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Source: *Central European History*, 1992, Vol. 25, No. 2 (1992), pp. 149-176

Published by: Cambridge University Press on behalf of Central European History Society

Stable URL: <https://www.jstor.org/stable/4546258>

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The Political Calculus of Capital: Banking and the Business Class in Prussia, 1848–1856

James M. Brophy

THE emergence of commercial investment banks after the revolution of 1848 was an institutional breakthrough for modern capitalism and one of the central factors in the accelerated development of the Industrial Revolution in Germany between 1848 and 1871. The accumulation and mobilization of capital in concentrated and accessible forms was indispensable for undertaking such large-scale projects as railroads, coal mines, and iron works. Long-term promotional loans that enabled entrepreneurs to start up new businesses became a self-evident necessity in the growth of modern business. As one bank director noted, “capital, more than water, steam, or electricity, put the machines into motion.”¹

Given the immeasurable importance of commercial investment banks for industrialism, the establishment of such banks as the Bank für Handel und Industrie in Darmstadt (hereafter the Darmstädter Bank), the Disconto Gesellschaft, and the Berliner Handelsgesellschaft in the 1850s represented a milestone for the political and socioeconomic aspirations of Prussia’s business class. Economically, investment banks were the catalyst for what we now know as the “industrial take-off,” the attainment of sustained, irreversible economic growth in Germany after 1851. Politically, these institutions were the expression of an assertive middle class, enabling businessmen to practice trade free of government guidelines and restrictions. The liberal aspiration for freedom of association

I would like to thank the German Academic Exchange Service (DAAD) and the International Research Exchange Council (IREX) for grants that funded this research. I also gratefully acknowledge Otto Pflanze and James M. Diehl for their incisive comments and criticisms. I further thank the members of the dissertation workshop of Indiana University’s Department of History, which read an earlier draft.

1. Karl Obermann quoting Jacob Riesser, former director of the Darmstädter Bank, in “Die Rolle der ersten deutschen Aktienbanken 1848–1856,” *Jahrbuch für Wirtschaftsgeschichte* 2 (1960): 51.

and self-administration in commercial and civic affairs was partially realized by the creation of joint-stock commercial banks.

Although German banks have never suffered from a lack of historians, rarely are they studied in a political context. Alfred Krüger, Karl Erich Born, Wilhelm Treue, W. O. Henderson, Richard Tilly, Fritz Seidenzahl, Hans Jaeger, Hubert Kiesewetter, and Hans and Manfred Pohl have all written about the development of German banking in the 1850s, but most gloss over the political aspects of the story, primarily because they are interested in questions of continuity in the national economy or the role of the state in industrialization.² Surveys of German economic and political history reflect this deficit.³ Karl Obermann and Helmut Böhme are two exceptions to the trend. Both of them splice together economic and political events for a more integrated argument. Obermann's 1960 article, "Die Rolle der ersten deutschen Aktienbanken in den Jahren 1848 bis 1856," was the first attempt to ascribe some political meaning to the bank foundations of the 1850s. His orthodox Marxist argument posits the bank openings as a result of an "alliance" between the bourgeoisie and the Prussian state following the middle class's estrangement from the

2. Alfred Krüger, *Das Kölner Bankiergewerbe vom Ende des 18. Jahrhunderts bis 1875* (Essen, 1925), 30–32, 138–45; Karl Erich Born, *International Banking in the Nineteenth and Twentieth Centuries* (New York, 1983), 82–92; Wilhelm Treue, *Wirtschafts- und Technikgeschichte Preussens* (Berlin, 1984), 488–89; W. O. Henderson, *The Rise of German Industrial Power* (Berkeley and Los Angeles, 1975), chap. 9; Richard Tilly, *Financial Institutions and Industrialization in the Rhineland, 1815–1870* (Madison, 1966), 111ff.; and his *Vom Zollverein zum Industriestaat: Die wirtschaftlich-soziale Entwicklung Deutschlands 1834–1914* (Munich, 1990), 59ff.; Fritz Seidenzahl, "Eine Denkschrift David Hansemanns vom Jahre 1856: Ein Beitrag zur Entstehungsgeschichte der deutschen Aktienbanken," in Karl Erich Born, ed., *Moderne deutsche Wirtschaftsgeschichte* (Cologne, 1966), 214–25; Hans Jaeger, *Geschichte der Wirtschaftsordnung in Deutschland* (Frankfurt, 1988), 80ff.; Hubert Kiesewetter, *Industrielle Revolution in Deutschland 1815–1914* (Frankfurt, 1989), 286ff.; Manfred Pohl, "Die Entwicklung des deutschen Bankwesens zwischen 1848 und 1870," in Hans and Manfred Pohl, *Deutsche Bankengeschichte*, vol. 2, *Das deutsche Bankwesen (1806–1848)*; *Die Entwicklung des deutschen Bankwesens zwischen 1848 und 1870; Festigung und Ausdehnung des deutschen Bankwesens zwischen 1870 und 1914* (Frankfurt am Main, 1982), 171ff.

3. Bertrand Gille, "Banking and Industrialisation in Europe, 1730–1914," in Carlo M. Cipolla, ed., *The Fontana Economic History of Europe* (Glasgow, 1973), vol. 3, *The Industrial Revolution*, 272–75; Knut Borchardt, "Germany, 1700–1914," in Cipolla, ed., *Fontana Economic History*, vol. 4, *The Emergence of Industrial Societies*, 147–48; H. Aubin and Wolfgang Zorn, *Handbuch der deutschen Wirtschafts- und Sozialgeschichte* (Stuttgart, 1976), vol. 2, *Das 19. und 20. Jahrhundert*, 411–20; Wilhelm Treue, *Gebhardt Handbuch der deutschen Geschichte*, (Munich, 1986, 8th ed.), vol. 17, *Gesellschaft, Wirtschaft und Technik Deutschlands im 19. Jahrhundert*, 238ff.; Wolfram Fischer, ed., *Europäische Wirtschafts- und Sozialgeschichte von der Mitte des 19. Jahrhunderts bis zum Ersten Weltkrieg* (Stuttgart, 1985); Hermann Kellenbenz, *Deutsche Wirtschaftsgeschichte* (Munich 1981), vol. 2, *Vom Ausgang des 18. Jahrhunderts bis zum Ende des Zweiten Weltkriegs*, 147ff.; Hans Mottek, *Wirtschaftsgeschichte Deutschlands: Ein Grundriss* (Berlin 1971), vol. 2, *Von der Zeit der französischen Revolution bis zur Zeit der Bismarckschen Reichsgründung*, 140ff.

proletariat after 1848.⁴ The new joint-stock banks of the 1850s, Obermann argues, formed an essential part of the bourgeoisie's "compensation" for "recognizing the political power of the king and the aristocracy."⁵ By assuming—though not demonstrating—that the Prussian state supported the joint-stock principle to promote the bourgeoisie's economic needs, Obermann interprets joint-stock banks as the crucial link between the failed revolution of 1848 and the "revolution from above."⁶

Böhme, too, ascribes the development of the banks to an "alliance" between the bourgeoisie and Junkers, both in his *Deutschlands Weg zur Grossmacht*, and, more specifically, in his article, "Preussische Bankpolitik 1848–1853."⁷ In this article Böhme sketches how proposed bank reforms in 1848, which intended to serve a more liberal society, emerged in 1849–50 as a banking policy that served the interests of the Reaction. Böhme's narrative portrays David Hansemann as the lone champion of progressive economic reforms. Hansemann's attempt as a government official to charter credit associations for lower middle-class artisans (and thus continue the democratizing process of the revolution) threatened the monied interests of both the rural and urban elite: "what Hansemann strove for, wealthy businessmen, bankers, and large landholders wanted to hinder."⁸ Thus Böhme argues that because both private bankers and government officials stood to lose economic and political influence with banks independent of state interests and old money, Hansemann became politically isolated. This led to his dismissal as finance minister in 1848 and his resignation as chief director of the Prussian Bank in 1851.⁹

Although Böhme's account of Hansemann's political struggles with the Prussian government over the course of 1848–51 is instructive, it conveys the mistaken impression that Prussia's leading businessmen uniformly sided with the Prussian state. Hansemann, however, was neither politically isolated from entrepreneurial elites nor the sole critic of Prussian economic policy. In 1851 Gustav Mevissen, a director of the Schaaffhausen'sche and later of the Darmstädter Bank, assisted Hansemann in working out the statutes of his credit bank, the Disconto Gesellschaft, and later asked Hansemann to be president of his

4. Karl Obermann, "Die Rolle der ersten deutschen Aktienbanken in den Jahren 1848 bis 1856," *Jahrbuch für Wirtschaftsgeschichte* (1960): 47–75. For the alliance thesis, see 49, 52, 56, 57.

5. *Ibid.*, 49.

6. *Ibid.*, 52.

7. Helmut Böhme, "Preussische Bankpolitik 1848–1853," reprinted in *idem*, *Probleme der Reichsgründungszeit*, (Cologne, 1968), 117–58.

