RIVALS AND PARTNERS

Banking and Industry in Europe in the First Decades of the Twentieth Century

BY

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Introduction

It seems appropriate that in the era of 'enterprise culture' we take a closer look at the historical context of relations between banking and industry.

The significance of the mutual relations between banks and industrial enterprises in neither furthering or hindering industrialization, in the process of concentration, in business cycles and in economic growth generally have been the subject of speculation and debate since the turn of the century. Renewed interest among economic historians was engendered by Alexander Gerschenkron's essay on relative economic backwardness in historical perspective in the early 1960s. Recently, the rediscovery of Rudolf Hilferding's Finanzkapital (published in English for the first time in 1981) has brought the question of the interactions of banking and industrial capital again more vividly to our attention. The persuasiveness of these two theories which closely resemble each other but differ substantially in their general conclusions greatly influenced thinking not only of academics but - in Hilferding's case - also of a wider politically-minded public. Perhaps it is not uninteresting to look at some of the theoretical assumptions in the light of the present state of research.

In my comments which should be taken as an introduction to the discussion I shall be concerned with 'universal' or 'mixed' banks

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which combined the short-term business of deposit banking with the long-term business of investment banking, and also provided stockbroker services, managed their clients’ portfolios, acquired shares and voted their own and their customers’ stock at general meetings of joint-stock companies. Except for Britain and France this type of banking became prevalent in continental Europe during the buoyant expansion of capitalism since the 1880s. Close relationships between industrial companies and banks built up everywhere basically on the same lines, however, their evolution proceeded rather differently in different countries. Geographically I shall have to limit my illustrative evidence to the Central European area within which development is strongly similar, namely to Germany (often regarded as a model) and Austria, that is Austria-Hungary till 1918 and its successor states after that (often regarded as a deterrent example). Within the Scandinavian countries 'universal' banking developed on similar lines. This is evident from the research and writing, especially by Swedish colleagues.4

At the same time I take the opportunity to chart some of the historical background to a research project in progress investigating the credit-financing of industry by banks in Austria, Hungary and Sweden conducted by a team of scholars from these countries and Britain.5

The spread of 'universal' banking accompanied the rapid rise of large-scale enterprise, monopolistic and oligopolistic formations and cartels. This led to disquiet about excessive concentration of economic power coupled with concern about an apparent dominance of banks over industry. How relatively quickly this historical development was realised by contemporaries is documented by the very first book on cartels by Friedrich Kleinwächter which was published in Innsbruck in 1883.6 It may seem improbable that the very first systematic description of concentration in industry, trade and finance should appear on the territory of the Habsburg Monarchy, which in economic historiography is held to be severely lagging behind in industrialization. But, in my opinion, the backwardness of the Austro-Hungarian
The economy has been overstated in macroeconomic assessments. This view endures mainly because the uneven economic development of this multinational Empire has not been sufficiently taken into account, particularly not the historical fact that parallel to harbouring some of the most economically backward regions of Europe in its Southeastern parts - its Western parts (Bohemia, Moravia, Silesia and Austria) experienced an industrial revolution similar to Western European countries. This capitalist development in Austria-Hungary cannot exclusively be explained by Gerschenkron's theory of relative economic backwardness.7

Contrary to the widespread assumption that, after the failure of the crédit mobilier in France, Germany became the home of 'universal' banking par excellence, it is actually to be found in its purest form in Austria-Hungary, at least from the last quarter of the nineteenth century. Contemporaries, even high officials in the Austrian Ministry of Finance, saw the relationship between industry and bank capital as one of power, where they supposed the power in the most expressive form to lie with the banks.'

