Chapter 12.
Investment banks struggling to pick up business opportunities (1944-1948)

Thus preserved from nationalization and direct State control, but submitted to the overall regulation of the banking profession, investment banks could resume their historical path to sustain the French communities of business and to act as gate-keepers to reach foreign markets. A process of take-off helped the after-war mixed-economy to redefine stages of growth and innovation.

1. The community of bankers still providing its skills on the field of brokerage

The nationalisations and the State's incursion through nationalised banks and insurance companies was a massive shock to the Paris banking and financial market which found itself stripped of major chunks of its capitalisation. In any case, the "community of place" was re-born because the State Treasury, the four nationalised deposit banks, the mixed financial institution *Crédit national* and private commercial and investment banks had each to act and together to manage the issue and distribution of securities, either those of the public sector or private companies.

The nationalisations rocked the capital market, individual wealthy or medium-sized investors, and perhaps even the foreign investors. The result was a crisis of confidence and for the duration at least, it meant that savings were not converted into fresh issues. Investment and commercial bankers acted together, with similar skills, to analyse their customers' mental state and availabilities. Many used to reinvest their dividends, but now were deprived of that in many cases because of the nationalisations. Socialist-minded reforms and political tensions (with labour trade unions, the Communist Party, etc.) prevented a revival of the morale.

Big deposit banks led the community of bankers, because, as nationalised bodies representing the State, they had to be at the forefront. They were in constant touch with the Treasury regarding the schedule of issues, investors' mood and capacity, reactions of the smaller customers and savers. They had access to direct sources of information through their networks of branches. Their influence grew as key actors of brokerage or "distribution". They talked directly with the Treasury to establish the rhythm of operations under pressure from high civil servants who wanted a quick succession of issues because of the State's and the nationalized sector's desperate need for cash to fill the budget deficit and for investments. For example, the railway company SNCF's bonds became a great concern for issuers, as its networks had to be rebuilt and modernised rapidly. All in all, this explains that investment bankers were kept on a second rank, especially as the big foreign State loans had vanished from the scene.

2. New opportunities offered by nationalised utilities and companies

Finally there was some relief for investment banks when nationalised utilities eventually called for their services. Public or semi-public companies also began to gather momentum in the oil sector.

A. The return of investment banks as creditors

After being afraid of being stripped of all relations with the nationalised utilities which had been a part of their "history", investment banks found themselves back on the stage because EDF, GDF,[1] and SNCF needed huge amounts of money to "revolutionise" their technical system and to fund investments. This led *Paribas*, for instance, to be admitted to the circle of banks supplying credits to utilities. For example, at GDF, it set up lines of credit[2] amounting to FRF 814 million. Ultimately EDF turned into one of *Paribas'* important clients, with credit lines amounting to at least 5,327 million.[3] It was similar with the collieries, with credit lines touching 1,441 million.[4] But the global share of investment banks was kept low, to about 3 to 4 percent, and deposit banks (mainly nationalised themselves) dominated.

A meeting at the Ministry of Finance put an end to the shared influence of investment and deposit banks on the companies being nationalised: "No more lead manager for the bonds issued for *régies* or nationalised firms; the principle being that these operations will be negotiated by the four nationalised banks. The ministry wants that there should be no lead manager, and that this function would be attributed globally to the four banks. And no expression as a lead manager should appear on the issuing documents"[5], with each bank being the negotiator alternately. Being the first bank to have been nationalised (which was the criterion used to pick up the first mover), the *Société générale* was put in charge of the pool for a single line of credit (replacing one from each bank) and to draw the lines of a bond issue.

Paribas' CEO, Jean Reyre, had to try to convince the *Crédit lyonnais* and the *Société générale* to leave some slice of the cake for his investment bank. The *Société générale* fixed the share of the four nationalised bank to 65 percent (25 percent being attributed to CIC, CCF, Crédit du Nord and the 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 percent for the distribution",[6] whilst the four banks held a share of 76.50 percent for the brokerage. Obviously, the BUP did not become a big player within the new club of nationalised utilities.