8. *Ibid.*, 141.

9. *Ibid.*, 130–42.

Darmstädter Bank.¹⁰ Mevissen and Abraham Oppenheim, two key Rhenish entrepreneurs who were railroad directors as well as bankers, were also being sued by the Trade Ministry during this period for their unwillingness to comply with ministerial orders to schedule night trains. Claiming that the government had no right to interfere in the affairs of a private business, these railroad directors became involved in a protracted legal battle that was finally resolved in the government's favor in 1855 after several appeals.¹¹ Moreover, they and other private railroad directors were wont to disregard government directives to discharge workers connected with the revolution of 1848, exhibiting a reluctance to cooperate with the Reaction.¹² In sum, the argument of an alliance between the business class and the conservative Prussian state is flawed and needs modification, for it does not acknowledge the many frictions between Prussian entrepreneurs and the state.

The business class should be recognized as an additional force in Prussian politics, whose political ambivalence in the 1850s both defied and accommodated the conservative Prussian government. Having practiced business before 1848 in a bureaucratic-absolutist state that accepted principles of free trade, entrepreneurs of the 1850s learned to use the Prussian bureaucracy and simultaneously practice free enterprise in piecemeal fashion to achieve their interests. Consistent neither as unfailing parliamentarians nor as obedient subjects of the crown, Prussian businessmen were nonetheless resolutely unwavering in pursuing bourgeois social and economic goals. And, more importantly, the ambivalent position of the entrepreneurial class toward authoritarian government expressed a strategy of successful negotiation, not defeatism or compliancy. The banking sector is just one area where the business class adopted a position independent of the crown.

To underscore the element of friction and defiance between the state and the bourgeoisie in Prussia's banking history, this essay focuses on an episode that has hitherto not received the attention it merits: a decree (*Octroy*) drafted and signed by the Prussian king and the cabinet on 12 July 1856 to ban commandite banks.¹³ This decree is the most concrete

10. Alexander Bergengrün, *David Hansemann* (Berlin, 1901), 666; Walther Däbritz, *Gründung und Anfänge der Disconto-Gesellschaft Berlin* (Munich, 1931), 43ff.

11. See the protocols of the Rhenish Railway directors, 1850–53, Historisches Archiv der Stadt Köln (hereafter HASTK) 1028, #7, 65ff; HASTK 1028, #136, 1–7.

12. Deutsches Zentral Archiv Merseburg (hereafter DZAM), rep. 77, tit. 260, #3, vol. 1, 103; DZAM, rep. 77, tit. 260, #6, vol. 1, 13–14, 44; HASTK 1028, #7, 196; Hans Viktor von Unruh, *Erinnerungen aus dem Leben von Hans Viktor von Unruh*, edited by Heinrich von Poschinger (Stuttgart, 1895), 170–73.

13. For the sealed and signed copy of the law, see "Verordnung, die Beteiligung stiller Gesellschaften mit Aktien an Handels-Unternehmungen betreffend," DZAM 2.2.1., no.

evidence we have documenting the failed attempt of the Prussian state to control the political and economic power of the middle classes. This royal rescript not only links politics and banking but also suggests that the relationship between the business class and the Prussian state during the 1850s is described more accurately as a negotiated settlement of compromises and conflicts than as an unproblematic alliance.

That historians have neglected the decree is understandable—it was never promulgated. Otto von Manteuffel, the minister-president, opposed the bill on political grounds and worked persistently to block publication of the signed law. Although originally outvoted in the cabinet, Manteuffel quickly undermined the majority position by obtaining a postponement of the law's promulgation. In late August, Manteuffel convinced the king and cabinet to bury the law permanently and averted what he believed to be a serious misadventure. Yet the successful maneuvers of Manteuffel do not diminish the decree's significance. Though never promulgated, it reveals a crisis within the Prussian government in the summer months of 1856 regarding commercial banking, the control of capital, and the political power that might be derived from *haute finance*. And it dispels the idea that commandite banks were accepted, if not welcomed, by the Prussian government.¹⁴ For these reasons this incident deserves analysis, because it illustrates concretely how businessmen confronted government restrictions and how officials reacted to their circumvention.

The decree was the cabinet's reaction to the bold move of David Hansemann and Gustav Mevissen, two merchant-bankers who established capital-share investment banks using the commandite principle. Commandite companies were a substitute for joint-stock banks, which the government refused to charter. Inactive or "silent" partners in a commandite contractual relationship were protected with limited liability

30003, 120. The only historian to my knowledge who makes reference to this decree is the historian Horst Thieme in his unpublished dissertation, "Die ökonomischen und politischen Widersprüche bei der Erteilung von Konzessionen zur Gründung von Aktiengesellschaften in Preussen von 1850–1857" (Leipzig, 1957). Although making reference to it, Thieme does not explore the problem. The obscurity of the event is also explained by its absence from Heinrich Poschinger's three-volume collection of government documents on banking history, *Bankwesen und Bankpolitik in Preussen* (Berlin, 1879).

14. Most economic histories convey this impression, either glossing over the problem altogether or noting Prussia's reluctance to grant joint-stock privileges but tolerating commandite companies. See, for example, Wilhelm Treue, *Gesellschaft, Wirtschaft, Technik Deutschlands im 19. Jahrhundert* 8th ed. (Munich, 1986), 238ff.; W. O. Henderson, *The Rise of German Industrial Power*, 123–29; Kieseewetter, *Industrielle Revolution*, 286–87. Richard Tilly's excellent work on banking does discuss the formation of the commandite banks in 1856, but although he alludes to the "hostility of Berlin bankers and the government," he never mentions the actual tensions. See Tilly, *Financial Institutions*, 116.

while active partners—company directors—were burdened with unlimited liability. Commandite companies also did not possess the legal character of a juridical person; property, for example, could not be bought in the company's name. But not having the legal status of a juridical person brought one great advantage: a commandite company was not a legal corporation and therefore did not require a charter, the mechanism by which the government controlled commercial development. In fact, because Prussian businessmen had only used commandite companies infrequently and on a small scale, only two paragraphs in the Rhenish and general law codes addressed the status of such companies.¹⁵ The establishment and practice of joint-stock companies, in contrast, was carefully prescribed in laws passed in 1838, 1843, and 1844.¹⁶

Hansemann set the precedent in January 1856 by reorganizing his credit association, the Disconto Gesellschaft, into a commandite bank. A consortium, organized by Gustav Mevissen, followed in July by founding the Berliner Handelsgesellschaft. In the same month commandite banks were opened in Breslau, Königsberg, and Magdeburg, as well as in Coburg and Hamburg.¹⁷ The decree expressed the reaction of an angry government regarding these banks which, totaling over forty million thalers in nominal capital,¹⁸ had no charters from the state yet had been established in full accordance with the law. No charter meant freedom from government proscription and supervision. Promotional investment banking, heralding a new era in the movement of capital, had arrived in Prussia against the will of the government.

Prussian businessmen resorted to the commandite principle as the last step in a long confrontation with the Prussian government over banking privileges. “*Bankfreiheit*” had been a point of contention between entrepreneurs and government officials since the 1820s.¹⁹ The government's tight control on money supply and its continued refusal to set up more affiliates of the Royal Bank produced a sizable store of ill will among

15. State Ministry to King Friedrich Wilhelm IV, 1 July 1856. DZAM 2.2.1., no. 30003, 87; Horst Blumberg, “Die Finanzierung der Neugründungen und Erweiterungen von Industriebetrieben in Form der Aktiengesellschaften während der fünfziger Jahre des 19. Jahrhunderts in Deutschland, am Beispiel der preussischen Verhältnisse erläutert,” in Hans Mottek et al., *Studien zur Geschichte der industriellen Revolution in Deutschland* (Berlin, 1960), 170.

16. J. H. Clapham notes that commandite companies were common by the turn of the century in the Rhineland. *The Economic Development of France and Germany, 1815–1914*, 4th ed. (London, 1966), 130–31. Richard Tilly is probably more accurate in writing that the commandite company “was little known in Prussia until the middle of the century.” Tilly, *Financial Institutions*, 115.

17. Däbritz, *Gründung*, 64.

18. *Ibid.*, 64.