The first attempt to analyse bank-industry relations emanated again from this part of the world. Rudolf Hilferding's Finance Capital completed in 1909 and first published in Vienna in 1910 was influenced by conditions in the author's homeland. He himself says: 'Austria... provides the clearest example of the direct and deliberate influence of bank capital upon cartelization.'9

Of course, Hilferding examines the interlocking of bank and industrial capital which he terms 'finance capital' not merely in Austria but also in Germany where the financing of large industrial concerns by and through banks intensified to such a degree before the First World War that he drew the precipitate political conclusion from his assumption of the supremacy of banks over industry that capitalism can be replaced by socialism with one stroke. He writes: 'Even today, taking possession of six large Berlin banks would mean taking possession of the most important spheres of large-scale industry, and would greatly facilitate the initial phases of socialist policy...10
The dominance of banks over industry was, and largely is still assumed. Thus a few years ago the prestigious German newspaper, the Frankfurter Allgemeine Zeitung published a voluminous survey of the world's bankers and banking systems in which — in the historical context of European banks — their 'universality' is seen as the seat of power.11 Similarly, the well-known Spiegel recently emphasized the dominance of banks over industry in a feature article.12 While I consider this to be an oversimplification, the hypothesis of a potential hierarchical relationship in the interactions of banks and industrial enterprises can be a useful tool in empirical research.

Gerschenkron, who incidentally also has an Austro-Hungarian background, reproduces essentially Hilferding's chain of thought when he assesses the role of banks in financing industrial companies and in furthering concentration, also his ideas do not differ from those of Hilferding when he discusses the banks assuming control of their industrial client enterprises in various ways: above all, by capital or credit participations, and by banks' representatives on the boards of directors of their subsidiary companies. But he differs from Hilferding fundamentally in interpretation: Gerschenkron does not regard the dependence of industrial enterprises on banks as a necessary result of capitalist development but as limited to a group of 'latecomer' economies for a limited period, e.g. until they overcome the initial scarcity of capital.13 Thus a 'missionary' task in promoting industrial companies is assigned to the credit banks in pre-1914 relatively backward European countries. In the view of some authors the banks carried this 'missionary' activity over into the interwar period. However, at that later date not so much promoting enterprise but rather rescuing their own industrial subsidiary enterprises.14

Gerschenkron's plausible theoretical statements greatly stimulated empirical work of his own students as well as of scholars particularly in Germany, Austria and Sweden on the role of banks in 'latecomer' economies (a term which became almost
universal, i.e. for every country except Britain and, perhaps, France). But the evidence produced by researchers proved Gerschenkron's generalization to be wrong almost everywhere. For the pre-1914 period both assumptions, the scarcity of capital and the decisive role of banks in furthering industrialization, were tested and found to be in need of revision. But also the widely held assumption of the banks' supremacy over industry postulated by Hilferding is being again scrutinized. At Bielefeld University two dissertations by Volker Wellhöner and Harald Wixforth, supervised by Sidney Pollard, are nearing completion which test the theory of bank supremacy in Wilhelmine and in Weimar Germany. Their empirical research in the Company archives of Germany's largest combines of heavy industry reveals the need for a much more differentiated approach to bank-industry relationships.

While there exist empirically based studies concerned foremost with bank-industry relations in pre-1914 Europe, very little has appeared covering the interwar period. One of the main stumbling blocks has been the problem of access to Company and bank archives. Therefore, research has been accidental, rather fragmentary and uncoordinated.

Yet, the main findings with regards to 'universal' banking in European countries before the First World War signpost the way to the postwar period as there was no break in the process of concentration of industrial and financial capital - on the contrary it accelerated - neither did the need for credit-financing of industry by banks diminish - indeed through the turmoil of inflations and crises it rather intensified. Therefore I want to illustrate bank-industry relations in the context of 'universal' banking during the decades from the turn of the century to the 1930s.
The German case

Richard Tilly sums up his studies of ‘mixed’ (universal) banking in Germany between 1870 and 1913 as 'development assistance for the strong'. In that period, according to Walter Hoffmann the value of mixed banking assets rose from 6 to 20% of the estimated total value of stock of industrial capital; at the same time the concentration of banks progressed and in 1913 five of the largest Berlin banks held half of these assets. Since 1884 Company law in Germany favoured big business and facilitated concentration. Largeness bred further largeness as banks handled large transactions either by themselves or in syndicates and consortia, and acting as housebanks each of them concentrated on a few powerful industrial clients, for whose business they competed. The leaders of the ‘mixed’ banks like the leaders of big business belonged to the financial industrial elite.