Table 1. BUP'S market share in the credits to nationalised utilities	
FRF 30 billion 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.	

Arguments flared regarding bond issues for the public bodies. The heritage of history, which antedated the nationalisations, was rarely taken into account, though investment banks were grudgingly admitted to the new club of brokerage syndicates. The nationalised banks led the financial operations – the first one being negotiated by the *Crédit lyonnais*[7] as early as June-October 1946. It was also the lead manager of the EDF issuing in 1955, and CNEP of the first GDF issuing in 1955, "to take into account the position it occupied in gas

[1] 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.
[2] Report of the board of *Paribas*, 17 October 1957.
[3] *Ibidem*, 7 November 1957.
[4] *Ibidem*, 16 January 1958.
[5] *Notes de conversations*, historical archives of Crédit agricole, Fund Crédit lyonnais, 23 January 1946.
[6] *Ibidem*, 27 July 1946.
[7] *Ibidem*, 23 June 1946, 28 August 1946.

financial business before the nationalisation”,[8] but a turnover was scheduled for the next operations and “Paribas brokered half the loan”[9] of GDF in 1957.

B. SNCF bonds at stake

Deposit banks honed their portfolio of competencies as soon as the SNCF resumed its bond issues, the first having been held during the war, in June 1941 and in 1942. Negotiations between bankers, the lead manager *Crédit lyonnais* and the director of the company's financial services, C. Thomas, began on 6 and 7 May 1947. One of Lyonnais' bankers, Betz, successively met almost a dozen participating big banks on 12-13 May to negotiate the respective share. Discussions were held on the length of maturity of the shares, the amount (ten billion FRF, of which eight from the banks and two from other circuits, mainly the *Banque de France* and the Treasury agencies), the actual value of the investment (at 97 % of the nominal value), the reestablishment of credit title on the market in order to revive a favorable current on the financial market as the banks felt that the investment would be laborious at this scale.[10] The amount of the coupon commission payment had also to be negotiated. While the *Crédit lyonnais* wanted 2.4 francs per share, the Finance Minister (Thomas) and the Directory of the Treasury (François Bloch-Lainé) gave 1.70. The cartel's weight also was brought to bear, which resulted in some rigidity which, added to the commonness of the operation, justified the role of deposit banks in relation to investment banks, without showing any great differentiation.

Table 2. Breakdown of the SNCF's bond issue in May 1947

	1942 sur groupe des trois	1947 sur groupe des trois	1947 sur total barème
Crédit lyonnais	42,062	42,062	27,425
Société générale	34,496	36,841	24,021
CNEP	23,442	21,097	13,756 (actually, as the CNEP decreased its share by 10 % due to investment capacity, from 15.285 to 13.756 %,with a consequent increase in the *Société générale's* share)
BNCI			11,506

Once the loan had been launched on 19 May, the lead managers ensured a regular monitoring of the market till its closure on 9 June.[11] Included in their portfolio of competencies, aspects of capital markets were also traditional, through the monitoring shares and bonds over the mid and long terms, yield assessment, in order to measure the health of the recently invested shares and also to help calculate the returns to be fixed for future issues. This process required the sharing of information between deposit and investment banks.

C. Colliery bonds at stake

Another vast outlet opened up in the coal sector, nationalized in 1945, with one parent company, the *Charbonnages de France*, and subsidiary yet autonomous companies in some regions (Nord-Pas-de-Calais, Lorraine, Centre-Loire, etc.). Here too, once again, the weight of inter-War history proved decisive. It was the *Société générale*, due to its being very active, which ensured the centralization of the issue of the *Houillères du bassin de Lorraine*[12] bonds in June 1947. Its corporate and investment banker, Beaupère, conducted

