

**JEWISH BANKERS
AND THE CRISES OF
THE WEIMAR REPUBLIC**

GERALD D. FELDMAN

HUC
29032-10

ABRAMOV LIBRARY
HEBREW UNION COLLEGE
13 KING DAVID STREET
JERUSALEM

LEO BAECK MEMORIAL LECTURE 39

THE LEO BAECK Institute was founded by representative organizations of Jews from Germany for the purpose of collecting material on and sponsoring research into the history of the Jewish community in Germany and in other German-speaking countries from the Emancipation to its dispersion. The Institute is named in honor of the man who was the last representative figure of German Jewry in Germany during the Nazi period.

OFFICES OF THE LEO BAECK INSTITUTE

NEW YORK: 129 East 73rd Street, New York, N.Y. 10021

LONDON: 4 Devonshire Street, London WIN 2BH

JERUSALEM: 33, Bustanai Street, Jerusalem, Israel

© Copyright 1995 by Leo Baeck Institute, Inc.

PRINTED IN THE UNITED STATES OF AMERICA

The role of Jews in German banking and German Jewish bankers in German society are old themes. On the one hand, they have attracted the attention of students of German economic history and the history of the Jews in Germany, although there is much work yet to be done. On the other hand, they have constituted a poisonous brew for pathological anti-Semites who also harbor deep and neurotic suspicions of banks and capitalist forms of finance and find in the alleged machinations of Jewish financiers a welcome opportunity to blend their prejudices in a particularly insidious manner. For such persons, certainly, the realities of Jewish involvement in banking are of scant interest while the sphere of high finance lends itself very nicely to anti-Semitism without Jews. For serious students of history, however, there is much work yet to be done, and I hope my remarks today will suggest some paths that might be taken.

We know, of course, that the relative position of Jews in German banking was undergoing a decline before 1933. This was in part because of the reduced role of private banking as a consequence of secular economic processes as well as of the economic shocks of a lost war and devastating inflation, and in part because the expansion of large corporate banks inevitably entailed a numerical reduction of the Jewish role in banking for demographic reasons. One should not, however, confuse quantity with quality, and Jews remained at the very top of the German banking business until they were driven out by the National Socialists.¹ It is a measure of their prominence and significance that the keynote speakers at each of the four congresses of the Central Association of German Banking and Bankers during the Weimar Republic were Jews: Max Warburg, the leading Hamburg private banker, in 1920; Oscar Wassermann, managing board director and spokesman for the Deutsche Bank, in 1925; Jacob Goldschmidt, the dominant figure in the DANAT Bank, in 1928; and, in 1931, Georg Solmssen, business partner in the

Disconto-Gesellschaft from 1911 to 1929, managing board director of the Deutsche Bank and Disconto-Gesellschaft after their fusion in 1929 and until 1934, successor to Wassermann as spokesman for the bank in 1933, and chairman of the Central Associations of Banks and Bankers from 1930 to 1933. The first three of these bankers, Warburg, Wassermann, and Goldschmidt, maintained their Jewish identity and were actively involved in Jewish affairs. Solmssen, the son of the Disconto-Gesellschaft partner Adolph Salomonsohn, who was the son of a famous Rabbi, took the stance of an extreme assimilationist. He changed his name and converted, apparently after an extended stay in the United States convinced him that Jews failed to gain acceptance as Jews even in the putative American melting pot. His conversion was not a denial of his origins or an act of religious conviction. He still greatly appreciated the distinction of his banking family, and religion did not seem to have played a role in his life. His was rather a decision that one could not have the double identity of German and Jew and one therefore had to make a choice. Needless to say, this position did not do him much good in 1933-1934, and in view of his close interaction with some of his Jewish colleagues and his response to persecution—which I shall consider at the end of this paper—I think it correct to count him as one of the Jewish bankers of the Weimar Republic.²