Altogether Tilly estimates that the big credit banks took up about 20% of credit-financing of industry. Thus a great deal of investment and economic activity was being financed outside the purview of credit banks. Enterprises of all sizes covered a large part of their financial needs by self-financing – not least the largest, judging by the relatively big credit balances the great industrial companies held at various banks, not only at their housebanks.

Thus the leading German ‘mixed’ banks during the whole period under review here concentrated on large industrial enterprises and systematically neglected an important part of Germany’s financial business. Traditionally – not only in Germany – the basic principle of the policy of the ‘mixed’ banks was to do business with the state, important industrialists and the soundest and safest enterprises in industry and commerce. This is fully borne out by Wellhöner’s and Wixforth's research in the Company archives of the biggest Rhein-Ruhr concerns.
War finance and inflation (1914-23) seemed to have increased the financial independence of industry in relation to banks inspite of the fact that industrial enterprises relied more heavily on borrowing than before the war, much of which was taken up in short-term credits provided by the banking system. Walter Hoffmann estimates that the share of the banks in the total volume of finance provided by financial intermediaries rose from 52% in 1910-13 to 68% in 1925-9. Industry was the most important client of the banking system accounting for 61% of all bank credits, as was established by the Enquete of 1931 (part of a comprehensive Government Investigation in Germany at the end of the 1920s).

Nevertheless, as a result of the intense concentration movement of the 1920s the consolidated industrial giants had direct access to the capital market at home and abroad; they benefited from the competition of banks for their custom which reduced the power of the banks. In addition, foreign banks competed with German big banks for the large transactions of German big business.

Although in the late 1920s 1300 bankers occupied 5800 seats on boards of industrial and commercial companies, which might be seen as an expression of banking influence, the large banks' dependence on foreign, mainly American capital and the many fusions within the German banking system before 1929 sapped their strength. When the economic situation deteriorated in 1930 the banks' hidden reserves were exhausted as they had been used to cover losses and to maintain a steady dividend.

With the crash of the Darmstädter und Nationalbank on 9th July 1931 the Bruening government took over direct responsibility not only for the bank in difficulties but successively for the other big credit banks. State intervention rescued the 'universal' banking system. However, Company law was amended in September 1931 to ensure better publicity, security of joint-stock companies and banking control by a special government supervisory body was introduced in 1934.
With government funds great fusions of banks took place with the state retaining the majority of shares of the surviving big credit banks, the smaller and many provincial banks falling by the wayside. This did not mean that banks were nationalized, only the losses were 'socialized'. It was the intention of the German government to reprivatize the banks as soon as they recovered sufficiently to pay a dividend. This was done by the Hitler regime in 1936/7. Generally, the financial status of the big 'universal' banks was greatly reduced by the crisis (capital and reserves of the big Berlin banks fell by 43% in 1932 as compared to 1930, and capital and reserves of all credit banks by 33%), so was their competitive strength vis-à-vis their industrial clients. The ensuing preparations for war under National Socialism were based on deficit spending by the state and not on bank capital, although the banks continued to function as intermediaries.

In addition, the big German companies held large liquid reserves in the 1930s which Tilly estimates at 35-40% of their net capital as against 10% in 1913 and they themselves speculated buying and selling bonds and shares both with and without the intermediary of banks.