[8] *Ibidem*, April 1955.
[9] Report of the board of Paribas, 7 November 1957.
[10] *Ibidem*, DAF 85, 5, 7 and 10 May 47.
[11] *Ibidem*, 3 June 1947.
[12] *Ibidem*, 9 and 11 June 1947.

the negotiations with its partners BNCI, CNEP and *Crédit lyonnais*, in order to ensure the investment – while a minimum was distributed to non-banks (Treasury, *Banque de France*, *Caisse autonome de retraite des ouvriers mineurs*). For a while the bankers were worried because the intermediate results turned out mediocre in the first few weeks...[13] before the advent of a laborious but complete success. Deposit banks' strong brokerage capacities were in full evidence (with differences between them), while investment banks managed to distribute only a minority of the shares. Anyway the broad dimension of such issuings preserved the key role this type of banks against investment banks, and BNCI was thus lead manager for *Charbonnages de France* in 1957.

Table 3. Issue of the *Houillères de Lorraine*'s 4 billion FRF in bonds in 1947: final results[14]

	Invested by each bank (million francs)	Actual investment in relation to the amount initially foreseen
Crédit Lyonnais	1 100	100.31 %
Société générale	620	68.81
CNEP	337	63.80
BNCI	372	71.55
Lending banks		
Cic	332	69.16
Crédit du Nord	70	
Paribas	56	100
Bup	11	54.35
Union des mines	3	
Total des banques	3 038	75.97

D. Oil companies at the heart of the negotiations

The fledgling oil economy had been a field of expansion for investment banks in the inter-War period. In close collaboration with public authorities, Paribas and BUP had both initiated upstream the creation of the principal companies (*Compagnie française des pétroles*-CFP, *Petrofina France*, etc.) by mobilizing their teams of engineers, financiers and investment bankers. They had brought them their know-how in financial engineering, confidence based on their own credit and their network of investors, their share in the loans granted to companies and their capacity of placing the bonds issued. After WWII, the State's economic apparatus comprised both the CFP and the young *Société nationale des pétroles d'Aquitaine* (SNPA)–two companies with public and private capital – and the recent *Régie autonome des pétroles* (RAP), in charge of prospecting in North Africa. The influence of top civil servants and public engineers had become decisive.[15]

Meanwhile, all these firms had to raise funds, borrow money, issue shares. Negotiations began between bankers to determine a balance of power which would last several years. The case of the *Régie autonome des pétroles* was settled very quickly, as early as April 1947, after negotiations based on bond issues[16]: it was the power of investment that determined each house's share (*Crédit lyonnais*: 33.286 %, *Société générale:* 24.94%, CNEP: 16.650%, BNCI: 14.267%, *Paribas*: 6%, BUP: 4%, etc.), which meant that investment banks had a limited influence. Elsewhere, the scale set for the CFP was obviously validated in this post-War period. In short, globally, "order" reigned on the market regarding oil stocks.

3. Struggles regarding the Reconstruction in the provinces

[13] *Ibidem,* 11 July 1947.
[14] *Ibidem,* 5 August 1947.
[15] *Cf.* André Nouschi, *La France et le pétrole*, Paris, Picard, 2002. Emmanuel Terrée et Alain Beltran, *Elf Aquitaine, des origines à 1989*, Paris, Fayard, 1998. Pierre Péan & Jean-Pierre Séréni, *Les émirs de la République. L'aventure du pétrole tricolore*, Paris, Seuil, 1982.
[16] *Notes de conversations*, historical archives of Crédit agricole, fund Crédit lyonnais, DAF 85, 3 April 1947.

It was on a new market that there arose some fierce competition! Industrialists and local authorities envisaged accelerating the process of reconstruction in the so-called "stricken" areas, where the War had destroyed buildings (mainly). They formed "communal groups" to share their appeal to the market, while the departments also mobilized their resources. Thus were born the "disaster loans", which set off hard-fought negotiations all through 1947.

