Legacy of finance

conference
23 June 2017
BNP Paribas – Paris - France

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Keynote speech
Kwasi Kwarteng (Cambridge University/member of the British parliament)

Haute banque and real estate asset management: the case of Camondo; 1802-1919
Lorans Tanatur Baruh (SALT Istanbul)

New Bank and the culture of the Haute Banque in France in the second half of the 19th century
Nicolas Stoskopf (Centre de recherche sur les économies, les sociétés, les arts et les techniques, CRESAT Mulhouse)

The haute banque, American Civil War debt, and the global integration of 19th century capital markets
David K. Thomson (Sacred Heart University)

The D´Eichthal Bank between St. Simonism and investment in Greece in the 19th century
Korinna Schönhärl (Essen University)

Neuflize OBC and predecessors, 19th and 20th centuries
Ton de Graaf (ABN AMRO)

Merchant banks in France 1970s to 1990s
Hubert Bonin (Science Po Bordeaux)

British public finance 1815 – 1844: Pillars of order

Presented to Legacy of Finance Conference

Paris, Friday 23rd June 2017

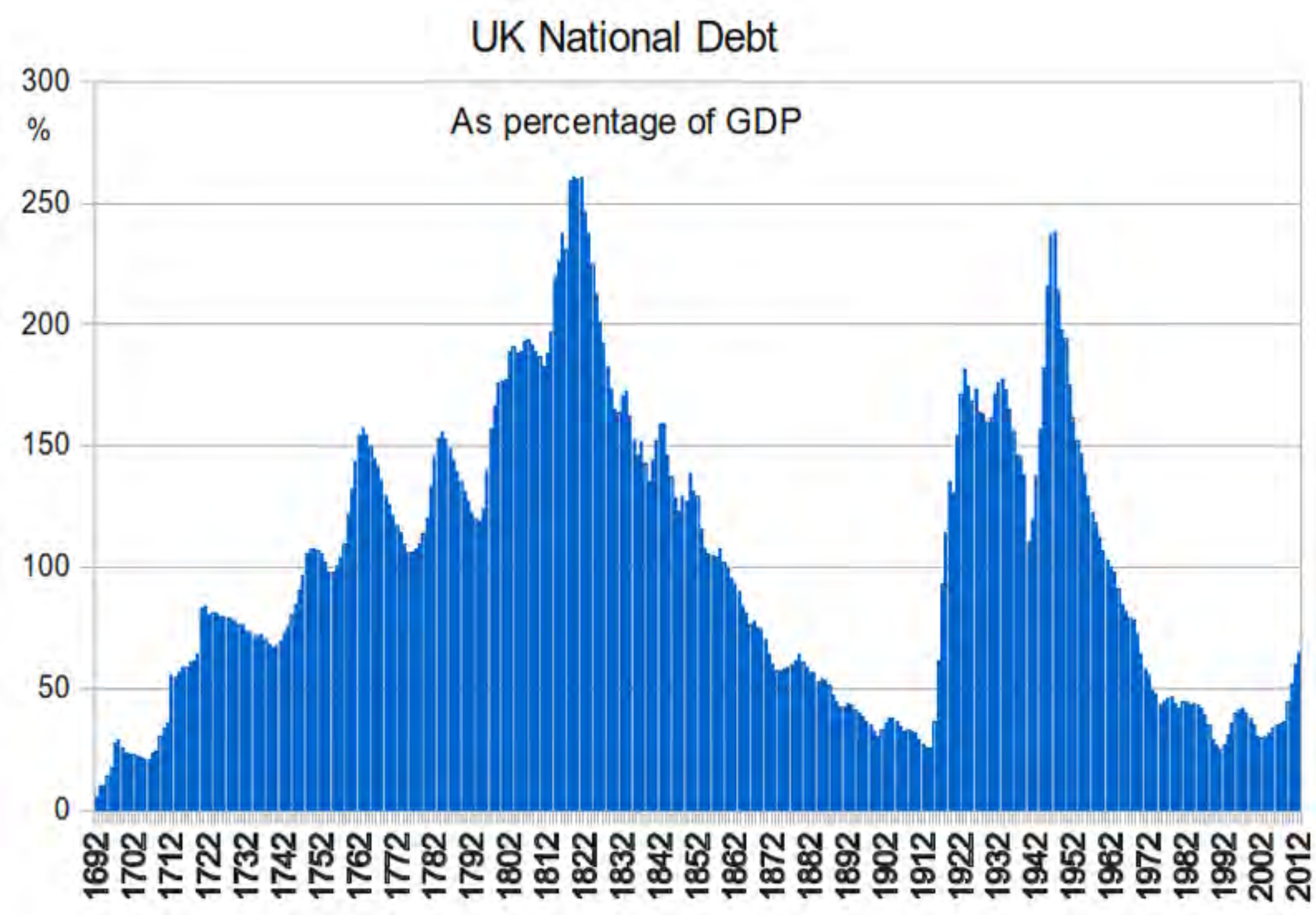
Keynote address

Dr Kwasi Kwarteng MP

Revolutionary wars from 1792 to 1815

A series of military conflicts in the aftermath of the French revolution which saw a coalition of European nations, such as Britain, Prussia, Austria and Russia succeed in restraining the ambitions of France.

Huge national debt: ratio of debt to GDP > 250%



National debt as percentage of UK GDP from 1692 - 2012

Immediate aftermath: unrest, turbulence

The Peterloo massacre, Manchester, 16th August 1819. Cavalry charged into a crowd of 60,000–80,000 who had gathered to demand the reform of parliamentary representation, resulting in 15 deaths.

The poet Percy Bysshe Shelley (1792 – 1822)
"*Let the Ghost of Gold*
Take from Toil a thousandfold
More than e'er its substance could
In the tyrannies of old"
The Mask of Anarchy, 1819.

A.J.P Taylor, British Historian (1906 – 1990)

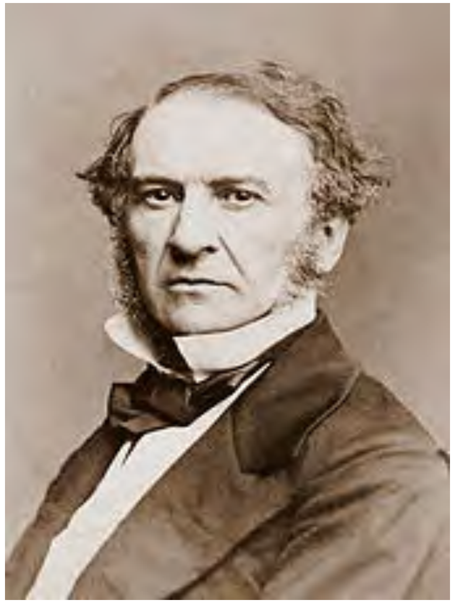
People “reared in the stable economic world of the later nineteenth century” simply assumed that “a country could not flourish without a balanced budget and a gold currency”

“*The Origins of the Second World War* ” (1961)

Robert Peel and William Gladstone

Principle architects and followers of fiscal restraint (balanced budgets) and the gold standard

Robert Peel (1788 – 1850, Prime Minister 1841 – 1846)



William Gladstone (1809 – 1898, Prime Minister four times, and Chancellor 1852 – 1855, 1859 – 1866 and 1880 - 1882)

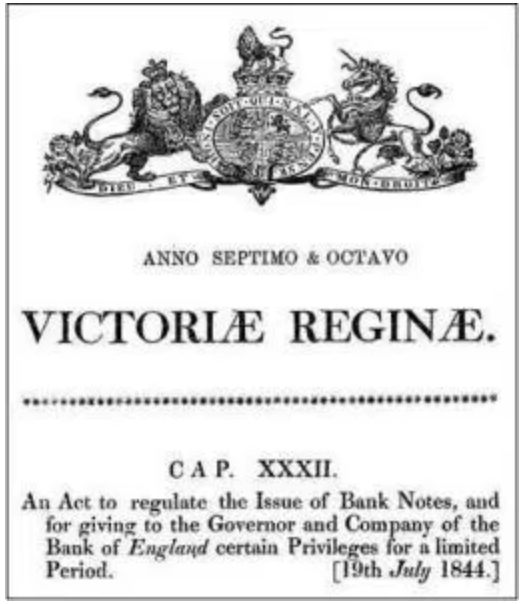
Mr Micawber and Lord Overstone

Mr Micawber (David Copperfield, by Charles Dickens):
“Annual income twenty pounds, annual expenditure nineteen pounds, nineteen shillings and six pence, result happiness. Annual income twenty pounds, annual expenditure twenty pounds ought and six, result misery”.

Lord Overstone: 1796 – 1883.
Rich banker and currency expert. According to American historian Brooks Adams, Overstone was a “leader of the monied interest… who conceived the Bank Act of 1844 and who moulded the policy of Sir Robert Peel”

The Bank Act 1844

One of the most important Acts Peel passed as Prime Minister, it defined the pound as "a certain definite quantity of gold with a mark upon it to determine its weight and fineness"



ANNO SEPTIMO & OCTAVO

VICTORIÆ REGINÆ.

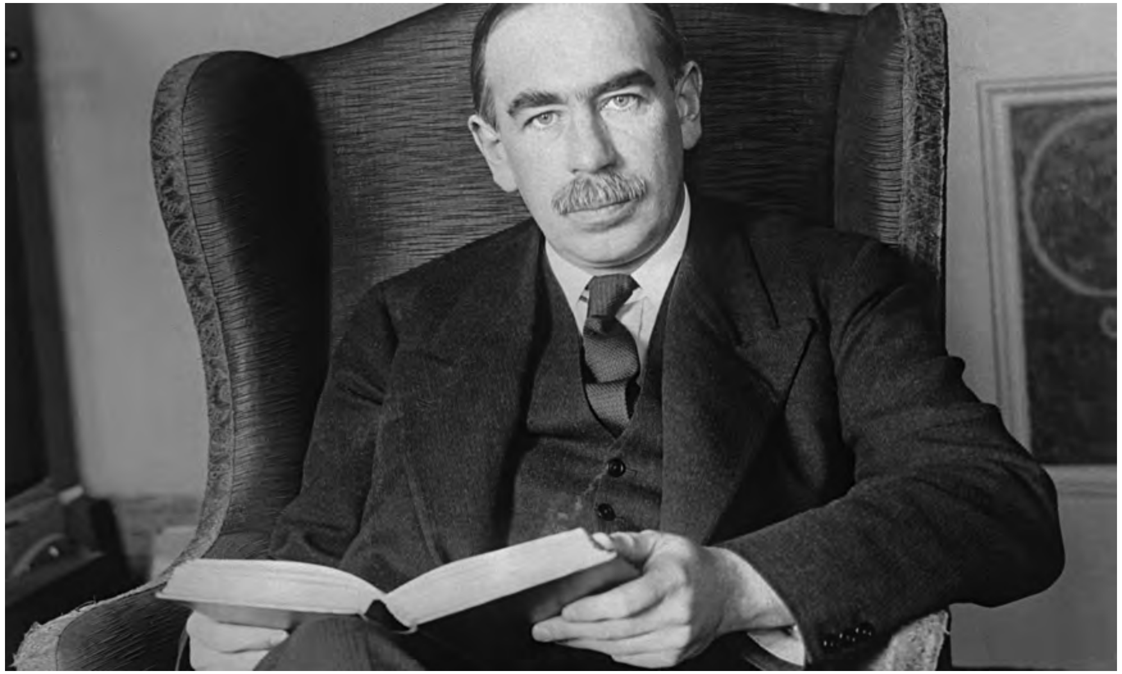
CAP. XXXII.

An Act to regulate the Issue of Bank Notes, and for giving to the Governor and Company of the Bank of *England* certain Privileges for a limited Period. [19th *July* 1844.]

David Ricardo and John Maynard Keynes

David Ricardo, 1772 – 1823.
Economist and MP, probably the great economic theorist of this period. Interestingly, he had resisted a too swift readoption of the Gold Standard in 1821.

John Maynard Keynes, 1883 – 1946.
Much of his work is a studied critique of this period. He challenged the gold standard fetish, describing it as a “barbarous relic”, and famously he overturned the insistence on balanced budgets.



The Haute Banque and Real Estate Asset Management: The Case of Camondo

Lorans Tanatar Baruh

Youssef Cassis in his book *Capitals of Capital* did a wonderful comparative analysis of the international financial centers in several countries through time. Neither this book nor the papers of Nicolas Stoskopf[1] or Olivier Feiertag[2] on the haute banque mentioned the Camondos. However, this family, which business prospered thanks to the close relations with the Sublime Porte in the Ottoman Empire, was entering into the "haute banque" world of Paris after having moved to this city in 1860s.

Based on the archives kept at the Nissim de Camondo Museum, Nora Şeni and Sophie le Tarnec did an extensive work on the life of the Camondo family known as the Rothschilds of the East.[3] This paper will cover the Camondos investments on the real estates in Istanbul and in addition to the sources in the museum, it will particularly focus on local sources, like the Ottoman State Archive, the Ottoman Bank Archive in Istanbul local newspapers and reviews.

This paper do not intend to enter into the details of their banking business but talk on their investments in the infrastructure projects and urban property in Istanbul. Before, I would like to give a quick glance on the elite of the city which had mainly prospered through financial transactions with the state. These individuals, and at a later date the administrators of institutions and companies, were without contest those who had the capitalistic insight to

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[1] Nicolas Stoskopf, "Qu'est-ce que la haute banque parisienne au XIXe siècle?", paper presented to the conference organised by the Foundation for the history of the haute banque, 2000.

[2] Olivier Feiertag, "La haute banque et l'histoire, histoire de la haute banque: De Neuflize, Schlumberger et Mallet après 1945", *L'économie faite l'homme. Hommage à Alain Plessis*, Genève: Librairie Droz, 2010, p. 325-343.

[3] Nora Şeni and Sophie le Tarnec, *Les Camondo ou l'éclipse d'une fortune* (Paris: Actes Sud, 1997). See also Naim Güleryüz, "Kamondo, Avram", *Dünden Bugüne İstanbul…*, v. 4, pp. 404-405. M. Franco, *Essai sur l'histoire des Israélites de l'Empire ottoman depuis les origines jusqu'à nos jours*, (Paris: Librairie A. Durlacher, 1897), pp. 244- 248. Avram Galante , *Histoire des Juifs de Turquie* , (Istanbul: Isis, 1985), vol. 2, pp. 58-60. On properties see Nora Şeni, "The Camondos and their Imprint on 19th century Istanbul", *International Journal of Middle East Studies* , vol. 26, 1994, pp. 663-675; Nora Şeni, "Des banquiers faiseurs de ville. Les Camondo à Istanbul", *Histoire économique et sociale de l'Empire ottoman et de la Turquie (1326-1960)*, ed. by Daniel Panzac, (Paris: Peeters, 1995), pp. 719-729; Emine Çiğdem Tugay, Mehmet Selim Tugay, *Kamondo Han* (İstanbul: Beyoğlu A.Ş., 2007).

invest in property expecting an economic return. Though they most often did not control the exercise of political power and usually operated within a framework of state power and of administration which was not their own[4], they had the economic power of negotiating with the state or with the municipality in order to undertake the necessary improvements to increase the value of their property. What are the capacity of these actors to intervene in the state affairs at local level? How far the state and its legislation and regulations could be manipulated in reshaping the city?

Moreover, this attitude of the high ranking bourgeoisie or of the elite of the capital, though not explicitly mentioned, could be considered as a way of displaying their fortune in this last quarter of the nineteenth century —a sort of *belle époque*— and of inspiring other sections of society by placing their cultural imprint on the urban landscape. Was this urge of displaying wealth and of influencing not only architectural inspiration but also processes of urban reorganization[5] present in the investment decisions made with respect to property? In other words, how much did the desire of creating "a world after its own image"[6], affect this elite's investment policies?

A list compiled from the city plans and commercial directories of the time confirms that among the biggest investors of the urban property located at the center of the city, there were also bankers like Alléons, Baltazzis, Zarifis, Zographos, Camondos, Lorandos and Emile Deveaux, the later working as administrator at the Imperial Ottoman Bank but yet possessing a vast fortune. These figures which could be considered as well implanted in the nineteenth-century financial world of Istanbul, had different strategies of investments. Under a particular understanding, it can be argued that these people formed the local Haute Banque or a "Haute Banque of the periphery". The later three names, that is Camondos, Lorandos and Deveaux together with the Imperial Ottoman Bank properties represent the 7,27 percent of the overall data in terms of the urban space in our sample derived from the Goad's insurance map of 1905.

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[4] Eric Hobsbawm, *The Age of Capital, 1848-1875* (London: Abacus, 2001), p. 284. Hobsbawm continues by stressing that even in areas lagging behind in terms of industrialization, real estate was already losing some of its importance. For instance in 1873 in non-industrial Bordeaux, it formed 40 percent of the estates at the time of death, while in industrial Lille it formed only 31 percent. From P. Guillaume, "La fortune bordelaise au milieu du XIXe siècle", *Revue d'histoire économique et sociale*, 43 (1965), pp. 331, 332 and 351. Hobsbawm, *ibid.* , p. 291.

[5] See David Harvey, *Paris, Capital of Modernity* (New York: Routledge, 2003) for a detailed discussion on all its facets and on various actors of the urban transformation of nineteenth century Paris.

[6] Karl Marx and Frederic Engels, Manifesto of the Communist Party (London: 1848). Available [on line] http://www.scribd.com/doc/202256/1848-K-Marx-Manifesto-of-the-Communist-Party [September 21, 2008]. See also Hobsbawm, *ibid.*, p. 64.

There is no time to enter into the details of these people who had indeed a strong connection with France, so
this talk will be limited to Camondos, who are the earliest and greatest land magnate.

