Société Générale branch which occupied premises in the Parisian building he owned. In 1866 he was dismissed after revelations about bribes which he had demanded for bringing the *Société générale* into the Peruvian guano business and accusations that he had placed his private interests before those of the company.

- In 1889, Edouard Hentsch, Chairman of the *Comptoir d'escompte*, paid dearly for his lack of vigilance regarding the imprudence of his Director, Eugène Denfert-Rochereau, the son-in-law of Alphonse Pinard, who involved the *Comptoir* in a disastrous speculation in copper²⁹. It proved fatal for the *Comptoir d'escompte*, the private bank Hentsch Frères & Co and for the Hentsch family³⁰.

- In 1891, the depositors of the *Société de dépôts et de comptes courants* (chaired by Armand Donon) made a run on the company which duly succumbed as it was unable to realise its assets. The company was liquidated, with heavy losses for the shareholders, for some of the administrators, who paid out 20 million francs to cover part of the debt, and for Armand Donon, who served six months in prison and went totally bankrupt.

- Finally, Soubeyran, who had set up a powerful financial group combining a investment bank, mortgage company and a real estate and insurance company, was forced into bankruptcy in 1894.

These repeated failures marked the death throes of the mixed bank in France and, with it, that of the conduct inherited from the Second Empire. The joint-stock bank, arising from the ashes of a totally defective banking system in 1848 and carried by new men, never really succeeded in establishing its autonomy. It remained immature and was caught up by the old system which eventually imposed its own conduct and methods. The new managers acted as if they owned the capital and took a great many liberties with their shareholders and the articles of association which they were supposed to respect. While the economic and political environment remained favourable they met with financial success but the spectre of failure darkened the horizon at the end of the 1870s. The few that managed to escape disaster were either those who had already died or those who had been more far-sighted and above all more prudent. As Jean Bouvier demonstrated, Henri Germain, Chairman of *Crédit lyonnais*, felt the wind change and in the 1870s he adapted his establishment to the new economic and political

²⁸ Cf. J. BOUVIER, *Le krach de l'Union générale, 1878-1885*, 1960, 308 p.

²⁹ E. KAUFMANN, *op. cit.*, pp 243-247; C. Jannet, *op. cit.*, p 320-331.

³⁰ R. HENTSCH, *Hentsch, banquiers à Genève et à Paris au XIXe siècle.*, Paris, 1996, p. 286-303.

context by withdrawing from risky investments and specializing in short-term credit³¹. The French savings banks henceforth turned overwhelmingly to investment in gilt-edged securities, i.e. Russian loans.

³¹ J. BOUVIER, *Le Crédit lyonnais de 1863 à 1882, les années de formation d'une banque de dépôts*, (*Credit Lyonnais from 1863 to 1882, the Formative Years of a Deposit Bank*) vol. 2., Université de Paris, 1961, see in particular p. 891-902.