As regards the local authorities, deposit banks proposed[17] using the "marking scheme of towns, chambers of commerce and departments" which had been set up in the inter-War period, which established the preeminence of deposit banks for their design and brokerage operations, with the *Crédit lyonnais* (33.072 %), the *Société générale* (24.809 %), the CNEP (17.119 %), the BNCI (16.667 %) and the CIC (8.333 %).

Deposit banks suddenly discovered that *Paribas* had an audacious bypass strategy! It made contact with a number of industrialists or rather, groups of industrialists (by region and by branch) which came together to jointly issue bonds. It thus snatched a significant lead in the establishment of "stricken industrialists' groups". "As part of the process of constituting the groups of the stricken, *Paribas* infiltrated more and more among the industrialists and traders – sometimes without it even being able to offer them the services that it had given them on the banking or financial plane."[18] We know that *Paribas* negotiated for itself the position of lead manager in the *Groupement des sinistrés de l'huilerie française,* constituted under the aegis of Lesieur, "which had been approached by *Paribas*." It also began negotiations with the *Crédit lyonnais* a co-manaement with the CNEP, which worried the *Crédit lyonnais*: "We have warned the CNEP, thus applying in advance the spirit of the agreement that is being shaped presently"[19] in all fraternal transparency.

In the same manner, *Paribas* tried to worm its way into the groups of stricken towns in order to be able to study in advance the building reconstruction programs, to get information which would be useful in its support of construction companies and public works or real estate investment companies, and moreover, the role of lead manager would allow it to win contracts for project funding. For example, it succeeded in becoming lead manager at Orléans.[20] This shows that the investment bank had revitalized its portfolio of competencies regarding real estate, one of the specialties of the two investment banks in the inter-War period.

While the *Crédit du Nord* and the *Crédit cotonnier* managed to safeguard their business in the Northern regions, deposit banks risked being bypassed, especially as the investment bank would benefit by the contacts thus made for very precise operations to enlarge its portfolio of clients as a corporate bank. A counter-offensive, with "operations for the common good" were begun. In the first place, a defensive "circle of wagons" was created when, in a bid to pressurize Paribas, they decided to act collectively against all recovery of securities where Paribas was responsible: it would have to fend for itself in case its share of securities proved too large by the end of the placement and it found itself "stuck" with its packet of shares.

On a positive note, every bank was to increase its number of contacts, and, once an agreement had been made, to insert it within the "banking cartel". Among themselves, they

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[17] *Ibidem*, 24 April 1947.
[18] *Ibidem*, 1 July 1947.
[19] *Ibidem*, 11 July 1947.
[20] *Ibidem*, August 1947.

had to manage each one's claims as they all argued for their positions in this or that department or in this or that branch[21] in order to increase their share in these diverse groups of the disaster-struck. Thus, the BNCI, always ready to fight for more market share, argued for its unique influence in some eight departments and the increase in its investment capabilities since the 1930s. It also obtained a quasi-equality with the CNEP in a project including eleven banks: 14.320 % for the CNEP and 14.278 % for itself, far behind *Crédit lyonnais* (29.041 %) and *Société générale* (22.440 %)–which, within the "quartet" came to: 36.175 % for the *Crédit lyonnais*, 27.954 % for *Société générale*, 18.087 % for the CNEP and 17.784 % for the BNCI. Investment banks' share seems modest in relation to their actual capacity for distributing securities among investors: 4.5 % for Paribas, 2 % for the BUP and 0.17 % for *Union des mines*.

A deposit bank was appointed lead manager in each department in relation to its market share and presence. Co-lead managers were set up when two banks seemed to have an equal rooting. Thus *Société générale* became lead manager in Pas-de-Calais, along with *Crédit du Nord*, which had been anointed co-lead manager with the CNEP in the North.[22] It was also decided to share the lead managership in departments where a local bank happened to be particularly strong, as it happened in the Gironde (*Société générale* and Société bordelaise de CIC), in Loire-inférieure (*Société générale* and Crédit nantais), in the Rhône (*Crédit lyonnais* and *Société lyonnaise de dépôts*) and in Meurthe-et-Moselle (CNEP and *Société nancéienne*). Negotiations by chart were thus modified on a case by case basis.