Early Years of Investments

The Isaac Camondo et Cie Bank, founded by Isaac (?-1832) and Abraham Salomon de Camondo (1780/1785-1873) in 1802 prospered thanks to close relations with the Sublime Porte. Upon his brother's death 1832, Abraham Salomon de Camondo inherited all the fortune.[7] Taking advantage of his position as private banker to the Grand Viziers Reşid and Fuad Pashas,[8] besides his own financial affairs, he also invested in infrastructural projects and urban property. First a member of the Commission for the Regulation of the City and then an advisor at the Municipal Council of the Sixth District,[9] with the insight that Galata would gain importance and its land value, Abraham Salomon de Camondo bought several plots and erected important buildings in this district.[10]

His real estate empire consisting in 1889 of 11 *hân*s, 10 apartment buildings, 13 houses, 11 plots of land, 6 shops, a theater, a farm, a factory, was the outcome of advances backed by property. As an Austrian and later an Italian subject, Abraham did not have the right to own property in the Empire; he needed to resort to intermediaries for such operations. However, just after the law recognizing the right of property for Ottomans was passed, Camondo, together with his colleagues Aristidi and İspiraki Baltazzi, applied to the government to obtain the right to register property in their names, despite the fact that they were of foreign nationality.[11] In a document summarizing the matter, mention was made that since these people had faithfully served the state for a long time, they should not be considered as foreigners, and that this exception, which had been granted before in several cases, would conform to the State's dignity.[12] Though we do not know to whom the right of owning property may have been granted before, documents in the State archives show that

[7] Şeni and le Tarnec *Les Camondo…*, p. 27. Galante, "Fouad Pacha et le Comte de Camondo", *ibid.*, vol. 6, pp. 109-111.
[8] Galante, *Histoire des Juifs…*, p. 110. Güleryüz, "Kamondo, Avram", *Dünden Bugüne İstanbul…*, vol. 4, p. 404.
[9] Steven Rosenthal, "Minorities and Municipal Reform in Istanbul", *Christians and Jews in the Ottoman Empire, The Functioning of a Plural Society* , ed. by Benjamin Braude and Bernard Lewis, vol. 1, p. 376.
[10] Ergin, *Mecelle-i Umûr-ı Belediye, (Istanbul: İ.B.B. Kültür İşleri Daire Başkanlığı Yayınları, 1995),* vol. 3, pp. 1304-1305.
[11] BOA, İ .MVL 446-19880, "Baltacı Aristidi ile İspiraki ve Kamanto bâzergânlar uhdesine geçirilecek emlâka dâir", 1277.N.17 (March 29, 1861), doc. 5 dd. 28 Ş aban 1277 (March 11, 1861).
[12] BOA, İ .MVL 446-19880, ibid, doc. 3 dd. 15 Ş 1277 (February 26, 1861).

Abraham Camondo, who first presented the list of his property to the Ministry of Evkāf, received the permission before the Baltazzis, to whom the decree was granted on March 30, 1861.[13] In a note written from the High Council (Meclis-i Vâlâ) to the Ministry of Evkāf in 1858, it was noted that based on the decree, the property registered in the name of intermediaries, was already transferred to the name of Camondo. This in fact clarified the point of Şeni who claims that there should be an earlier decree than the one mentioned in Galante which exceptionally allowed the transfer of the property in the name of the grand-son of Abraham in 1866,[14] since at that date they their investments on property had already reached considerable size.[15] The note described also the limits of the decree and it was added that the High Council would not agree that the property acquired in the coming years be included in the process, even if this fact would cause some difficulties on the sale of the property.[16] In 1866, having lost first his wife Esther and later his son Salomon Raphael, Abraham Salomon de Camondo decided to hand over his business to his grand-sons and renewed his request for the transfer of property. The petition which was presented to the Sultan underlined the fact that his faithful services to the Porte were continuing and drew attention to his particular devotion to financial affairs and to the Treasury in the last five or six months, requesting the registration of 23 items of property in the name of his grand son, on condition that it would not set a precedent for other cases.[17] The Sultan ratified it the day after and a few days later the decision was communicated to the Ministry of Evkāf for execution.[18] The list attached to the petition gives us the detail of the oldest property of the family. The *vakıf* property was mostly registered in the name Abraham Salomon's wife and in that of his son Salomon Raphael's wife, Klara binti Yehuda and Ester binti Nissim, respectively. The usual practice of the time was that to own property, women were declared to be Ottoman subjects, even if this was not the case. A note of the Camondos' secretary, Léonce Tedeschi[19] who in 1888, traveled from Paris to Istanbul to record the properties of

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[13] BOA, İ .MVL 446-19880, ibid, doc. 3 dd. 15 Ş 1277 (February 26, 1861).

[14] Galante, *Histoire des Juifs…*, vol. 6, p. 109.

[15] Şeni, *Les Camondo…*, p. 275, footnote 55.

[16] BOA, A.MKT.NZD 267-25, "Ecnebi Kamondo'nun baş kasının üzerinde bulunan emlâkının kendi üzerine geçirilmesine bir def'aya mahsûs olarak izin verildiğ i", 1257.Ra.19 (October 27, 1858).

[17] BOA, İ .MMS 33-1358, "Mösyö Kamando'nun emlâkinden olub da muvâza'âten baş kaları uhdesinde bulunan yerlerin büyük torunu Abraham'ın uhdesine geçirilmesi", 1283.Ş .17 (December 25, 1866). Galante comments on this firman based on the documents in the hands of Leon Piperno, the last director of the society, in charge of the management of properties. Galante, *Histoire des Juifs…*, vol. 6, p. 109.

[18] BOA, A.MKT.MHM 371-66, "Kamanto'nun emlâkından ba'zılarının torunu Abraham adına ferâğ ının yapılması", 1283.Ş .23 (December 31, 1866).

[19] Of Austro-Hungarian nationality, Léonce Tedeschi was assisted during his visit in Istanbul by his brothers Gabriel Tedeschi, Camondo's architect, and Raphaël Tedeschi, working in the Ottoman Public Debt Administration. Tugay & Tugay, *Kamondo Han*, p. 124. *Annuaire oriental 1889-90*, p. 344.

the family[20] informs us that Clara and Esther had also followed the same procedure — which was called *takıyye* ('camouflage') — until the right to own property was granted to foreigners.[21] A few Muslim names, such as Safvet Pasha, Huriye Hanım, Hasan Bey ibni Süleyman or Armenian names, such as Merzican Canikoğlu,[22] were probably the names of the former owners to whom advances backed by property were accorded by the Camondos. The registration of all the real estate in his grandson Abraham's name at the Ministry of Evkāf was completed by March 19, 1867.[23] The 23 different items which formed the oldest core of this real estate empire are listed on the screen:

No	**Area**	**Neighborhood**	**Address**	**Category**
1	Pera	Asmalımescid	Glavani, 7	Mansion in masonry
2	Pera	Tomtom	Kolonba, 3, 4 (Felek)	2 mansions in masonry
3	Galata	Bereketzade	Felek, 2, 4	Wooden mansion
4	Galata		Hacı Mustafa	Mansion in masonry
5	Galata	Bereketzade	Kamondo, 3	Wooden mansion
6	Galata		Karaköy, 1, 3, 5, 25	Shop in masonry
7	Galata		Kumbaracı Yokuşu	Land
8	Galata	Yeni Cami	Kürekçiler, 8	Shop in masonry – *gedik*
9	Galata	Yeni Cami	Mertebani, 12, 13, 15	2 shops and a wooden house
10	Galata	Yeni Cami	Mertebani, 5, 7	Mansion in masonry

[20] Şeni, , "The Camondos…, p. 666.
[21] See the note in the Archives du Musée de Nissim de Camondo (AMNC), Notes of Tedeschi on the Camondos property, 1888, p. 71.
[22] Tanatar-Baruh, Lorans, "The Transformation of the "Modern" Axis of the Nineteenth-Century Istanbul: Property, Investments and Elites from Taksim Square to Sirkeci Station", Unpublished PhD dissertation submitted to the History Department of Boğaziçi University, 2009, Appendix BB: Camondo property: list, plans and photos, pp. 405-423.
[23] BOA, EV 20150, "Mösyö Kamonto'nun malı olan 23 kalem mahaller ile vakıflarının isimleri ile senedlerin mikdâr ve kayıdları", 1283.Ş .23 – 1283.Za.13 (December 31, 1866 – March 19, 1867).

11	Galata	Yeni Cami	Mertebani, 7, 8	Wooden mansion
12	Galata		Morfelek	Mansion in masonry – half measure of running water (*nısf masura mâ-i lezîz*)
13	Galata	Arap Cami	Perşembe Pazarı, 30	Sâatçi Han
14	Galata	Arap Cami	Perşembe Pazarı, 22	Shop under Hanson Han
15	Galata	Yeni Cami	Sebut, 11 [Sevud/Söğüd] or Sion, 1	Shop in masonry
16	Galata		Sebut [Sevud/ Söğüd]	Selânikli Han
17	Galata	Bereketzâde	Voyvoda, 7, 8	Hamam and 2 shops
18	Galata	Yazıcı	Yazıcı, 6	Mansion
19	Galata		Konfomidi, 87 (Yorgancılar?)	Kuyumcu Han
20	Galata	Yeni Cami	Zülfiyar, 13 (Zülfaris?)	*Hân*
21	Galata		2, 4, 5	*Hân*
22	Stamboul	Mahmud Paşa	Mahmud Paşa, 75	Lüleci Hanı - *gedik*
23	Yeniköy			Mansion with boathouse

Sources: BOA, İ.MMS 33-1358, *op. cit.* and BOA, EV 20150, *op. cit.*

A close look at the table reveals that apart from a yalı in Yeniköy, a hân in Mahmud Paşa and a few mansions in Pera, all the Camondo property was located in Galata. Thus it could easily be said that, as Şeni argued, most of it was bought or built according to a specific speculative policy,[24] at least for the earlier years.

[24] Şeni & Le Tarnec, *Les Camondo…*, p. 33.

In those years, the major undertakings of the municipality were focused on the district of Galata.[25] The opening of Karaköy Square in 1858, the demolition of the walls and the filling of the moats in 1864-1865, and the regularization of the streets in the following years gave Galata the necessary impetus for real estate speculation. The Camondo Han just behind the Commission Han, which still stands today in all its splendor, must have been built by the architect Stampa[26] just after the opening of the square in 1858. Other *hân*s, among them the Ibret, Latîf, Yakut (built by Stampa in 1873), Selânikli[27] and Sâatçi *hân*s were dispersed in an area circumscribed between Karaköy square and Perşembe Pazarı, the main commercial axis, at a few minutes' distance from the harbour and from the bridge renewed in 1863.[28] This commercial area was to a large extent modernized, but still preserved a few wooden houses in its streets.[29] The only Camondo property on the other side of the Golden Horn, the Lüleci Han in Stamboul, was also well located. The building constituted a block in itself, surrounded by four streets. In Léonce Tedeschi's words, "at a distance of 8 minutes from the bridge [Lüleci Han] was at the heart of the commercial district of Stamboul".[30]

As for the Camondo mansions, they were installed in the older residential section of Galata, that is in the area that extended from Voyvoda Street to the Galata Tower.[31] Wooden houses on Felek, Camondo, Morfelek and Hacı Ali streets housed the different branches of the

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[25] The period of the Sixth District Administration (1857-1877) roughly coincided with the prefecture of Baron Georges Haussmann (1853-1870) under Napoleon III Paris. Both planned to maintain and regularize the streets and pavements, waterworks, and sewers, to light the streets, to build parks and gardens, and to provide hygiene. Atilla Yücel, "Typology of Urban Housing in the 19th Century Istanbul", trans. by Işıl Kurtoğlu in *Housing and Settlement in Anatolia, A historical perspective, Habitat II*, ed. by Yıldız Sey, Istanbul: Tarih Vakfı, 1996, p. 305.

[26] AMNC, Notes of Tedeschi… , p. 3. Also Tugay & Tugay, *Kamondo Han*, p. 249. Camondo's architect Giorgio Stampa was born in 1836 in Istanbul and educated in Italy. In addition to the *hân*s he built for Camondo, the Iranian Embassy at Cağaloğlu, the Italian Hospital at Tophane, American Bible House on Mercan Yokuşu, Santo Pacifico Church in Büyükada and Palazzo Corpi at Tepebaşı accomplished with Giocomo Leoni are his important buildings. He was also in charge of the repairs and renovations of the British Embassy in Tepebaşı after the fire of 1870. Cengiz Can, "Levantine Architects in Post-Tanzimat Istanbul Architecture", *Convegno "Architettura e architetti italiani ad Istanbul tra il XIX e il XX secolo"* by IFEA, IIC and Mimar Sinan University, Istanbul, 27-28 Novembre, 1995, p. 60 [55-60]. Yıldız Salman, "Stampa, Giorgio", *Eczacıbaşı Sanat Ansiklopedisi,* (Istanbul: YEM, 1991), vol. 3, p. 1694.

[27] According to the *Journal de Constantinople* issued on April 17, 1862, the Selanik *hân* was among the newly erected *hân*s which would be soon completed. The *hân* was described as distinctive for its solidity and elegance, the interior court was covered by a roof made of glass and the galeries as well as the stairs were made of cast iron. Quoted from Öncel, "Un nouveau type d'habitat…, vol. 2, p. 555.

[28] Tanatar-Baruh, Lorans, "The Transformation of the "Modern" Axis of the Nineteenth-Century Istanbul…" Appendix BB: Camondo property: list, plans and photos, pp. 405-423.

[29] See the above list.

[30] Léonce Tedeshi, who in 1888 traveled from Paris to Istanbul with the young Moïse, son of Nissim de Camondo, recorded the property in his small notebook which is now in the archives of Nissim de Camondo Museum. For its Turkish translation see Tugay & Tugay, *Kamondo Han*, p. 250.

[31] Tanatar-Baruh, Lorans, "The Transformation of the "Modern" Axis of the Nineteenth-Century Istanbul…" Appendix BB: Camondo property: list, plans and photos, pp. 405-423.

family. Moïse, who accompanied Tedeschi in his travels, was probably the last of the Camondos to have been born in Galata, in the family mansion located on Felek Street, just before the family's departure for Paris in 1867. Two years later, their grandfather Salomon followed them. One of the reasons for their departure from the city was a desire to better compete for the credits and advances proposed to the government; at any rate, this departure did not mean that they were suspending their affairs in Istanbul. The I. Camondo et Cie Bank would continue to function;[32] and so would the family's investments in property.

Transformation of the Older Structures

The older structures were gradually transformed and modernized. The wooden mansion on Felek Street was thus transformed into an apartment building in 1877 by Gabriel Tedeschi;[33] the one on Voyvoda Street with an entrance on Camondo Street was turned into a *hân*; the one inherited from the family on Yazıcı Street was converted into apartments, just as the one on Polonya Street, both being redesigned by the architect Stampa.[34] New lands were bought on the newly filled moats, particularly in Hendek and Lüleci Hendek streets. The plot on Lüleci Hendek, on which three shops had been built, was well located with a view which could not be obstructed thanks to the steep slope. Tedeschi advised constructing on this property, and although he included accounts relative to this building in his notes, no building bearing the name of Camondo was appears on Goad's 1905 map,[35] apparently because the plot was sold before the realization of the building.[36] Up in the Pera district, three new apartment buildings were built; first, the colossal apartment building located on the plot between Kabristan and Yemenici streets; second, the wooden houses that had been transformed into an apartment building, located on Nane Street in the Ağa Camii neighborhood, at a 2 minute distance from the Grande rue de Péra;[37] and finally, the prestigious apartment building on that avenue, at numbers 123 through 127, in the same district which was reconstructed after the 1870 Pera fire.[38] A note on the list of title deeds informs us that these new properties were registered under the name of Comte Avram de

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[32] The 1904 trade directory informs us that the company was founded in Paris in 1870 having its offices in Bahtiyar Han, Galata. *Annuaire oriental 1904*, p. 408.

[33] He lived in Camondo apartment at Yazıcı Street, 42, between 1889 and 1921. Tugay & Tugay, *Kamondo Han*, p. 132. Gabriel Tedeschi's name was still present in the list of inhabitants of the apartment building in 1922. *Ibid.*, p. 154.

[34] AMNC, Notes of Tedeschi… , pp. 14, 17, 18. Tugay & Tugay, *Kamondo Han,* pp. 251-252.

[35] AMNC, *ibid.* , p. 26. See also Tugay & Tugay, *ibid.*, p. 254. Goad, no. 35 and 29.

[36] Tugay & Tugay, *ibid.*, p. 128.

[37] AMNC, Notes of Tedeschi…, p. 16. Tugay & Tugay, *Kamondo Han*, p. 252.

[38] Tanatar-Baruh, Lorans, "The Transformation of the "Modern" Axis of the Nineteenth-Century Istanbul…" Appendix BB: Camondo property: list, plans and photos, pp. 405-423.

Camondo by an *'ilm ü haber* of the Italian Embassy,[39] which which was probably completed after the ratification in 1873 of the protocol with Italy on the ownership of property by foreigners.

After his father's death, Moïse de Camondo visited the sites with Léonce Tedeschi and established a real estates company in partnership with his uncle Abraham de Camondo in July 1889. They registered 55 items of their urban property[40] under the company, which would administer them and organize construction projects and works on the plots.[41] The company was established in Istanbul for 50 years and its offices would be located at the I. Camondo et Cie Bank, at that time located on the second floor of the Camondo Han in Yorgancılar, Galata. However, the Camondos' property was not limited to these 55 items. They had set apart their *yalı* in Yeniköy and some other property which, although registered under the name of Abraham de Camondo, no longer belonged to the family.[42] Another list comprising property whose revenues were dedicated to charity was also set apart. One half of a shop on Yeni Cami Street and others on Billur, Sevud, Kürekçiler and Mahmud Paşa Streets, houses on Mertebani and Bakır streets, 80 percent of Selanikli Han on Zülfarisse Street and finally the school in Hasköy named after the family were mentioned in the appendix of the contract, specifying that although they would be administered according to the company's rules, their revenues would continue to be donated as before to the allocate recipients.

Loss of interest in their legacy in Istanbul

A few months after the contract was signed, upon Abraham's death in December 1889, Moïse and his cousin Isaac took the lead of the family business. None of the two was really interested in the financial and real estate business; moreover, as their ties with Istanbul were not as deep and emotional as their predecessors', they decided to close the bank's Istanbul office 1894,[43] and their real estate company, headed by Léon Piperno, remained limited to the administration of their fortune. Some of their property was sold just after the death of Abraham between 1890 and 1899: the house on Mertebani Street, 5, property in Beykoz,

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[39] AMNC, "Recensement des titres de propriété opéré le 8 Avril 1884", translated in Tugay & Tugay, *Kamondo Han*, pp. 120-123.
[40] See these properties with a reference date 1884 in the list in Appendix BB. Also Tugay & Tugay, *ibid.*, p. 127.
[41] Article 5 of the agreement made an elaborate description of the functions of the company.
[42] AMNC, Contract related to the foundation of the real estates company, Constantinople, July 1, 1899. See Article 2.
[43] Şeni & Le Tarnec, Les Camondo…, pp. 150-154. Tugay & Tugay, Kamondo Han, p. 136.