19. Alexander Bergengrün, *Staatsminister August von der Heydt* (Leipzig, 1908), 223.

business circles.²⁰ In spite of its professed aims to liberalize the economy after 1806–13, the Prussian state, with an eye toward its own financial problems, failed to meet the needs of businessmen in leading sectors of the economy in the following decades.²¹ Owing to public and internal pressures, some concessions were granted, however slight. In 1846 the Royal Bank of Prussia was transformed into a semi-public central bank of issue; ten million thalers of share capital was added to its reserves, and in 1847 it was renamed the Prussian Bank. An advisory board of shareholders exercised some degree of influence, but the state still retained dominant control.²² The multiple requests for bank reform at the United Diet in 1847 confirmed the continued dissatisfaction of the business class.²³

During the revolution, the “liberal cabinet” of Camphausen and Hanse-mann transformed the A. Schaaffhausen’sche Bankverein into the first joint-stock bank in Prussia in August 1848. In March 1848 the imminent collapse of the private bank, whose investments in the Rhineland and Westphalia affected over 170 factories and 40,000 workers, had compelled the government to accept the reform as preferable to further radicalization of the Rhineland. Yet the bank’s low share-capital base (5,187,000 thalers) and its restriction on note issue did not appease Rhenish businessmen. And once the crisis of 1848 abated, the government canceled any plans of further joint-stock charters. The A. Schaaffhausen’sche Bank owed its joint-stock status not to a progressive policy shift of the Prussian state but, rather, to the emergency conditions of 1848.²⁴

After 1848 the banking problem became more acute, for it was clear that the twenty-one million thalers of the Prussian Bank, the central bank

20. Richard Tilly has shown how Rhenish and other German businessmen employed non-intermediated credit—bills of exchange and acceptance, running credit, promissory notes, etc.—to accommodate expanding business in the face of money scarcity and deficient financial institutions. This circumventive merchant-house banking, Tilly convincingly argues, checked any negative impact state controls might have had on long-term economic growth, yet one should also not overlook the entrepreneurs’ short-term economic-political frustrations with Prussia’s paternalism, which sharpened the moderate liberalism of the business class after 1830. Tilly, *Financial Institutions*, 129–133.

21. Wolfgang Radtke, *Die preussische Seehandlung zwischen Staat und Wirtschaft in der Frühphase der Industrialisierung* (Berlin, 1981), 120–21. For the “minimal role” of Prussian financial institutions in the Industrial Revolution see Hans-Ulrich Wehler, *Deutsche Gesellschaftsgeschichte* (Munich 1987), vol. 2, *Von der Reformära bis zur industriellen and politischen “Deutschen Doppelrevolution,”* 1815–1845/49, 638–39.

22. Radtke, *Die Preussische Seehandlung*, 123. For a list of the first 171 shareholders in the Prussian Bank see Geheimes Staatsarchiv Preussischer Kulturbesitz Berlin-Dahlem (hereafter GStA), Rep. 90, #3574, 26–27.

23. The most prominent critic was Harkort, but his demand for a private bank was similar to those of merchants and industrialists from Silesia, Posen, and the Rhineland. Radtke, *Die Preussische Seehandlung*, 126–29; Däbritz, *Gründung*, 4.

24. Manfred Pohl, *Deutsche Bankengeschichte*, 173–78; Born, *International Banking*, 52.

of issue, were grossly inadequate for the growing economy of Prussia. In 1848 the Camphausen-Hansemann ministry introduced normative statutes (which had been codified in 1846 but never enforced) for banks of issue to issue notes as well as engage in lombard and discount. Banks in Berlin, Cologne, Magdeburg, Stettin, and Breslau were accorded the privilege, but this did not quell criticism. The maximum of note issue set at one million thalers per province and at eight million thalers for the entire country made the reform more cosmetic than meaningful. Moreover, the restrictions on discounting bills and receiving deposits by these banks limited their usefulness; critics claimed it deterred rather than promoted the growth of banks of issue.²⁵ This *de jure* “reform” of banks, however, did aid the government in staving off criticism from the *Landtag* and chambers of commerce and help the Prussian state maintain its mercantilist policy on money supply and private banking.²⁶ Thus from the merchant’s perspective, Prussian banks at the beginning of the boom business cycle of 1851–57 were woefully undercapitalized.

The refusal to charter joint-stock banks was the most prominent cause of entrepreneurial discontent with the Prussian government. Businessmen felt greatly disadvantaged, for the joint-stock bank, with its capacity to amass and lend capital, was the motor of business expansion. Although government officials dwelt on the problem of note-issue, the businessman’s primary concern was credit. Unlike the traditional banks that handled mostly state paper and safe investments in established enterprises, these “new” banks actively sought to start up businesses and promote underdeveloped branches of commerce and industry. The banks’ principal attraction was floating long-term loans to new companies, but they also gave clients lines of credit, advanced raw materials for production, accepted future consignments of manufactures as collateral, and recognized promissory notes, securities, mortgages, and bonds as legal tender. The Société Général du Crédit Mobilier, the institution set up under the auspices of Napoleon III in 1852, set the standard in promotional banking with its capacity for massive loans, its know-how in the business world, its speculative willingness to start up new companies, and its unprecedented stock dividends. With its capital base of sixty-million francs, the Crédit Mobilier was a dramatic breakthrough in commercial finance.²⁷

25. Poschinger, *Bankwesen*, vol. 2, *Die Jahre 1846 bis 1857*, 136–37; Bergengrün, *Heydt*, 224–25; Joseph Hansen, *Mevisen: Ein rheinisches Lebensbild*, 2 vols. (Berlin, 1906), 1:660–61.

26. Heydt, for example, used these reforms to fend off criticism in the *Landtag* in 1851 and 1856. Poschinger, *Bankwesen*, 2:138, 160.

27. See Heydt’s objections to private joint-stock banks in his *Votum* of 23 April 1853,

The example spread quickly to Germany. The first such joint-stock bank to be established on German soil was the Darmstädter Bank für Handel und Industrie, founded by the Cologne merchant-bankers Abraham Oppenheim, Wilhelm Ludwig Deichman, Viktor Wendelstadt, and Gustav Mevissen.²⁸ Oppenheim was a charter shareholder in the *Crédit Mobilier* and was in fact related by marriage to one of its principal owners, Benoît Fould. With this connection, Oppenheim secured the backing of the *Crédit Mobilier* to invest in a German counterpart. Because of the hostile behavior of both the Prussian government and the traditional banking houses of Frankfurt, Oppenheim turned to the Grand Duchy of Hesse-Darmstadt whose government granted him a charter on the provision that the bank raise the capital to complete the Hessian railroad line from Mainz to Aschaffenburg.²⁹ The bank opened for business in April 1853. After an initial rough start (due mostly to the difficulty of placing its shares at a satisfactory quote on German exchanges), the bank soon established itself as a leading industrial investor in Germany, raising 1.6 million gulden in 1856 alone for the establishment of joint-stock companies.³⁰ By 1856, sixteen such credit institutions existed in Austria and the German states.

The Prussian government's response to the Darmstädter Bank's opening indicated its general position on large-scale joint-stock banking in and outside Prussia for the coming years. Calling the new bank a form of "French propaganda" and its founders "agents" of the French, from whom Cologne was "most endangered," King Friedrich Wilhelm IV warned his cabinet, "this institution is intended to transfer to Germany the credit swindles that have raged in Paris to exploit the entire Rhineland, and [it] . . . will have an undeniably disadvantageous political influence."³¹ In consequence, the cabinet drafted a diplomatic note to the Hessian government expressing its utmost disapproval, assured the king that the bank's plans (as stated in its statutes) to open branches in Prussia would be stopped, and authorized Heydt to prohibit any transaction

GStA, Rep. 90, #1185, unpag.; Poschinger, *Bankwesen*, 2:203–04; R. E. Cameron, *France and the Economic Development of Europe, 1800–1914*, 2d ed. (Chicago, 1965), 96ff; R. E. Cameron, "Founding the Bank of Darmstadt," *Explorations in Entrepreneurial History* 8 (1955–56): 116ff.; David Landes, "The Old Bank and the New: The Financial Revolution of the Nineteenth Century," in F. Crouzet, et al., *Essays in European Economic History, 1789–1914* (New York, 1969), 112–27; J. Riesser, *The German Great Banks and Their Concentration* (Washington, 1911), 49–51.

28. Born, *International Banking*, 84.

29. Hansen, *Mevissen*, 1:658.

30. Cameron, "Darmstädter Bank," 120ff.; see Mevissen's reports of the Darmstädter Bank in 1854 in Hansen, *Mevissen*, 2:523–32; Born, *International Banking*, 84.