These four bankers, of course, hardly exhaust the list of great German-Jewish bankers of this period. The Dresdner Bank boasted Herbert Gutmann and Henry Nathan; there were the figures of Carl and Hans Fürstenberg of the Berliner Handelsgesellschaft, Jacob Riesser, Carl Melchior, Franz von Mendelssohn, Paul von Schwabach, Louis Hagen and quite a few other publicly active and important leaders of the German banking world one could mention. For the purposes of this discussion, however, I will concentrate on the persons of Warburg, Wassermann, Goldschmidt, and Solmssen because of their personal and public engagement in the affairs of state at a time of almost permanent political, economic, and social crisis in the Weimar Republic, and because of their roles as spokesmen for and organizers of the banking business, which, for obvious reasons, was deeply implicated in these crises and plunged into a crisis itself as a result of them. What I hope will become manifest from this presentation is that the task of articulating some of the most important, at times also much contested, policy options available to the political and economic leadership of the Weimar Republic, and, furthermore, of representing the alternative trajectories of the German banking business at this crucial juncture in its history fell to these four bankers. They reveal both the

possibilities open to Jews who assumed such important roles in the Weimar Republic and also the limits they inevitably confronted. In the course of this lecture, I would like to illuminate certain aspects of the relationships and interactions among these bankers and contribute in some measure to an understanding of the social history of German Jews.

I

In the beginning of Weimar were reparations, and they did much to bring about Weimar's end. A number of my colleagues, to be sure, have found it easy for the Germans to pay reparations, and, with greater justification, chide the Germans for their bad faith, disingenuousness, and insensitivity to the sufferings and just claims of the French. The trouble with their arguments is that they neglect the domestic political and social consequences of reparations. The fact is that the constant governmental and societal preoccupation with Allied demands, which nearly every German thought unjust, poisoned political discourse, undermined support for democracy, and rendered successive German governments dependent on precisely those groups in German society whose inflationary policies prior to 1924 and deflationary policies after 1924 and especially between 1929 and 1932 were legitimized by reference to Germany's reparations obligations. In any case, insofar as German political and economic leaders tried to act in some good faith, to deal directly with, and to show some understanding for French demands, they were, as the fates of Mathias Erzberger and Walther Rathenau demonstrated, candidates for assassination. Obviously, the reparations question was not a safe area for Jewish bankers unless they happened to share the views of right-wing politicians like Karl Helfferich and Alfred Hugenberg.³

And yet it was not a problem that at least some Jewish bankers, most notably Max Warburg and Oscar Wassermann, chose to avoid. They had strong international connections which they were anxious to restore and use for German economic reconstruction. Their banks, whose business had been significantly weakened by wartime losses of capital, by increased industrial self-financing, and by monetary depreciation, could only prosper if Germany could procure foreign loans and capital for whose dispersal they could serve as intermediaries. In contrast to big industry, which could use inflation to underprice foreign competitors in real terms and thereby recapture foreign markets and secure the foreign exchange needed to escape domestic inflation, reconstruct their plants, and buy up new

assets, such bankers yearned for solid money, stable international conditions, and a restoration of their role in industrial financing and foreign trade. The uses of inflation for domestic pacification and economic recovery did not escape them, but they were primarily anxious to restore the international capitalist order under which Germany had prospered prior to the war. It should come as no surprise that they had not welcomed the war and had been moderates with respect to war aims as well as opponents of the unrestricted submarine warfare that had led to America's entry in 1917.

Warburg, because of his American relations and connections as well as his stature as a banker, was called upon almost immediately after the Armistice to participate as an expert and as a negotiator in the financial aspects of the armistice and peace, tasks he performed between 1918 and 1920 in close collaboration with his partner Melchior. This is not the place to detail these complex activities, about which there is now a substantial literature.¹ It is important to note, however, that Warburg's proposals, especially the so-called one-hundred-billion-mark reparations offer for which he pushed at Versailles and which made him a permanent target for extreme right-wing attacks, amounted to far less in real terms than the figure suggested and was tied to concessions on territorial issues that the Allies would not accept. It was, in fact, intended as a first step in the direction of Treaty revision. A more pertinent charge against Warburg from the right, however, would have been his financial cosmopolitanism. Warburg's proposals were always tied to foreign loans to Germany, and he was quite willing to accept foreign participation in German industry and state-owned enterprises since, in his view, "it is in Germany's interest...that the interest of the outside world in the German economy be secured in this manner."² Warburg's attitude reflected the free trading and internationalist interests of Hamburg's merchants and bankers, and he was to prove the city's most effective and rigorous opposition spokesman against state controls on the economy and currency restrictions. If his sharp criticisms of the management of the economy by the "Socialists" in Berlin warmed the hearts of his colleagues in the business world, however, he nevertheless found that his fellow bankers refused to approve some of the more radically cosmopolitan proposals he wanted to put into the speech at the banker's congress in October 1920. These were reduced government compensation to those who had lost assets as a result of the war and the Versailles Treaty and a measure of "world inflation" so as to relieve pressure on those countries already suffering from inflation and to promote economic activity.³

If Warburg was willing to propose some risky policies in the name of national and world economic recovery, however, there was one risk which he sought to reduce at all costs, and that was the invasion of the Ruhr and the possible division of Germany. It was a motive he shared with his good friend Walther Rathenau and a fellow Jewish banker who had served in various government capacities, Bernhard Dernburg, and it was this motive that united the three businessmen against the great industrialist, Hugo Stinnes, at the Spa Conference in July 1920. Their successful opposition to Stinnes's policy of defiance within the German delegation provoked Stinnes to the outburst that the unworthy surrender to Allied demands was the product of an "alien Psyche" (*fremdländische Psyche*).