Çamlıca,[44] a brick factory in Sütlüce, plots in Duvarcı and Kömürcü streets in Pera, in Feriköy, Lüleci Hendek, Bulgaria and the prestigious *yalı* in Yeniköy were altogether sold for 143.920, 59 French francs.[45] A letter from Piperno to Moïse in 1902 revealed one of the problems related to real estate ownership in the context of companies: although the affair was not mentioned in detail, we understand that during the liquidation of the bank, the State wanted to claim back the property registered in the company's name, and was ready to pay 40,000 liras for it. Piperno tried to avoid it by using the influence of the Grand Vizier Said Pasha.[46] In 1908, Moïse paid a visit to his motherland with his 16-year-old son Nissim to initiate him into the real-estate of his family, just as Moïse had been in his young age. We learn from Şeni's work that there is no information on Nissim's impressions and reminiscences from this journey; in fact it seems that neither Nissim, nor his son-in-law Léon Reinach, were ever really interested in the family business.[47] Thus, after the death of Nissim during the Great War, in 1917, Moïse de Camondo decided to liquidate his business. In his letter of January 23, 1919, written to the Imperial Ottoman Bank, he declared that I. Camondo et Cie. had entered into liquidation,[48] and two months later, gave orders to Piperno to liquidate the business, and particularly the remaining real estate in Istanbul.[49]

As a conclusion: Taksim Residential Buildings Project

The Camondos, with some 100 property in their hands, were certainly the major investors in real estate of their time. Thanks to the influence and insight of Abraham Salomon, the Camondos were able to use to their advantage the winds of change of the third quarter of the nineteenth century. His major investments were in Galata, a district which rapidly gained importance and value during his lifetime, and where he participated in a variety of infrastructural projects which would increase the value of the region and consequently, his own assets and profits. Thus, for Abraham Salomon, who could circumvent the ban on property ownership for foreigners thanks to his influence at the Porte, property meant business. The area from Perşembe Pazarı to the bridge was already the most prestigious and central area of Galata, which soon turned out to be exclusively dedicated to commercial activity.[50] Camondo, when investing in Galata, found that the district was already promising

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[44] The mansion with its vineyard was sold to Necib Molla. Tugay & Tugay, Kamondo Han, p. 110.
[45] *Ibid.*, p. 128.
[46] *Ibid.*, p. 143..
[47] Şeni & Le Tarnec, *Les Camondo…,* pp. 211, 253.
[48] OBA, OFTC0052, Camondo & Cie., November 21, 1903.
[49] AMNC, Letter of Moïse de Camondo to Piperno, April 4, 1919 reproduced in Şeni & Le Tarnec, *Les Camondo…*, p. 250.
[50] A file in the Ottoman State Archives on the request for permission to construct shops in place of Muslim houses destroyed by fire gives us some clues on the transformation of the area in the 1850s.

in terms of investment, and the new office *hân*s which he constructed offered the facilities requested by the companies of the time. The high level of rents, which decreased as more and more new buildings were constructed,[51] indicates a corresponding decrease in the returns from investments in commercial buildings in the 1890s. By then, the majority of real estate investments had moved towards apartment buildings mostly situated in the upper parts Galata, which would in turn decrease in importance as apartment buildings expanded towards the more prestigious Pera. The fact that the Camondos left the city in 1867 may also have been one of the reasons that they did not seem to develop a greater interest for investment in the northern part of Pera rebuilt after the 1870 fire. Moreover, although the investments in the beginning seemed to be more or less consistent in terms of their location, the great variety of property located in different districts of the city acquired by the family at a later date gives the impression that an increasing portion of their property was acquired against outstanding debts. When the family business was transferred to the fourth generation, who, contrary to their forefathers, did not have any real emotional tie with the city, the Camondos tried to rationalize the administration of their property by selling the real estate they did not want to invest in, and keeping only the core property which would be liquidated in 1919. However, when one realizes that Isaac de Camondo became the vice-president of the National Company for Trade, Industry and Agriculture in the Ottoman Empire, established in Paris,[52] which had founded the Ottoman Real Estate Credit Company in 1914[53] to build residential buildings in Taksim, one would be tempted into thinking that their interest for real estate investment in Istanbul was still quite alive, even if it seemed to have come to mean business rather than prestige, the latter being in a sense transferred to the Parisian life of the family's last generations.

Although in the beginning the original owners wanted to reconstruct their houses, they changed their mind. It was said that the reason behind such a request was the increasing demands of Christians to settle in the district, and because of the proximity of the plots to the mosque, it was preferable to transform the houses into shops. As such it would be ensured that non-Muslims would only be there during the day and not in the night. The Sultan accorded his permission under the condition that houses would not be constructed on it. BOA, İ .MVL 361-15961, "Galata'da Perşembe Pazarı'nda yanan İslâm hâneleri arsâlarına mağaza yapılmak üzere ruhsat verilmesi", 1273.Ca.13 (January 9, 1857).

[51] See the case of Saint-Pierre Han or that of Camondo Han in Yorgancılar. A note in the Tedeschi notebook informs us that both stages of the *hân* rented to Société Générale at 1,000 liras per year would decrease to 300 liras, if they left. When the Imperial Ottoman Bank left Saint-Pierre Han, the owner was unable to rent the offices for the same amount (450-500 liras instead of 1,350). See, AMNC, Notes of Tedeschi…, p. 3 and SALT Research, Saint Peter Church Archive, SPC 030-0731, "Lettres de la Municipalité du 6ème Cercle réclamant les taxes échues de Saint-Pierre", September 26, 1896-December 10, 1896.

[52] "Le Champ de Mars et la Caserne du Taxim", *La Gazette financière*, 1911, no. 68, p. 8.

[53] The other founding partners were the Banque de Paris et des Pays-Bas, the Société Générale, the Imperial Ottoman Bank and the Banque de Salonique whereas the Ottoman government kept the privilege of subscribing for 100.000 liras. "Société Immobilière de Constantinople", *La Gazette Financère*, 1914, no. 238, p. 287.

Thus, on the eve of World War I, not only Camondos but all private investors mentioned above disappeared from the urban scene, leaving behind their property which would be transferred to the third parties. Similarly the construction of buildings in place of military barracks of Taksim couldn't be realized. The uncertainty brought by the war, as well as the difficulties in obtaining material, the soaring inflation, and the shortage of labor were responsible for the project's failure,[54] and the construction of the area, with the exception of the barracks would only be possible by different means in the 1930's.[55]

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[54] Ali Akyıldız, *Osmanlı Dönemi tahvil ve hisse senetleri - Ottoman securities*, (Istanbul: TEB, 2001), p. 244.

[55] Pervitich draws first the Talimhane area in his plan number 12 and dated 1925. In this plan the plots are shown but buildings do not appear yet. The construction of the area is drawn later on a plan dated 1943 under the same number. Nur Akın states that these apartment buildings in art deco style were constructed by the renowned architects of the time such as Vedat Tek, Seyfi Arkan and Sedad Hakkı Eldem. Nur Akın, "Talimhane Yayalaştırma Projesi'nin Düşündürdükleri", *Arredamento Mimarlık*, no.176, January 2005, p. 84. For the Ottoman Real Estate Company and its investment projects in Istanbul see Lorans Tanatar Baruh, "İstanbul Emlâk Şirket-i Osmaniyesi'nin Yatırımları: Karaköy Borsa Hanı, Taksim Kışlası ve Talimhane", *Toplumsal Tarih*, no. 232, April 2013, pp. 30-35.

New Bank and the culture of the Haute Banque in France in the second half of the 19th century

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Introduction

- For David Landes (« Vieille banque et banque nouvelle : la révolution financière du XIXe siècle », RHMC, 1956), there is no conflict between old and new Bank

- This paper would like to highlight the following paradox : if the high bank doesn’t really participate in the creation of the new bank, its culture contaminates the new bank to the point of modifying its trajectory.

I.

The limits of the participation of the high bank in the creation of the new bank

1. **Crédit mobilier, a long time exception**
2. **Where the high bank shines by its absence**
3. **The emergence of two truly mixed projects**
4. **Two socio-cultural models**

1. Crédit mobilier, a long time exception

- Initiative of Benoît Fould (Banque Fould & Fould-Oppenheim), ally Oppenheim, Heine, Fould: 35% of the capital

- Support of the high bank: André, Mallet, Seillière, D'Eichthal

- + "New men", Emile and Isaac Pereire: 29% of the capital

  But Benoît Fould, sick, yielded the presidency in 1853 to Isaac Pereire

2. Where the high bank shines by its absence

1848	Comptoir national d'escompte de Paris
1852	Crédit foncier de France
1859	Crédit industriel et commercial
1863	Société de dépôts et de comptes courants
1864-1866	Banques régionales de dépôts (Marseille, Lyon, Lille)

3. The emergence of two truly mixed projects

Date	Etablissements	Hommes nouveaux	Haute banque
1860	Crédit foncier colonial	A. Pinard	Bischoffsheim, Hentsch, etc.
1863	Crédit lyonnais	H. Germain	Hentsch, Paccard, etc.
1864	Société générale	A. Pinard	Bischoffsheim, Hentsch, etc.
1866	Soc. gen. algérienne	L. Frémy	Bischoffsheim, Hentsch, etc.
1870	B. franco-égyptienne		Bischoffsheim, Hentsch, etc.
1872	B. de Paris et Pays-Bas		Bischoffsheim, Hentsch, etc.
1875	B. de l'Indochine	Groupe CIC	Hentsch

4. Two socio-cultural models

High Bank	New Men
Cosmopolitan (Germans, Swiss, French ...)	French
Multireligous (Jewishs, Protestants and Catholiques)	Catholiques (except Pereire)
Social and professional homogeneity: business and commerce	Social and professional heterogeneity: many civil servants and lawyers, with no family business culture

I. The new bank contaminated by high bank culture

1. Managerial personification
2. Confusion of interests
3. Misuse of statutes
4. Sanction

1. Managerial personification

The economist Alfred Neymarck in 1880 :

"We have a very good group of credit institutions in France [...] which are public companies. Well ! In reality, they are the least anonymous possible. What is seen above all in them, sometimes above them, is the name of a skillful founder, a trusted administrator, a competent director. "

The Marquis d'Audiffret, from the "Cour des comptes" to the Crédit industriel et commercial (CIC) presidency,
67 years of service (in 1875)

= A guarantee for the customers of the bank

2. Confusion of interests

- At the “Comptoir d’Escompte”, Deputy Director A. Pinard invests and speculates with the funds of the company as much as with his own money.

- At the “Crédit Foncier,” governors L. Frémy and G. de Soubeyran, in troubles after the Egyptian bankruptcy (1876), put on the table a personal guarantee of 16 million francs.

- Soubeyran believes that a boss of an anonymous banking company must commit his personal fortune to gain confidence.

3. Misuse of Company statutes

Two methods:

- Violation of the statutes (CIC)
- Creation of subsidiaries companies with less binding statutes

After the "Saint-Simonian moment" in the 1850s, the liberal turn of 1860 led to a certain banking confusion,

... hence a major trend: the shift from specialized establishments to the all-purpose bank, on the model of “haute banque” houses (credit, financial investments, investments

4. Sanction

During the Second Empire, the effects were largely positive by giving a strong impulse to French capitalism,

... but things deteriorates from the moment when the political (3rd Republic) and economic (Great Depression) contexts change :

Frémy and Soubeyran evicted from Crédit Foncier in 1876-1877
Bankruptcy of the Comptoir d'Escompte in 1889
Bankruptcy of the Donon and Soubeyran business groups in 1891 and 1894

Conclusion

The new bank is carried by new men, new resources, new ideas,

…. but it struggles to free itself from the inheritance of the “haute banque”, for the better (for a time) and for the worse (ultimately).

A “corrupt" heritage ...

David K. Thomson
Sacred Heart University

"The *Haute Banque*, American Civil War Debt, and the Global Integration of 19th Century Capital Market"

Historians have for decades described in detail the power of the *haute banque.* A loaded term that is easily definable yet at the same time laden with complexities, it became a fundamental element of nineteenth century French banking. One definition of the *haute banque* describes it as a group of individual enterprises or companies of persons distinguished by their honor, respectability, financial power, and activities oriented towards international money markets. Despite these identifiable traits, a conservative investment approach was the norm for the *haute banque.* But these fundamental ideals of the *haute banque* extended beyond the Parisian capital (and not just in reference to their focus on international markets.) For in the wake of the 1848 revolutions that swept Europe, many other continental bankers reassessed their relationships with other firms on the continent and newly expanding markets like the United States. Perhaps this is best illustrated by the rise in stature and capital of banks in the German states. Financial centers in Frankfurt, Hamburg, and Berlin grew in the 1860s and 1870s to previously unforeseen levels. Chief in the rise of these financial centers was American debt—specifically American federal debt tied to the American Civil War. By 1869, $1 billion of the federal debt could be found in foreign hands, meaning nearly half of the US debt could be found abroad. Yet while the quantity of debt held overseas should offer a moment of reflection, it was in fact the interpersonal arrangements within Europe and across the Atlantic based on *haute banque* principles that offer a window into late nineteenth century financial markets and changing investment strategies for the *haute banque.*

In order to examine these relationships, however, one must understand the evolving demand for American debt in Europe by the 1860s. By the summer of 1865 with the war for all intents and purposes over, European investors, most notably the Dutch and Germans, pushed foreign investment in the United States well beyond its pre-Civil War levels. Word quickly spread across the United States of the insatiable demand for federal debt in the German states. Just months after the war had ended, the *New York Times* republished a letter that had originally run in the (then) Hamburg, Germany suburb of Altona. "It is highly gratifying to observe here," the letter began, "a daily increase in the price and popularity of our stocks. While all other securities are depreciating, only United States stocks seem to gain ground. The largest amount of business done in these securities hitherto was last week—one person having bought the enormous amount of five hundred thousand dollars for himself, beside being a permanent holder to the amount of two hundred thousand dollars." The letter went on to conclude, "The Germans are a thrifty and safe calculating people, ever choosing the safest and best marks for their products, whether money or goods, and they seem to be now the war is over, perfectly satisfied to deposit their savings in American securities."[1]

But perhaps a letter from an American living in Frankfurt in 1868 really got to the heart of the matter perhaps moreso than any other letters transmitted to the United States Treasury Department. "Really this market controls the European," the letter began, "Here all the great sales are made, and to this point are all the stocks sent from New York, and here the coupons on nearly all the stocks held in Europe are sent for sale and collection. Frankfurt is about the only city which has its branch houses in the United States." The letter went on further to note the plethora of German incorporated banks with capital requirements based largely in American securities. Specifically, the American financier referenced the Banks of Meiningen and Darmstadt, who among other banks "hold several millions of our Five-Twenties."[2]

European periodicals also supported these assessments. In November 1868, a report from a Belgian financial paper made its way into the *Atlanta Constitution* of all American newspapers. The report from the "Echo de Bourse" proclaimed, "The Germans have a most complete knowledge of the resources of the United States. They have placed a great deal of money in the American bonds… The daily sales which are made at Frankfurt, Hamburg, Berne, and Berlin can be almost compared with the sales and transactions of Wall Street."[3]

But what accounted for interest in the German states that fed the demand? For some, the bonds were purchased in anticipation of European conflict between the French and German states. One report from Germany indicated, "a real investment demand for 5-20s is now setting in from the peasantry and that class of people, especially since the war looks inevitable."[4] For others, bonds took on geopolitical relevance. "These bonds also invite a large immigration," one article proclaimed. "When the people of Europe receive that the great republic meets its interest promptly, and that too of so high a rate… the emigrant carries with him his bonds, because he feels the confidence that he can realize upon them… It seems to us that the missionary influence of those bonds in Americanizing Europe, in drawing its people to our government, and in making them as it were the constant watchers of American progress, is indeed boundless."[5]

Another letter written from an American in Germany reinforced this sentiment of the power of bonds on immigration. "These bonds are the most powerful and influential emissaries you could have sent over to the Old Continent to convert the masses in republican principles. They never before heard so much talk about America; your means and resources, your future and your prospects, are discussed everywhere, and in such favorable terms that emigration is the leading topic among the sturdy masses; and the next year will bring you for every $1,000 of your bonds taken in Germany, at least one of her sturdy sons."[6]

Whatever the reason for the demand in these bonds (a topic to fully explore another day), the German banks that facilitated these widespread sales relied on a variety of networks and aggressive investment strategies (despite the seemingly "safe" nature of bond investments.) First and foremost, these networks were predicated on familial social networks, in another word, kin. A pipeline emerged between New York and Frankfurt specifically, in which American houses bought extensively on behalf of their German relatives and then sold them across the Atlantic. Indeed, the majority of these bonds surely made their way overseas via New York City houses that had German connections. One prime example is that of J and W Seligman Co. Joseph Seligman originally immigrated from Germany to the United States in 1837 and quickly built a dry goods empire. By the time of the war, Seligman's company produced a large quantity of uniforms for the Union Army. That being said, Seligman recognized the potential to became a significant player in international finance. As such, Joseph sent his brother Henry to Frankfurt in 1862 in the hopes of establishing a German house and Joseph subsequently followed him across the Atlantic spending a significant amount of time in the region during the war. While the firm did not formally establish a banking house in Frankfurt until 1864, Joseph became active in the securities market during his visit.

By the spring of 1867 (the earliest point in the post-war period with surviving records), Seligman & Co. was sending more than $100,000 in bonds daily overseas. Perhaps most interestingly, Seligman distinguished in his letters between "small 5/20" orders—that is, those that were bonds of $50 or $100 and other 5/20 orders that were bonds in larger denominations. In fact, as spring turned to summer in 1867, Seligman's correspondence revealed a decided pattern. For London, the orders were almost always for larger sized bonds with less of an emphasis on the $50 and $100 bonds. On July 19, 1867, Seligman wrote to the London house to note that $300,000 worth of 5/20s had been purchased ($50,000 of which were small 5/20s). The note continued remarking that the London house was still owed another $500,000 in large 5/20s as well as $40,000 of small 5/20s and $58,000 in '81s. Conversely, Joseph Seligman wrote daily to the Frankfurt House relaying orders that by early August were exclusively for small 5/20s in varying amounts that at times surpassed $100,000 daily. The small sized bonds making their way to Frankfurt would seem to reiterate the claims of American representatives abroad who emphasized the fact that the issues were wildly taken up in Frankfurt by investors of all classes.[7]

Another example of familial ties involved Speyer Ellison. New York City based Speyer & Co. represented the interests of their partner institution L. Speyer Ellison—a bank with decades of ties to Frankfurt. Speyer & Co. purchased heavily for the Frankfurt house accounts who then proceeded to sell their bonds far and wide in the German states. Much like Seligman—the familial ties of the Speyers enabled a healthy exchange of securities across the Atlantic to meet the growing demands of the German populace and their nieghboring countries. While the exact sales on the part of the Speyers has been lost to time, surviving correspondence for the firm and their rivals reveals an intense interest and pursuit of American bonds.

