Chapter 11.
French investment banks and the earthquake of post-war shocks (1944-1946)

Whatsoever their attitude during WWII, the rapid freeing of France, either or and in the Metropolis, reopened doors to the resiliency of investment banks. Classically, like in the first afterwar, they should have assumed a sudden and immediate role in the rebuilding of a mighty French economy, able to restart growth, then to overcome the dire legacy of the depression of the 1930s, and last to be committed to the impetus to modernisation which was given by the State and the new "elites". Conversely, brakes were put on their involvement in the process, first because they had first to rekindle their very legitimacy in front of a threatening move of nationalisation, second because they were losing ground and assets because of the consequences of the geopolitical events all over Europe and moreover because of the loss of their connections and communities of business interests following the progress of the French public sector.

We intend to find out why French investment banks escaped the move of nationalisation which was achieved in 1944-1946, and which involved *Banque de France*, four big banks and three dozens of insurance companies. The balance of powers, the networks of influence, the connections within French elites could have provided some margin for manœuvre. The promotion of the specificities of the investment banking profession could also have played some role through the process of enhancing the differenciation of investment banks in front of commercial banks. Thus the commitment of investment bankers to the rebuilding of France within an internationalised economy, and the issue of the connections to be-reestablished with the City and the US bankers and financiers will be at stake through our scrutiny.

1. Preventing investment banks from being nationalised (1944-1947)

The first challenge for investment banks was to save their very existence because, when the *Libération* of France occurred in the Summer 1944, they were accused of having taken part directly to the European Nazi order, to have patronized German influence in Paris[1], to have financed and even conceived projects of co-operation between French and German firms (in chemicals, for instance),[2] and last to have played a key role within the State apparatus to "organise" and rationalise the economy along with German constraints.[3]

Leftists at the government and moreover at the National Assembly demanded sanctions[4] against bankers and financiers; they wanted to prevent the emergence of some kind of financial and political leverage forces against the reformist trend, taking the form of renewed "*Mur d'argent*" (or wall of money-makers rounding the freedom of action of governments) like in the interwar period, and they hoped to use *banques d'affaires* as a tools kit to accelerate the rhythm of rebuilding and finance the destroyed and lagging

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[1] Charles Rist, *Une saison gâtée. Journal de la guerre et de l'Occupation,* présenté par Jean-Noël Jeanneney, Paris, Fayard, 1983 (about a few managers and membres of the board at Paribas)
[2] Annie Lacroix-Riz, "Les grandes banques françaises de la Collaboration à l'épuration, 1940-1950. I. La collaboration bancaire", *Revue d'histoire de la Seconde Guerre mondiale*, 1986, n°141, p. 3-44. Michel Margairaz, "Vichy, l'Allemagne et le capital français", in Michel Margairaz, *L'État, les finances et l'économie. Histoire d'une conversion, 1932-1952*, Tome II, Paris, Comité pour l'histoire économique et financière de la France, 1991, pp. 631-670. Annie Lacroix-Riz, *Industriels et banquiers sous l'Occupation. La Collaboration économique avec le Reich et Vichy*, Paris, Armand Colin, 1999.
[3] Olivier Dard, Jean-Claude Daumas & François Marcot (eds.), *L'Occupation, l'État français et les entreprises*, Paris, ADHE, 2000. Hervé Joly (ed.), *Les Comités d'organisation et l'économie dirigée du régime de Vichy*, Caen, Centre de recherche d'histoire quantitative, 2004.
[4] See Marc Bergère, *L'épuration économique en France à la Libération*, Rennes, Presses universitaires de Rennes, 2008.

economy within the frame of planification–in the wake of the nationalisation of *Banque de France*, of the four main deposit banks, of about three dozen insurance companies, and of the building of strict regulation schemes.[5]

2. Investment banks to be nationalised?

The key struggle of investment banks was thus to resist such a move, to convince key deciders and influential party leaders of their specificity. Sure, the building of some kind of a giant State institution mixing investment banking and corporate banking could have tempted a few members of leftist elites, denouncing "trusts"[6] and the links between big firms and investment banks as a cement of big capitalism. On Sunday 2 December 1945, investment banks Paribas and BUP were still on the list of banks to be nationalised established by the *Commission des finances* of the Parliament.