There is no discernible division between industry and banking for, in pursuing their own interests under changing economic conditions industrialists and bankers went both with and against each other.
The Austrian Case

Taking into account the volume of joint-stock bank assets before the First World War the Austrian banking system compares very favourably with that of other developed European countries. Like their counterparts in Germany the 'universal' banks of the Habsburg Monarchy preferred to participate in, and/or grant extended credits to already established and thriving enterprises. From its very beginnings in the 1850s the leading Austrian commercial bank, the Credit-Anstalt für Handel und Gewerbe, did not see its role in encouraging entrepreneurial spirit when promoting industrial companies. In the light of empirical evidence the idea of banks performing a 'missionary' task in furthering industrialization can neither be upheld for Austria nor for Germany.

However, in the case of Austria-Hungary external conditions, determined the specific closeness of banks and industry. Industrial joint-stock companies avoided long-term credit and chose rather the path of new share issues through banks, because taxation unfavourably affected the growth of joint-stock enterprise and Company law until its amendment in 1899 hindered the development of an adequate capital market which, consequently, was largely replaced by the big credit banks.

According to Alois Mosser’s work on Company balance sheet analyses covering the period 1880 to 1914 in the Austrian half of the Dual Monarchy the majority of joint-stock companies drew on capital in two ways: firstly, from their own resources, and secondly, by taking up short-tenn credit from banks and, eventually, repaying them by new share issues. In aggregate credit to joint-stock companies rose fourfold during the whole period 1880-1913; during the same time long-term credit decreased relatively to short-term credit.
The Austrian banking system performed the usual functions of accumulating and mobilizing capital like that of other developed countries but it played a much greater active role in utilizing it.\textsuperscript{30} Since there existed no legal limits to share-ownership by banks, they secured their credits by acquiring shares preferably in the largest and soundest industrial enterprises, they strengthened their supervision through interlocking directorships, they were initiators or mediators of mergers and they encouraged cartelization. They themselves often took over marketing functions of enterprises belonging to their sphere of interest by establishing sales departments, or they acted as cartel bureaux for whole sections of industry (sugar, coal, wood). By the eve of the First World War eight great Viennese banks held about two thirds of the total capital of all financial institutions of the Empire;\textsuperscript{31} they had secured strategic positions in almost all branches of industry, they reached from Vienna to all territories of the Monarchy. In the Hungarian part of the Dual Monarchy only one bank could be compared to the leading Vienna banks, the Hungarian General Credit Bank, which itself was linked to the Austrian Credit-Anstalt. Ranki writes that in 1913 it controlled 63 industrial enterprises which amounted to 16% of the total capital of Hungarian joint-stock companies.\textsuperscript{32}

When the League of Nations examined the shattered Austrian financial system the famous Layton-Rist report says of the function of the Vienna banks in the pre-1918 period:

\begin{quote}
'They served every relatively important operation in all areas: share issues, formation of syndicates, placing of loans or any larger industrial credit. Relations with international finance concentrated in Vienna - here foreign credits were taken up and administered for the entire Empire. Viennese banks led the penetration of Eastern and Southeast Europe with Austrian capital.'\textsuperscript{33}
\end{quote}

At the time of the break-up of the Habsburg Monarchy the big Viennese 'universal' banks stood suddenly at the centre of multinational diversified concerns. About these Phil Cottrell and I have written elsewhere.\textsuperscript{34} Here I only want to point out that in the short period from 1919 to 1923 the leading Vienna banks were penetrated by international capital.
The further evolution of bank-industry relations in the successor states during the interwar period was strongly marked by the pre-war system. Thus parallel developments in Austria’s, Czechoslovakia’s, Hungary’s, Poland’s, Italy’s and Yugoslavia’s bank-industry structure continued after the dissolution of constitutional ties. Summing up the common features of this banking system which was carried over into each successor economy the following points can be made: The 'universal' banks remained the traditional source of finance for industrial enterprises. The banks' assets were largely made up of industrial equity, the prices of which were falling in crisis conditions and thus could not be sold even had the banks wanted to do so. Deposits were mostly insufficient and towards the end of the twenties decreasing. The banks borrowed heavily abroad mainly on a short-term basis, channelling funds to the industrial companies in their concern. Liquidity problems arose perennially, and the concentration of banks through mergers intensified.