For Warburg, such a comment coming from Stinnes must have been doubly disheartening since the two men had worked very closely on major business affairs during the latter part of the war. Furthermore, Stinnes was at this time regularly employing the services of Jakob Goldschmidt for the building up of his industrial empire, and he had excellent relations with the leadership of the Disconto-Gesellschaft, especially Arthur Salomonsohn, the cousin of Georg Solmssen. Indeed, the former was one of Stinnes's most enthusiastic political supporters in the Reich Economic Council, and Stinnes was also closely allied with the industrialist of Jewish origins, Paul Silverberg. The fact that Stinnes could so easily appropriate anti-Semitic rhetoric in his anger over the Spa agreement could only confirm for Warburg what he was constantly experiencing in his native Hamburg since the war, namely, an increasingly virulent and pervasive anti-Semitism that evinced a growing tendency to move from words to deeds. Stinnes was not of this ilk, but just as some of his closest associates and political allies were Jews, so some of them were anti-Semites. Stinnes did not, however, believe in murder as a way of settling political disagreements and was not a racist. In the aftermath of the assassination of Rathenau in June 1922 and an assault by radical toughs on Maximilian Harden, with whom Stinnes had a particularly friendly relationship, he wrote to Warburg to express his outrage at the "shameful deeds against Rathenau and Harden" and affirm that "there can be no two points of view between persons who have employed their full strength for the future of Germandom and want to do so further."⁴

Stinnes's return to his senses after Spa was important for Warburg, although he was hardly given to any illusions. Chancellor Wirth had asked him to replace Rathenau, but Warburg feared that he would be a successor in more ways than one and he declined, point-

ing out that "with the mood in Germany such as it is, I think it a great mistake for the regime to name a minister of Jewish origins to the Foreign Ministry."⁸ Instead, Warburg reacted to reports that he would be a victim of assassins by taking a trip to the United States, where he found himself physically safe but not entirely welcome. Thus, he dared not venture into an American club in the evening "because he knew very well that the people with whom he negotiated in the morning would snub him there in the evening."⁹ Anti-Semitism was not to be escaped in America, and while the anti-Semites complained about Jewish internationalism, they seemed to have an International of their own, so that the defamations produced by Henry Ford were taken up in Bavaria while the anti-Semitic outbursts of General Ludendorff found their way into the American press. As Warburg pointed out in a lengthy, impassioned and confidential letter to Stinnes on the "Jewish question" after his return from the United States, the Jews were being treated just like the Germans, and the sole responsibility of Germans for the war had its counterpart in the lies told about Jewish ritual murders and the machinations of "international Jewish finance." This was no way to deal with the real issue: "It is true: there is a Jewish question, and whoever denies it does not deal with the objective situation. It is the question which everywhere arises where a minority—with respect to origin or belief, or both—lives together with a majority. Naturally, people who think in a completely primitive manner can so imagine the situation that, as in past times, one beats them all to death or forces them to emigrate. Both would be at once false and impossible. Each country has its own Jews to digest; only in this sense can a solution be imagined. In reality, this is by no means difficult in a country like Germany, where the Jews who have lived there for many generations have been imbued by German culture and civilization so that they feel only Germany to be their fatherland. There are exceptions here and there but they ought not distort the true picture. The Zionists who strive for another fatherland are a minority among western Jews, and the entire Zionist movement has its true origin and driving force only in the mistreatment to which they have been subjected by their Aryan fellow citizens. The various inhabitants of a country must undertake the task of mutual education and employ the abilities of individual groups toward the best of the entire nation. Only that state which does not base itself on a particular type of people and, above all, grants equal rights to all of its members can develop greatness."¹⁰