Spurred by minister of Finance René Pleven, the head of the government himself, Charles de Gaulle, had to intervene in favour of a less extended list and pleaded to leave both investment banks out of the state's grip: "We also leave the investment banks outside the nationalised sector. This does not mean that we do not deal with them–on the contrary! But we believe that, in the public's interest, the transformation of these investment banks into State banks does not, in the present circumstances, seem justified. We have dealt with these investment banks in two ways: on one hand by forcing them to specialise in what is actually their real function. We have withdrawn their right to receive public deposits. With this, we have created a situation which makes it much easier to control them. Next, we install at the very heart of these banks, in their board of directors, a government agent with extraordinarily wide powers [...]. We shall thus establish a system of control which will allow us to make sure that under no circumstance would any activity of these banks go against either the government's policies in any domain, or the directives of the National credit board."[7]

The *rapporteur général* (delegate) of the committee, socialist Christian Pineau, himself a modest sub-manager at Paribas before the war,[8] was in favour of the nationalisation: "If the commission found it necessary to retain the nationalisation of investment banks, it is because these banks had once played a key role on the government's credit, by being initiators of anti-State maneuverings within the country as well as abroad, and because a glance at their portfolio leaves no doubt that wielded almost total control over a very large number of establishments with significant interests in the colonies and the industrial sector. The State must have control over these interests; it must not leave its own economic and political prerogatives to the initiative of some big investment banks."[9]

He negotiated a compromise with his colleagues: a somewhat hypocritical motion was

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[5] Claire Andrieu, *La banque sous l'Occupation. Paradoxes de l'histoire d'une profession, 1936-1946*, Paris, Presses de la Fondation nationale des sciences politiques, 1990.

[6] "*Les criminels sont ceux à qui le crime a profité : les trusts*", in Jacques Duclos (*et alii*, from the Communist Party), "Proposition de résolution", n°343, *Assemblée consultative provisoire*, 28 février 1945, p. 2. Even if the project of nationalisation quoted mainly deposit banks (*Crédit lyonnais*, etc.), it evoked once Paribas (p. 5).

[7] Minister of Finance René Pleven, *Assemblée nationale constituante*, report of the session, 2 December 1945, p. 160.

[8] After studying at *Institut d'études politiques de Paris*, he joined *Banque de France*, and then Paribas in March 1931, where he became also a leader of the CGT employees' trade union, which he set up at the bank – before being ousted because of a general strike in November 1938.

[9] Christian Pineau's speech, *Assemblée nationale constituante*, report of the session, 2 December 1945, p. 154-156.

voted,[10] which stipulated that a report from the *Conseil national du crédit* (an institution set up to supervise and regulate credit and banking, along with *Banque de France*) would precise within a two months deadline how to establish an efficient public control over investment banks–asserting "the pre-eminence of public interest over the activities of investment banks": "The Constitutional National Assembly is confident that the government will appraise *Conseil national du Crédit* of the problem regarding the reformation of the structure and managerial methods of investment banks in view of the legislative or regulatory measures ensuring the preeminence of public interest in their activities within two months."[11] And two months later, this *Conseil*, set up in February 1946, recommended on 11 March 1946 to leave investment banks free from State ownership.

A last ditch attempt of new minister of finance André Philip (on 2 April 1946) and of ten members of Parliament (on 19 April 1946) tried to restart the process: "The two largest establishments in this category showed, on several occasions, that they were strong enough to thwart public interest by using their influence to prevent the government from taking certain social or economic measures which seemed contrary to their interests. At the same time, their power was not due to the volume of their operations or the strength of their own resources. On the contrary, the figures show their weakness in this regard. Their income in the form of currency never went beyond twenty million per year, on the average, in last few years before the War. Actually, their influence made itself felt within the licensed public utility enterprises and in the major industrial sectors via the relationships they had cultivated within the administrative boards in such a rarified atmosphere that the same individuals belonged to many different corporations. Via these relationships, they directed the financial policies of a large number of business dealings, but they also recognised that official government aid was as indispensable for maintaining their interests as for their future development. None of the arguments presented in their defense have been able to show the superiority of a private enterprise over a nationalised one. That is why the government has chosen to retain the project presented by the workers' delegation at Conseil national du Crédit. By nationalising the two big investment banks, the State will have in its hands the indispensable means for controlling the investment market and applying its long-term credit policies."[12]

The government even adopted the project of nationalisation of investment banks[13] on 31 March 1946. Anyway, the Parliament, the very day before its constitutional end, had rather to vote the nationalisation of collieries than that of the major insurance companies and of *Banque de l'Algérie* on 25 April 1946, and that of the collieries on 17 May.

3. A first set of differenciation preventing investment banks * from nationalisation

Investment banks were not nationalised indeed,[14] and the arguments will fuel one of our topics, about "differenciation" among the community of bankers on the Paris market-

[10] *Ibidem*.
[11] Motion voted by the Parliament, April 1945.
[12] Preamble, proposal of law, 2 April 1946.
[13] "*Projet de loi portant sur la nationalisation des banques d'affaires, présenté au nom de Félix Gouin* [Prime Minister] *par André Philip, Georges Bidault et Ambroise Croizat*, Paris, Imprimerie nationale, 1946, annexe à la séance du 2 avril 1946."
[14] Claire Andrieu, "La non-nationalisation des banques d'affaires", section of "Les banques, par fidélité au programme du Conseil national de la Résistance", in Claire Andrieu, Lucette Le Van-Lemesle & Antoine Prost (eds.), *Les nationalisations de la Libération. De l'utopie au compromis*, Paris, Presses de la FNSP, 1987, p. 313-326.

place.