Having said this I want to concentrate on Vienna, the former financial centre of the Danubian Basin, where bank-industry relations were dramatically affected by the disintegration of the Empire, mainly because the big Viennese commercial banks tried to carry on 'business as usual' in very much changed circumstances. Expecting to recover their role as financial leaders they kept a hand in credit-financing at least a part of the former Empire's business," although most of their branches and a large section of their subsidiary industrial enterprises had been severed from them through the policy of nostrification of the successor states (this involves the transfer of seats of companies the new states). Above all, they lost control over their most profitable industrial enterprises in Czechoslovakia.36

Contrary to the policy of German banking and industry, which after 1918 tried to prevent foreign penetration," the Vienna banks were keen to attract foreign capital from the countries of the Entente. Like the Austrian government they assumed that the shrunken Austrian economy would not be viable without foreign support.38
During the inflation of the early 1920s the demand for credit by industry rose steeply and was met by the banks at the price of plunging the banking system in Austria more and more into foreign debts. For a prerequisite for the expansion of advances to industrial enterprises was a steadily growing indebtedness of the Viennese banks in Western Europe and the USA. Taking account only of foreign short-term indebtedness of the biggest banks, it rose ca. threefold from 1924 to 1930 (from 370 Austrian Shillings to 980 Austrian Shillings).39

In this period industry became to a much higher degree dependent on bank loans than before 1913, and the banks, on the other hand, increased their share-ownership in their dependent companies. This policy of borrowing short and lending long cannot be seen as a selfless money-offering by the banks to industry. Because, in trying to demonstrate their own creditworthiness, the banks had to keep their industrial debtors afloat and create an illusion of prosperity by covering losses and support dividends through further credits.

While these methods were not unknown in other countries the intensity of such covering up manoeuvres against a background of persevering crisis conditions in the economy were, in my opinion, specific to Austria. At the same time the banks hoped for an upswing in business. Yet, sustained recovery never came, neither could Vienna re-establish her leadership in finance and trade.

Similar to, but more intense than in other countries fusions of banks took place since the mid-1920s. Especially after rampant speculation which could not easily be stopped since no effective banking legislation existed. During the financial chaos of hyperinflation a Banking Commission was set up by the Austrian Government in 1922 charged with the preparation of legislation to control banking practices and to curb fraudulent dealing on the stock exchange. However, its work was stymied and it was eventually disbanded without outcome in 1926.40
Crashes and financial crises continued and led to more fusions. In 1929 only 4 banks remained out of 8. In every case the fusion-ed bank came to hold a greater number of dependent industrial enterprises, more packets of mainly unsaleable shares, in addition it was faced with an increasing demand for credit.

The merger movement reached its peak between 1929 and 1930 when the Credit Anstalt absorbed the remaining great Viennese 'universal' banks. It ended with the spectacular crash of the Credit Anstalt in May 1931. This, as is well known, sent out shockwaves and exacerbated the international banking crisis.

The whole Austrian economy, already under the strain of the general depression, was plunged ever more deeply into crisis conditions. The Austrian government and the National Bank stepped in with a rescue action which by socializing the enormous losses both satisfied the foreign creditors and established practically a ONE BANK SYSTEM with the Credit Anstalt at its centre. Like in the German case this was not a policy of nationalization of the banking system but a state-aided reconstruction exercise. The debt burden of the insolvent banking system was shouldered by the government. Government financial guarantees indirectly also rescued the bank's industrial enterprises as most of their debts were written off.

The state became the majority shareholder of the Credit Anstalt which continued to function as the leading 'universal' bank even though at a much reduced level. During the process of reconstruction the management of the bank decided which of their dependent enterprises were to go into liquidation and which were to receive further credit. The shrinkage of the banking system has been termed 'Austrification' because, not only were the domestic industrial holdings slimmed down but all foreign holdings of the Credit Anstalt were transferred to its foreign creditors. Unlike in Germany the bank was not reprivatized, the majority of its shares remained in the hands of the Austrofascist state. At the time of the Anschluss the Austrian banking system had again become a profitable concern which was fully integrated into the
German Reich. After the war 'universal' banking survived in an independent Austria as part of a mixed economy to this day.