Bethmann Bank in Frankfurt likewise played a substantial role in the post war period and reveals another networking approach—one based on faith. For the Bethmanns represented the single largest Christian bank in Frankfurt—an outlier in a city largely dominated by Jewish bankers. In the aftermath of the war through the end of 1865, the firm purchased slightly over $350,000 worth of 5-20s. Investments rebounded in the first quarter of 1866 to the tune of $163,000 followed by $122,500 in the second quarter. A third quarter of $104,000 followed by a fourth quarter that brought in $227,000 demonstrated a continued interest on the part of the firm and their European clients in United States bonds. In 1867, Bethmann upped their investment in American 5-20s to $1,354,100 with additional purchases of 81s and 5-20s from 1865 (combined total of some $71,100.) In 1868, the stakes grew even higher with $2,134,900 in 5-20s purchased by the Frankfurt house and half a million dollars worth of additional Civil War bonds. The first two quarters of 1869 (the current end of records held by this author) totaled some $782,700 in 5-20 Civil War bonds. In the postwar period, the firm's investments went to a wide range of clients—although only some records have survived. Of these records, were a wide variety of banks in Frankfurt as well as established citizens. But Bethmann's clients went far beyond Frankfurt itself—and even nearby suburbs of the town such as Weisbaden—to Hamburg, Berlin, Munich, Leipzig, and smaller locales such as Aachen, Heidelberg, Marktheidenfeld, Wildenberg, Freiberg, Freidburg, and Meisbich. But the clients also spread to France, Austria, Switzerland, Ukraine, Italy, Russia, Greece, and Romania. All of these examples ranged from established financial institutions like the Norddeutsche Bank of Hamburg (an early house to join Deutsche Bank) and Masourard + Co of Bern, Switzerland. Some individuals included the Greek ambassador to Austria who came to run the Austrian National Bank as well as lesser known individuals whose records have been lost to history such as a "Frau Von Owen" of Frankfurt as well as Georg Kerua of the same city. The source of bonds for the firm stems from a wide variety of Christian New York City houses—many of which had ties to Jay Cooke & Co—the domestic agent for bond sales during the American Civil War.[8]

This is, however, a conference on the *haute banque* and I assure you there is a connection here! For German ties to the French *haute banque* came to entail an even larger percentage of the market. One of the most preeminent firms that comprised the *haute banque,* Rothschild & Freres of Paris, offers one of the best examples of these exchanges. Part and parcel of this exchange was the Rothschild agent in the United States, August Belmont. Born in 1813 in the Rhenish village of Alzey, by the age of fifteen Belmont found himself under the watchful eyes of family friends—the Rothschilds—who apprenticed him to their Frankfurt branch. Belmont ultimately found his way to the United States in the midst of the Panic of 1837 and it was in this light that he came to work on behalf of all Rothschild accounts, chiefly though, London and Paris. But if Belmont is a factor in this story—it's only because of the head of the Paris house, James de Rothschild, enabled him to participate in the exchange (but in a limited fashion.) James de Rothschild ran the Paris branch until his death in 1868 and it was the Paris branch that proved most important in the American bond market.[9]

In fact, it was the partner institutions throughout Germany that proved instrumental in purchases for the Paris house. While these purchases initially were for arbitrage purposes, it evolved over time into widespread purchases for clients. L. Behrens & Son in Hamburg, Bleichroeder Bank in Berlin, and Warburg Bank in Hamburg all worked heavily in their respective markets. And this was just on behalf of the Rothschilds, to say nothing of their own investments on their own accounts—be it clients or personal accounts. For the Bleichroeder house, the active market in Berlin proved remarkably fruitful. By the summer of 1865, the firm was making daily purchase for the Paris house of Rothschild in the neighborhood of close to $100,000 on average. Additionally, the house also made purchases for clients either on behalf of the Rothschilds, or their own clients who currently found themselves in Paris—such as Victor Renary. By the latter part of 1866, the Bleichroeders were making significant purchases on behalf of the Rothschilds, including a $700,000 purchase in 5/20s in November and $480,000 of the same issue on Valentines Day 1867. Surviving records indicate that these purchases largely went to clients—and were not held on personal accounts.[10]

For the Hamburg houses of Warburg and Behrens, it was much more of the same. For Behrens in particular, the daily purchases averaging some $50,000 became a regular occurrence by 1866 for House Rothschild. Likewise, the Rothschild house based in Frankfurt and run by Mayer Rothschild also coordinated with the Paris house. By 1869 the Frankfurt house made daily purchases (alternating between House purchases and those for individual clients) numbering in the range of $50,000. Thus, for the Rothschilds, the post war period presented a wonderful opportunity to invest heavily in American bonds.[11]

The Rothschild reliance on their German partners reflected a significantly greater interest in American bonds purchased through Jewish connections within Europe that were predicated on familial ties across the Atlantic. All of this is to say that while the *haute banque* had been known to expand into continental Europe in the mid nineteenth century, this interest in American securities—specifically here in the case of the Rothschilds—marked a new investment opportunity and pattern. Working in arrangements that epitomized *haute banque* ideals, the Rothschilds coordinated closely with German banks in Berlin, Hamburg, and Frankfurt to access American bonds on favorable terms. Access to these funds increasingly came not from the American agent for the Rothschilds—August Belmont—but through their *haute banque* contacts in the German states, long after the arbitrage market for these bonds had effectively dried up with the reintroduction of the transatlantic cable. Indeed, when these bonds sold above New York values in the German states and elsewhere, the Rothschilds still opted for the European transactions, revealing the ties that bind for these banking families.

Writing many years after the Civil War, the established Frankfurt banker Saemy Japhet wrote of his introduction at a young age to American securities:

> "There was hardly an investor in South Germany who did not buy United States bonds… They all believed in the ultimate victory of those who identified themselves with the cause of liberty…The profits made in American securities and American trade were one of the stepping stones on which the newly enriched world of Germany could tread."[12]

Japhet's commentary is illuminating and places a distinct emphasis on American bonds as a fundamental building block for the German economy. But this point belies something even deeper—that is—the fundamental arrangements that facilitated these sales. Familial and religious connections across the Atlantic for many German banks helped to expand the German market while informal partnerships also took advantage of the American bond market. Yet, much of this was predicated on honor and trust—particularly for informal arrangements that came into being during this period of rapid financialization. Despite the perception of government bonds as safe investments, an ocean separated these houses from the United States government. This was a nation comprised of a collection of states, many of whom had defaulted on state bond issues in the antebellum and immediate postwar period. It was imperative for these German banks to have close connections via partnerships stateside. It was these German banks that projected *haute banque* ideals (and *haute banque* connections) across the Atlantic—opting to push beyond the fairly conservative notions of "international markets" put forward by their French rivals (or in some cases partners.) It was this bold step forward on the part of German banks that slowly roped in the *haute banque parisienne*, albeit indirectly, to this wider financial market. The prestige and reputation of the *haute banque* when coupled with the more aggressive investment pursuits of German banks fostered new relationships that open a window into deeper international financial markets centered around an emerging German financial sector.

[1] "Five-Twenties Abroad," *New York Times,* April 2, 1867.

[2] "American Securities in Germany," *New York Times,* April 26, 1868.

[3] "American Securities," *Atlanta Constitution,* November 28, 1868.

[4] "American Bonds Hoarded Abroad," *Gettyburg Sentinel,* June 26, 1866.

[5] "Our Bonds Abroad-A Powerful American Missionary," *Semi-Weekly Wisconsin (*Milwaukee), February 28, 1866.

[6] Quoted in *Ibid.*

7 [7] Seligman Co. Papers, Oklahoma University, Norman, Oklahoma.

8 Bethmann Bank Collection, Institut für Stadtgeschicte, Frankfurt, Germany.

[9] Katz, *August Belmont*, 3-6. For the most comprehensive analysis of N.M. Rothschild & Sons, see Niall Ferguson, *The World's Banker: The History of the House of Rothschild* (London: Weidenfeld & Nicolson, 1998.)

[10] July 8, 1865, July 22, 1865, July 24, 1865, August 23, 1866, November 23, 1866, and February 14, 1867, Bleichroder to James de Rothschild, Bleichroeder Bank Corespondence, Rothschild Co. Papers, Archives Nationales du Monde de Trevail, Roubaix, France.

[11] January 18, 1866, April 13, 1866, April 20, 1866, and August 10, 1866 Behrens Co. to James de Rothschild, Behrens Co. Correspondence, Rothschild Co. Papers, Archives Nationales du Monde de Trevail, Roubaix, France; May 12, 1869, May 18, 1869, August 30, 1869, and October 28, 1869, Mayer Rothschild to James de Rothschild, Frankfurt House

Correspondence, Rothschild Co. Papers, Archives Nationales du Monde de Trevail, Roubaix, France.

[12] Quoted in Stanley Chapman, *The Rise of Merchant Banking* (London: George Allen & Unwin, 1984), 46.

eabh Paris
23.06.2017

PD Dr. Korinna Schönhärl

Project:
Financers´desired spaces.
European banks and
Greece in the 19th century

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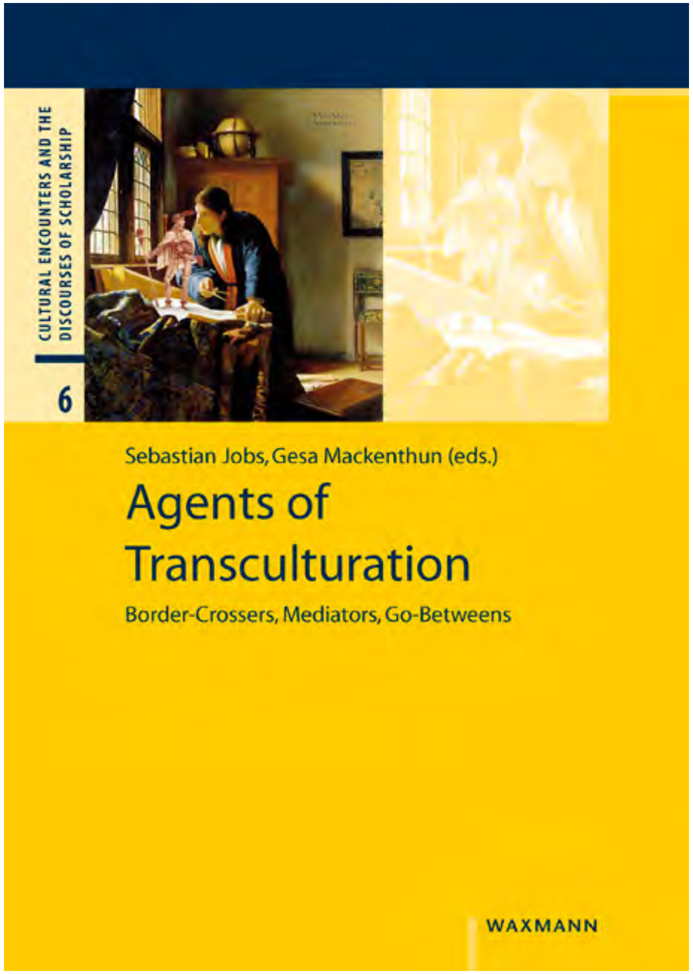
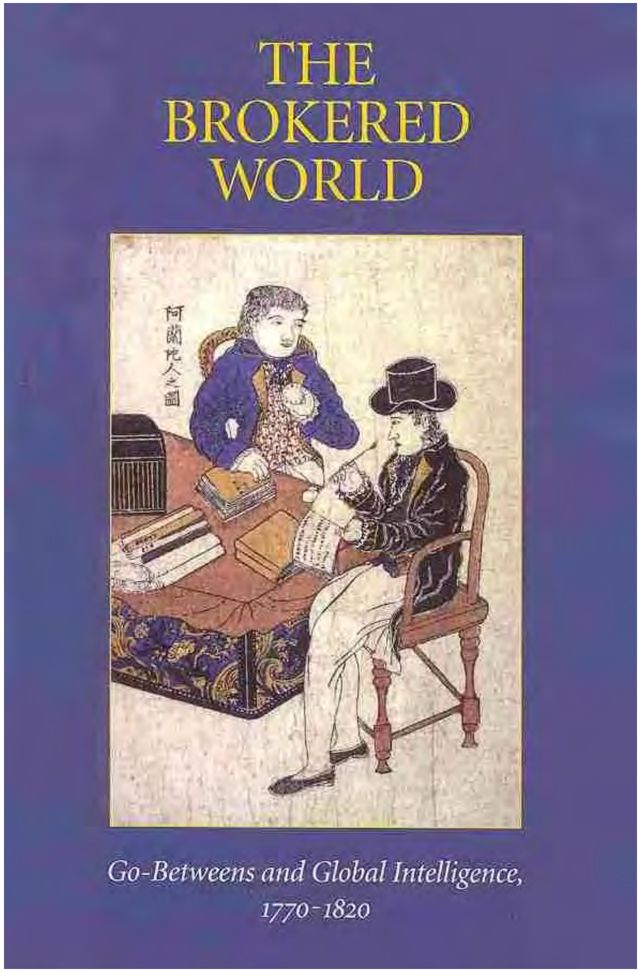
Offen im Denken

The D´Eichthal bank between St. Simonism and investment in Greece in the 19th century

1. Bankers as intermediaries in the financial and cultural sphere





Outline

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1. Bankers as intermediaries in the financial and cultural sphere
2. The d´Eichthal family and Greece
3. To invest or not to invest?
4. From financial intermediary to Philhellene
5. Conclusion

2. The d´Eichthal family and Greece

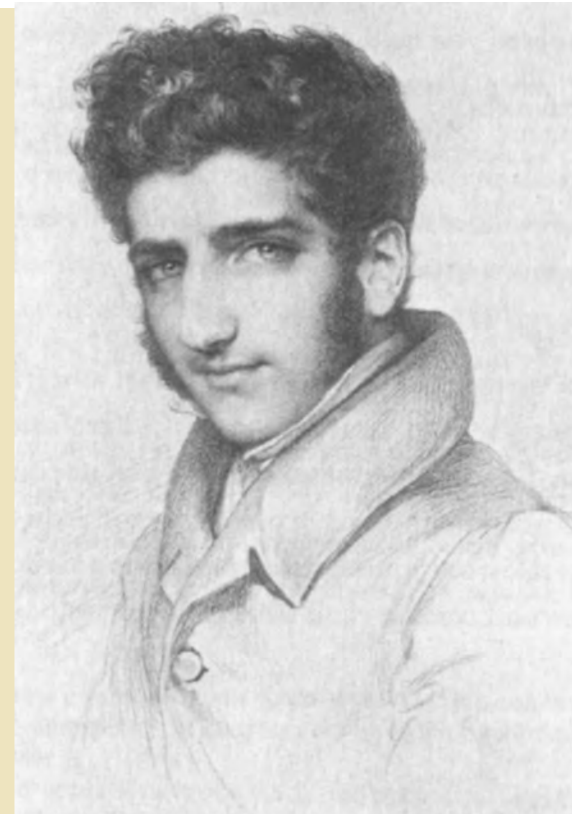
(1804-1886)

Gustave d´Eichthal, protrait au crayon par Edmond Fechner, Familienarchiv, aus: Le Bret, Les frères d´Eichthal, 60.

2. The d´Eichthal family and Greece

Louis (1780-1840), Paris

Simon (1787-1854), Munich



Adolphe (1805-1895), Paris

2. The d´Eichthal family and Greece

"Concerning your son, my friend, I am sure that the journey he is doing now is the very best cure he could get. I do not doubt that after having arrested some bakers in Constantinople because of too light bread and after coming in contact on the classical Greek soil with its contemporary inhabitants, dirty like their dogs, but with more fleas […] he will realize that France is a good place to life for a liberal man without any duty to shoot himself."

Arnold von Eichthal to Louis d´Eichthal, 19.8.1833, in: BA MS 13747, 100.

Two competing images of Greece:

Foreign, oriental, chaotic Greece

Greece as promising emerging market

3. To invest or not to invest?

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"The longer one stays on this earth, the more one has to admire it, be in love with it; this expression is the only fitting one."

Gustave to his family, 7.2.1834, in: L. (Marquis de) Queux Saint-Hilaire, "Notice sur les services rendus à la Grèce et aux études grecques par M. Gustave d´Eichthal", in: E. D´Eichthal (ed.), La langue grecque. Mémoires & notices 1864-1884, Paris, Librairie de Hachette et Cie, 1887, pp. 1-103, here 19-24.

3. To invest or not to invest?

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“You can promise your friends who are willing to colonize a beautiful sky and a liberal government; the Greek citizenship; freedom of faith; *absence of peerage*, a law, excellent customs, an extraordinary fertile soil, etc.”

Gustave d´Eichthal to Duveyrier, 17.3.1834, in: D´Eichthal, La langue grecque, pp. 24-28.

“Concerning this last point, I do not have, for my part, the courage to call on single colonist to Greece, before a national assembly is prononced.”

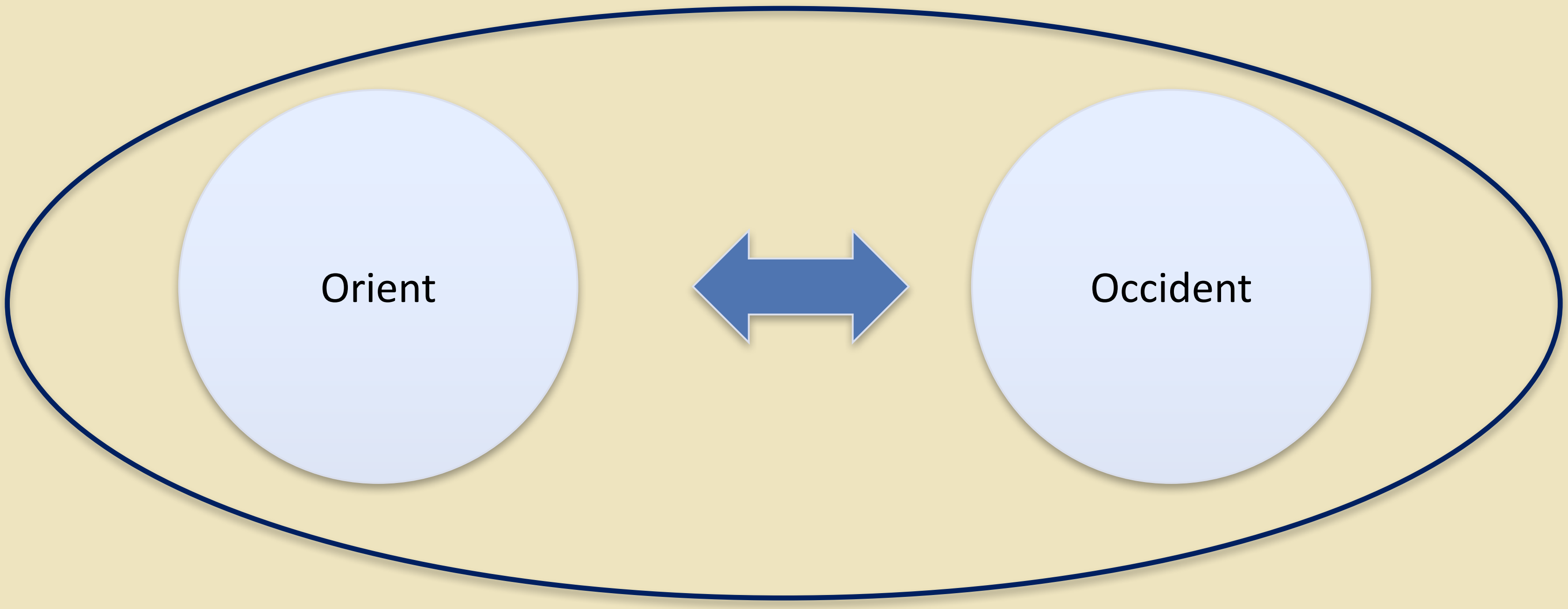
Gustave d´Eichthal to Roujoux, 1.1.35, in: ibid., pp. 63-67, here p. 66.