A. The international action of investment banks

The minister of Finance himself, Pleven, although a key *Résistant* and gaullist from the London and Alger *France libre*, but in the interwar period a manager at an American banking and finance institution acting in central Europe, posed himself as an active promoter of private investment banks. He argued that they had to preserve their international networks, their activities on foreign banking (Anvers, Brussels, London, etc.) and financial (London) centres, and their key "correspondent banking" interlocking, able to sustain trade banking, the financing and refinancing of import-export flows, of foreign exchange flows. He promoted thus essentially their freedom of action and their institutional brand image abroad: "Keep in mind that in none of these countries which, tomorrow, while being our friends, will become our economic competitors, the investment banks are nationalised. One of the roles of these banks is in fact to finance new enterprises at home or abroad which, tomorrow, will become indispensable if we want to maintain the country's exports [...]. It is imperative that this country improves its exports. And, without a banking network outside, it is very difficult, in the modern world, to export !"[15]

The issue was not "rebuilding bourgeoisie forces", "restauration" of the old bourgeois order, on one side, and some ultra-reformist (and even revolutionary) action on the other side–even if rightists and liberals,[16] then confined to discreetion and minority circles, tried to rebuild networks of influence at the Parliament to put brakes on what they denounced as a leftist drift.

Beyond the domestic market, some banking institutions had still to grapple with international exchanges, which required networks among capitalist, market-prone, bankers, investors and brokers all over international centres, mainly in Switzerland, Belgium, the United Kingdom, and the US. Because France could not live within autarchy and privilege economic and financial isolationism, some part of its economy had to be kept open to international networks, even, in the 1944-1948, such areas of "free-standing" banking could be perceived as were Hong Kong in the 1950s-1980s and then also the "special zones" in Communist China in the 1980s-1990s…

More than ideological motives, some pragmatist tolerance prevailed for the sake of the reinsertion of France into western growth, before a more "liberal" mindset gathered momentum[17] again from 1948-1950. Investment banks only had to welcome two civil servants as *commissaires du gouvernement* on their board, with no voting rights but with access to records–and of course to follow the same banking and accounting rules that the other banks within the supervision of central authorities (*Commission de contrôle des banques, Banque de France, Conseil national du crédit, Trésor*) for the sale of compliance to rules and to general interests (or commons).

B. Influential mobilisation within political circles

Behind these official stances, investment banks themselves struggled to supply pieces of argument in favour of the *statu quo*. They benefitted from one key asset, through André

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[15] Minister of Finance René Pleven, *Assemblée nationale constituante*, report of the session, 2 December 1945, p. 160.
[16] See the favourable trend of the well-informed book of Robert Aron, *Histoire de l'épuration*, tome 3, volume 1, *Le monde des affaires, 1944-1956*, Paris, Fayard, 1974.
[17] François Bloch-Lainé & Jean Bouvier, *La France restaurée, 1944-1954. Dialogue sur les choix d'une modernisation*, Paris, Fayard, 1986.

Debray, a head manager at Paribas, because he had been an important *Résistant* within the *Conseil national de la Résistance*–an official advising council to *France libre* and general de Gaulle–and the *Comité de libération des banques*. He took part to a little commission about the nationalisation of credit[18] which had been gathered to propose a scheme about the future of banks, of the central banks, of the regulation of credit, and of the control of banking and finance. This *commission d'études de la nationalisation du crédit*, chaired by Paul Rivet, functioned from December 1944 to March 1945. With Debray, from Paribas, were gathered three trade-unionists from CGT, Roger Boutteville, executive manager of big utility *Union de l'électricité*, Isambert, chairman of an industrial bank linked with the main utilities, *Électrocrédit*, Paul Delorme, chairman of *L'Air liquide* gas company, P. Monfajon, executive manager of *Caisse centrale des Banques populaires*, two managers of *Crédit commercial de France*, a deposit bank strongly linked with industrial groups (Giraud, Jacques Berthoud), and Alfred Sauvy, an expert heading the *Institut de la conjuncture*, a public body collecting series of national statistics.

Debray was also influential among the "enlightened" social-christian circles which gathered momentum in the 1940s-1950s.[19] Within Paribas itself, he asked for a few data and guidelines, and a working group (with sub-managers or *fondés de pouvoirs*: Dray, André Gallais-Hamonno) developed a mainframe for the discreet champions of a private ownership and independence of investment banks.