Needless to say, the fact that Warburg felt compelled to flee again in November 1923 before the Munich Putsch was put down was not

exactly heartening, and he genuinely feared the *Völkisch* movement and the danger it presented to German Jews. Unhappily, we know much less about what Oscar Wassermann, Georg Solmssen, or Jakob Goldschmidt thought about these dangers in the early unsettled years of the Republic when anti-Semitism was especially pronounced. Wassermann, who took great interest in the shipping business, seems to have shared most of Warburg's views in the public policy sphere, and in 1922 he presented important if belated plans to the Cuno government on the reparations question which were designed to involve international capital in Germany's future. Like Warburg, he was deeply involved in Jewish affairs, and eventually became chairman of the Centralverein (Central Association of German Citizens of the Jewish Faith), but he undoubtedly felt less endangered living in Berlin and was obviously not targeted by the pogroms against the *Ostjuden* which broke out in the Scheunenviertel in November 1923.

In any case, Wassermann was a great optimist about the future of Jews in Germany, as was Goldschmidt, who was building up his banking business during the inflation and attained a new pinnacle of success by presiding over the fusion of the Darmstädter and National banks to create the DANAT Bank. In the process, Goldschmidt also managed to dispose of his most prominent competitor in the leadership of the bank by promoting the appointment of Dr. Hjalmar Schacht to the position of Currency Commissioner in 1923 and, shortly thereafter, to the presidency of the Reichsbank.¹¹

As for Georg Solmssen, he seemed most untouched by the so-called Jewish question at this time, as one might expect, and, since he lived in Cologne, he tended to view the entire crisis from the perspective of the occupied Rhineland. He was a prominent commentator on the reparations question and the political situation and, like Warburg, was urged to take public office. In January 1922, Rathenau tried to persuade him to become Finance Minister, a position Solmssen declined, not only because of his private business responsibilities, but also because he was convinced that the political parties would continue to make concessions to the masses which were incompatible with the tasks of an effective Finance Minister. He did not think it possible to increase indirect taxes while reducing the taxes on property and income that were so damaging to capital formation, and he saw no means at the time to increase the hours of work either. It was not only such failures of leadership that drove him to his "sad resignation," but also his frustrated nationalist feelings: "In my view, a healing of our entire situation abroad over the long run can only set in if, without falling into Pan-

German excesses, national feeling is awakened in a deliberate manner and the masses are made conscious of the power embedded in the national body which is brought together in a unified way. I also miss in the present leadership the energy and activity that should have been employed by now to revive the slumbering national consciousness." Solmssen deplored the failure to reject the war guilt charge and to make more of the suffering of the population in the occupied area, and he was convinced that a "decisive no at the right moment" would have resonance with the people and force the Allies to retreat from their "fantastic demands."¹² This was in sharp contrast to Wassermann, who believed it was a mistake to push the war guilt question and who believed that time would bring in a "not guilty" verdict and a realization that high reparations demands were in no one's interest.¹³ Indeed, in the last analysis, Solmssen was closer to the position of Stünes than he was to that of Warburg or Wassermann.

II

The issuance of a new currency, stabilization, and the influx of American loans under the Dawes Plan, however, created a new situation for the banking business and provided the setting for the further evolution of the very complex relationships among these men. The banks emerged from the decade-long crisis since the war with depleted resources but increased power—thanks to the shortage of credit, which was the economic plague of the Weimar Republic—and an apparent renewed demand for some of their old functions. Even the stabilization crisis of 1925-1926, having brought down the empire of the late Hugo Stünes and other concerns that were unable to survive under normal currency conditions, provided opportunity to make money since the selling off of assets and the reconstruction of companies and corporations were the tasks of the banks. Goldschmidt, for example, played a leading role in deconstructing what he had helped to construct for Stünes after the war and did so with his usual energy and enthusiasm. Such activities, of course, did not promote the popularity of the banks, which were sharply criticized for their extremely high interest rates and opposition to the revaluation of debts paid off in worthless currency during the inflation. Despite these charges of interest profiteering (*Zinswucher*) and insensitivity to the plight of creditors in the name of restoring Germany's international credit, the banks seemed to be reasserting themselves. In his remarkable speech to the banker's congress in 1925, Wassermann described the banks as the "servant" of industry

and the economy, only to conclude that "the weaker the master, the stronger ... the influence of the servant. That is not the fault of the servant but the fault of the master." He insisted that the banks could not give credit without increased control over its recipients, challenged industry to rationalize and reduce costs, demanded that the government cut expenditures and taxes so as to liberate capital for the private economy, and claimed a primary role for the banks in the intermediation of foreign credit. He admitted, to be sure, that there was an excessive number of banks in Germany and decried the speculative tendencies in the banking business that had developed during the inflation. Nevertheless, he presented the great banks as the guarantors of Germany's economic future and urged an end to the "demagogic" attacks on their interest rates and profitability.¹⁴