We can thus appreciate the fighting spirit of each "clan", that of the investment bank *Paribas* and that of the deposit banks: Paribas went on the offensive to try and loosen the cartel's grip, but it came up against a strong reaction from its peers, who were determined not to lose their market shares and, especially, their relations with the local business communities and authorities and branches of activity.

4. Competition and differentiation

The competition between deposit and investment banks in the corporate banking market resumed rapidly as companies had need of capital to re-launch their investment drive and kick-start their modernization programs which had been suspended, depending on the branch, either during the depression of the 1930s and the reign of Malthusianism, or during the War. They had also to incorporate the technological progress of the past fifteen years in order to be on par with their American and British competitors. Finally, they had also to respond to the re-opening of the outlets for the reconstruction, overseas investments and transportation equipment.

A. A competition erased by the respect for established positions

Every group of banks worked both against and with the others. As regards the domain of investment banking, every establishment or pool retained its "fiefdom" in its relations with client companies. Every major deposit bank retained its role of lead manager as bequeathed by the Vichy government's and the inter-war period' financial history – because we know that bonds were issued during the Occupation, especially in 1942-43. Thus, *Société générale* was active in Lorraine's iron and steel works, one of its pre-War bastions. It directed the *Aciéries de Micheville*'s bond issue in 1947 and accounted for 70 % of the 400 million.[23] It also handled the bond issue of the *Tréfileries & laminoirs du*

[21] *Ibidem*, 10 July 1947.
[22] *Ibidem*, August 1947.
[23] *Ibidem*, DAF 85, 29 April 1947.

Havre. It was the "principal banker" to the *Ateliers de construction de la France*, of Decauville and Arbel (three railroad equipment companies). When Peugeot[24] asked for a share issue of 300 to 600 million francs (from 27 October to 27 November 1947), *Société générale* became the lead manager and guaranteed 20.4 % as part of the guarantee syndicate–*Crédit lyonnais* grabbed a significant 21.316 % after distributing a small packet of returned securities supplied by CNEP. Though the pool had to accept Paribas' entry, deposit banks retained their predominance within this hugely important company.

In 1947, *Crédit lyonnais* was also an accredited correspondent of medium-large companies like Satam, Scheurer-Lauth, Pechelbronn, Jacob Holtzer, etc. When Saint-Gobain began discussing a three-year financial program comprising of a short term credit of 500 million, a mid-term one also of 500m, a bond issue of 600 (to repay the first loan), a second short term credit (500m) and a share issue of 600m, it approached *Crédit lyonnais*, its traditional lead manager and leader of the pool comprising of CNEP, *Société générale*, BNCI, CIC, CCF and Worms, a small investment bank without any of the big ones. Similarly, "CNEP, in close collaboration with *Forges & aciéries du Nord-Est* (FANE), arranged for a loan of 500 million to complete the financing of the modern rolling mill."[25] It also helped its traditional clients Alsthom and *Hauts Fourneaux Denain-Anzin*. CCF had for long been the "principal bank" for Lafarge (cement), *Société des produits azotés* (chemicals) and *Fives-Lille*.

Regional banks managed to remain co-lead managers when they succeeded in accompanying their client's growth, as did *Crédit du Nord* at *Société métallurgique de l'Aisne* (with *Crédit lyonnais*), *Société nancéienne* at *Forges & boulonneries d'Ars-sur-Moselle*, in the East and *Société lyonnaise de dépôts* at Coignet. The weight of history also favored the big banks, as with *Crédit lyonnais* at Vicat, in Grenoble (cement).

All attempts at short-circuiting the "historical" lead managers were quickly foiled! When *Crédit lyonnais* was approached by Ferodo (auto parts) to be lead manager in place of *Crédit du Nord* (which had been its historical lead manager and despite the client's vice-president and managing director, Brabant, being president of the bank), *Crédit lyonnais* came to an understanding with its colleague in order to avoid competing against it regarding rates and shares. We understand that the bankers expressed their disappointment regarding Ferodo's attitude, which sought to pit one bank against another for a share issue… but in vain.