Perception of all three bankers:

Foreign, oriental, chaotic Greece

Greece as promising emerging market

Gustave d´Eichthal: Les deux Mondes (1836)

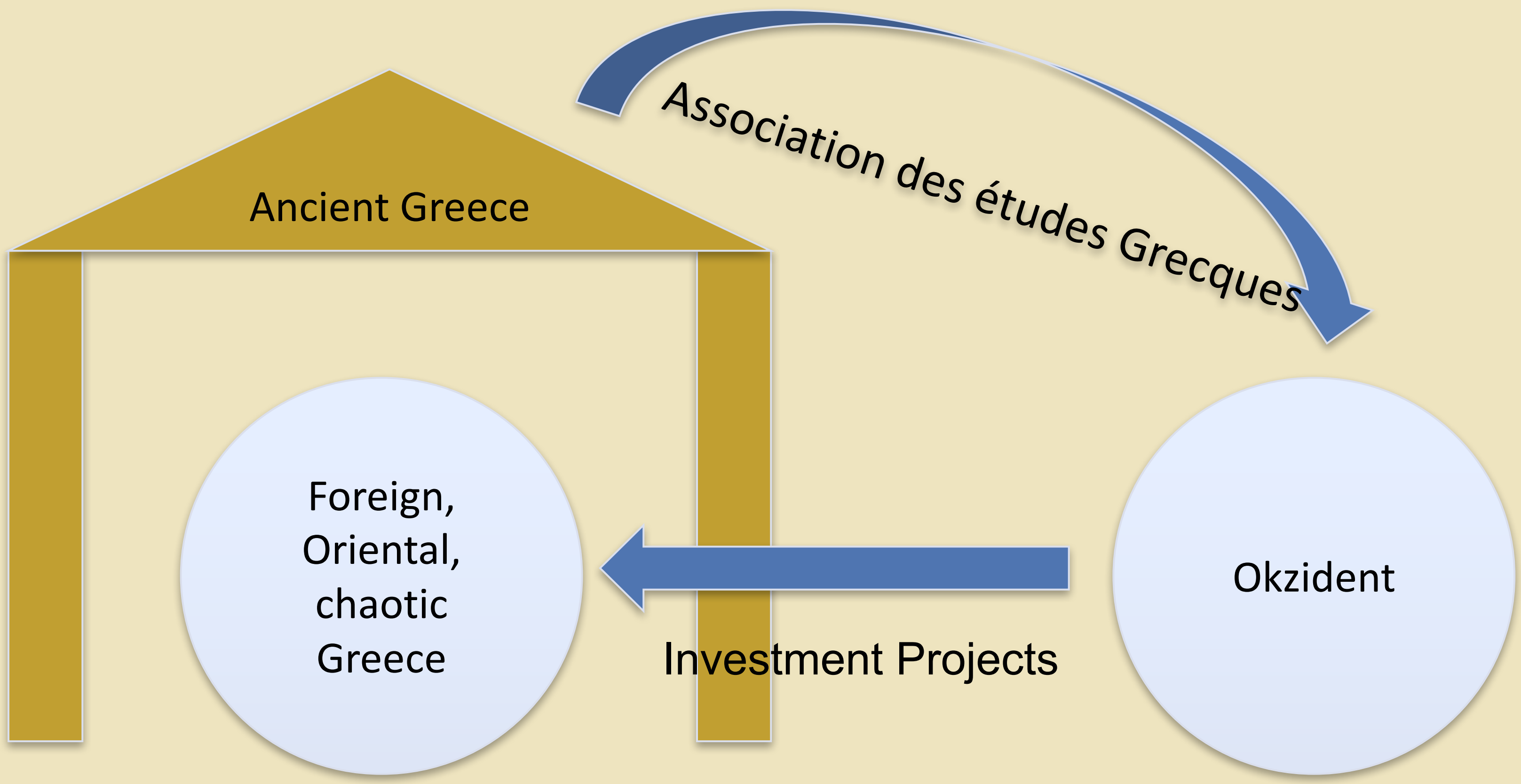


4. From financial intermediary to Philhellene

“All aim was to keep present before ourselves that great image of Greece, to combine the memory of Greece for us with the activities of our lives.”

Notice sur la fondation et le développement de l'association pour l'encouragement des études grecques en France (Avril 1867-avril 1877), Paris 1877, 70.

5. Conclusion



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Thank you for you attention

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The history of Banque de Neuflize OBC, 1667-2017

Ton de Graaf

Paper presented in Paris at the Conference of the European Association of Banking and Financial History on June 23, 2017 at BNP Paribas.

The bank Neuflize, Schlumberger, Mallet OBC (NSM) whose history goes back to 1667, the date on which the David André banking house, the precursor of de Neuflize banking house was established in Genoa is the oldest Parisian bank. NSM is the result of successive mergers between the three founding banking houses de Neuflize, Schlumberger, Mallet, NSM took part and still takes part today in France's banking and industrial development. Anxious to perfect the services offered, the three founding banks of NSM successfully anticipated and favoured the major socioeconomic changes by founding what were at the time new companies such as the Banque de France, the railway or insurance companies which are examples of the enterprising spirit of these financial houses.

Each of these three banks had its own particular history, initatives and preferences but nevertheless, all three had common characteristics which made their merger in 1966 an economic success.

Family businesses , they were set up as general partnerships with the joint responsibilities of the managing associates until 1966, the date of the transformation of NSM into a limited liability company. This choice of legal structure is the result of a cultural phenomenon: loyal to their Protestant faith, the André, de Neuflize, Schlumberger and Mallet families were forced to emigrate for religious reasons and therefore had to leave their home province. From this exile, these families kept the very strong sentiment of belonging to an international minority, reserving the management of the banking house to members of their family or to close relatives up until the 1960s.

As French banks, the de Neuflize, Schlumberger and Mallet firms have, for over three hundred years, witnessed both the happy events and misfortunes of France and Europe without ever having failed in their commitments. The de Neufüze, Schlumberger and Mallet associates managed prestigious companies (the chairmanship of the AGF insurance group, the Eaux d'Evian mineral water company, the Paris-Lyon Mediterranée railway company, the Huaron copper mines, etc) and in the same way with their personnel displayed courage during the wars and periods of economic crisis.

Through a series of examples, we will endeavour to give a brief description of these firms before they took the clearsighted decision to concentrate their strengths in one company : NSM. A guardian of their principles of work, uprightness and solidarity, this private bank with an international vocation is the French subsidiary of ABN AMRO Bank.

The first of tbeir decisions: the founding families seek refuge abroad

Under the Ancien Régime, the severe repression of the CounterReformation forced the young members of the Mallet, André, Poupart (de Neuflize) and Schlumberger families to seek refuge abroad to found their families in peace without fear of seeing them wiped out. In the XVth century, Nicolas Schlumberger from Setzingen found refuge in Guebwiller, in the République Libre of Mulhouse a town in the eastern part of France which was an independent republic at the time. In 1557, Jacques Mallet, from Rouen, settled in Geneva where he was given the position of Bourgeois a title granting the rights and privileges of the city. In 1667, David André from Nîmes founded his trading and banking firm in the free port of Genoa and finally, in the year 1710, Jean Abraham Poupart (de Neuflize) left Paris for the principality of Sedan. At this time, these three families formed part of the European class of Protestant merchants in which family and commercial relations were closely linked.

The André and Mallet firms under the Ancien Régime

Refusing all financial activity linked to the public finances of the realm, these two houses carried out their business in banking activities and speculation in merchandise just like all the merchant bankers at the time.

The banking activities consisted of the usual processing of bills of exchange, the receipt of revenues from customers' private investments and more complicated operations on foreign exchange arbitrage and advances on cargos. The end of the XVIIIth century saw the extension of commercial discount in Europe which was widely practised by the two houses whose correspondents were practically all first class trading companies.

Despite the speed and efficiency with which the banking operations were executed, the low commissions could not suffice to maintain the families of the associates and their personnel. They therefore coupled these with commercial activities which were more profitable. The André house traded mainly in cereals and oils in the Mediterranean under the Ancien Régime with broking activities in merchandise, trading assisted by a fleet of some ten coasting vessels. For the Mallet house, established in Paris in 1713, in addition to the usual speculative operations in merchandise, the trading in luxury products sold principally to the Gardes Suisses de Paris (the King's personal guards) guaranteed the firm its necessary additional revenues.

The reputation of the two firms guaranteed their continual growth and, in the 1780s, they ranked first with a promising future. This did not prevent the Mallet bankers from risking this position by committing themselves politically with Voltaire in the Calas affair whose widow they lodged during the rehabilitation proceedings in 1765. In the years to follow, the two bankers were to be confronted with the Reign of Terror and its disruption of the economy.

The French Revolution : a time of hardship

Although the Declaration of the Rights of Man and the Citizen was greeted with interest by the associates, the Revolution was to cost the André and Mallet firms and the Neuflize cloth manufacture considerable hardship and expense. Due to the galloping depreciation of the assignats (banknotes used during the French revolution) and the ensuing economic stagnation, their banking and commercial activities went into a dormant period from 1792 to 1800. The prohibition of joint stock companies added to the drop in income borne particularly by the loss of the Mallet firm's shares in the first Compagnie des Eaux de Paris (Paris water company) and in the Caisse d'Escompte (discount house).

In Paris, the Comité de Salut Public (the Revolutionary Tribunal) ordered the arrest of all the bankers on the market as suspects and the three Mallet associates were imprisoned for many months at the Collège du Plessis. To avoid having to go out of business, the wives of the three associates, with the help of Mr. Charpentier, the fondé de pouvoirs (officer), assured the daytoday management of affairs. Thanks to their efforts, the Mallet house was one of the rare Parisian banks of the Ancien Régim e to have survived the Revolution. Freed after the fall of Robespierre, the Mallet associates were keen to protect to the poorly handled interests of their private income customers. With Perrégaux, they formed the Association Pérignon which was a property investment company before the term existed as the stockholders paid their government bonds into a common fund to have them converted into purchases of farms in Belgium which had been confiscated from the French nobility and clergy during the Revolution.

In Genoa, the period of adversity came with the proclamation of the Republic of Liguria (a state substituted for the Republic of Genoa in 1797 and incorporated into the French Empire in 1805) which did away with the commercial advantages of the free port, illusory in a period of such grave economic crisis. With the French Consulate, Dominique André, important creditor of the French State to which he had supplied 10.000 tonnes of cereals, decided to establish the bank in Paris in 1800, judging that the conditions of life and religious freedom were satisfactory and that the attempts to have his loans reimbursed would be easier to make. Unfortunately, his efforts were in vain.

The industrial development of the XIXth century: the activities of the André and Mallet firms in France and abroad

Although weakened, the two houses came through the bloody upheavals of the Revolution and the scandals of the Directoire, unscathed. Benefitting on this account from a revival of renown, their associates then played an increasingly exemplary financial role in the issue of French or foreign bonds and the sale of shares and bonds to the public. Alongside the

traditional banking operations already mentioned, private asset management became a speciality of the two houses.
Their trading activities gradually took second place (wholesale trade in soaps and salts in the Mallet warehouses at Bercy; American cotton for the André house), before disappearing altogether in the 1850s, investments in the industrial or service sectors being increasingly preferred.
Investments in the aforementioned sectors was the major innovation in the general management strategy of the two houses, their reserves formerly having been invested in Government stock or cash deposits. With the participation of Guillaume Mallet in the founding of the Banque de France in 1800, many new companies were to be formed. Investing in new economic sectors like insurance or railways, the Mallet and the André families gave the initial impetus like numerous other bankers at this time to whole sectors of the French and even European economies. Battling against the prejudices of a reactionary administration, these associates were to play an active role in the Assurances Générales de France (AGF) French insurance group from 1819, the year it was established, in the first railway companies in 1840-1850, in the canals, etc.

Their role in the urbanization of Paris is also worthy of note: anticipating the future of the department stores, the Mallet bankers were the first, in 1827, to build a shopping arcade in metal, the Galerie de Fer which was followed by another Mallet project: Le passage Choiseul and the Théâtre Royal de l'Opéra Comique. A very important property development at the time was the Quartier Faubourg Poissonière which was serviced and developed by the André firm, in charge of this project for nearly thirty years.
However, their functions as Régents (presidents) of the Banque de France, as well as bankers or company chairmen did not make the associates forget their social duties: every year, they redistributed part of their profits to their personnel and to benevolent funds. During the Greek War of Independence in the 1820s, the André firm despatched provisions and medecines free of charge to the Christian Greeks and took part with the Delessert and Mallet firms in the founding of the Caisse d'Epargne de Paris (savings bank). As for the Mallet firm, the Paris infant schools and the Ecole Normale Supérieur were founded by Emilie Mallet née Oberkampf with the funds of the Banque and the assistance of Mr Guizot, Minister, an ancestor of the Schlumberger family.

Mallet participated in railway construction also did André. They participated in the railways Lille-Strasbourg-Basel, Paris-Lyon, Paris-Orléans. Andre was also active in the railways of metropolitan Paris.
In 1855 Mallet and Andre were engaged in the establishing of the Grand Hotel du Louvre for the World Exhibition. Gustave Girod later partner in Banque André, started in 1859 the mineral water company in Evian-les-Bains. De Neuflize participated in the founding of the Banque Impériale Ottomane in 1863. After the Franco-German War in 1871 Alfred André of Neuflize was charged with the negotiation of the indemnities due to Germany: the bank floated loans which made it possible to accelerate the liberation of the territories lost to Germany during the war. Mallet was involved in the Paris urban development works undertaken by Mr. Haussmann. In 1871 the bank contributed to the great success of the large loans that were floated for the reconstruction of the country after the German invasion.
In 1879 Albert Mallet joined the Conseil d'Administration of the Cie Générale des Eaux. In 1904 the bank took part in the establishment of the Banque de l'Union Parisienne. On the eve of World War I, the bank of Mallet Frères & Cie had largely contributed to the establishment and spread of industry throughout France.

The interwar period: a period of adaptation and modernization
With the end of the first World War, the belle époque period also came to a close along with the *franc germinal* (the French franc adopted in the year 1800) and the rural world. With the development of communications and faster technological progress, banking methods changed and the Schlumberger company is a perfect illustration. Established in 1919 through the association of three friends, Maurice Schlumberger, André Istel and Louis Noyer, the S.I.N. company was soon using a punch card system to process customers' orders. Specialised like its colleagues in private asset management, it went further by creating a Financial Research department and the first French investment company called *Gestion Mobilière*. The important customers companies and private individuals, quickly put their trust in these young men, whereas between the two world wars, the other two banks were deprived of a certain number of posts of administrator by the wave of nationalizations in 1936 which affected the Banque de France and the railway companies.

The wars: a dormant period for business

Patriotic, the associates and the personnel had a firm attitude during the wars: the refusal to collaborate in any way with the enemy and the active role in the war economy. When they weren't soldiers, they took on important assignments (Negotiation of Liberation loans in 1815 by the Mallet and André firms; the 1870 Liberation loan by Alfred André and Léon Say; the mission to New York in 1915 of the Régent (president) of the Banque de France, Ernest Mallet, who negotiated the considerable loan of 200 million dollars for France which had been bled white; at the end of the Second World War, André Istel, financial advisor of Free France, took part in the Bretton Woods agreements).

Distinguishing themselves by an active resistance to the occupying army, the associates and their personnel were to lament the many soldiers killed in action, the deportations and pillaging, particularly during the Second World War. In terms of banking activity, these periods of occupation represented a dormant period, only the day today management being assured.

Since 1945 the advantages of the mergers

After the Second World War, the need to concentrate became increasingly obvious, as the banking trade came to involve too much capital for one family bank. The first mergers took place in 1945 between the de Neuflize and Schlumberger banks and was to end quite logically in 1966 with the entry of a third house with the same traditions: the Mallet firm. At the time, the directors had anticipated the development of the European banking market and wanted to broaden NSM's position on an international level (1967: stake in the Swiss Neue Bank, and in 1968, crossed participations with the German bank Delbrück & Co. From 1970-1971, NSM began negotiations with Bank Mees & Hope, a renowned bank in Amsterdam and a correspondent of NSM for over 150 years which ended with the Dutch bank taking a stake in the capital of NSM. A few years later, ABN Bank took over the control of Bank Mees & Hope. Rather than buy back the Dutch stake when it had the means to do so, NSM confirmed its agreement by consenting to join its present partner and confirmed it with the merger in 1980 of another private family bank Banque Jordaan in Paris. At the same time ABN Bank acquired a majority stake in NSM.

After 1990 ABN AMRO (a merger between ABN Bank and Amro Bank) did several acquisitions in France. In 1997 Banque Demachy Worms & Cie (1798) was acquired, this bank merged with Banque NSM in 1999. In 1998 Banque du Phénix, established in 1958, merged with Banque

NSM. In 2006, Banque Neuflize OBC was created by the merger of Banque OBC (Odier, Bungener and Courvoisier dating back to 1785) with Banque de Neuflize.
Following the ABN AMRO merger in 1991, Banque Neuflize OBC, benefits from a planetary banking network which it can use for its business and private customers. Thus, backed by a European bank but maintaining its own corporate culture and traditions, Banque Neuflize OBC continuity is guaranteed.

French Haute-Banque: From the legacy to the revival since the 1980s

Hubert Bonin, emeritus professor and researcher in economic history at Sciences Po Bordeaux & GRETHA research centre- Bordeaux University [www.hubertbonin.com]

Investment banking in France in the years 1980s-2010s is often exemplified by the remnants of *Haute Banque* houses: Lazard, Rothschild I and Rothschild II, beyond the giant armies of big universal banks. They endured upheavals, but then managed their rebirth and reached competitiveness, along three main paths towards M&A management, wealth management, and assets management. We intend thus to focus on the changes on the Paris market place at the turn of the 21st century, to gauge the balance between the heritage and the present evolution, in the wake of our researches on bankers[1] and investment banks.[2] We will scrutinise three main issues, focused on the decline and rebirth of merchant banking in France. French merchant banks (*Haute Banque*) (Vernes, Hottinguer, NSM, etc.) met a financial and commercial ceiling in the 1970s-1980s, because of issues of family successions, banking nationalisations and restructurings, and the building of strong big groups that left shrink areas for small institutions. They disappeared, or were amalgamated within bigwigs, whilst American investment banks took step on the European places themselves.

Big banks somewhat "swallowed" the culture of merchant banking, through Europeanisation, solid offshoots in the City, Luxembourg and Geneva, the merger between Paribas and BNP, the integration of managerial cultures oriented towards relational banking on an international scale, their involvement in strong M&A practices. "*Banque d'affaires*" et "*banque de conseil*" (investment banking and consulting banking) were thus deeply incorporated within "universal banks", whilst the portfolio of skills in assets and wealth management found a large position in a few big European banks.