31. Friedrich Wilhelm IV to state ministry, 20 April 1853. GStA. Rep. 90, #1185, unpag.

between the Darmstädter and the Schaaffhausen'sche Bank, whose directors included Mevissen and Oppenheim.³²

Undaunted by their government's policy against joint-stock credit banks, Prussian businessmen and merchant bankers invested in prominent joint-stock banks at Leipzig, Dessau, Luxembourg, Karlsruhe, and Vienna—as well as in other smaller institutions ringing the borders of Prussia. Conversely, these banks did not shy from investing in Prussian enterprises. The Darmstädter Bank, for example, advanced millions of florins to the Rhenish Railway to complete the construction of the latter's Rhine lines.³³ Because the official money supply (twenty-one million thalers) was patently inadequate, these banks provided the welcome stopgap measure of feeding the Prussian economy with currency. In return they used Prussian enterprises for investment and speculation. The Prussian government responded to this with a peculiar law in 1855 that forbade the use of foreign notes under ten thalers. The law did not produce the desired effect, prompting Heydt and Bodelschwingh, the trade and finance ministers, to publish an article in the *Staatsanzeiger*, the Berlin journal of record, exhorting commercial circles to cease using foreign money substitutes. Reflecting on this effort in retrospect, Rudolf Delbrück, a member of Heydt's ministry, wrote, “voluntary help from the commercial estate [*Handelsstand*] regarding foreign notes was not to be counted on, for its most influential members themselves were founders and directors of these foreign banks.”³⁴ (Delbrück failed to mention, however, that he and other top officials had also invested in Darmstädter bonds.)³⁵ Consequently, another law was introduced in 1857 that extended the ban to all foreign currency.³⁶

By 1856, joint-stock credit institutions had been erected in all corners of the continent. Their influence extended from “the plains of Castile to the valley of the Danube, from London to Constantinople, and from Moscow to Trieste.”³⁷

Even the ultraconservative Habsburg government consented to the Credit-Anstalt in 1855. The trend toward joint-stock banks seemed irreversible, and Prussian businessmen believed that their government

32. Votum von der Heydts, 23 April 1853, GStA, Rep. 90, #1185, unpag; conclusum des Staatsministeriums, 27 April 1853, GStA, Rep. 90, #1185, unpag.

33. Riesser, *German Great Banks*, 64.

34. Rudolf von Delbrück, *Lebenserinnerungen*, 2 vols. (Leipzig, 1905), 2:34.

35. See the “Geheimprotokolle der Verwaltung der *Bank für Handel und Industrie*,” May 1853, HASTK 1073, no. 101a, unpag. Delbrück along with *Regierungspräsident* von Moeller, former Minister von Rabe, and Oberpräsident Kühlwetter had invested in a 5 percent ten-year bond. These officials and four other investors put together a sum of twenty thousand gulden.

36. Poschinger, *Bankwesen*, 2:170–79.

37. Landes, “The Old Bank and the New,” 114.

would eventually capitulate and recognize such institutions as indispensable to industrialization and economic growth.

In February 1856 two prestigious consortiums petitioned the government to permit the chartering of joint-stock credit institutions. The simultaneity of the petitions was not coincidental; they were part of a larger European struggle between the upstart *Crédit Mobilier* and the Rothschilds vying for supremacy in the years 1852–56. Waged first in Madrid and Vienna, the battle then shifted to Berlin.³⁸ Mevissen, Oppenheim, Mendelssohn, and the *Crédit Mobilier* headed the first project, the “*Preussisches Credit-Institut zur Förderung von Ackerbau, Handel und Industrie*,” and proposed a base capital of thirty million thalers with the expectation of raising it to fifty million. The Rothschild House, P. L. Ravené, and Gerson Bleichröder backed the second project, the “*Preussische Gesellschaft zur Förderung für gewerbliche und landwirtschaftliche Industrie*,” and requested an initial capital base of twenty-four million thalers with the option of expanding it to eighty million.

Submitted within four days of one another, these two proposals—because of the magnitude of the propositions, the prestige of its proponents, and the public attention they received—stirred the government to reconsider its stance on joint-stock commercial banking in Prussia. The petitions noted that the country was in danger of falling behind France and Austria in the tempo of industrialization but stressed that investments in agriculture in the eastern provinces were the banks’ first concern. To underscore the latter point, prominent aristocrats not only signed the petitions but also agreed to sit on the board of directors. The Erbprinz zu Bentheim was featured in the Rothschild petition, while the Herzog von Ratibor, Graf von Redern, Graf von Arnim-Boitzenberg, Graf von Solms-Baruth, Graf von Keyserling, and the Fürst von Hohenlohe-Öhringen lent their names to the Mevissen proposal.³⁹

Although Mevissen believed the enterprise was assured a charter because it combined “the best names of the Prussian aristocracy with notable financial powers,”⁴⁰ it is doubtful that the nobles’ names on the petitions had its intended effect. Privy Councilor L. M. Niebuhr strongly advised cabinet ministers “not to lay any great weight on the influence of the nonbankers.” Uninformed and unaccustomed to the banking business, Niebuhr continued, these nobles in regard to banking policy will “fall into the hands of the bankers because they are not in the position to

38. See L. M. Niebuhr’s position paper to the cabinet, 26 February 1856, DZAM 120A XI 2, #6, 130.

39. For copies of the petitions see DZAM 120A XI 2, #6, 190; GStA, Rep. 90, #1185, unpag.

40. Hansen, *Mevissen*, 1:667.

understand their operations . . . they find themselves in a situation whereby the bankers can say of them not unjustly: we paid the gentlemen well for their *names*.”⁴¹

A two-month ministerial debate ensued on whether the charters should be granted. The debate divided the cabinet into camps supporting and opposing the enterprises. The argument for approval came chiefly from Heydt and Niebuhr. Their memoranda argued that rigid opposition to promotional banking was no longer a viable option. Blanket condemnation of joint-stock banking, Heydt maintained, had not enabled the government to control commercial and industrial investment. Moreover, this policy was out of step with rapid expansion in recent years. Fully aware that the government’s railroad funds were already overextended for the coming years and that the Prussian Bank and the *Seehandlung* did not possess the capacity to service the existing enterprises in Prussia, Heydt reluctantly recognized the desirability of more joint-stock banks. Although in public the trade minister held firm to the government’s restrictive position, he began around 1855 to question the policy in government memoranda. He stated that the government should return to the philosophy embodied in the bank reform of 1846, which worked toward a compromise between private banking and state control. After 1848, Heydt noted, the government had become “frightened in following the newly embarked course.”⁴²

Niebuhr advanced a stronger argument by asserting that the government “no longer has a free choice with this charter.” Prussia’s restrictions on domestic banks had encouraged joint-stock banks in neighboring Dessau, Brunswick, Rostow, Weimar, Gera, Thuringia, and Darmstadt (two), and now a rejection of a credit company would produce “more than one on our borders. This would be far worse than allowing one within the country, because a border *crédit mobilier* would draw all its business from Prussia and simultaneously be free of all government control.”⁴³ In pleading for a joint-stock investment bank, neither Niebuhr nor Heydt sought to abandon the state’s philosophy on controlling finance and the use of capital. Instead, they argued that new conditions required a change in tactics to meet this end. Introducing joint-stock banking to Berlin would diminish the business of foreign border banks and allow the state to exercise greater control over financial affairs. Heydt conceded that these banks would influence Prussian business whether or not they had

41. L. M. Niebuhr, 26 Feb. 1856, DZAM 120A XI, #6, 131 (emphasis original).

42. Heydt quoted by Poschinger, *Bankwesen*, 1:158. Poschinger is vague about the date of Heydt’s *Denkschrift*, placing it somewhere “in der Mitte der fünfziger Jahre” and does not cite the situation or the party for which it was written.

43. L. M. Niebuhr, 26 February 1856, DZAM 120A XI, #6, 130.

their seats in Prussia; hence the state should garner what control it could.

Actually the proposals for joint-stock banks dovetailed with other planned changes by the government. In May 1856 the note issue of the Prussian Bank was increased threefold, from twenty-one to seventy-one million thalers, in an effort to reassert the state's control over the economy and permit the government to ban all foreign currency. Allowing one or more major credit institutions to operate in Berlin would enhance the plan, for it would use government notes and stand under the trade ministry's supervision. Heydt proposed that rewording the statutes in more restrictive terms to prohibit activities outside of Prussia and limiting the type of enterprises funded in the country would preempt the major dangers. With such arguments, it was clear that Heydt and Niebuhr did not ground their advocacy of the charters in the liberal doctrines of self-administration and economic freedom. Firm advocates of a bureaucratically controlled economy, the two government officials saw the charter as a way for the state to guarantee "a long-lasting and influential intervention."⁴⁴

The tactic, however, did not sit well with the minister of the interior, the minister of agriculture, and the directors of the Prussian Bank, who together formed a bulwark against the new charters. Heydt had perhaps anticipated their opposition, for he appealed to the king for his consent without a cabinet vote. All three parties protested this action, stating that these charters touched on their spheres of administration and therefore required a cabinet vote.⁴⁵ In consequence, they submitted written rejections. The Prussian Bank directors disclaimed any need for new credit banks. The enormous economic growth in the last five years hardly bespoke lethargy or the danger of being outstripped by France and Austria, the report stated. On the contrary, the bank directors warned Heydt of too much activity and drew a parallel between the current speculative fever and the financial panic of 1844. Moreover, they doubted that the banks' capital would flow to agriculture instead of commerce and industry. Not least, they objected to the Prussian Bank's potential loss of status as the primary instrument for shaping the domestic financial market and controlling the interest rates.⁴⁶

Minister of Agriculture Karl von Manteuffel also argued that a private institution would eclipse the power of the state bank and thus limit the

44. Heydt to Bodelschwingh, 7 March 1856, DZAM 120A XI, #6, 32–36. Here, 34. For a contrary view of Heydt's position compare Bergengrün, *Heydt*, 233–34.