To the explicit rules of this banking oligopoly, called "the banking group", was added the cartelization for some operations, when several banks historically shared a client's business, as in the case of *Nouvelles Galeries*, with a "ménage a trios": *Société générale* (66.53 %), CNEP (19.47 %) and *Crédit lyonnais* (14 %),[26] at Kleber-Colombes (*Crédit lyonnais* with BNCI). When Panhard (automobile)[27] wanted to float a share and a bond issue, it chose its own corporate banker, in this case *Crédit lyonnais*, which ensured the creation of a financial engineering file in association with CNEP, its co-banker.

Nevertheless, corporate and investment bankers were again faced by the competition from BNCI, now that it had returned to form after having acquired the healthy assets and liabilities of *Banque nationale de crédit* which had been liquidated in 1932. They had to admit it into their cartel because several company managers wanted it. BNCI was one of

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[24] *Ibidem*, 16 October 1947.
[25] *Ibidem*, DAF 85, 30 April 1947.
[26] *Ibidem*, 30 April 1947.
[27] *Ibidem*, 21 October 1947.

their important corporate banks, as in the case of De Dietrich of Lorraine, a client inherited from BNC which had been strong in that region. It was all a question of adjustments between the three leaders and between them and their competitors and direct partners (BNCI, CCF, also sometimes the CIC group), each aware that they needed to maintain their solidarity in the face of the investment banks which among themselves were also rivals and partners.

B. The strongholds of investment banks

Meanwhile, investment banks buttressed themselves against their corporate bastions. *Paribas* remained lead manager of Citroën's (automobile) and Batignolles-Châtillon's (metal processing) financial projects. The house also fought to hone its portfolio of financial engineering talent in a fluctuating, uncertain market which still lacked confidence and was shaken by political and social events. It needed to get back its "flair", so reputed in the inter-War period, though it had seemed somewhat jaded at the beginning: "Reyre was struck by the recent introduction, under the aegis of Paribas, of *Forges & aciéries Nord & Lorraine* shares on the Stock Exchange. The price paid to the company was less than 800 francs while the demand was such that the asking rate went to 1,250 without us being able to meet even a small part of it. This placed Paribas in a rather delicate situation vis-à-vis the company, which did not hesitate to tick it off for its over-pessimistic view on the value of its share."[28]

Investment bankers found it difficult to gauge a market which was in crisis and in the process of being restructured after the loss of core stocks due to the nationalisations. They had to evaluate their available reserves for investing in the Stock Market, which would have benefited from the chronic under-investment during the Occupation, the increase in war benefits for companies and individuals and the retail and institutional investors' Malthusianism in 1944-1946. Perhaps one could incite a vague desire to resume investments in stocks and branches considered as sure bets, such as iron and steel and metallurgy?

Even the Haute Banque houses managed to retain some privileged clients by a constant renewing of their links with them. The relational bank thus was in full swing as these relations were based on direct links between some senior bankers and loyal patrons who also entrusted them with the management of their personal fortunes. Vernes at *Soudure autogène française*, Mallet at *Senelle-Maubeuge*, Mirabaud at *Louvroil-Montbard-Aulnoye* (thanks to the banker D'Eichthal), Vernes at *L'Air liquide*, Neuflize at *Compagnie française de matériel de chemin de fer*, or Worms, which underwrote Progil's (chemicals) share issue from 350 to 450 million francs, all in association with *Crédit lyonnais* and *Société lyonnaise de dépôts*.[29]