IV

In conclusion

Without a lender of the last resort 'universal' banks could not cope with the crisis of the 1930s. It spelt really the end of the way ‘mixed’ banking had functioned since the 1880s. Everywhere in Europe the state had to intervene with rescue actions, everywhere the losses of the big credit banks and their large industrial clients were 'socialised', everywhere the state took over the banks fully or acquired majority holdings in the banks. But this did not usher in socialism as Hilferding expected, on the contrary it succeeded in rescuing the capitalist system and propped up the highly concentrated structures in banking and in industry. Not only the economic but also the social and political costs were high: unemployment, fascist dictatorships, rearmament, international tensions leading up to the Second World War.
Notes


5. The research project 'Banks and the financing of industry in Austria, Hungary and Sweden c. 1900–1939' was started in October 1986. Members of the team are: Elisabeth Boross (Melbourne, Australia), Philip Cottrell (Leicester), Mats Larsson, Håkan Lindgren, Ragnhild Lundström, Jan Ottosson, H. Sjögren (Uppsala), Herbert Matis, Alois Mosser, Fritz Weber (Vienna), György Ranki (Budapest) until his sudden death in February 1988 — he is sadly missed by all of us, A. Pogany (Budapest) and A. Teichova (Norwich-Cambridge). Here I wish to thank the Leverhulme Foundation for enabling me to direct the research by awarding me an Emeritus Leverhulme Fellowship.


7. A. Gerschenkron tried to apply his theory unconvincingly in *An economic spurt that failed* (Princeton, 1977), 45–84.


10. Ibid., 368.


16 R.H. Tilly, 'German banking 1850-1914: Development assistance for the strong', The Journal of European Economic History, 15/1 (Spring 1986), 113-152.

17 Ibid., 113.


19 Tilly, 'German banking', 146-148.

20 Wellhöner, Diss.


22 Hardach, 'Banking and industry', evaluates this as 'the visible expression of banking influence', 217-218.

23 Ibid., 226, 230.

24 Cf. Ibid., 232.

25 Tilly, 'Wachstum', 111.


29 Mosser, Die Industriekapiengesellschaft, 113, 134.

30 Rudolph, 159.


35 März, österreichische Bankpolitik, 352-353.


38 Techova, Kleinstaaten, 87-89.


40 Die Tätigkeit der Bankkommission (1922-1926), Allgemeines Verwaltungsarchiv, Vienna, BRA, Inneres Präsidium, Karton 67, Bankkommission.


Addendum

The Italian case

The crisis effect on bank-industry relations in Italy was resolved quite differently, although the conditions leading up to the crisis resembled those in Austria. When the Fascist state stepped in (February and October) 1931 the ‘mixed’ banks disappeared from the financial system entirely. They had to sell their industrial shares to the state-created holding companies and eventually the Istituto per la Ricostruzione Industriale (IRI) received all these holdings. Deposit banking was entirely separated from industrial investment and long-term lending. Neither in the Italian case was the banking system nationalized but the IRI took over the functions of the ‘mixed’ banks. In the IRI the state was a majority shareholder and acted as such. In 1934 the IRI became the major shareholder of the three former ‘universal’ banks which had become deposit banks specializing in short-term credit. The IRI survived fascism and the war and became a permanent institution organizing, managing and financing Italian industrial concerns.

The Swedish case

No such dramatic breaks as in the Central European area occurred in the development of the Swedish bank-industry relationships. Indeed, as a neutral country the period of the First World War was accompanied by boom conditions. However, Sweden was hit hard by the post-war crisis of 1920-1921.