45. Westphalen and Karl von Manteuffel to Otto von Manteuffel, 20 February 1856, DZAM 120A XI 2, #6, 16.

46. Königliches Preussisches Haupt Bank Direktorium to Heydt, 14 March 1856, DZAM XI 2, #6, 142–50.

freedom of the government to make decisions. For the state to be beholden to such an institution for loans would be regrettable.⁴⁷ Yet Karl von Manteuffel undercut his own position with the admission that, if the government was predisposed to permit such banks, he favored chartering not one but both banks. In this way the “government can avoid the accusation that it chose one company over another without sufficient justification.”⁴⁸ This fear of adverse public reaction suggests the extent to which potential public pressure affected even the most archconservative members of Otto von Manteuffel’s government.

The forceful rejection of the charter came from Ferdinand von Westphalen, the minister of the interior, whose criticisms were clustered around the two interconnected themes of economics and politics. The economic objections centered mostly on the minister’s belief that the proposed institutions’ primary aim was to pursue stock speculation. As evidence he cited the intention of the Rothschild consortium to reserve eighteen million of the twenty-four million thalers in stock for the bank’s ownership, including eight million for Rothschild alone. For Westphalen these eighteen millions were intended not for sound investments but, rather, as leverage for greater control of the Prussian securities’ market. A liability of such large dimensions, he argued, would strengthen an already overly strong hand and invite rash and risky speculations.⁴⁹ The sole interest in quick profits was apparent in the stocks of *crédit mobiliers*, whose volatility could only be attributed to deliberate manipulation. As an example, Westphalen cited the stock quotes of the Austrian Credit-Anstalt, whose stock rose from 180 to 200 in one day yet fell to 157 only days later.⁵⁰ And, he continued, credit institutes in Berlin would be no different. “Among the founders of the Prussian Credit Institute are people whose connection with the Darmstädter Bank is notorious; and among the promoters of the other company are founders of the *Crédit Mobilier* in Vienna. The businesses of both institutions and their stockholders have until now merely been active in unsolid enterprises and stock jobbing.”⁵¹ He dismissed as farcical the petitioners’ assertion that the banks would make a “solid contribution” to the economy.

The minister’s political objections addressed the potential power that would accrue to the credit institutions and the corresponding loss of power to the state and landholding nobles in eastern Prussia. Initially Westphalen criticized joint-stock banks as injurious to the *Sittlichkeit* of

47. Karl von Manteuffel to Heydt, 18 March 1856, 120A XI 2, #6, 132–34.

48. *Ibid.*, 134.

49. Westphalen to Heydt, 24 March 1856, DZAM 120A XI 3, #6, 177–78.

50. *Ibid.*, 180.

51. *Ibid.*, 179.

the lower classes and to the benevolent, nonpartisan status of the state, but the actual reason for rejecting such banks lay in their deleterious effect on the Junker class. He remonstrated that the recent new stocks were devaluing state paper, above all the mortgage bonds (*Pfandbriefe*) issued by the Kurmark, Neumark, and Pomeranian *Landschaften*, the land banks (first established by Frederick the Great after the Silesian wars) that had become the financial bulwark of the Prussian landed nobility.⁵² Whereas these bonds held bravely at par through the financial panic of 1846 and the revolution, their market value fell 2 to 3 percent in the bull market of the 1850s. Speculation, he maintained, explained the low quotes; there were too many new industrial and commercial securities promising lucrative, short-term profits that overshadowed the older, more stable equities. The slackened growth of the provincial mortgage bonds in the 1850s was cause for alarm.⁵³ The sluggish trend endangered the viability of a newly established agricultural institution in Posen and, overall, might force landowners to resort to normal mortgages as a substitute. "The worth of these bond mortgages," he reminded Heydt, "is that they cannot be called in and make ownership of land a stable, conservative element."⁵⁴ More directly, Westphalen stated, "the credit of the larger landowners . . . rests in the credits of these agricultural institutions and in the worth of the bonds they issue."⁵⁵ Westphalen feared an expanded stock exchange that would drain capital out of land banks. To invite promotional banking to Berlin was tantamount to shutting off investment in agricultural enterprises of landholding elites.

In his first written opinion, Westphalen suggested not an outright rejection but two major revisions. First, the two proposed institutions were to be amalgamated and the base capital reduced from thirty to ten or twelve million thalers. Second, the securities should be issued not as common stock with fluctuating dividends but, rather, with a fixed dividend, much like a bond or a preferred stock.⁵⁶ The offer of a compromise might have been nothing more than a tactic, for the two consortiums would not have accepted such conditions. Two days later, however, Westphalen retracted the proposal in a brief final *Votum* and flatly opposed approval of both charters.⁵⁷ Nonetheless, the reluctant spirit of compromise displayed by both Westphalen and Manteuffel

52. Born, *International Banking*, 29–30.

53. Westphalen to Heydt, 24 March 1856, DZAM 120A XI 2, #6, 183. Westphalen did not consider that such securities did well precisely because of bad times, for they represented a safe investment. Prosperous times invited riskier but more profitable ventures.

54. *Ibid.*, 184.

55. *Ibid.*, 182.

56. Westphalen to Heydt, 22 March 1856, DZAM 120A XI 2, #6, 186–87.

57. Westphalen to Heydt, 25 March 1856, DZAM 120A XI 2, #6, 226.

merits interest: even the most conservative members of Friedrich Wilhelm's government were resigned to some form of modernization, as long as the state possessed preeminent control. On this dictum the whole cabinet could agree.

Of central importance was the position of the king, who was initially inclined to support the projects in some form. On 11 March he wrote Heydt, "I have decided to demand either the merger of both companies or to confirm one of the two."⁵⁸ Confident of approval, Heydt had already opened negotiations for a merger of the two credit institutions.⁵⁹ But the king, troubled by the various arguments mounted by the conservative side, wavered and finally decided to support the ministerial vote on 26 March 1856 that ended in defeat for any kind of reform. The cabinet's recommendation to the king to reject both charters summed up the arguments of Karl von Manteuffel, Westphalen, and the Prussian Bank, and the king accepted and authorized the rejection of both charter petitions. The report drew attention to the danger of neutralizing the aims of the Prussian Bank, of unwarranted stock speculation, and of threatening the stability of railroads and agriculture. Lamprecht, the director of the Prussian Bank, stressed the possibility of an impending money crisis on the international market and the need for Prussia to act prudently.⁶⁰ The attempt of the merchant class to modify Prussia's banking system with the cooperation of the government had failed.

The refusal to charter joint-stock banks proposed by the two most prestigious banking circles in Germany sent a powerful signal to the Prussian business class, and it was this decision that most likely convinced financiers of the need to employ the commandite principle. Trade Minister Heydt drew this connection in a memorandum to the Privy

58. Friedrich Wilhelm IV to Heydt, 11 March 1856, DZAM 120A XI 2, #6, 93.

59. See the letter of Emil Haber, Gerson Bleichröder, von Broch, and Graf Taironowsky Ludwig Erbprinz zu Bentheim to Heydt, 23 February 1856, DZAM 120A XI 2, #6, 39–42 in which members of the Preussische Credit-Gesellschaft declared themselves willing to merge with the Preussische Credit-Institut under certain conditions (a raised capital base and the assurance that certain members of the other company not be put on the board of directors). Heydt also wrote the *Oberpräsident* of Brandenburg, Heinrich Eduard von Flottwell on 23 February 1856 that a charter would be granted to the Rothschild proposal but that the specifications had yet to be determined DZAM 120A XI 2, #6, 10. Heydt wanted charters for both proposals, but the other proponents for a charter, namely, Justice Minister Simons, Privy Councillors Niebuhr and Geppert, and the king, strove for a fusion. The king asked Heydt to work earnestly toward a fusion; if that did not work, he was inclined to grant a charter only to the Rothschild project. For all letters see DZAM 120A XI 2, #6. Simons to Heydt, 18 March 1856, 156–66; Friedrich Wilhelm IV to Heydt, 11 March 1856, 93; Geppert to Heydt, 9 March 1856, 82–86; Niebuhr's *Stellungnahme*, 26 February 1856, 130–31.

60. Bericht des Staatsministeriums, 26 March 1856, DZAM 2.2.1., #30003, 79–81. For the official rejection see the Ordre of King Friedrich Wilhelm, 85.

Council, stating that “for reasons of an objectionable nature, many big Berlin bankers have prepared an enterprise [Berliner Handelsgesellschaft] that has not yet been made public in which the rejected joint-stock *crédit mobilier* will be established as a commandite company.”⁶¹ The connection was also evident in the identity of the founders of the Berliner Handelsgesellschaft. Most had been backers of the two joint-stock proposals.⁶² In March 1853, Mevissen, who helped organize the consortium, wrote: “We are patronized by Berlin in one letter after the other in a manner of which I do not at all approve. The gentlemen in Berlin, who are entirely ignorant of finances, want to give us special directions, draw balances, etc. If that continues for long, I will seriously consider the idea of transforming the [A. Schaaffhausen’sche] Bankverein into a commandite company and double its capital.”⁶³ Mevissen, then, had long toyed with the option of a commandite company as a counterstroke to government obstinacy and saw the need for the commandite principle after the government’s reaffirmation of its refusal to charter joint-stock banks.