Anyway merchant banking did resist such a corporate tsunami. Family or personalised *maisons de Haute Banque* (Lazard, Rothschild) revolutionised their mode of management; they Europeanised and even globalised their strategic scope and business model. Their portfolio of knowledge in M&A management got much enriched, as a crucial niche within the reshuffling of international and French corporate business. Wealth management and assets management regained momentum along fresh ways of relationship, connections, technical tool-boxes, in competition with giants like UBS or big French banks. Two Rothschild groups and Lazard re-conquered first-ranking positions, whilst some houses adopted some profiles of the ex-merchant banks, when the culture of "boutiques" emerged in the Paris place. Last, big groups succeeded sometimes to respect and develop relevant affiliates, like Neuflize for ABN-AMRO or 1819 for BPCE, as if the concept of merchant banking was no longer so much old-fashioned.

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[1] Hubert Bonin, *Le monde des banquiers français au XXe siècle*, Brussels, Complexe, 2000. See: Youssef Cassis & Éric Bussière (dir.), *London and Paris as International Financial Centres in the Twentieth Century*, Oxford, Oxford University Press, 2005.

[2] Hubert Bonin & Carlo Brambilla (eds.), *Investment Banking History. National and Comparative Issues (19th-21st Centuries*, series « Euroclio. Studies and Documents », Brussels, Peter Lang, 2014. Hubert Bonin, *French Investment Banking History, from the 1810s to present times*, London, Routledge, to be published.

The rebirth of merchant banking cultures, within business units of big groups, autonomous affiliates of universal banks, or moreover at the heart of thoroughly renewed *Haute Banque* houses will thus be reconstituted and assessed, ever with a comparative path because of the issues about the competitiveness of the French market place against Italy, Switzerland, Luxembourg, Germany or the City.

This text will be a mere essay, relying of various sources, fare from any comprehensive and long study, as we did not delve into specialised printed or digital magazines like *Dealogics*, *Option Finance*, *Thomson-Reuters* or else. Our core intent is to seize the main issues and to assess the responses brought by this *Haute Banque* houses to preserve the legacy of previous generations.[3]

1. Tempests and uncertainties

Many factors contributed to foster uncertainties and upheavals among the community of French houses.

A. The shock of nationalisation for Rothschild in 1982-1984

The nationalisation of Rothschild in 1982 put an end of almost two centuries of family banking;[4] but its business model had been questioned as it had added basic deposit banking to historical investment and private banking; its successor *Européenne de banque* itself was amalgamated into Barclay France in 1991. The Rothschild family had to restart from zero;[5] it had kept financial assets and sleeping shells, which were used as a basis for the rebuilding of a bank. The holding PO-Paris-Orléans, the name of which reminded of the railway company nationalised in 1937, was the lever to such a pyramid, altogether with the 400m frf of the indemnity paid for the nationalisation of the bank. As soon as 1984, this PO tool originated a new bank, PO Bank, then Rothschild once more, which resumed the traditional activities of investment and private banking, whilst the family interests took place within the pyramidal structure. Then, in 2012, various assets were amalgamated within PO, which was transformed into Rothschild & C°, supervising the French bank. In the meanwhile, Lazard[6] escaped the nationalisation because its deposits were under one billion francs, as it had stuck to its classical business model (investment and private banking).

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[3] We also thank Pierre Tattevin (and Victoire Grux) at Rothschild, and Patrick Ponsolle, an ex-Rothschild senior partner, for their interviews in the Spring 2017.

[4] Derek Wilson, *Rothschild. A Story of Wealth and Power*, London, André Deutsch, 1988. John McKay, "The house of Rothschild (Paris) as a multinational industrial entreprise, 1875-1914", in Maurice Lévy-Leboyer (*et alii*, eds.), *Multinational Enterprise in Historical Enterprise,* Cambridge, Cambridge University Press, 1986, pp. 74-86. Niall Ferguson, *The World's Banker. The History of the House of Rothschild*, London, Weidenfeld & Nicolson, 1998. Niall Ferguson, "The rise of the Rothschilds: The family firm as multinational", in Youssef Cassis & Philip Cottrell (eds.), *The World of Private Banking*, London, Ashgate, 2010, pp. 1-30. Jean Bouvier, *Les Rothschild*, Fayard, 1967 ; second edition, Brussels, Complexe, 1985. Bertrand Gille, *Histoire de la maison Rothschild (1817-1870)*, Geneva, Droz, 1965 & 1967 [all books in Paris, except other locations].

[5] Guy de Rothschild, *Contre bonne fortune*, Belfond, 1983; J'ai lu, 1985.

[6] Martine Orange, *Ces Messieurs de Lazard*, Albin Michel, 2006. Anne Sabouret, *Lazard frères & compagnie, une saga de la fortune*, Olivier Orban, 2013 (first edition in 1987). Laurent Chemineau, *L'incroyable histoire de Lazard frères: la banque qui règne sur le monde des affaires*, Assouline, 1998. Guy-Alain de Rougemont, *Lazard frères, banquiers des deux mondes (1840-1939)*, Fayard, 2011. William Cohan, *The Last Tycoons: The Secret History of Lazard*, New York, Doubleday, 2007.

B. The issue of transgenerational shit

In both cases anyway the durability was questioned through the issue of the trans-generational shift. At Rothschild,[7] Guy de Rothschild (1909-2007) had been the boss after WWII (*associé-gérant* in 1945-1967, chairman in 1967-1982). The process of recreating a house was stake along the capabilities of his sons David (1942) and Éric (1967). The elder one seized the helm and assumed the will, strategy, and completion of the project; but his brother was associated – he had been trained since 1987 at a small Wall Street house, Wertheim & Co., before becoming *associé-gérant* at Rothschild in 1993. A second shift was necessary, and happily the family fed a successor, with the duo David and his son Alexandre de Rothschild (born in 1980).[8]

At Lazard bigwigs had retired (Felix Rohatyn in 1949-1997,[9] André Meyer) or recently reached retirement (Georges Ralli, Antoine Bernheim, even if keeping personal activities in Italy at Generali[10]). The charge to federate and animate a challenged house was borne by Michel David-Weill (1932-), the inheritor of a past star of the bank[11]. Active in the house from 1956, he was the chairman from 1975 till 2001, and thus the holder of the helm through challenging years, extending the scope of Frenchie-family institution embedded in strong and ancient bourgeoisies and arts sponsorships, into a competitive open-minded company. In France, a new generation has seized on the wheel at the start of the century, with Bruno Roger (recruited in 1954) as the chairman of Lazard France en 2002, when Matthieu Pigasse joined the house and became its CEO in 2010–B. Roger being also the chairman of Global Investment Banking of Lazard Group.

To foster this permanent transgenerational shift, "these houses show a capacity to find super-high potential, that we attract to a fixed wage at a high level, as an investment, one 'hello bonus', millions of dollars to introduce contacts. David of Rothschild succeeded by attracting talents, such Sébastien Proto and Emmanuel Macron. The job consists in spotting talented people at the financiers of the administration, at the very good lawyers".[12]

C. The issue of europeanisation and globalisation

The de-segmentation of financial and banking markets questioned the French basis of Rothschild and Lazard.

Transatlantic legacy at Lazard

[7] See: Gaston Tristan-Breton, *La saga des Rothschild*, Paris, Tallandier, 2017. Martine Orange, *Rothschild, une banque au pouvoir*, Albin Michel, 2012.
[8] Anne-Sylvaine Chassany & Jacqueline Simmons, "The Rothschild empire anoints an heir", *Business Week*, 19 July 2012.
[9] Félix Rohatyn, *Un banquier dans le siècle*, Saint-Simon, 2011.
[10] Pierre de Gasquet, *Antoine Bernheim : le parrain du capitalisme français*, Grasset, 2011. Pierre de Gasquet, "Antoine Bernheim: le bâtisseur de fortunes s'est éteint hier à l'âge de 87 ans", *Les Échos*,6 juin 2012.
[11] Nicolas Stoskopf, "Dirigeants de la banque Lazard", in Jean-Claude Daumas, Alain Chatriot, Danièle Fraboulet & Hervé Joly (eds.), *Dictionnaire historique des patrons français*, Flammarion, 2010, pp. 408-410.
[12] Interview with a senior investment banker, April 2017.

That latter started the process of adapting to such open framework: as soon as 1984 it concluded with the Pearson group/family, which controlled Lazard UK, a partnership, thus fostering mutualisation, whilst the historical connections with Lazard US were preserved, all the more because M. David-Weill had been trained along an American banking culture overseas. The softening of the familial grip over Lazard Paris– that of David-Weill family, because of the failure of the step-son Édouard Stern to assume the succession – and Lazard US (through the Meyer family) led to a thorough change in structures and philosophy: an American leader, Bruce Wasserstein (1947-2009), became the head manager; then the three houses merged into a single Lazard LLC as a limited company in March 2000; and in 2005, at the instigation of Wasserstein, managing director, Lazard Ltd was listed on the Stock Exchange.[13]

The power of very few leaders (Michel David-Weill, Bruce Wasserstein) has been deeply alleviated in the 21st century when the group evolved towards commonplace co-managerial practices–under the guidance of Kenneth Jacobs till after his appointment as CEO at the disappearance of Wasserstein in 2009. Financial transactions being most of the time transnational today, teams work in an integrated way, by bringing in sectorial expertises besides their local know-how. No more a family business, Lazard preserved anyway its tradition of high-range managers (with about 120 *associés* in 2010) as partners of the revenues and profits. But the core management is located in New York, with the US supplying 45% of the revenues, *vs* 25% in France, with bureaux in Atlanta, Chicago, Houston and Los Angeles, to resist the big investment banks – and even French Matthieu Bucaille became chief financial officer in New York.

European legacy at Rothschild

On its side, Rothschild has cemented its trans-Channel historical life: both British and French houses merged–along a complex process– in 2012,[14] and the new company has become resolutely bi-national, from New Court and *rue de Messine*, even if the French family holds the helm nowadays. Family holdings (Rothschild Concordia SAS, Paris-Orléans as limited partnership company) oversee a banking holding, Concordia holding SARL, itself controlling Rothschild & C° Banque (in France, with Olivier Pécoux as chairman of the executive committee) and Rothschild Continuation Holdings, in the UK and the rest of the world. Rationalisation and internationalisation were combined targets, with a centralised organisation and management (covering a staff of 2,400), as a revolution to the legacy of the culture of partnership. All in all, Rothschild and Lazard converged towards a balance between a banking firm and the preservation of the role and influence of seniors partners and *associés-gérants*.

Moreover Rothschild extended its non-European stretch. On one side, like Lazard, it set up bureaux in the Middle East to entice local rich or institutional investors to orient capitals towards Europe. On another side, it launched a project of competing in direct with Lazard in North America, where historically it had failed to get embedded: it opened offices in New York, Washington, Los Angeles and Chicago, and also in

[13] Mathieu Pechberty, "Riches comme Lazard", *La Tribune*, 4 May 2010.
[14] Elsa Conesa, "La banque Rothschild fait un pas de plus vers la création d'un groupe mondial", *Les Échos*, 5 avril 2012.

Toronto, with teams of senior bankers, with the intent to penetrate into the huge local M&A market. The wave of globalisation has been translated in the number of countries where both banks are present in 2016: 44 for tt (with 3,300 employees and managers) and 27 for Lazard (with 2,610 employees).

D. The issue of competitiveness

Such houses are enduring acute competition and their frailty lies with the loss of financial positions in case of strong offensives from rivals,[15] the departure of brilliant managers (to competitors, for their own boutique or to head companies). Acute capital of talent is ever at stake. Lazard had to leave for example the trio of leaders in M&As in France between 2006 and 2011. The duo B. Roger-M. Pigasse had to reinvent the portfolio of skills and connections of Lazard Paris; and that was the case in the area of financial advice to States. A risk lies with the very quality of managers as several of them are "invited" to join other banks–Pierre Tattevin, at Lazard since 1982 and associate in 1995, left in 2000 to join Rothschild US, then came back at Lazard in 2010, joined by François Kayat, at Crédit suisse-First Boston since 1998 and then in 2006 managing director of *Crédit agricole CIB* (Calyon) and global head of M&A–, State institutions –at the Élysée general secretary, for François Pérol (Rothschild in 2005-2007) by Nicolas Sarkozy, and Emmanuel Macron (Rothschild in 2008-2012) by François Hollande, both coming from Rothschild–, and more frequently the leading team of big companies or investment funds.

This turnover might be balanced by the attractiveness of merchant houses, as they draw high civil servants who attended altogether the big administration and the cabinets of ministers and bring their *carnet d'adresses* throughout the State institutions or public and private business. Senior bankers coming out of ministerial cabinets or high administration permanently renew the staff, and then are initiated by partners or high managers into connected banking, along a legacy of immaterial capital. Even some kind of "stars" took up the torch in each house to become key advisors to big operations – like Grégoire Chertok, having completed about 150 deals in 25 years at Rothschild, Sébastien Proto and François Wat, at Rothschild– as a proof of the permanency of the legacy of finance, in the wake of their glorious predecessors of the end of the 20th century.

Relational banking is the very business culture of both banks, which explains rumours and facts about their (secretive or patent) influence on each market place, among the business communities, and at the heart if ministers in charge of economics and finance – which led to articles and books insisting on the hidden (but clear-cut) side of their life. On that field too, the legacy of finance is obvious!

"The big houses are prisoners of the type of relations which they have with the companies that can think of such operations of M&A; they are often confronted to conflicts of interests because, if they intervene, it is for the financing of the operations. At their scale, the commissions of M&A are small with regard to the activities of market banking. Another issue is the position of the individuals in a big structure that cannot bear too big disparities of remuneration between the good basic banker and the person in charge of M&A, whereas, in a small house, the shareholders have a low return on capital because the main part of the profits is suited to the partners. About what involves the working mode, less organized into a rigid hierarchy, each senior banker has his customers like in a law firm. As it is a job much commercial, it is necessary to entice the appetite of associates, who wish to overtake a mere monthly income. It is necessary for them to create operations, to find out the customer, to seduce him,

[15] See: Olivier Pastré, *Les nouveaux piliers de la finance*, La Découverte, 1992.

to convince him individually, before the basic work made by one equip. There is a relation between the commercial success and the remuneration of the banker, which is far higher than in the big organizations.
In a little house bank, a person is in charge in particular, the relation and the responsibility are identified. Bruno Roger made a fortune at Lazard that he would never have reached in a big bank, as well as François Henrot, who left the Paribas finance company for Rothschild. It is the difference between the ready-to-wear clothing, even high-end, and the custom-made product; M&A are always of the ready-to-wear clothing. On the big amounts, the big banks involve their balance sheet, for all transactions of financing and market. Conversely, because the *Haute Banque* houses were created by families, which have for characteristic ceilings in their assets, they ever hated the idea to lose them by playing risks."[16]

2. A key target: skills and competitiveness about mergers & acquisitions

The "legacy of finance" results before all into an endless renewal and extension of the portfolio of skills in merchant banking, through a basic activity which gathered momentum from the 1950s-1970s and reached a broad extension from the 1990s-2000s, when capitalism had to be restructured to face competition–from French, European or American companies, along the steps of the development of "open economies". Rothschild and Lazard embodied such a move towards advising banking beyond underwriting.

A. Mergers & acquisitions profiting to Rothschild and Lazard

The "financiarisation" of worldwide economy,[17] the convergence of national economies within the unified European market, the upsurge of internationalised investment funds,[18] the globalisation process and its effects on the competitiveness of firms[19] – having to grow through external growth and to focus on key activities–, the amalgamation trend fuelled by French tycoon businessmen[20] (Vincent Bolloré, Bernard Arnault, the Pinault father and son, etc.–and a new wave of extension of American companies in Europe explained a rush to mergers & acquisitions (M&A)[21] in the name of industrial and services restructurings and "strategies", sometimes

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[16] Interview with an investment banker, April 2017.
[17] François Morin & Claude Dupuy (eds.), *Le cœur financier européen*, Économica, 1993. François Morin, *La grande rupture*, La Découverte, 2007.
[18] *Cf.* Dominique Plihon & Jean-Pierre Ponssard (eds.), *La montée en puissance des fonds d'investissements*, La Documentation française, 2002. Claude Dupuy & Stéphanie Lavigne (eds.), *Géographies de la finance mondialisée*, La Documentation française, 2009. Med Kechidi, "Croissance externe et investisseurs institutionnels internationaux", *Sciences de la société*, October 2001, n°54, pp. 111-134.
[19] See*:* « Les nouveaux enjeux de la compétitivité », introduction to: Bertrand Bellon & Jean-Marie Chevalier (dir.), *L'industrie en France*, Flammarion, 1983. Élie Cohen & Michel Bauer, *Les grandes manœuvres industrielles*, Belfond, 1985. Institut d'histoire de l'industrie, *L'industrie française face à l'ouverture internationale,* Économica, 1991.
[20] Michel Villette & Catherine Vuillermot, *Portrait de l'homme d'affaires en prédateur*, La Découverte, 2005. Michel Villette & Catherine Vuillermot, *From Predators to Icons. Exposing the Myth of the Business Hero*, Cornell University Press, 2009. Pierre-Angel Gay & Caroline Monnot, *François Pinault milliardaire, ou les secrets d'une incroyable fortune*, Belfond, 1999. Nathalie Raulin & Renaud Lecadre, *Vincent Bolloré, enquête sur un capitalisme au-dessus de tout soupçon*, Denoël, 2000. Airy Routier, *L'ange exterminateur, la vraie vie de Bernard Arnault*, Albin Michel, 2003. Michel Pinçon & Monique Pinçon-Charlot, *Nouveaux patrons, nouvelles dynasties*, Calmann-Lévy, 1999.
[21] Baudouin Prot & Michel de Rosen, *Le retour du capital. Les fusions-acquisitions en France et dans le monde*, Odile Jacob, 1990.

through financial battles on the Stock Exchange.[22] The business of merchant banking, in a restrictive and precise way, as that of speciality in advice) and conduct of the mergers and acquisitions, acquired a broad scale at the demand of offensive or defensive firms. Investment banking had to reinvent itself – whereas its market banking divisions prospered.[23]

Sure the specialised departments of classical universal banks remained competitive rivals, all the more that BNP acquired the French investment bank Paribas in 2000 and the Belgian Fortis in 2009, and *Crédit agricole* purchased the investment bank Indosuez[24] in 1996 and *Crédit lyonnais* in 2003, and aggregated their teams into CACIB (*Crédit Agricole Corporate & Investment Bank*). But offensives by US banks were still much harder to resist, as they set up dynamic teams in London, Paris, etc. Goldman Sachs, Merrill Lynch and Morgan Stanley became embedded there, and, on second level, the corporate and investment banking divisions of universal banks could also take part to the game (Citicorp, Bancamerica, Barclays Capital, HBSC, which integrated the teams of CCF). This whole bunch of bankers practice cross-selling proposals, with loans to companies committed in M&A operations, in front of "non-lending banks" like the merchant banks. M&A often seem to lack profitability or to provide meagre commissions (from dozens to hundred millions euros/dollars) in front of margins reached for the IPOs–needing large and intense networks for the brokerage process–or loans. As a counterpart, merchant bankers can often bet on the restrictions put on M&A projects by chief financial officers at big banks because of this issue of profits, and they can therefore jump over them without hesitations, whilst mobilising their advising talent.