Its cornerstone was their function of promoting start-ups, which required the mobilisation of institutional, capitalist and wealthy-individual investors, which could feel concerned by a State control over such banks and moreover over their investments. Beyond money, flexibility has always been at stake for new projects, at the thorough opposite of the heavy processes followed by public decision about the launching of any project, and the nationalisation of investment banks could have put brakes on the creativity of French capitalism. Such role had been proved beforehand through several projects engineered abroad or within France itself–but States had everywhere and always been involved in them, and even, as had been the case for *Compagnie française des pétroles* (now Total), the French State had mobilised the law and its money to sponsor the project at the turn of the 1930s.

Anyway the second piece of argument lied with the leverage force exerted by investment banks to prop up start-ups, as they mobilised their networks among institutional and wealthy investors to fuel the permanent funds required in the first quarters or years of every start-up as it had been proven at the emergence of the second industrial revolution in the 1890s-1930s. They acted as the interface between entrepreneurs–either individual or firms diversifying themselves into innovative fields–and investors, which seemed to require independence from State or political circles–because money, profits, cash flows, should circulate somehow freely, far from bureaucratic controls, barriers, or from tax overloads. Entrepreneurship should reap the benefits of innovation and project engineering on a first stage, and investment banks had piled up a relevant capital of experience on that level. They should help to foster competition against the innovative US companies after WWII.

Last, investment banks played a role of interface with investors, insurance companies,

[18] Historical archives of Paribas, note from 10 February 1945.
[19] See: André Debray, "La libération financière de la France. Conférence de M. André Debray à l'Institut catholique, sous la présidence du capitaine Maurice Schumann", *Économie chrétienne*, mars 1945, n°1, p. 3-6. This new journal was edited by the *Centre catholique d'études et de documentation économiques et financières* (historical archives of Paribas).

wealthy capitalists (enriched by their own firm or else), family funds, in France, and with every hub of money abroad, especially on the international finance,[20] and banking centres where available money is waiting for opportunities of investment and profit ("pioneering for profit"...). Anvers, Geneva, Basel, Brussels, London, for example (because Spanish and German market places had been blurred by geopolitical and military events) had ever provided investment banks with windows of opportunities for such undertakings, fostering "*sociétés d'étude*", then guaranteeing "*syndicats d'émission, de garantie ou de placement*" with the brokerage outlets for securities to be issued. In this respect, the very deep-rooted presence of both Paribas and BUP in Belgium from their inception and their intimate links with Belgian (and Dutch) bankers[21] and investors had fuelled numerous layers of business–all the more because Brussels also welcomed German money, being "neutralised" through its Belgian process...–, and one had always pondered how "free money" should react in front of State-controlled institutions replacing privately owned and managed investment banks.

Such debate had been raised later on in the 1980s when Paribas had been nationalised. Through such margin of manoeuvre left to investment banks, one could pretend that the Paris competitiveness had been strengthened.[22] Several press articles, generally "well informed", that is written under the guidance of bankers, collected these cases, which could have helped influential ministers, members of Parliament and civil servants to argue against the nationalisation of investment banks. "Investment banks must continue to exist because they help fulfil an imperative economic necessity, and because they are what their function has created. They are at the origin of business, they ensure its growth. If they were to disappear, their role would be taken over by other organisations whose actions, such as the limited partner syndicates, would be difficult to monitor or control. Abroad, they played a significant role in extending the country's sphere of influence in the economic, financial and, in some respects, political sectors. It is also on purpose that the principle and even the term 'nationalisation' were expunged so as to avoid any hint of a government enterprise, as that would have inevitably adversely affected their standing and potential for action."[23]

In fact, it remains difficult to assess the value of such arguments; but, without tackling the

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[20] Irving Stone, *The Global Export of Capital from Great Britain, 1865-1914*, Londres, St Martin's Press, 1999. Philip Cottrell, "Connections and new opportunities: London as an international financial centre, 1914-1958", in Cassis Youssef & Bussière Éric (eds.), *London and Paris as international financial centres in the twentieth century*, Oxford, Oxford University Press, 2005, p. 153-182. Marc Flandreau & Frederic Zumer, *The Making of Global Finance, 1880-1913*, Paris, OECD-Centre of Development, 2004. Youssef Cassis, *Les capitales du capital. Histoire des places financières internationales, 1780-2005*, Geneva, Slatkine & Pictet, 2005; Paris, Honoré Champion, 2008. Youssef Cassis, *Capitals of Capital. A History of International Financial Centers, 1780-2005*, Cambridge, Cambridge University Press, 2006. Richard Roberts (ed.), *International Financial Centres: Concepts, Development and Dynamics*, Aldershot, Edward Elgar, 1994. Charles Kindleberger, "The formation of financial centers", *Princeton Studies in International Finance*, 36, 1974, p. 1-78.

