

Die rheinischen Sparkasse: Entwicklung und Bedeutung fuer Wirtschaft und Gesellschaft von den Anfaengen bis 1990 [The Rhenish Savings Banks: Their Development and Economic and Social Significance, from the Beginnings to 1990]. *By Hans Pohl*. Stuttgart: Franz Steiner, 2001. 319 pp. Notes, bibliography, tables, appendix. Cloth, € 45. ISBN 3-515-07846-0.

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Germany's *Sparkassen*, or savings banks, have for over a century collectively held more assets than the other banking groups in that country. Today they are large, sophisticated universal banks, differing from commercial banks mostly in that their owner (and ultimate guarantor) is a city or other government entity. They provide safe places for savers to deposit money, while in return offering their owners an alternative to the bond market for municipal finance. The *Sparkassen* (and their regional banks, the *Landesbanken*) were recently embroiled in a serious debate over the subsidy implicit in the costless state guarantees their liabilities enjoy, a controversy that potentially raised questions about the implementation of the European Union's plans for a single capital market. Yet the *Sparkassen* are virtually unknown, and widely misunderstood, outside Germany. They have long been neglected in the research literature in favor of Germany's more famous "credit" banks, such as the Deutsche Bank or Dresdner Bank. The neglect is especially striking in the English-language literature, which has dozens of discussions of the credit banks and some recent research on the credit cooperatives, but almost nothing on the *Sparkassen*. (For the historical development of the system as a whole, see my "Delegated Monitors, Large and Small: Germany's Banking System 1800–1914," in the *Journal of Economic Literature* [March 2002].) The German-language literature is only a little better. There are several Festschrift-style studies, several more serious regional studies such as Pohl's, and one or two attempts at a national synthesis. But there is nothing yet in either the German-language or other literatures that would create a more balanced and nuanced view of the German banking system and its role in German economic development.

Thus any study of the *Sparkassen* is welcome. This one is all the more so because it is careful and comprehensive and focuses on the Rheinland, the region that was the heart of German industrial and institutional dynamism in the nineteenth century. Pohl's approach is to lay out the basic themes that arose with the first *Sparkassen* foundations in the early nineteenth century and to trace the development of the institutions and their role in the economy up to the reunification of the two Germanies in 1990. Much of his account deals with established questions in the history of *Sparkassen*, but the detailed and thoughtful discussion contained here make them fresh and

better connected to other historical questions. For example, most histories emphasize that the *Sparkassen* were first established to give the working poor a safe place to deposit savings. They were as such originally part of a broader movement focused on ameliorating poverty by altering the perceived conduct of the poor. Pohl notes the truth of this view in the Rhenish case, but he also stresses the connection to local government reforms and changes in poor-law regulation that gave local communities a stronger incentive to reduce poverty. Pohl also notes another neglected feature of *Sparkassen* origins. Some were established at first largely to provide financing for municipal pawnshops; thus the savings of the poor were re-lent, indirectly, to other poor people.

Most summary accounts of *Sparkassen* note that their assets were, by law and policy, usually limited primarily to very safe investments, such as state paper or high-grade urban real estate. There is some debate about how many *Sparkassen* lent to business, and to what extent. Some accounts flatly deny the practice, while others assert its ubiquity, but we lack the detailed research that would allow us to draw well-founded conclusions about the role of the *Sparkassen* in financing German business activity. Here Pohl tells us more than he may realize. Without addressing the larger issue head-on, he documents several specific instances where *Sparkassen* made business loans, some as early as the 1850s. They were probably more conservative lenders than private banks and the later large credit banks, but at least in the Rheinland we cannot sustain the view that they provided no direct finance for private economic development.

Perhaps the most appealing feature of this study is its historical scope. Many institutional histories focus on a single period for understandable reasons. But the long history of the *Sparkassen* is remarkable, and understanding how these small, quasi-charitable savings banks became enormous universal banks requires an account that proceeds step by step through their evolution. Pohl does just that, accounting for their development into a true banking “group” through interregional ties; their transformation into universal banks; and their striking success in competing with the credit banks and the credit cooperatives. Future research into *Sparkassen* will have to use the historical business records of individual institutions to answer some of the questions noted here, but all students of these important banking institutions will find this a thoughtful overview of their origins and development in one important German region.

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