At the turn of the century banks did not seem to have played such an important part in in converting finns into limited liability enterprises, because very many joint-stock companies existed already by 1908 without the help of banks. After that banks were
mainly involved in new foundations and in mergers of old companies.

Industry became more dependent on banks due to the crisis of the early 1920s. According to the Swedish Bank Committee's findings, the percentage share of companies controlled by banks increased from 3% in 1913 to 26% in 1924. The larger banks took an active interest in the companies whose shares they held and were involved in engaging capable managers for their dependent enterprises.

Ownership relations between banks and industry varied. E.g. the Stockholm Enskilda Bank held majorities in concentrated industrial finns to a greater extent than other banks whose shareownership was dispersed.

In contrast to the countries discussed previously Swedish public concern about the concentration of banking power led to attempts to control banks through legislation.
Appendix

Comments to questions raised in the paper:

1) The idea of the 'missionary' role of banks in financing industrialization in continental Europe is untenable in the light of empirical evidence. Whether can any 'missionary' activity be discerned in the efforts of banks to rescue their own industrial subsidiary enterprises in the interwar period because in so doing they served their own business interests.

2) As to the problem of concentration and competition, there can be little doubt that bank-industry relations furthered concentration in both sectors. Evidence confirms that the 'strong assisted the strong'. The process of concentration of economic power from cartels to mergers taking place since the turn of the century did not limit, nor did it liquidate competition but raised it to a higher level. Within the framework of the world market in the twentieth century competition, as well as cooperation has been carried out effectively among industrial and financial giants using economic and political means to attain their goals and to defend their interests.

3) The role of Company and banking laws is not merely a legislative but a highly political one. In Germany legislation favoured large enterprise and big banks (high minimum for shares, large sums required for access to the capital market, limits to banks' shareholding as a percentage of capital and reserves - and after the crisis the state acted as shareholder, guarantor and supervisor).

In Austria no effective legislation existed in spite of a number of moves to introduce proposals for banking laws in parliament. Both internal and foreign intervention frustrated these efforts.
In Scandinavian countries Bank Inspectorates were introduced which were often regarded as models for legislation elsewhere. The economic crisis of the early 1930s led to legislative measures which, basically, were rescuing capitalist enterprise, thus for instance Belgium separated investment from deposit banking by law in 1935, giving only the strongest, the Société Générale de Belgique, the monopoly to conduct ‘mixed’ banking.

Italy — using the dictatorial power of a Fascist state in 1931 liquidated mixed banking altogether and established two state institutions, one to deal with industrial investment, the other to perform deposit and short-term banking.

4) Did banks exercise control through representation on boards of directors of industrial companies (or did industrialists on boards of banks wield control)? Hilferding calls this Personalunion and sees in it the reflection of the interlocking of banking and industrial capital.

Gerschenkron in a venomous attack on his critics insists that industry is controlled by bank directors on boards of jointstock companies in relatively economically backward countries such as Austria (his example is taken from the 1920s in his book An economic spurt that failed, Princeton, 1977, p.53). Figures of cumulative seats of bankers on supervisory boards of industrial companies are indeed impressive almost in all countries. But the fact of holding a seat on a board is not by itself decisive. One has to ask what the function of a bank representative on such a board is to be? Many different cases are known, such as: a) having an important person (name) to give prestige to the Company; b) acting as advisor and giving financial information, as a banker can draw on specialist knowledge; c) participating in decision making; d) dominating the decision making process.

Bankers’ role on industrial company’s boards of directors need to be examined empirically before any valid conclusions can be drawn.
5) Finally, the assumption of the banks’ supremacy over industry. There it is evident that in the development of bank-industry relations the ultimate dominance of banks over industry is inevitable. Between the two sides there exist large areas of cooperation as well as of latent and open conflict. By the mid-twentieth century, when international corporate business was becoming increasingly powerful, multinational enterprise became of vital importance to banks.

This development neither produced Victors nor defeated, but rather in pursuing their own interests industrialists and bankers have been both rivals and partners.
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