[21] See the histories of Belgian counterparts of French investment banks, mainly: Jean-Marie Moitroux (ed.), *Banque Bruxelles-Lambert. Une banque dans l'Histoire, 1871-1996*, Bruxelles, BBL, 1995. Herman van der Wee & Monique Verbreyt, *La Générale de banque. Un défi permanent, 1822-1997*, Brussels, Racine, 1997. René Brion & Jean-Louis Moreau, *La Société générale de Belgique, 1822-1997*, Anvers, Fonds Mercator, 1998. And É. Bussière has well precised the issues in: Éric Bussière, *La France, la Belgique et l'organisation économique de l'Europe, 1918-1935*, Paris, Comité pour l'histoire économique & financière de la France, 1992.

[22] Hubert Bonin, "The challenged competitiveness of the Paris banking and finance markets, 1914-1958", in Youssef Cassis & Éric Bussière (eds.), *London and Paris as International Financial Centres in the Twentieth Century*, Oxford, Oxford University Press, 2005, p. 183-204.

[23] *Agence quotidienne d'informations économiques & financières-AGEFI*, 12 March 1946 (historical archives of Paribas).

events of 1981-1984,[24] some clues have been provided afterwards by the manager of *Crédit lyonnais* himself, which reminded that he had to campaign on other market-places to convince its foreign partners that the bank had not become some kind of a Soviet State division: "Abroad, certain big banks hesitated to confide to it business propositions on the same scale they had done earlier. The Swiss banks especially had decided to restrain their operations. I had to personally pay a visit to the major Swiss banks, national as well as commercial to explain that *Crédit lyonnais* continued to pursue the same methods as before and that the change affected only capital ownership. I had a hard time persuading them to continue with their lending as they were convinced that being under the State, the tax directorate would have powers which would be prejudicial to their clientele."[25] Reactions of the foreign partners of investment banks do not appear in their historical records.

4. The very power and influence of investment banks contested

We can presume that, at the start of the growth move, investment banks lost momentum and power of influence, for three reasons.

A. The State competing with investment banks' functions as the financier of industry

The first cause came from the State, which had extended so much is sphere of influence, control and financing[26] because of the new shape of mixed economy afterwar. It could use the nationalised (in 1945/1946) banks and insurance companies, the half-public institutions which were to intervene in favour of the rebirth of companies (*Crédit national*), trade (BFCE-*Banque française du commerce extérieur*, COFACE-*Compagnie française d'assurance-crédit*), to promote French business abroad, and of course *Banque de France* (with its command over banks, over *Commission de contrôle de banques* and *Conseil national du crédit*).

It could also mobilise direct financing of the economy–what became called under the name "*circuit du Trésor*"–either through the funds of the Marshall funds or of the First (1946-1952/54) and Second (1954-1959) Plans, or through its own availabilities raised on the market (*Bons du Trésor*, bonds, etc.). The State has thus become by itself a huge "bank" or credit platform and even some "*banque d'affaires*" because it was able to guide inflows of capital and cash toward public, mixed or even private big enterprises, assuming somewhat and for a while the role played by investment banks within what had been an actual market economy.

B. The break-up of communities of business interests: Paris "a Club No More"

The second cause to the weakening of investment banks came from the fact that several of their big customers and partners had been nationalised. A halt was put to forms of

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[24] Hubert Bonin, "La tectonique des banques d'affaires en 1981-1983. Failles, subsidences et sédimentation après les nationalisations. Réflexions sur la notion de banque d'affaires", *Bulletin du Centre d'histoire de la France contemporaine*, Université de Nanterre, n°5, juin 1984. "Secession" moves occurred to split the assets of Paribas in a few foreign countries to prevent them from the State grip.

[25] Testimony from Olivier Moreau-Néret, chairman of *Crédit lyonnais* in 1955-1961, note of *Crédit agricole* historical archives, fund *Crédit lyonnais*, date around 1970, 36AH7.

[26] Laure Quennouëlle-Corre, *La direction du Trésor, 1947-1967. L'État-banquier et la croissance*, Paris, CHEFF, 2000. Richard Kuisel, *Le capitalisme et l'État en France. Modernisation et dirigisme au XXe siècle*, Paris, Gallimard, 1984. Michel Margairaz, *L'État, les finances et l'économie. Histoire d'une conversion*, tome II, Paris, CHEFF, 1991.

embedded capitalism, networking, intimate interlocking, to the informal but efficient power of influence of investment banks, mainly among utilities (now onwards grouped under the umbrella of state-owned *Électricité de France-EDF* and *Gaz de France-GDF*), among collieries (*Charbonnages de France*)–all companies somewhat closed to investment banks through issuing of securities, of industrial finance, of structured project financing, and credits–and among insurance companies–for brokering securities. Sure, a "club of capitalism" was disrupted, and investment banks had to rebuild part of their networks, or to redeploy their targets to pick up new customership.