The politics of Wassermann's speech were not anything to which his fellow bankers would take any exception, and it was undoubtedly pleasant to hear that the power of the banks had been restored. But could one believe it? The reality was that many of the really great firms did not need the banks to get money in New York since their leaders and representatives could go there themselves to borrow. Furthermore, the banking business was overpopulated, and while all the great banks engaged in draconian measures of rationalization, there remained too many banks for the capital that was available. The competition among the banks inevitably undermined discipline and encouraged risk taking, while the prudent abandonment of risks could also entail the loss of power and influence.

A good illustration was the Deutsche Bank's engagement in the Ufa concern, Germany's largest film company. Georg von Stauss, the Deutsche Bank director heading the supervisory board, simply was not up to the job of controlling costs, especially those incurred by Fritz Lang for his *Metropolis*. In 1927, after an unsuccessful effort to get the Lachmann-Mosse interests to buy into the company and a refusal to sell out to the Americans, a decision was made to sell majority control to the media empire of Alfred Hugenberg, the notorious Pan-German reactionary soon to take over the leadership of the German National People's Party. Warburg was beside himself over the failure of the Deutsche Bank to rally the forces and money needed to keep Hugenberg out. In his view, the bankers had "lost a battle." He described Hugenberg as "a mole, who imposes himself everywhere and has more time than the other captains of industry who give him their money,"¹⁵ which undoubtedly explains much of Hugenberg's ability to pursue his fatal politics

despite the disapproval or skepticism of most business leaders. The Deutsche Bank did, to be sure, maintain an interest in the Ufa and felt confident that it could keep Hugenberg from using it for anti-Semitic and propagandistic purposes, Hugenberg himself rapidly discovered that people wanted entertainment, not politics, at the theaters and used the Ufa to help support his unsavory political activities rather than as an instrument to propagate his Pan-German faith.

Strangely enough, however, one of those who bankrolled Hugenberg's major publishing enterprise, the Scherl Verlag, was Jakob Goldschmidt, the new and very bad boy on the great bankers' block. In contrast to Warburg, Wassermann, and Solmssen, who came from old and distinguished banking families and formed what Solmssen liked to call a "business aristocracy," (*Geschäftsaristokratie*), Goldschmidt was the son of a merchant of limited means who lived in the vicinity of Hannover. Born in 1882, he was 47 in 1929, while Warburg was 62 and Wassermann and Solmssen were 60. Goldschmidt had worked his way up from a humble apprenticeship in the Kassel banking house of H. Oppenheim to become one of Germany's most important bankers. From early on in his career he had demonstrated a particular skill in stock market operations and gained a reputation for lively, informative reports and prognoses as a partner in the banking house of Schwarz, Goldschmidt & Co., a subsidiary of the Hildesheimer Bank. In 1918, he was recruited by the Nationalbank to head its securities department, where he functioned in a very uneasy relationship with the recently recruited head of the credit department, Hjalmar Schacht, made a fortune through his speculative and stock market operations, and emerged as the dominant figure after the merger with the Darmstädter in 1922 and the ascension of the increasingly superfluous Schacht to the presidency of the Reichsbank in 1923.¹⁰

Goldschmidt was deeply committed to industrial concentration and expansion through individual entrepreneurship and risk taking, and was passionately opposed to government interference in the economy. He was an optimist who favored risk over caution and tended to view crises as opportunities. Goldschmidt had the pretension of serving as the pacesetter and spokesman for the German business community and his address before the bankers' congress in 1928 as well as his appearance before the Macmillan Committee in June 1930, where he praised the German universal banking system for its achievements in industrial financing, were impressive performances in both their argumentation and their optimism.

Goldschmidt liked to break the barriers and constraints that inhibited his doleful compatriots in the banking community from failing to treat the glass as half full rather than half empty. He sat on no less than 123 supervisory boards by 1931, where the average among the greatest of bankers was 50; the DANAT was the first to publish its prospectuses in English in New York; in 1929, when the signs of recession were very obvious, he insisted that "the German people cannot master their hard fate, if the strong energies lying within them and the wealth of creative and constructive ideas they embrace are destroyed by a disabling pessimism, by hopeless resignation."¹⁷