B. Sharpening skills in financial advice

Specialised merchant banks had then to counter-attack. They renewed and extended their teams. "Stars" of M&A, relieved by teams of "junior managers", mobilized their capital of skills understanding financial engineering, osmosis between stock exchange transactions and offer of the loans allowing to finance them, business law, optimal management of a "address book", useful for the positive connections and for the fight against the asymmetry of information.

The 1980s marked maybe a new peak of Lazard: "The characteristic of the French market is its concentration around a traditionally dominant actor, the house Lazard. In 1988 it realized 43 deals for a 55.7 billion francs total, among which many of the big affairs (Seagram/Martell, Sweat/SGB, LVMH/Arnault/Guinness). Its market share is more of double of that of his closest competitor, Indosuez (25,9 billion FRF), quadruples of CCF, Paribas*, Société générale, Crédit lyonnais* (11-13 billion FRF)."[25] Such a capacity of resistance explains the ability to play on the ground of bigwigs, either French, European or American ones (see table 1).

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[22] See: Hubert Bonin & Bertrand Blancheton (eds.), *Crises et batailles boursières aux XXe et XXIe siècles*, Geneva, Droz, 2017.
[23] "From history to present: Investment banking at stake", chapter 15, in Hubert Bonin & Carlo Brambilla (eds.), *Investment Banking History. National and Comparative Issues (19th-21st Centuries*, series « Euroclio. Studies and Documents », Brussels, Peter Lang, 2014, pp. 471-507.
[24] Hubert Bonin, *Indosuez. L'autre grande banque d'affaires (1975-1987)*, Économica, 1987.
[25] Olivier Costa de Beauregard & Jean-Pierre Denis, « Une vitalité méconnue », in Baudoin Prot & Michel de Rosen (eds.)*, Le retour du capital. Les fusions-acquisitions en France et dans le monde*, Odile Jacob, 1990, p. 204.

Table 1. The leading investment banks on the French market for M&A operations (total of operations in value) in 1989-2003			
1989	Average 1991-1995	1996	2003
Lazard frères	Lazard frères	Lazard frères	Goldman Sachs
Paribas	BNP	Banexi (Bnp)	Rothschild et Cie
SG Warburg (USA/UK)	Goldman Sachs	Goldman Sachs	Morgan Stanley
Goldman Sachs (USA)	Crédit lyonnais	Paribas	JP Morgan
Morgan Stanley (USA)	Paribas	Rothschild et Cie	Lazard (France/USA)
Crédit lyonnais	Société générale	Morgan Stanley	Citigroup (USA)
CCF	Rothschild et Cie (France)	Société générale	Crédit agricole-Crédit lyonnais
Financière Indosuez	SBC Warburg	JP Morgan	Société générale
Banexi (BNP)	JP Morgan	Deutsche Bank Morgan Grenfell	Bnp Paribas
Salomon Brothers (USA)	Morgan Stanley	Clinvest (Crédit lyonnais)	Deutsche Bank
Baring Brothers	Lehman Brothers (USA)		Merrill Lynch (USA)
JP Morgan (USA)	CCF		UBS (Switzerland)
Société générale	Ing Barings		
RN Clive Worms & Cie	Crédit suisse First Boston		
Bankers Trust (USA)	Deutsche Bank Morgan Grenfell (Germany and UK)		
Source: journal *Fusions & acquisitions*			Source: *Capital Finance*; operations closed in 2003, taking into account the value of firms, in proportion to the transactions(, except internal restructurings

C. Portfolios of skills and connections as recent advantage edges: the case of Lazard

Rich with about two dozen *associés-gérants* (led by Mathieu Pigasse), Lazard Paris intervenes for the benefit of his customers on a wide range of strategic and financial questions. The advice in M&A covers any operation of external growth or disinvestment. It also advises on other structuring operations such as recapitalizations, spin-offs or splits. It brings stuff to ailing firms and supplies them restructuring plans–and it was the case during the big operations of restructuring caused by the financial crisis of 2007-2008. It supplies matter on the questions of structure of capital and levying of capital, in particular about financing transactions on highly-rated markets or unquoted. Relationship management plays a leverage role in corporate finance and debt advisory services – and this is one key advantage edge for merchant houses – far from transaction banking, market activities, FOREX and risk management about derivatives. Less permanent funds are required, and more agility is available as the chain of decisions is lighter because of the smaller risks to be confronted with.

Battles on the stock-exchange contribute to check the talents of banking advisors. That was the case first when rivals attempted to take the control of Compagnie de Suez, its financial assets and Indosuez bank in 1994-1995; Bnp dreamed of "*très* *grande financière*” uniting BNP, Suez and insurer UAP whereas *Crédit agricole* intended to cement its recent leadership on the Paris market place. Lazard was chosen by BNP to design financial tricks to get the control over Suez without launching a public bid, and it almost succeeded with a big minority of the votes at the general assembly of Suez.[26] Later on, in 1996, Lazard was the adviser to BNP in front of Goldman Sachs, that of *Crédit agricole* when both banks struggled to convince Suez to choose each of them for the sale of Indosuez. Last, during the fight between BNP and *Société générale* for the control over Paribas in 1999-2000, Rothschild (Philippe Henrot) was on the side of Paribas and Lazard on the side of BNP (with Goldman-Sachs) as they competed to conceive attractive projects for stake- and share-holders.

D. The case of Rothschild

The revolution in Rothschild's life has been its drift from French and European deals to globalised ones, all the more because M&A operations followed the same process: recent operations epitomize such a move (table 2). Documents in institutional communication prove the globalized stature of Rothschild: Rothschild in the Middle East, Rothschild in Japan. They detail the deals concluded in such areas and internationally.[27]

Table 2. Exemples of recent operations in M&A

	Involving Rothschild	Involving Lazard
2005	Advice for the merger of both investment banks of *Caisses d'épargne* and *Banques populaires* into Natixis	
2014	Advisors to Publicis for the (failed) merger with Omnicom, with the boutique Moelis on the side of the US firm	
	Merger of Lafarge and Holcim (Switzerland)	
2015	Acquisition of Alstom Energy by GE	
	Acquisition of Xerox ITO (US) by ATOS (France)	
	Sale of Verallia by Saint-Gobain	
2015-2016	BG Group to be purchased by Royal Dutch Shell	
2016	Merger of Technip and FMC (with Goldman Sachs), FMC being supported by *Société générale* and Evercore	BAT purchasing Reynolds (tobacco, US)
	Acquisition of Fairmont Raffles (US) by Accor	Tyco merger with Johnson Controls (US)
	Sale by Casino of its Thai affiliate	Acquisition of WhiteVawe (US) by Danone
	Merger between FNAC and Darty	SoftBank Group (Japan) purchase of ARM

[26] See: Lucien Douroux, *Un voyage inattendu. De mon village auvergnat à la tête du Crédit agricole*, Cherche Midi, 2016, pp. 259-262.

[27] Documents available at the Rothschild headquarters in London. We thanks head archivist Melany Aspey to have introduced us thereinto.

		Holdings (US)
		Deutsche Börse intending to amalgam with London Stock Exchange
2017	Volvo Trucks ceding Renault Trucks Défense	Mandate to prepare the spin-off of Body Shop from L'Oréal
	Olivier Pécoux, CEO of Rothschild & C° (and a member of the board of Essilor), main advisor for the purchase of Luxottica by Essilor	
	François Henrot advisor of Safran for the financial and technical negotiations with Zodiac	
	Advisor of Safran for the sale of Morpho (digital security) to Oberthur-Advent (advised by Lazard)	
	Advisor of the investment fund PAI for the sale of three assets for a value of 2 billion €	
Source: journals; *Rothschild in France. Global Financial Advisory*, Rothschild documentary office, London;		

E. From the legacy to the future of finance: the *boutiques*

Beyond both leaders, the fad for *boutiques* gathered momentum from the 2000s, mainly in assets and wealth management (Carmignac, Oddo, etc.), but also in merchant banking.[28] Strong characters, rich with *carnets d'adresses,* experience, and capital of reputation, seized on the opportunities to mix "coaching" of CEOs about their business model and financial advice, in the name of confidentiality and conceptual agility. Messier, Philippe Villin, Aforge Finance, *Toulouse & Associés* (Jean-Baptiste Toulouse coming from Rothschild), Financière de Courcelles, Leonardo (Michel Cicurel, led to a deadlock), Bucéphale (2004), etc., bet on the intimacy thus forged, the permanency of their little teams, and their added value, there too against the profile of big banks–even if some on them end as subsidiaries of foreign banks (DC Advisory by Daiwa, Aelios Finance within the Oaklins franchise in 2016). And they asserted themselves as partners to Rothschild or Lazard in recent operations, even from London for Zaoui & C°–which joined Rothschild as advisors for the merger between Lafarge and Holcim in 2014–, from Paris or New York (Evercore, Moelis, etc.).

No "legacy of finance" can be found there, of course, but a new stage of the history of investment banking. The ex-high civil servant and chairman of Vivendi Jean-Marie Messier launched his *boutique* in 2003 (*Messier, Maris & Associés* since 2010, when Erik Maris left Lazard to join him) and succeeded in conquering space for manœuvre since then.[29] A showcase was the role played by Bucéphale to advice *Banques populaires* and *Caisses d'épargne* to join their investment banks and set up Natixis in 2006, wheras Lazard was put aside before joining the team as sub-partner.

[28] See: Mélanie Delattre, "Les petites boutiques de la haute finance", *Le Point*, 15 June 2006, pp. 76-80.
[29] Valérie de Senneville, "Le come-back de Jean-Marie Messier", Les Échos, 4 November 2011, p. 10.

F. Resisting the grip of bigwigs

Despite these portfolios of skills, connections, and positions, each merchant house has to endure the rhythm of business deals, which explains that rankings often change from one year to the following one (tables 3 & 4); and they depend on the rhythm of M&A in each business area along the volatility of sectors.[30] Far from the dimension reached by Goldman Sachs, ranked first by Thomson-Reuters with on third of the world market with advices to operations amounting to 1,800 billion $ in 2016, both Rothschild and Lazard remain stable stake-holders of the M&A market, even if the first one might seem lacking a worldwide network, conversely with Lazard, also deeply embedded in the US.

Table 3. The leading banks on the worldwide M&A market in 2012			
	2011	2012	Volume of transaction in 2012 (billons dollars)
Goldman Sachs	1	1	394.6
JP Morgan	2	2	348.2
Morgan Stanley	4	3	334.2
Deutsche Bank	8	4	269.4
Barclays	7	5	264.6
Crédit Suisse	3	6	263.8
Citi	6	7	260.8
Bank of America-Merrill Lynch	5	8	220.5
Rothschild	11	9	145
Lazard	10	10	122.4
Source: Dealogic; *Les Échos*, 26 September 2012			

Table 4. Ranking of advisory banking contributions to M&A in 2016 (announced deals in billions dollars)				
In Europe		In France in 2016		Rang en France en 2015
Goldman Sachs	455.3	63.4	Rothschild	4th
Morgan-Stanley	338.2	45.8	Lazard	10th
JP Morgan	266	44.8	Goldman Sachs	6th
Lazard	234.6	39.8	Crédit agricole Investment Banking	14th
BofA-Merrill Lynch	215.9	37.1	Morgan Stanley	2d
UBS	209	30.2	Crédit suisse	11th
Deutsche Bank	182.2	27.9	Citi	7th
Barclays	123.2	26.1	BofA-Merrill Lynch	1st
		24.1	BNP Paribas	3th
		20.5	Société générale	5th
Source: Anne Drif, "Les fusions-acquisitions reculent dans le monde sur fond d'incertitudes politiques", *Les Échos*, 2 January 2017, pp. 24-25				

In 2016, Rothschild completed 123 M&A operations, with a value of 63.3 billion €, whilst Lazard tackled 61 operations with a value of 45.8 billion: they keep therefore their historical position as key stake-holders of the Paris market-place. But both teams were convinced to avoid rushing for M&A deals that could reveal disappointing afterwards, as it had been the case during each booming cycle from the 1980s across the Atlantic, because of extra-costs and risks of execution, at times when so many investment bankers delivered demanding advice to ample external growth. Lessons have been drawn from the 2001-2003 and 2007-2009 crisis, and it seems that times

[30] See: "The 2016 M&A Report. Masters of Corporate Folio", *BCG-Perspectives*, 30 August 2016.

have come to refocus, cutting into grease, defining key activities, and investment bankers from the smaller houses are playing an eminent role in such a rehearsal of strategies, despite competition from the business units at universal banks, themselves rich with high-range managers, advisors, and analysts.

The challenge for Lazard and Rothschild–and the *boutiques*– is to insufflate more fluid sense of what is within a strict professional grip of knowledge about market areas and productive sectors, what lays with a comprehensive restructuring of incumbent firms to resist incoming forces with speed and agility, essential to competitiveness. One understands finally how far advising bankers have to extend their mixed analysis and proposals: geo-economics, business strategies, financial perspectives for external resources (loans, stocks), cross-border and even globalised schemes. The very quality of light banks could be the breaking up of entrenched specialised departments often predominating at big banks. "We evaluate potential targets or merger partners as well as financial and strategic alternatives. We advise on strategy, timing, structure, financing, pricing, and we assist in negotiating and closing transactions. In addition, we act as a dealer-manager in tender or exchange offers."[31] Perhaps should we value a difference in business cultures in practices that could insufflate competitiveness on the part of *Haute Banque* houses: when deals were to be designed, "the Americans came with consultants' kits, specialized with portfolios of fifty pages, and imposed a culture of seller of financial products. The historic English culture disappeared, the one according to which, when you visit a big specialist, we look for a diagnosis and a treatment, without making big reports".[32]

"The culture of the American merchant bank leaves an extreme specialization of the persons in charge by business sector or by job. All the jobs which make the business bankers and all the domains of the economic are specialized. The industrialisation of this business was imperative (industrial banking). These banks have so full of conflicts of interests, in spite of the official compartmentalisation within the firm. And they have only hyper-specialists; yet companies are sometimes organized in a vertical way, with one or two decision-makers in some, who do not want to work with a team of several specialists. That's what created the need for independent banks, with a speaking banker with several hats. We correspond to the fact that number of bosses expect from the banker for advice; in the US the business law firms hold from now on this role; in France this business) still exists, and it is the heart of the business of Rothschild and Lazard."[33] From the turn of the century, "se protected a culture and especially a French "technicality", as Rohatyn had identified it. It is necessary to know enough right, accounting and tax system, without being locked into your reflections by an army of jurists, accountants and tax experts who wish to impose their constraints. The business bankers became very expert in these three specialties, resting on good business lawyers, firms of audit and on tax consultants, with whom the banker works. This financial engineering constitutes a real French talent." [34]

3. *Haute Banque* houses active on the underwriting market

Rothschild and Lazard had been historically much active on the underwriting market, as lead or co-lead advisors or mere members of syndicates, and the legacy of finance

[31] Lazard institutional communication, 2017.
[32] Interview with an investment banker at Rothschild, April 2017.
[33] Interview with an investment banker at Rothschild, April 2017.
[34] Interview with an investment banker at Rothschild, April 2017.

did cross the recent decades. Sure they cannot compete with big internationalised banks on the underwriting market where competition has been intensified; and the effects of the domination of investment banking by the American banks are to be countered.[35] But they have entertained and renewed their heritage on that segment, to conquer some crumbs of big deal, for States or companies. The more they advise States, for example, the more they can accede to market shares in the wake of their immaterial role. "We advise clients on a broad range of strategic and tactical issues, including capital structure optimization, capital allocation, equity and debt market positioning and issuance, and investor communications strategies."[36]

This explain that, far behind bigwigs, they still keep some ranking on the investment banking market (table 5), which put together M&A, equity, bonds and syndicated loans into a single amount. French banks are struggling against US or Europe (Deutsche Bank, Barclays) leaders; and the bigwigs might seem to choke *Haute Banque* houses; but à look at the actual percentages show that only a few points separate them, and that they even compete with the subsidiary of *Banques populaires-Caisses d'épargne*, Natixis.

Table 5. Rankings along market share in overall investment banking (eleven-year average from 2005 to 2015)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Rothschild	1.7	1.1	1.3	1.3	0.5	0.7	0.9	1	0.7	0.6	1
Lazard	0.7	0.6	0.5	0.8	0.8	0.9	0.8	0.7	0.5	0.8	0.9
BNP Paribas	5.4	5	5.2	5.5	5.5	5	5.7	4.5	5.2	4.7	4.4
Société générale	3.5	3.1	2.6	2.7	3.3	3	3.4	2.5	2.8	2.8	2.6
CACIB	3.5	2.7	2.4	3	2.7	2.6	3.2	2.6	2.4	2.7	2.5
Natixis	1.5	1.5	1.1	1.1	1.2	1.5	1.8	1.6	1.4	1.6	1.4
JP Morgan	6.5	7	6.4	8.5	8.7	7.9	6.8	7.9	7.3	7.5	7.6

Source: "Global investment banking review, full year 2015", Thomson-Reuters Deals Business Intelligence, New York, 2016; "The United States dominates global investment banking: Does it matter for Europe?", *Bruegel Policy Contribution*, March 2016.

Complementarities between M&A and underwriting may appear, and the houses may be actors of the group of banks helping the purchaser of a company to finance its deal, either through a M&A operation or as a result of spin-off. Debt advice was for instance supplied by Rothschild to FNAC when it bought Darty in 2016; and it was also the adviser on the IPO by Europcar in 2015, when sold by Eurazeo, or when Verallia was purchased by Apollo Global Management (2015). A landmark operation was the contribution to the capital increase by PSA Peugeot-Citroën in 2014, with the renewal of a syndicated revolving credit facility and services to the programme of cooperation between PSA and the Chinese Dongfeng Motor Cy. A team advised the transit management Necotrans (in Africa) to extend its capital in 2016.

The booklet *Leading in Financial Advice, Worldwide* (2016) analyses the whole range of deals concluded on a world scale by Rothschild as a "global financial advisory" house. "With approximately 900 advisers in 40 countries around the world, our scale, reach, intellectual capital and local knowledge enable us to develop relationships and deliver effective solutions to our clients, wherever their business takes them". Rothschild's classical field have been extended broadly in equity advisory and capital raisings, and also as an intermediary between institutions and

[35] See: "The United States dominates global investment banking: Does it matter for Europe?", *Bruegel Policy Contribution*, March 2016.
[36] Lazard institutional communication, 2017.

the book-running banks to get from them the best deals – and the same about private firms. This can explain that Rothschild was the "adviser on over 300 IPOs, secondary offerings, block trades, spin-offs and convertible bonds since 2010, totalling US$ 410 billion." The field of advice to States and public institutions – like the sovereign funds of the Middle East – has been reignited from the turn of the century, and a pioneering female partner asserted herself with Anne-Laure Kiechel, the head of the department.