In 1856 the commandite principle, hitherto applied to small firms involving one entrepreneur (unlimited liability) and a few dozen notables (limited liability), was now used to found large companies with a broad ownership. By using the legal status of a trading company, which, because unincorporated, fell outside legal restrictions imposed on joint-stock companies, directors of a commandite company could acquire investment capital from “inactive partners” not unlike the directors of a joint-stock company. In effect, such a company was no longer a genuine commandite association but, rather, a commandite joint-stock company (*Kommanditgesellschaft auf Aktien*): a distinction that enabled financiers to mobilize capital, and split it up in shares, while simultaneously avoiding government supervision.

The loophole was worked out by degrees. David Hansemann first employed the strategy in 1851 soon after resigning the directorship of the Prussian Bank. While still director he petitioned the government in 1849 for a charter to start the Berlin Credit-Gesellschaft, a credit bank designed to aid craftsmen and shopkeepers in Berlin during business slumps. In 1848 the Belgian government had responded to the scarcity of

61. Heydt to Illaire, 2 July 1856, DZAM 2.2.1., #30003, 95–96.

62. Conrad Carl, Paul Eduard Conrad, Johann Friedrich Ludwig Gelpcke, Gustav Mevissen, and A. Mendelssohn were, for example, backers in the original *crédit mobilier* project and the Berliner Handelsgesellschaft. Petitioners of “Preussisches Credit-Institut” to state ministry, 14 February 1856, GStA, Rep. 90. #1185, unpag; Poschinger, *Bankwesen*, 2:230.

63. Hansen, *Mevissen*, 1:647 note 2.

money by creating the Union du Crédit in Brussels, and Hansemann proposed a similar institution in the Prussian capital. After a delay of eleven months the government refused Hansemann's request. The refusal angered Hansemann greatly and was one of several incidents that prompted his resignation from office.⁶⁴ Once a private businessman, he pursued the idea further and realized that the law allowed him to operate a credit bank if the statutes were established along the lines of a trading company (*Handelsgesellschaft*), a form of association that did not require a government license.⁶⁵ In October 1851 the Disconto Gesellschaft began business. The government treated Hansemann's maneuver with disdain; the Prussian Bank refused to discount any bills of the Disconto Gesellschaft or otherwise recognize it as a financial institution.⁶⁶

The credit company's initial reserves of approximately 500,000 thalers did not threaten the government's bank policy, and, moreover, its statutes forbade speculation with securities or promotional investment. Hansemann's idea in January 1856, however, was to reorganize his credit company into a share-capital commandite company and to issue stock in two series totaling ten million thalers—an elasticized application of the limited partnership. Having had a charter rejected as a high-ranking government official and having subsequently experienced mixed relations with the trade ministry, Hansemann did not apply for a charter to issue public shares. His willingness to accept the risk of unlimited liability was motivated primarily by the need to bypass the petitioning process. But one should also note that Hansemann's view of limited liability for bank directors contrasted sharply with that of his banking colleagues: he called it a "radical mistake." Hansemann believed a banker should bear the burden of personal loss to ensure responsible investment and told his bank directors in 1856 that limited liability was "immoral and dishonest."⁶⁷ Hansemann had, in fact, reimbursed twelve thousand thalers to the Disconto Gesellschaft in 1855 to cover a bad investment. Huge risks were at stake with the commandite principle.⁶⁸

Within days the stock was privately subscribed and Prussia's largest private commercial bank (in respect to capital) was launched.⁶⁹ The bank's success in attracting investment capital ensured its long-term viability and became the precedent for widespread use of the comman-

64. Bergengrün, *Hansemann*, 665–66.

65. David Hansemann emphasized this point in his 1852 brochure, "Das Wesen der Disconto Gesellschaft in Berlin und ihre Bedeutung." Däbritz, *Gründung*, 13.

66. Bergengrün, *Heydt*, 236; Poschinger, *Bankwesen*, 2:228 note 2.

67. Bergengrün, quoting Hansemann's letter to the directors of the Disconto Gesellschaft, 17 February 1856, *Hansemann*, 677–78.

68. Bergengrün, *Hansemann*, 671.

69. Born, *International Banking*, 85.

dite principle.⁷⁰ The bank, however, only became a lodestar for other bankers in the spring of 1856 after the government turned down the two bids to bring joint-stock banking to Prussia.

Forewarned by Hansemann of the statute changes,⁷¹ Heydt did not attempt to forestall them. Most likely he tolerated them because he had to—there was little the trade ministry could do legally to block them. Tacitly, the government granted Hansemann a privilege, earned perhaps through his bank's conservative and sensible practice in its first five years. Heydt should have been more concerned about the second statute changes in November 1856, when the Disconto Gesellschaft partners empowered its directors to speculate with its reserves on the stock market and promote new businesses. But again the minister and cabinet did not react. By its failure to check the changes inaugurated by the Disconto Gesellschaft and by its continued rejection of joint-stock charters, the government opened the way for investors to follow Hansemann's lead. "The Hansemann'sche Disconto Gesellschaft," wrote Heydt, "has, as is well known, opened up the escalation of large joint-stock commandite companies . . . this has had the necessary consequence that every enterprise which shies from a government license for joint-stock status appears as a commandite company."⁷²

Reacting to rumors of imminent commandite bank openings, the king asked the cabinet to convene and discuss the advisability of outlawing commandite banks. The cabinet met on 1 July. Unable to reach a unanimous decision, the report to the king contained a majority vote and a dissenting opinion. The majority decision, led by Heydt, Westphalen, and Bodelschwingh, supported the idea of imposing a regulation on the crypto joint-stock banks. These ministers recognized "justifiable objections," namely, doubts about the constitutionality of the decree, and consequently recommended immediate action—a provisional emergency decree, allowing the *Landtag's* subsequent approval. The founding of a few large-scale commandite banks compelled the state to establish new regulations. The decree must distinguish between normal, small-scale commandite companies, deemed to be a healthy component of the economy, and the newer stock-issuing commandite companies (*Kommandit Aktien-Gesellschaften*), whose emergence was clearly a

70. Report of the Prussian state ministry to the king on 1 July 1856, DZAM 2.2.1., no. 30003, 87; Heydt to Illaire, 2 July 1856, DZAM 2.2.1., 95. In the first year of its reorganization, the Disconto Gesellschaft paid a high dividend of 10 percent and was subscribed in Berlin as well as Cologne and Frankfurt. For the bank's stock returns see Riesser, *The German Great Banks*, 68. For the view that the "new [commandite] shares could not be placed in Berlin," see Tilly, *Financial Institutions*, 116.

71. Bergengrün, *Heydt*, 236.

72. Heydt to Illaire, 2 July 1856, DZAM 2.2.1., #30003, 95.

circumvention of the commercial code. Hence the report recommended that the decree restrict the number of silent partners to one hundred, ban transferable shares (thus canceling their attraction for the bourse), and institute bureaucratic controls to supervise all new commandite companies.⁷³

That Heydt—a so-called liberal—led the attack against Prussia's bankers was significant. His advocacy of the decree broke down the customary fronts in the cabinet between those ministers who displayed scruples for the Constitution and those who did not, and his vote as trade minister lent greater credibility to the decree's necessity. Heydt's willingness to support an unconstitutional decree in this instance points to his staunch opposition to any economic innovation that diminished state control. And his alacrity to resort to such arbitrary measures characterizes well a political style that businessmen roundly criticized throughout the 1850s.

Otto and Karl von Manteuffel drafted the dissenting opinion that advised against unconstitutional measures. These ministers did not believe that "an emergency situation was at hand" justifying "a deep invasion" into the rights of business enterprises.⁷⁴ Without denying the negative aspects of these banks, the Manteuffels maintained that such "outgrowths cannot at all be avoided, if one does not want to destroy simultaneously the healthy development" of business in Prussia.⁷⁵ Such "aggressive intervention" ("*gewaltsames Eingreifen*") against commandite companies would prevent undesirable companies but would also hinder the establishment of "solid and useful enterprises."⁷⁶ The cure, they argued, was not to be found in government intervention but in the market; speculators would soon learn not to invest in unsound enterprises. Finally, the two ministers claimed that such an ordinance did not justify departing from the normal legislative process.⁷⁷

Outnumbered in the cabinet, Otto von Manteuffel sought to assert his will by telegraphing additional appeals to the king's councilors. Writing from The Hague on 8 July, Manteuffel sent a long telegram to Privy Councilor Illaire, an influential advisor attending the king during his cure in Marienbad. He announced that two new commandite companies had been founded, but their moderate reception by the market confirmed his opinion that the Berlin public was "coming to its senses by itself." In view of the imminent decree, Manteuffel questioned whether these companies should receive the same privileged status as Hanseemann's com-

73. *Stellungnahme des Staatsministeriums*, 1 July 1856, DZAM 2.2.1., #30003, 86–92.