Clues of such possible loss of influence or activity can be found in the links between Paribas and utilities. Despite the role played by a few deposit banks and the competition from BUP, it had been the main financial tool to about a dozen of important electrical utilities.[27] It had managed (solely or with other banks, as lead manager) the centralisation of coupons and of amortised securities for their payment; it had played a key role in the day to day management of the securities (transfers, signatures for the general assemblies, establishment of tax files, etc.); and through all these activities it had earned commissions and took profit from the short days or weeks of management of the funds involve. Even when *Crédit lyonnais* was the lead manager of the bonds issue by *Union d'électricité* in 1946, Paribas got 11.869 per cent and BUP 8.69 per cent of the guarantee.[28]

Beyond that, Paribas had been also an important supplier of credit to these utilities, often as a lead manager of the credit pool, with revenues on interests and on commissions. An ultimate clue of that influence was provided by the transitional lines of credit which banks granted to the utilities being nationalised, just after the vote of the act, but before the completion of the state take-over to finance their daily investments. Pending the completion of the transfer to the State of the nationalised assets of companies, Paribas remained also for a few months the lead manager at *Forces motrices de la Truyère*, a big hydro-electrical utility in the *Massif Central* and its protégé since the 1930s, even if commercial banks tackled the other loans.[29]

Paribas kept thick lines of credit to EDF because of the delays required for the achievement of the accounting transfers–for lines of credits, about short term credits, discount of promissory notes, acceptances and common discounts, and middle term credits. Amounts of used loans inherited from nationalised companies (*Société électrochimique Pierrefitte, Union d'électricité, Forces hydrauliques de la Selve, Hydroélectrique de Savoie, Hydroélectrique du Massif central, Énergie électrique du littoral méditerranéen, Société lyonnaise des eaux & de l'éclairage*, etc.) which were customers of Paribas reached on 7 November 1946 FRF 121 millions for short term credits, 309,5m for acceptances and discounts, 134m middle term credits.[30] And it kept thick lines of credit to the freshly born EDF because of the delays required for the achievement of the accounting transfers from private firms to the State one–for lines of credits, about short term credits, discount of promissory notes, acceptances and common discounts, and middle term credits.

Table 1. Listing of the nationalised electricity utilities where Paribas was lead manager for financial operations

[27] *Compagnie d'électricité de l'Ouest parisien, Compagnie parisienne de distribution d'électricité, Énergie électrique du Briançonnais, Énergie électrique du Rouergue, Force & lumière des Pyrénées, Forces motrices de la Truyère, Groupement de l'électricité 1939, Sud-Lumière, Société minière et électrique des Landes, Société de transport d'énergie de la région Ouest* STERO (historical archives of Paribas, note, 1946).
[28] Note *Union d'électricité, Emprunt 4 % 1946*, historical archives of Paribas.
[29] Lettre from Crédit lyonnais to Paribas, *Crédits de soudure aux sociétés électriques et gazières nationalisées*, 7 May 1946, historical archives of Paribas.
[30] Historical archives of Paribas, note *Intérêt de Paribas dans les sociétés de gaz et d'électricité nationalisées*, 1946.

- *Union d'électricité* (co-lead)
- *Groupement d'électricité* (co-lead)
- *Gaz pour la France et l'étranger*
- *Compagnie parisienne de distribution d'électricité*
- *Sud-Lumière*
- *Ouest-Parisien/Ouest-Lumière*
- *Société électrique du Nord-Ouest* (partly)
- *Électricité région Valenciennes-Anzin*
- *Énergie électrique du Rouergue*
- *Forces motrices de la Truyère*
- *Forges et lumière des Pyrénées*
- *Société minière et électrique des Landes* (co-lead)
- *Énergie électrique Briançonnais* (co-lead)
- *Société électrochimique de Pierreffite* (of which power plants were nationalised)[31]

All in all, these layers of revenues ended fuelling the profits of Paribas, which could use therefore such cash flows in favour of its investment and corporate banking activities. Its very function of lead or co-lead manager of financial operations or a few credit pools and its flows of revenues were thus gravely threatened by the nationalisation move, all the more because the role of "guarantee" assumed by investment banks in the underwriting syndicates was to be assumed now onwards by the State for the securities issued by public utilities. A landmark to this "revolution" was the sudden suspension of all operations of bonds issuings and of all financial projects where energy utilities were involved as soon as the nationalisation was voted: investment bankers had to fold up their records.[32] Happily, there still remained downstream the "club" of connections among the suppliers of energy equipment goods (Alsthom, Schneider, etc.), thus keeping alive outlets for investment bankers, much active within the nebula of firms in energy engineering.