Lazard, from its Parisian office, accompanied governments in their financial projects: privatisations, restructurings of debt, sovereign notation; that was the case for cases concerning Greece, Argentina (100b $), Ecuador, Iraq, Ivory Coast or Egypt. In 2010-2012, it was a banker-advice of the Greek government, about the restructuring of the Greek private debt (200b €) and the process of banking restructuring, and Rothschild took part to this reorganisation of the public debt holder PDMA too. In 2015 Lazard was in charge of supporting this country about the national debt and about the management of the fiscal policy. A team of about twenty "economist bankers" is active on that field from Paris, under the guidance of M. Pigasse. An advantage edge might be the specialisation in advice: "When was created the job of advice to the governments, to exercise this job, we should be independent; we cannot lend to the governments and restructure their debt, and on the other hand negotiate on this debt; there would be conflict of interests."[37]

4. Business models and strategies at stake

Beyond the core M&A activity, both Rothschild and Lazard defined a few other strategic developments, first because of complementarities between the brokerage of securities issued for the account of firms and states, but second mainly as a legacy of their history in the valuation of assets for the account of their customers, being institutions (assets management), or individuals (wealth management). The heritage of their history is obvious throughout these paths, but innovative processes had to be followed to resist specialised companies or universal banks.

Even if Rothschild took 20% of a broker Smith New Court, both houses decided to stay out of "primary finance" and "market banking", conversely with Goldman Sachs, notably. The strategic choice was clear-cut at Rothschild, conversely with Lazard; there, harsh arguments occurred at the turn of the century, with even some kind of revolt in New York, which had to be appeased by M. David-Weill, to stick to the historical business fields and avoid the involvement in risks demanding deep permanent funds. Such respect of "the legacy of finance" could contribute to explain that Lazard and Rothschild escaped the booming risks of the 2000s and the collapse of 2007-2008 (in opposition with Merrill-Lynch, Bear-Sterns or else).

A. *Haute Banque* houses as rescuers of capitalism?

From the M&A market and on the verge of underwriting and debt-management activities, *Haute Banque* houses are more and more following the trend to advice States and companies when they need to restructure their debt, balance sheet and portfolio of assets. Bankers try and re-dispatch parts of the activities of firms; they renegociate the maturation, size and structure of public or private debts, in connection with big banks, the bearers of loans or parts of the capital. The more

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[37] Interview with an investment banker at Rothschild, April 2017

capitalism has to be restructured and companies to reconsider their portfolio of activities or even to be rescued, the more the houses can develop this strategic segment, obtain mandates, gain commissions. “The much less readable and complex operations of refinancing and restructuring are numerous. And if investment funds are less committed, the industrialists are relatively active, pushed by a logic of debt paydown.”[38]

“Restructuring operation revenue was $202 for 2016, compared to $106 million in 2015. During and since 2016, we have been engaged in a broad range of highly visible and complex restructuring and debt advisory assignments, including publicly announces roles for Alitalia”,[39] etc. “Lazard specializes in advising on out-of-court restructurings and recapitalizations. We have engineered many landmark transactions with favourable outcomes for our clients. We negotiate with creditors on behalf of our clients, especially in cases of financial stress or distress. We advise on and structure a wide variety of transactions, including tender and exchange offers, rescue financing or recapitalizations, “amend and extend” amendments, as well as pre-packaged bankruptcies.”[40]

Table 6. Recent examples of rescuing merchant banking by Rothschild and Lazard	
2016	Attempts to rescue the oil services firm Bourbon and to renegociate its huge debt (in front of BNP Paribas)
2017	Mandate for the sale of the assets of failed *Financière Turenne Lafayette* (food industry)
	Mandate to find out a purchaser for the failing Flo group (restaurants)
	Lazard intervened for instance to the support of crippled Westinghouse in the US in to restructure its balance sheet and assets
	And of the weakened oil-related French firm CGG (with Morgan Stanley, Rothschild representing the holders of debt).

B. Developing assets management

Independent investment banks cannot of course compete with the giants in assets management, which grapple with several hundred billions euros–like Amundi, Axa Investment Management, BNP Paribas Asset Management, Crédit agricole Asset Management, or Blackrock (with more than three trillion $). Anyway tackling such issues can appear as a complement to their range of advices supplied to their intimate customers, or open larger doors to entice them to taste the other pieces of skills.

For instance, the activity of asset management of Lazard supplies management services on all the classes of assets about shares, rates, diversified, alternative products to institutional clients, companies, pension funds, foundations, insurance companies, banks, and to individual customers financial intermediaries and private customers worldwide. The aim is to produce the best yields fitted to the risk and to supply personalized solutions of investment. About eight managers supervise today *Lazard Frères Gestion*, strong with only about twenty billion €, but the whole group grappled with assets of about 198 billion € in 2016, versus 64 billion at Rothschild in 2016 (50.2 in 2015). On that field, two Rothschild houses are competing, because the historical Rothschild has been challenged by the Edmond de Rothschild group, now headed by his daughter Ariane de Rothschild, along a mix of assets and wealth management.

[38] Richard Thil, associé-gérant at Rothschild, *Les Échos*, 21 September 2012.
[39] *Lazard Ltd reports full-year and fourth quarter 2016 results*, p. 3.
[40] Lazard institutional communication, 2017.

C. Managing directly financial portfolios: true merchant banking

Investment bankers had ever entertained a tradition of supporting investment funds (or financial vehicles) in direct, to broaden their financial basis and get therefore complementary revenues, and moreover to help companies in their emergence, growth, and strategy, as such stakes could stabilize their shareholding. It might too foster new merchant banking opportunities as “captive markets” could be found out when financial operations were necessary. Power of influence and financial returns converged, on quite different levels than banking itself.

Both Lazard and Rothschild managed such tools of investment. Lazard disposed historically of building companies (*Rue impériale de Lyon*, *Immobilière marseillaise*) and investment tools (Azeo, Eurafrance), to reinforce its influence within French capitalism and to help the equity of companies to evolve thanks to temporary stakes in property or equity. Anyway, Lazard reneged to such activity, conversely with Rothschild: it grouped its stakes into a financial holding, Eurazeo, in 2001, which became independent from Lazard in 2004 –even if Michel David-Weill became then its chairman, starting a new financial life–, merged with the previous affiliates, and followed its own path afterwards.[41]

On its side, PO and then Rothschild joined partners in investment-capital to hold stakes in a few dozen companies, generally speaking medium-sized ones (under turnovers of 100m €), because venture capital has been rebirth from 2003: in such a strategic move, Rothschild recalled the initiatives of the ancient house during the 19th century (in mining or else). But its size stays still very modest–along the guidance of Alexandre de Rothschild.

“Rothschild is a house of M&A even if it developed its know-how regarding financing to try to play too the intermediaries and to have a small part of commissions. She develops especially in the merchant banking, the manufacturing of investment funds intended for the wealthy customers willing to take risks in the non-highly-rated, and she succeeds in it very well (private equity, secondary debt, fund of debts, according to the seniority of the debt. There is a layer of equity in the financing which are brought by the fund, another one is supplied by commercial banks, and, between both are situated funds subordinate to the classic debt, less to the risk than the equity, but more risky, thus better paid, what than we call the debt mezzanine. This one is replaced on the market according to the desires of the holders; and funds specialize in the repurchase in second hand of these titles of debt, with important commissions in the management of funds.”[42]

5. A true tradition: wealth management and private banking

History had forged solid strongholds around family and private banking houses about wealth management, earmarked to high-net-worth individuals with high levels of income or sizable assets, through services comprising discretionary asset management and brokerage, and dedicated advices about investments, taxes, diversification. Such a tradition is still brilliant in Switzerland (Pictet, Mirabaud,

[41] See [https://www.eurazeo.com/fr/la-societe/histoire/histoire/]. [https://www.lesechos.fr/11/10/2004/LesEchos/19262-161-ECH_eurazeo-reste-leste-par-l-heritage-lazard.htm#1LIfPkgpUmYQk13q.99].

[42] Interview with a senior investment banker, April 2017.

Lombard-Odier, Julius Baer, etc.), Austria and Germany, despite a few difficulties caused by bad management and moreover the necessity to respect recent regulations about transparency. Competition gathered momentum when each big universal bank developed its strategy in that business, either through earmarked subsidiaries (NSM at ABN-AMRO, 1819 at *Caisses d'épargne*, Indosuez Wealth Management at *Crédit agricole*, etc.) or high range services (*Société générale banque privée/Private Banking,* rich with managed assets of 50 billion € in France in 2014, or BNP Paribas). The "ultra-rich" segments foster profitable trade; but Lazard and Rothschild can rely on their brand image (trust, tradition, durability, relative discretion), and moreover on the feelings of distinction.[43] Big banks head on this market in Europe in 2016, except Julius Baer (7th) and Pictet (9th), standing among the ten leaders considering the quality and range of services[44] – and neither Rothschild nor Lazard reach the 25 top list about managed assets.

Despite the huge dimension of such a market,[45] this competition induce merchant houses to reinvent their portfolio of skills, to assert differenciation, to insist on the immediate and long-term connections from earmarked customer managers in front of less stable and intimate officials by universal banks. The floor imposed to open and keep an account is far higher, which tends to jewellery management in favour of "ultra-riches", far from mere services to high-middle sized bourgeoisies. This is the very reason that well-paid advisers can be available and that the inquiries about the opportunities of a fine-tuned policy can be delivered to these well-off customers, all the more that they can belong to the stratus of managers of companies being already in touch with the bank. And the policy is to fight against "silos" and to propose personalised services to them about their personal assets management.

From the turn of the century, like any wealth management unit, Lazard and both Rothschild imposed themselves velocity and agility along a transformational process to design the framework for their future, thanks to an intensified pace of adaptation. Clients' centricity has been more and more critical as a way to make relationship more comprehensive, more durable, and more fruitful, both for the clients and the banks. A fresh mix of know-how and high-tech (cloud-based software, data-mining, direct connection between the advisor and its customers) gathered momentum – whilst bridges with the assets management units were reinforced, mainly about the key role and prospects of "analysts" within the bank, often asserting themselves as consultants in the medias read by update people, for the sake of improving forecasting. One acute issue became "open architecture" *vs* "closed architecture". The first choice is to distribute all third party products and not only proprietary products; the second one lies with proprietary products. But "pride" of solitude is no longer bearable and the three considered houses had to balance both architectures, depending on the demands of their customers, for the sake of agility.

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[43] Pierre Bourdieu, *La distinction. Critique sociale du jugement*, Éditions de Minuit, 1979. Monique Pinçon-Charlot & Michel Pinçon, *Sociologie de la bourgeoisie*, La Découverte, 2003, reedition, 2007. Monique Pinçon-Charlot & Michel Pinçon, *Grandes fortunes. Dynasties familiales et formes de richesse en France*, Payot, 2006. Monique Pinçon-Charlot & Michel Pinçon, *Voyage en grande bourgeoise. Journal d'enquête*, PUF, 2005.
[44] *Euromoney Magazine*, February 2016. Annual ranking, Best private banks and wealth managers
[45] See: Brent Beardsley, Jorge Becerra, Federico Burgoni, Bruce Holley, Daniel Kessler, Federico Muxi, Matthias Naumann, Tjun Tang & Anna Zakrzewski, *Global Wealth 2014: Riding a Wave of Growth*, BCG Perspectives, 9 June 2014.

A key event occurred in 2016 when Rothschild France and the southern family bank Martin-Maurel decided to merge (completion in the Spring 2017): it reinforced the stature in wealth management thanks to the input of faithful customership.[46]

6. Final assessments

Despite these incursions into assets and wealth management, and even a few direct investments, both Lazard and Rothschild houses appear specialised in M&A and financial advice, whereas Edmond de Rothschild bank stays focused on quite contrary strategic segments, mainly assets and wealth management. Whilst big banks evolve towards a business model diversified into the main aspects of market banking (derivatives market and clearing, securitization/*titrisation*, rates markets, trading, etc., essentially in London and New York), they stuck to their strategic basis, as a fruit of the "legacy of finance". They belong to the core of French investment banking community,[47] but they still focus on key business fields and thus they keep a quite smaller dimension: willows in size and employed funds, but not in conceptual action...

Most important pieces of their strength are immaterial advantages edges: due to the high quality and fine-tuned services, the brand-name stays a reference; the "franchise" does mean relevant advices to institutional, capitalist and individual customers. Even if bug universal banks, either French or Anglo-Saxon, do deliver trustful contributions, their very "universal" dimension deprives them from the "chic" reference brought by the *Haute Banque* houses.

These latter stay far from their competitors in assets and wealth management, but the effect of size and economies of scale are not their main objectives – and there lies the "legacy" of ancient and historical *Haute Banque* and merchant banking, even if members of families (at Rothschild and Edmond de Rothschild) and the tradition of durable high-level partnerships had to cede room to a few hundreds of europeanised and globalised managerial elites, themselves supported by talented analysts, negotiators and advisers. Their footprint might be designed as a subtle mix of historical practices, relationship business culture, connected experience, partnership spirit, and osmosis with business lawyers and analysts to provide the relevant advices–and to get the best commissions and fees; ad at the end bonus and option shares.

"I visit the boss: which strategy, identification of targets, feasibility, contacts, negotiations, achievements; we make quite from the beginning to the end, contrary to the classic bankers. When we are a senior banker, it is necessary to assume the marketing by seeing several customers a day, then we send teams of specialists. There are several practices of business banker's job. Most are general practitioners who maintain a relationship of trust, honesty, reactivity and availability, in addition to the skills. We call on then to specialists to move forward in the case. Or we have the model of the French multi-specialist, such as F. Henrot (bank, insurance, distribution, telecom) or David Dautresme (*associé-gérant* at Lazard in 1997-2000), who want to be unbeatable on several sectors, four or five. Other types of bankers exist: we have the banker psychoanalyst, endowed with an exceptional talent to create an exceptional relation with the customer, such Bruno Roger or Grégoire

[46] Édouard Lederer & Ninon Renaud, "La banque Martin-Maurel s'apprête à fusionner avec Rothschild & C°", *Les Échos*, 6 June 2016.
[47] See: Michel Fleuriet (PhD de Wharton School, professor at HEC , chairman of Merrill Lynch France then of HSBC France), *Banques d'investissement et de marché. Les métiers des banques d'affaires,* Économica, 2007.

Chertok. This type of banker begins by saying that the problem is much more complicated, that it is necessary to discuss the feasibility, the available teams in the company customer, where from the necessity of a relation on several years. Another model is the one of the banker coach, who pushes resolutely into action, such as Alain Minc.”[48]

One essential advantage edge is the permanence of senior and partner bankers, conversely with big banks where, along the climate of business, budgetary cuts into staff are a frequent practice and where the volatility is somewhat commonplace. Another one is to be found in the mindsets of family or company leadership: in both cases, people in charge, rather to avoid “all-under-the-same-roof” philosophy, as proposed by universal banks, have better to divide their connections, and, in our case study, to entertain “relation banking” with *Haute Banque* houses, and even little boutiques. Some analysts even speak of the desire to avoid the conflicts of interests that could take shape within big banks, as each division is supposed to be promoted by its sister ones, perhaps at the expense of the customer… The markets of M&A, underwriting, assets management and wealth management cannot therefore be reduced to oligopoles, despite the size of big banks and their grip over international banking–but even lighter houses like Rothschild and Lazard are challenged by the boutiques.

Table 7. Rothschild and Lazard Limited activities				
	Rothschild (millions euros)			Lazard (millions $)
	April 2015-March 2016	March-October 2016		2016
	Turnover (commissions, etc.)		Returns	
Financial advices	1.040	537	71	1.301
Among which :				
M&A and other advisory				1.031
Restructuring				202
Wealth management and assets management	379	180	47	
Asset management				1.031
Capital-investment and private debt	107	73		
Others	63			
Sources: Étienne Goetz, “Rothschild & C° profite du dynamisme du M&A”, *Les Échos*, 23 June 2016. Anne Drif, “Rothschild & C° renforce ses positions aux États-Unis”, *Les Échos*, 30 November 2016 ; *Lazard Ltd reports full-year and fourth quarter 2016 results*, p. 31.				

The “legacy of finance” has therefore been preserved, revitalised, extended thanks to Lazard and Rothschild. “There had been two traditions in Paris, the Jewish bank and the Protestant bank. But that latter disappeared (Hottinger, Mallet, Vernes, Mirabaud, Neuflize)”[49], even if NSM survived with the ABN-AMRO group and Jean-Philippe Hottinguer succeeded recently to pick bank the *Hottinguer* name to restart some entity. This led to the rebirth (Rothschild) and re-development (Lazard) of two houses that had been set up by Jewish entrepreneurs and managed by some of them (M. David-Weill, Édouard and David de Rothschild) in the 1980s-1990, before a new Rothschild generation shared the helm recently.

Beyond these religious topics, the very durability of both houses might seem somewhat amazing, and this could explain the certitudes and pride diffused by some texts, for example by Lazard: “Lazard provides advisory clients with a quality of service we believe no other firm can match. Our client relationships are built on trust

[48] Interview with an investment banker at Rothschild, 2017.
[49] Interview with a senior investment banker, April 2017.

and discretion. We are deeply established in business centres around the world, with meaningful local relationships and insight. And as the world's largest advisory-focused firm, we have exceptional depth of expertise across industry sectors and geographies. Our clients are leaders of business and government. They rely on Lazard for sound judgment, discretion, and global scale to address their most challenging assignments."[50]

Anyway the issues are the capacity to resist competition and volatility and to maintain the capital of durability, as the *VUCA* matrix questions it:

<table>
<tr><th colspan="2">VUCA matrix</th></tr>
<tr><td>VOLATILITY
• Dependance of the M&A market on geopolitics and geoeconomics
• Permanent risks of turnover among key partners
Betting on the capital of competence of family inheritors? And of juniors' ability to equalize bigwigs in partnerships</td><td>UNCERTAINTIES
• Fate of interests rates along the policies of central banks, with the effects on the activity of assets management
• Tensions within families or within partnership about business models
Rivalries among the Rothschild branches</td></tr>
<tr><td>COMPETITION
• How far will business units by big universal banks equal Haute Banque teams (wealth management, M&A, financial advice)?
• Would it remain possible to escape businesses like securitisation (titritisation)?
• Will the upsurge of the rules of transparency reduce the room for manoeuvre of wealth managers?</td><td>AMBIGUITIES
• Embeddedness on one market place or europeanisation or globalisation? Haute Banque roots vs
• National cultural legacy or multiculture?
• What scope for the diversification? What kind of strategy and business model?
• What about ladies within partnerships? What about the gender gap (along the model of Anne-Laure Kiechel, at Rotshchild in the wake of Virginie Morgon, from Lazard and now CEO of Eurazeo)?</td></tr>
</table>

[50] Lazard institutional communication, 2017.

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