74. *Ibid.*, 92–93.

75. *Ibid.*, 93.

76. *Ibid.*

77. *Ibid.*, 94.

pany or whether Hanseemann should be denied the privilege as well. The legal questions were unclear and he believed that the problem would best be solved by leaving it alone. Heydt, Manteuffel wrote, “favors decisive intervention, but I see neither a legal nor a political reason why the government alone should take on itself the odium of adopting an aggressive measure instead of sharing it with the *Landtag*.”⁷⁸ The argument failed to convince the king, and the decree on commandite companies was drafted and signed on 12 July.

On the following day Manteuffel sent another telegram to Illaire exhorting the king to delay publication of the decree. He argued that the legality of the measure was “at the very least dubious.” The Constitution’s article 63 granted the crown the power to rule by decree only in times of emergency. It was difficult to argue that an emergency existed. The decree, he wrote, “is impractical and therefore impolitic.” A law severely restricting commandite companies, he reiterated, had to be reached in agreement with the *Landtag*, which would most likely approve the measure. Arbitrary intervention with a decree, on the other hand, would only alienate those parties in support of the government’s position, for the means were too questionable. The larger public would disapprove of the decree, argued Manteuffel, because it appeared to favor the “*Capitals-Aristocratie*”; moreover, the public would recognize that to restrict competition would increase interest rates. Only the established commandite companies would approve.⁷⁹

Manteuffel’s opposition to the decree was grounded more in his government’s fragile relationship with the Chamber of Deputies than in a principled regard for the Constitution, which he saw fit to alter and circumvent on numerous other occasions. Banking policy had been an issue in the lower chamber during the 1850s and one that aroused strong opposition. Friedrich Harkort, citing the “insufficiency of the Prussian [state’s] credit organization,” had called in February 1851 for a twenty-one member commission to examine the government’s competency to meet the country’s growing banking needs.⁸⁰ Although the government had contested the right of the lower chamber to occasion an *enquête* as an unjustifiable expression of mistrust, the commission and three subcommittees were nonetheless formed in April 1851. The committee’s massive report to parliament a year later had raised several problems. It had criticized the government’s reluctance to grant small loans to artisans; the restricted money supply, especially the eight million thaler ceiling on

78. Telegram of the Kgl. Preuss. Minister-Präsidenten [in The Hague] an den Geheimen Cabinets-Rath Illaire in Marienbad, 8 July 1856, DZAM 2.2.1., #30003, 108.

79. Telegram Manteuffels an Illaire, 13 July 1856, DZAM 2.2.1., #30003, 109.

80. Poschinger, *Bankwesen*, 2:135.

notes issued by the provincial banks of issue, which impeded growth and encouraged the inordinate import of foreign currency; and, finally, the government's unwillingness to lift the restrictions on joint-stock banks in Prussia. In particular, the commission had levied criticism on the government's rejection of Hanseemann's credit bank. The commission had recognized the government's right to oversee general banking practices and to prohibit the circulation of foreign currency but maintained that the credit needs of an entire land could not be met by one state bank. Prussia's banking system, it had concluded, must be reformed. In subsequent debate on the report during May 1852, the *Landtag* had rejected both the commission's draft for a bill and its own reworked bill. Harkort submitted a new bill in February 1856, which underwent intense debate but was dropped in April.⁸¹ In spite of the liberals' failure to bring about a new law, it had been generally recognized that Prussia needed reform.⁸² Thus for the government to have promulgated the decree three months after it had narrowly defeated a reform bill would have been politically unwise. The government's economic policy and its reputation as the *Zollverein's* leader would have suffered, and likewise Manteuffel's attempt to steer a course between the camarilla's reactionary neoabsolutism and the democratic parliamentarism of 1848.⁸³

The minister-president's second telegram warning the Privy Council to take heed of parliament and public opinion had its intended effect: the king began to doubt. Unable to make the final decision, he ordered on 14 July that the decree's publication be delayed until further counsel with the minister-president and his cabinet.⁸⁴ Between sojourns in The Hague and his estate in Lausitz, Manteuffel returned to Berlin and submitted another recommendation (18 July) that the decree be abandoned. Two additional commandite companies in Berlin were now in business, he noted, and the decree's efficacy was all the more diminished. The cabinet had met to discuss the issue, he reported, but only two ministers were in town, Minister of Interior Westphalen and Minister of War Waldersee. Both thought it wiser to delay the final decision until their colleagues returned.⁸⁵

81. Although broad support existed for bank reform, agricultural interests failed to back Harkort because his bill did not include provisions for easier agricultural credit. A. Sartorius von Waltershausen, *Deutsche Wirtschaftsgeschichte 1815–1914*, 2d ed. (Jena, 1923), 185.

82. *Ibid.*, 135–61.

83. On this point of Manteuffel's "mild absolutism" see Günther Grünthal, *Parlamentarismus in Preussen 1848/49–1858. Preussischer Konstitutionalismus, Parlament und Regierung in der Reaktionsära* (Düsseldorf, 1982), 471, 474.

84. See the two telegrams from Geheim-Cabinettsrath Illaire to Geheim-Rechnungsrath Flender (Bureau des Staatsministeriums), 14 July 1856, 2.2.1., #30003, 100–11.

85. Otto v. Manteuffel to the king, 18 July 1856, DZAM 2.2.1., #30003, 113.

Westphalen, however, recognized Manteuffel's delaying tactic, and saw an opportunity to thwart it. When the minister-president left Berlin three days later, Westphalen submitted a memorandum to the king. With diffuse moral arguments he implored the king to publish the decree. The minister asserted that the new commandite companies were speculating in grain, driving up prices already elevated by the forecast of a bad harvest. Their price-gouging endangered the welfare of the poor, the "less well-off classes of the population," and especially "the minimally paid civil servants." The stock-jobbing of these companies furthermore harmed the general welfare by attracting capital for quick profits and not for useful investment. "They are nothing more than a means of circumventing the existing restrictive laws on joint-stock companies, and therefore I must believe that the enactment of the ordinance is fully justified."⁸⁶

Heydt, too, attempted to counterbalance Manteuffel's efforts by sending one of his top aides in the trade ministry, Rudolf Delbrück, to Marienbad to persuade the king of the decree's necessity. "The matter," wrote Delbrück in his memoirs, "did not belong to my jurisdiction, rather to Herr Hoene's, but my minister believed that I, because favorably received by the king, would be able to exert some influence on the decision." Although the king had in principle no objection to the decree, "for he despised anything resembling stock swindles," Delbrück noted, Friedrich Wilhelm hesitated to oppose his minister-president. After three days Delbrück left the spa with the postponement of the decree's proclamation still in effect.⁸⁷ The king wished that the decree, technically a law since 12 July, be reviewed again by the cabinet before its promulgation.

By the time the cabinet congregated on 19 August to submit an opinion to the king, the situation had changed enough to force a shift toward Manteuffel's position. Five commandite companies had been established in Prussia (two in Berlin, three others in Breslau, Magdeburg, and Königsberg), thus rendering the decree, in practical terms, useless. The original intention had been to prevent companies that had been denied corporate status from establishing themselves in some other form. Although the decree would prevent future companies from reorganizing as commandite banks, the damage already incurred by the recent company start-ups had greatly reduced the efficacy of the decree. The opinion concluded that it was not worthwhile to depart from the normal legislative process, for the "aim has been thwarted."⁸⁸

86. Westphalen to king, 21 July 1856, DZAM 2.2.1., #30003, 114–16.

87. Delbrück, *Lebenserinnerungen*, 2:82–84.

88. *Immediat-Bericht des Staatsministeriums an den König*, 19 August 1856, DZAM 2.2.1., #30003, 117–18.

The cabinet opinion, however, took particular notice of the persisting division of opinion: collegial unanimity did not exist. All ministers save the two Manteuffels had recognized the legitimacy and legality of the king's decree and refused to concede to the minority opinion that it was "neither political nor constitutional." And yet the cabinet recommended that the decree be abandoned for purely pragmatic reasons. To avoid further discussion on constitutional and legal questions, the majority agreed to forego a second vote and acquiesced in the minority position. In return the minority surrendered the right to elaborate its position in writing.⁸⁹ The waiver was a magnanimous gesture that swept the legal and political issues under the carpet, emphasizing instead the decision's practical side. Having been granted his wish to drop the decree, Manteuffel avoided rubbing salt in the wounds of royal prerogative and ministerial authority.