Table 2. Part of Paribas in financial operations of to-be nationalised utilities

	Bonds issues by gas utilities		Shares issued by electricity utilities (millions francs)	Bonds issued by electricity utilities (millions francs)		Bonds issues by gas utilities	Shares issued by electricity utilities (millions francs)	Bonds issued by electricity utilities (millions francs)		Bonds issues by gas utilities
	Value	Part of Paribas in the guarantee	Total amount of operations	Amount of operations where Paribas was involved	Part of Paribas in the guarantee for the operations where it was involved	Total amount (millions francs)	Amount of operations where Paribas was involved	Part of Paribas in the guarantee for the operations where it was involved	Part of Paribas in the brokerage for the operations where it was involved	Part of Paribas in the actual sales for the operations where it was involved
1946	150	2.5%	16	/		2,188	935	19.53%	12.88%	12.88%
1945	1,029	20.12%	170	113	18.6%	4,391	2,135	17.77%	6.46%	5.93%
1944	319,5	21.82%	489	40	9%	1,948	855	19.54%	11.45%	10.28%
1943	240,5	41.59%	162,2	157,8	24.66%					
1942	28,5	/	167,6	/	/					
1941	60	50%	1,224,4	54,8	14.59%					
Total 1930-1946	2,216,693	18,49%								

Source: historical archives of Paribas, various notes and note of 12 November 1946.

More important was the break up of a "vertical" community of business, because since the interwar period investment banks had forged business partnerships all along a productive chain, from energy utilities to electrometallurgy and electrochemics, and the rupture of this solidarity by the nationalisation tended to reshape the outlines of partnerships. Interlocking had prevailed during the first stage of the second industrial revolution because investment banks had been companions to many utilities, with many representatives of Paribas on theirs boards, for instance.

Events brought appeasement to investment banks, because nationalised utilities eventually called for their services. After having feared to be stripped of any relation with the

[31] Historical archives of Paribas, note, 1946.
[32] *Notes de conversations*, historical archives of Crédit lyonnais, 5 April 1946.

nationalised utilities, part of their "history", investment banks even found themselves back on the stage, because EDF, GDF[33] or SNCF needed huge amounts of money to "revolutionise" their technical system and to face investments. This led Paribas, for instance, to be admitted to the circle of banks supplying credits to utilities: at GDF, for example, it set up lines of credit[34] amounting to 814 mf; EDF became an important client of Paribas, with an amount of lines of credit of at least 5,327 mf,[35] and the same about collieries with lines of credit reaching for example 1,441 mf.[36] But the global share of investment banks was kept low about 3 to 4 per cent and deposit banks (mainly nationalised themselves) predominated.

A meeting at the ministry of Finance put an end to the shared influence of investment and deposit banks for the whole companies being nationalised: no more lead manager for the bonds issued for *régies* (State owned and managed utilities) or nationalised firms; the principle being that these operations will be negotiated by the four nationalised banks. The ministry demands that no lead manager would exist, and that this function would be attributed globally to the four banks. And no expression of a lead manager should appear on the issuing documents",[37] with each bank playing alternatively the role of the negotiator alternately. Being the first bank to have been nationalised (which was the criterium used to pick up the first mover), *Société générale* was put in charge of the pool for a single line of credit (replacing each bank's one) and to draw the lines of a bond issuing.

Paribas' CEO Jean Reyre had to try to convince *Crédit lyonnais* and *Société générale* to leave some slice of the cake to his investment bank, as Société *générale* fixed the share of the four nationalised bank to 65 per cent (25 per cent being attributed to CIC, CCF, *Crédit du Nord* and two investment banks Paribas and BUP). He negotiated a "key rank in the global credit; he reminded us [*Crédit lyonnais*] that Paribas was a shareholder in 57 electricity companies [nationalised] and that its share in the underwriting of the financial operations had been around 8.5 percent in the last years and only 5 to 6 per cent for the distribution",[38] whilst the four banks held a share of 76.50 per cent for the brokerage. On its side, obviously, BUP did not become a big player within the new club of nationalised utilities.