C. Re-launching the competition?

While the cartels retained the positions acquired (except some changes at the fringes), when no lead manager was in place, the potential client was free to approach the banker of his choice. Thus, Michelin[30] contacted *Crédit lyonnais* for a bond issue, though banks had acted as simple co-contractors for the preceding operation (1930), without any lead manager. In a striking example, *Société anonyme de télécommunications* (SAT), which was toying with the idea of entering the stock market, ordered two parallel studies, from *Crédit*

[28] *Ibidem*, 20 October 1947.
[29] *Ibidem*, 10 December 1947.
[30] *Ibidem*, 7 July 1947.

lyonnais and Paribas! After comparing their offers, it negotiated both into a common project.[31]

Chausson's (automobile parts and equipment) is surprising: BUP had been its banker in the inter-war period and had even forged close ties with it as a relational bank. But the company contacted *Crédit lyonnais* for a share issue as it faced a massive debt of 425 million francs, wanted to build a new factory at Gennevilliers (in addition to the one at Creil) in order to supply steel bodyworks to Ford France's factory at Poissy and also for exporting to Ford's other factories in Europe: "Chausson said that the stamping moulds will be supplied and paid for by Ford." A two-stage approach was proposed, an increase from 14.250 to 114 million francs by incorporating the reserves, followed by an injection of 200 million in fresh money. A bond issue of 940 million in multiple stages and a share issue of 500 million were also envisaged. "We will study the project we have been proposed", which confirms the diversity of deposit banks' business portfolio: analyst, economist, financial engineer, then downstream broker.[32]

Crédit lyonnais, lead manager for credit lines (with the participation of *Société générale*, CNEP and Paribas), "is free to come to an understanding with these banks regarding each one's share", on condition that it include a slice for Nuger (a local friendly bank) and "some friends, especially Neuflize" (the *Haute Banque* house). But *Crédit lyonnais'* financial departments were wisely prudent in the face of a growth they thought was too fast and replied in the negative[33] before embarking on new studies in 1947-1948 to find a more solid base. The deposit banker had shown himself as a "senior banker", just like the investment banker.

D. Corporate bankers as true investment bankers

In fact, in the post-war period, deposit banks–because of their capacity for investments and because the domestic market overshadowed the foreign one – acted as leaders of corporate banks, while investment banks remained more or less as spectators, confined to their traditional positions with little room for maneuver. This increased, in measure, the status of the portfolio of competencies of corporate bank specialists within these deposit banks. Thus, a reading of its internal notes shows that *Crédit lyonnais* negotiated directly with companies and discussed their financial strategies, investment and issue programs, allocation and distribution of reserves, distribution between loans from *Crédit national* and bond issues, use of cash from the *Caisse nationale des marchés de l'État* (CNME)–which rediscounted bills issued on the occasion of public orders–the growth of working capital, etc. We can judge the extent of the corporate bank's proactive role within the commercial bank.

Similarly, several files from the archives bear witness to the role played by deposit banks vis-à-vis medium-large companies (the "mid-cap companies", as we say in the 21st century), regarding their cash requirements, financing investments and share issues. Retail and relational banking helped deposit banks in this segment of the market, giving them a clear advantage. For example, *Crédit lyonnais* entered into discussions with Rivoire & Carret (pasta) because it foresaw a large expansion in its business, without transformation of SARL into a limited company and a share issue of 10 to 80/100 million francs, at the end of which the Carret family would own just 60% of the capital. "Carret has asked us to study

[31] *Ibidem*, 8 April 1947.
[32] *Ibidem*, 15 October 1946.
[33] *Ibidem*, 17 November 1947.

these projects"[34], which confirms the *Crédit lyonnais'* quality as an investment banks in addition to its activities of a commercial bank which regularly grants seasonal and current credit via its branches at Marseille and Maisons-Alfort.