Manteuffel's victory translated into a silent, grudging consent to commandite banks and companies. With the decree formally buried, the government took no action, issued no statement. The lack of reaction did not go unnoticed. Mevissen, for example, both publicly and privately pointed up the government's hypocrisy in rejecting the petitions of the credit institutions yet allowing the Berliner Handelsgesellschaft to form as a commandite bank with no difficulty whatsoever. The *Bremer Handelsblatt* echoed this complaint.⁹⁰ To the public the government presented a fitful, contradictory policy that was logically indefensible. Behind the scenes, however, the government's effort to be consistent in its banking policy was frustrated by quick-acting businessmen, a potentially troublesome *Landtag*, and Manteuffel's delaying tactic.

The incident of the abandoned decree is important chiefly because it documents a vital stage in the decline of the government's power to control and direct the Prussian economy. During the same decade that witnessed the Prussian government's abandonment of the direction principle in the coal and iron industry, it grudgingly relinquished to private enterprise its authority to channel and restrict the availability of credit for industrial expansion. The Prussian government opposed the establishment of commandite banks in Prussia and resented entrepreneurs who evaded their control over banking and finance. Clearly the relationship between the government and business class was not one of "alliance."

Later, the Darmstädter Bank, Disconto Gesellschaft, and Berliner Handelsgesellschaft became financial pillars of the Prussian-German

89. *Ibid.*, 118.

90. Hansen, *Mevissen*, 1:667 and note 4.

state. But they were founded in a circumventive, rebellious operation, launched in the face of governmental opposition. The economic recession of 1857 drastically curtailed the program of promotional underwriting that these banks envisioned; it forced them to retreat for a while from the large-scale, company promotion that the government had feared.⁹¹ After 1859 these banks participated in the “Prussian Consortium,” which found it profitable to float government bond issues that financed the wars of German unification. Their later relationship to the government is not descriptive of the time of their origin.

These frictions in business-government relations during the 1850s raise questions about the validity of attempts to explain the ruling establishment in Prussia during 1848–66 as an unholy alliance or unhealthy symbiosis between capital and authoritarian government.⁹² In such vital areas as banking the relationship was hardly conflict free. Clearly the politics of the Prussian business class were more complex than has been generally assumed. The story of the suppressed decree of 1856 shows that the progress of industrial capitalism in this critical decade was not the result of cooperation between officials and entrepreneurs. The archives reveal the contrary. The business community had to oppose and outmaneuver the government in order to further its vital interests.

The crisis over commandite banks, furthermore, should not be consigned merely to economic or banking history. The alacrity with which the king and the cabinet resorted to a royal decree shows that bank openings had political overtones. The decree poses the question of why the king and his cabinet felt the urgency to bypass the *Landtag* on a commercial matter. Royal commands were provided for in the 1850 Constitution (the *Notenverordnungsrecht* in article 63) but only for emergency situations—and the opening of commandite banks hardly constituted a state emergency. The move to unconstitutional legislative action underscores the perceived threat of the business class’ operation and the growing frustration of the government in its effort to harness the influence of this group. The incident demonstrates that the government did not always grant economic concessions to ensure the quiescence of the business class.

91. Riesser, *German Great Banks*, 64–67; in 1856, for example, the Disconto Gesellschaft invested three million thalers in Ruhr industrial companies, whereas after 1857 the bank invested mostly in railroads and government securities. Tilly, *Financial Institutions*, 116.

92. For the alliance thesis see Helmut Böhme, *Deutschlands Weg*, 16, 60, 137ff; and Friedrich Zunkel, *Der rheinisch-westfälische Unternehmer 1834–1879: Ein Beitrag zur Geschichte des deutschen Bürgertums im 19. Jahrhundert* (Cologne, 1962), 249, 251; for notions of a “symbiosis” see Lothar Machtan and Dietrich Milles, *Klassensymbiose von Junkertum und Bourgeoisie: Zum Verhältnis von gesellschaftlicher und politischer Herrschaft in Preussen-Deutschland 1850–1878/79* (Frankfurt am Main, 1980), 31ff.

More crucially, this instance contradicts the binary paradigm of economic concession versus political reform.⁹³ The Prussian government perceived this particular economic reform as a political issue. Friedrich Wilhelm and his ministers Westphalen, Karl von Manteuffel, and Heydt objected to bank reform on grounds that were partially political. The king attributed the demand for credit banks to an insidious French influence; the ministers Westphalen and K. von Manteuffel believed bourgeois self-administration in banking would expand capitalism and destabilize the traditional social order; and Heydt rejected the change because it threatened his capacity to determine how industrial growth should serve state interests.⁹⁴ The government documents bearing on this issue show no clear separation between economic and political spheres.⁹⁵

Minister-President Otto von Manteuffel also viewed the problem in political terms, albeit differently from his cabinet members. Manteuffel, symbol of the black reaction, emerged as the unlikely defender of bourgeois interests because of the role the Prussian parliament played in Manteuffel's policies in the 1850s, a role that has not yet been fully appreciated.⁹⁶ His defense of commandite banks was part of a greater strategy for maintaining his brand of bureaucratic absolutism, which needed the Constitution and a body of elected deputies as an essential counterforce to check the feudal, patriarchal aims of east-Elbian Junkers—most visibly embodied in the Camarilla. For this reason he chose to tolerate commandite banks rather than unduly injure his status in parliament by forbidding them. Although this decision was unpopular with his cabinet, Manteuffel recognized that a royal decree on banking practice would greatly harm his relations with the lower chamber by revealing too starkly its impotence under the Constitution. Manteuffel's political strategy had, however, a double-edged quality; to neutralize the

93. Helmut Böhme, *Deutschlands Weg zur Grossmacht: Studien zum Verhältnis von Wirtschaft und Staat während der Reichsgründungszeit 1848–1881* (Cologne, 1966); Friedrich Zunkel, *Unternehmer*; Lothar Machtan and Dietrich Milles, *Klassensymbiose*; Michael Gugel, *Industrieller Aufstieg und bürgerliche Gesellschaft* (Cologne, 1975).

94. With railroad construction, for instance, the Darmstädter Bank, the Disconto Gesellschaft, and the Berliner Handelsgesellschaft, by evading government supervision, loosened the trade ministry's grip on railroad funding, which was a leading factor that frustrated Heydt's plan to nationalize all Prussian rail.

95. Insofar as this incident was a social action that circumvented and appropriated a power from the government, it was politically oriented. For this definition of a "politically oriented" action, see Max Weber, *The Theory of Social and Economic Organization* (New York, 1964), 95, 154.

96. The best parliamentary study of the 1850s is Günther Grünthal's *Parlamentarismus* whose work, because of its constitutional focus, does not address the economic and social issues brought to the parliamentary floor. Heinrich Volkmann's *Die Arbeiterfrage im preussischen Abgeordnetenhaus 1848–1869* (Berlin, 1968), although promising in title, also fails to link up economics, politics, and society.

ultraconservative Right as well as the democratic Left, his government was required to concede undesirable measures to the moderate liberals of the center. The influence of public opinion and the presence of the *Landtag*—albeit indirectly—had grown more powerful. Manteuffel's repeated references to the decree's unconstitutionality and the adverse impact it would have on public opinion and in parliament reveal the silent pressure of business interests on his policy. For this reason, his protestations that the decree was a "deep invasion into the rights of businessmen" rang true. No longer could the crown impose its will without considering how the business class would react. In other words, the *Rechtsstaat* and the parliament possessed some genuine worth.⁹⁷ That parliamentary commission reports, chamber of commerce protests, and newspapers articles could affect government policy reveals an erosion in the state's autocratic power over the economy.

In this respect the question of agency is of central importance. The party exhibiting instrumentality, demonstrating action, and exerting power was the middle class and not Prussian state officials. The business class introduced modern banking to Prussia in spite of and not through the government. The increased accessibility to capital in northern Germany resulted from a shrewd evasion of government controls by businessmen who wrested rather than received reforms from the government. That it was hard-earned and achieved in spite of official resistance enhanced the bourgeois belief in the inevitability of progress.

Although the transformation of governing authority from bureaucratic control to a broader consensus between government and society was a gradual process over the course of the 1850s, the decree of 1856 presents a concrete instance in which to view the change. This example of assertive entrepreneurial evasion of state control gathers greater significance when placed in the larger context of Prussian political culture in the 1850s. Providing new reference points to examine how the business class interacted with an authoritarian government in the 1850s (and vice versa) will enable us to reconstruct and understand a political style that was neither democratic nor defeatist. If the construct of German exceptionalism is to have any application to the 1850s, it should presuppose an active, assertive element of the bourgeoisie willing to resist the government and successfully affect the decision-making process. Deficiencies and omissions of the bourgeoisie do not explain the middle-class disregard for parliamentarism, but rather the success such groups as the business class had in attaining material and social goals in the 1850s that weakened the need for democratic procedures. The July decree was one

97. Grünthal also suggests the latent power of parliament. *Parlamentarismus*, 472–73.

of the last attempts of the Prussian crown to assert its will arbitrarily on the marketplace. Its suppression shows the latent power in the capital and commercial networks of the business class. It allows us to understand how the business class accrued more influence in the Prussian ministries and why the business class became particularly successful in arranging its terms with the Prussian state on a more favorable basis.

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