

## BUSINESS HISTORY REVIEW

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BOOK REVIEW

Banking on Global Markets: Deutsche Bank and the United States, 1870 to the Present. *By Christopher Kobrak.* New York: Cambridge University Press, 2008. xx + 484 pp. Illustrations, appendix, bibliography, notes, index. Cloth, \$45.00. ISBN: 978-0-521-86325-4.

Reviewed by Jeremy Leaman

Christopher Kobrak's study of Germany's largest and most successful private bank and its dealings with the United States is a wonderful read, combining scrupulous attention to the minutiae of business history with real stylistic panache. Notwithstanding some unevenness in the structure and perceptions of individual issues, the book will certainly appeal to a wide range of economic historians on both sides of the Atlantic, as well as to a broader audience of nonacademic readers. It will appeal, first, because, like the best histories of individual enterprises, it is admirably contextualized in the economic and political histories of both Europe and the United States—particularly in the earlier chapters—and, second, because it features a fascinating cast of dynamic adventurer capitalists, who function as compelling vehicles of the narrative. Kobrak weaves the extraordinary biographies of people like Georg Siemens, Henry Villard, Edward Adams, and Arthur Gwinner into his account of the pioneering years of the Deutsche Bank in the last three decades of the nineteenth century as it moved from trade financing to the more complex and perilous investment deals involving U.S. railway companies, electrical engineering, food processing, and coking plants. The picture that is revealed is rich in tales of entrepreneurial audacity and cunning, no little amount of ruthlessness, fortunes made and fortunes lost, and erstwhile partners abandoned. Above all, however, the United States is seen to have offered Deutsche Bank and other European finance houses enormous opportunities to develop powerful international vehicles that enabled them to enrich their shareholders and to promote the fortunes of Germany's rapidly growing new industries through exports and direct investment.

There are some significant parallels between the business environment of the late nineteenth and early twentieth centuries and the last thirty years of global economic history: “The volatility and lack of regulation of the U.S. capital markets played a paradoxical role in Deutsche Bank’s history. These twin financial hazards, the Charybdis and Scylla, as it were, of investing in the United States, blocked a good deal of cross-border flows but offered the promise of magnificent rewards” (p. 144). The contrasts are, however, also stark, inasmuch as the speculative risks undertaken or promoted by international banks like Deutsche before the First World War were, in the last analysis, rooted in the production and distribution of real goods and the provision of real services. Furthermore, the successful banks were able to manage risk because the cycles of investment, production, marketing, revenues and accumulation were relatively transparent, even though the ownership structures of multi-tiered operations were often opaque. Equally, Deutsche operated according to fairly conservative perceptions of a safe ratio of assets to liabilities, which allowed the bank to navigate the risky waters of rapid and often breathtaking expansion in the United States. In contrast, Kobraak describes the financial system of the early twenty-first century as “too vast, too diffused, and, above all, too interconnected for one regulatory body—or perhaps even several working in concert—to maintain adequate oversight. Not even the most sophisticated bankers feel comfortable with the role of banks and the whole financial system in cushioning financial shocks” (pp. 356–57).

The greater strengths of Kobraak’s study arguably lie in the first section (chapters 1–8), which covers the period 1870 to 1914 and carries the title “On Golden Chariots.” The second section—“Deutsche Bank and the United States during the ‘Great Disorder,’ 1914–57”—is slightly less detailed, reflecting both the fragmentation of German–U.S. relations in the period and some gaps in the historical records. But there is also a sense in which the active role played by Deutsche Bank in shaping that disorder, in particular its contribution to the political economy of Nazi programs of “aryanization” and brutal exploitation, is underplayed. The portrait of Hermann Josef Abs, a dominant figure in Deutsche Bank activities during and after the Second World War, is correspondingly more benign than he deserves. The sale of Reichsbank gold, much of which had come from death-camp teeth extractions and stolen trinkets, the racial “purification” of bank staffs, the cofinancing of enterprises using slave labor, and the effective robbery of Jewish bank assets in occupied states are examined with less incisiveness and

opprobrium than is found in the coverage of these matters by historians like Harold James, Peter Hayes, or Avraham Barkai.

The third section—“Renewal and Reentry, 1957 to 2000”—is also less successful as economic history than the first two, because it focuses on a narrower set of issues, notably the strategic management of Deutsche Bank in the changing environment of a Western political economy dominated by the United States’ preferences. Issues such as the Bank’s joint ventures, its move into “branching,” and, more recently, its aggressive expansion into investment banking dominate much of the narrative. The Bank’s expensive program of acquisitions in the last thirty years has indeed equipped it with new expertise to manage and finance in turn the merger-and-acquisition activities of older and newer market agents, but the steps it took are not as well contextualized as the measures described in the admirable opening chapters.

Kobrak’s book nevertheless represents a significant contribution to the history of banking and of transatlantic economic affairs. The concluding section provides an informative overview of that history and of the problems that have grown for banks in particular. Kobrak offers some particularly perceptive observations about the difference between the protection afforded by intellectual property rights for industrial and commercial companies and the absence of patent protection for innovative financial “products.” His analysis thus provides much that can contribute to an understanding of the more recent mayhem on global capital markets. It may also help the new regulators of financial services to look more kindly on the virtues of conservative German stakeholder banking when they seek to overcome the new “disorder.”

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