Table 3. Market share of BUP in the credits to nationalised utilities

FRF 30b loan to SNCF for its purchase of coal fuel in 1949	3%
4,500m EDF equipment pool (July 1949)	3.375%
4,000m EDF operating costs (July 1949)	4.541%
7,000 m EDF turnover fund (July 1949)	3.380%
6,000m EDF total pooled credit line for 1951	3.8%
13,100m GDF total pooled credit line for 1952	2%

H. Bonin, *La Banque de l'union parisienne, op. cit.*, p. 375-376.

Historical heritage previous to nationalisations was rarely taken into account, even if investment banks were admitted somewhat to the new club of brokerage syndicates. The nationalised banks led the financial operations–the first one being negotiated by *Crédit lyonnais*[39] as soon as June-October 1946. *Crédit lyonnais* was lead manager of the EDF issuing in 1955, and CNEP of the first GDF issuing in 1955, "to take into account the position

[33] See Jean-François Picard, Alain Beltran & Martine Bungener, *Histoires de l'EDF. Comment se sont prises les décisions de 1946 à nos jours*, Paris, Bordas, 1985. Alain Beltran & Jean-Pierre Williot, *Le noir et le bleu. 40 ans d'histoire de Gaz de France*, Paris, Belfond, 1992.
[34] Report of the board of Paribas, 17 October 1957.
[35] *Ibidem*, 7 November 1957.
[36] *Ibidem*, 16 January 1958.
[37] *Notes de conversations*, historical archives of *Crédit agricole,* fund *Crédit lyonnais,* 23 January 1946.
[38] *Ibidem*, 27 July 1946.
[39] *Ibidem*, 23 June 1946, 28 August 1946

it occupied in gas financial business before the nationalisation",[40] but a turnover was scheduled for the next operations and "Paribas brokered half the loan"[41] of GDF in 1957.

Anyway the broad dimension of such issuings preserved the key role of deposit banks against investment banks, and BNCI was thus lead manager for *Charbonnages de France* in 1957. The weakening of investment banks was supplemented when a public body, *Caisse nationale d'équipement de l'électricité et du gaz*, took in charge the service of pending past bonds, which deprived bankers of their contacts with investors, all the more because it substituted itself for part of these bonds to a *Groupement de l'électricité* which had been managed by banks in the name of several utilities; and this *Caisse* was to bear the bonds issued against the equities exchanged by 1,5 million shareholders of nationalised utilities[42] in October 1946.

C. The loss of Eastern European activities

Investment banks lost large assets in Central Europe, first when Nazis conquests imposed French stakeholders to transfer their capitalistic and strategic influence to German groups (often Deutsche Bank). Paribas and BUP had to abandon their banking networks which they had established through direct affiliates or through partner holdings; both also were deprived of the opportunities of business supplied by French (or Belgian) industrial groups active in the area (Schneider, Petrofina, etc.) because these latter had to recede from their strongholds too. A second shock intervened after Communist take-overs of private companies completed the trend and destroyed hopes to reconquer positions in this area, which had become a key field of expansion in the interwar period.[43] We had assessed that about 10 to 15 per cent of the activities and revenues of BUP came from central, eastern or Balkanic Europe in the 1930s,[44] which can be used as a marker to gauge the loss of earnings due to such geopolitical moves.

Conclusion

Obviously, French investment banks could not resume their activity so strongly and rapidly as they would had wished: so many obtacles had to be overcome that their teams had to consume time and energy only to reinstate their legitimacy, to counter hostile lobbies, or to try to fill the gaps digged by the nationalisation of so many business partners in collieries, utilities or even manufacturing. The legacy of history was blurred in these fields, and investment banks were deprived of strongholds, networks, and finally of opportunities of operations, returns, and fees. But it was a mere narrow corridor of difficulties to be crossed through, and new windows of opportunities were to be reconquered for fresh business in the 1950s-1960s, to regain momentum and recover levers to growth and profits.

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[40] *Ibidem*, April 1955.
[41] Report of the board of Paribas, 7 November 1957.
[42] *Notes de conversations*, historical archives of *Crédit agricole*, fund *Crédit lyonnais*, 10 October 1946.
[43] See Éric Bussière, "The interests of the BUP in Czechoslovakia, Hungary and the Balkans, 1919-1930", in Philipp Cottrell & Alice Teichova (eds.), *International Business and Central Europe, 1918-1939*, Leicester, Leicester University Press, 1983, p. 399-410; reedited in: Geoffrey Jones (eds.), *Multinational and International Banking*, Aldershot, Edward Elgar, 1992, p. 406-417. Alice Teichova & Philip Cottrell (eds.), *International Business and Central Europe, 1918-1939*, Leicester-New York, 1983. Alice Teichova, *An Economic Background to Munich. International Business and Czekoslovakia, 1916-1938*, Cambridge, Cambridge University Press, 1974. Hubert Bonin, "La Banque de l'union parisienne en Roumanie (1919-1935). Influence bancaire ou impérialisme du pauvre ?", *Revue historique*, 1985, n°2, p. 349-381. Philippe Marguerat, *Banque et investissement industriel : Paribas, le pétrole roumain et la politique française, 1919-1939*, Geneva, Droz, 1987.
[44] See: Hubert Bonin, *La Banque de l'union parisienne (1874/1904-1974). De l'Europe aux outre-mers*, Paris, Publications de la SFHOM, 2011.