Every department acted well and truly as an investment bank and brought into prominence emblematic "figures" in a "cohort" of high flying corporate bankers, masters of financial recovery and modernization programs who worked in close partnership with company CFOs. J. Boyer was the leader at CNEP. Louis Beaupère and Louis Etchecopare were the top corporate bankers at *Société générale*. The archives of *Crédit lyonnais* reveal the constitution of a solid team with Olivier Moreau-Néret and Charles Brincard leading Jean Dufour, C. Bouis, J.-G. Betz, J. Charpentier-Gonse, É. Enders and J. Chaulin. In short, some two dozen top-level managers dominated this segment of the corporate and investment bank as negotiators for their counterpart investment bankers, constituting an informal "club", objective allies in the Stock Market for the business of corporate banking.

E. Investment banks brought to heel by deposit banks

Investment banks tried to loosen the hold that their competitors and partners as corporate and financial banks had on the market. They fought discreetly to increase their share of the market, get more shares for placement, improve their percentage in issues and *in fine,* get income as commissions and maintain links with their investor clients, whether retail or institutional. But they were hampered by the lack of brokerage capabilities. Moreover, they were caught several times "cheating" in *flagrant delicto* as regards their *modus operandi.*

Deposit banks expressed their displeasure at these claims to not wanting to "remain in their place", which were still modest in this post-war era. "Beaupère and Boyer once again drew our attention to the inconveniences in accepting share buy-backs in very favorable conditions for the ceding investment banks when the placement is difficult, as at present. They prefer, at times, a complete abstention [...]. We recalled the advantages in not diverting share flows towards other establishments." Thus, when the *Union des mines,* a mid-size investment bank, proposed to *Société générale* "a return of 17 million francs in FANE bonds", *Société générale* and *Crédit lyonnais* refused to "undertake a placement on *Union des mines*' behalf,"[35] which in short, amounted to having themselves place shares that their rival should have distributed within its informal network of rich and institutional investors.

All attempts at undoing the cartel's oligopoly were foiled. Thus, on the occasion of a share issue by *Exploitations électriques*, "Paribas did not hesitate to offer an advance to the issuing company in contravention of our agreement. It proposed to impose the reduced rate that we had agreed upon, while the share subscription had been closed for fifteen days only instead of two months." [36] No doubt banks were used to giving advances while waiting for the issuing process to come to an end, but while both *Société générale* and *Paribas* sat on the company's Board, the latter tried to go it alone... but it had to back off and respect the "customs" of the time...

Nevertheless, Paribas did not admit defeat! It used every little occasion to challenge the cartel's stranglehold. The most revealing example is that of an "American-style" "giant" rolling mill in the North which FANE and Denain-Anzin designed jointly. Paribas argued that as it was the historical lead manager for FANE's financial operations, it should be the

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[34] *Ibidem*, 2 July 1947.
[35] *Ibidem*, 29 April 1947.
[36] *Ibidem*, 30 April 1947.

lead manager for this operation too (in partnership with the regional bank *Crédit du Nord*). But CNEP stepped in to claim parity as Denain-Anzin's bank[37] (with 10 % of the operation – and the *Crédit lyonnais'* withdrawal from 18.45 to 17.5%). And, especially, the pool of deposit banks rose up to ensure that this "promotion" of the investment bank did not become a precedent for it to claim lead managership at Denain-Anzin in the future. This mini bout of wrist-wrestling shows stakeholders' vigilance over the banking and financial market, and also the mega-financing required for modernizing the production equipment in the North and in Lorraine, before the move towards mergers (Usinor) or the creation of joint subsidiaries (Sacilor) at the turn of the 1950s.

Conclusion

Obviously, French investment banks could not resume their activity as strongly and rapidly as they would have wished. So many obstacles had to be overcome that all their energy and time went in reinstating their legitimacy, countering hostile lobbies and trying to fill the gaps left by the nationalisation of so many business partners in the domains of coal, public utilities and 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, and new windows of opportunities were to be opened for fresh business. But the challenge proved to be tough as commercial banks circled around their positions. New fields of exploration were prospected and path-breaking initiatives launched by investment bankers throughout the 1950s to escape this dependency.

[37] *Notes de conversations*, historical archives of Crédit agricole, fund Crédit lyonnais, 25 April 1947.