Goldschmidt had both social and cultural pretensions, but this never led him to deny either his origins or turn his back on his fellow Jews. He provided very substantial support to the Jewish Encyclopedia and other Jewish causes. If his desire to be called "Jacques" reflected the parvenu in him, his passion for art was genuine and his taste apparently impeccable. Nevertheless, "Jacoble," as he was called behind his back, certainly did get on the nerves of his well-established German-Jewish banking colleagues, and there was an undeniable element of snobbery in their reaction to him. After an evening at Jakob Goldschmidt's, as Theodor Wolff reported, "all the, so to speak, old established Jewish financiers like Schwabach, Fürstenberg, then also Wassermann, were presented like chained beasts, flattering on the outside, seething over the upstart on the inside..."¹⁸

The more serious problem, however, was that Goldschmidt's way of doing business forced the other banks to compete with him on terms they felt increasingly inappropriate. His self-advertisement, high dividends, and capacity to win over such important industrial customers as Friedrich Flick, offering them attractive credit terms, procuring loans for them from the United States, and bringing them on to the DANAT's supervisory board were not appreciated by many of his colleagues in the overcrowded and highly competitive German banking arena. Goldschmidt dreamed of creating an automobile trust, and his efforts produced an unpleasant struggle with the Deutsche Bank. Wassermann seemed to have very ambivalent feelings about him, disliking his business practices and pretensions, on the one hand, but appreciating his talents and probably also his devotion to Jewish causes, on the other. There is good evidence that Wassermann approached Goldschmidt with the idea of a merger of the Deutsche and DANAT banks, but that Goldschmidt's terms and opposition within the Deutsche Bank undermined the effort.

Ultimately, the Deutsche Bank merged with its greater rival, the Disconto-Gesellschaft, in 1929, which placed Wassermann and Solmssen on the same board of managing directors.

There was nothing ambivalent about Solmssen's feelings toward Goldschmidt. Solmssen loathed and detested Goldschmidt, whom he characterized as a "parasite," a *Schädling*, and whom he described in especially bitter terms in a private memorandum in the early 1950s:

Jakob Goldschmidt was born of modest circumstances and, due to this legacy of his past, he was completely undisciplined and uninhibited; a stock marketeer (*Börsianer*) and speculator through and through, he so remained until his inglorious departure from the economic stage. That this man exercised a gigantic influence for more than a decade on Germany's economic development, and could contribute substantially to the economic catastrophe and the domestic political catastrophe that developed from it, is an indication of the measure of corruption which had taken hold of the leadership of this class.

Goldschmidt was talented, quick to grasp things, humorous, and had the ability to present his ideas with a certain fascinating effect. In the process, he took certain liberties with the truth and, the more his star shone, the less he pulled back from playing *va banque*. The success which his mode of operation brought him increased his boldness until he finally lost all sense of proportion. He lost sight of his training in banking and especially in administration. He soon took on dictatorial pretensions, viewed himself as a sole ruler, and even though he had joined the board of directors as one of many members, he developed the habit of shouting down any opposition that showed itself in that body. That he dared to do this was, on the one hand, because of the moral and professional weakness of his colleagues, and, on the other, of the surprising following he had among notable leaders of the German business world.¹⁹

III

Goldschmidt may have been more a whistler in the dark than the piper of the German business world that Solmssen claimed

him to be. There is no little irony in the fact that on the very day that the Macmillan Report was published on July 13, 1931, the DANAT Bank was forced to close its doors and thereby trigger the fateful German banking crisis with all of its terrible consequences. In his appearance before the Macmillan Committee, Goldschmidt had confessed that short-term foreign deposits constituted 34 percent of his bank's deposits, but argued that the combination of Reichsbank preparedness to act as the "bank of banks" and discount bills, together with the cooperation of the German banks in establishing investment trusts with foreign banks, reduced the practical need to hold larger reserves as protection against withdrawals.²⁰ How wrong he was! When the allegedly respectable G. Carl Lahusen, who headed the Nordwolle firm along with his brother, was forced in May 1931 to confess to Goldschmidt that they had lied about their indebtedness, Goldschmidt knew that he and his bank, which were heavily engaged in the Nordwolle, were ruined. His reserves were inadequate; his bills were no good. Nevertheless, he kept this a secret for as long as he could, not even informing the Dresdner Bank, which was also heavily invested in Nordwolle and with which he had formed a friendship agreement to provide a counterweight to the Deutsche Bank and Disconto-Gesellschaft. Goldschmidt finally gave Director Nathan the bad news and suggested that they go to the Reichsbank and tell its president Hans Luther that the only way to avoid a run on the banks was for it to discount their dubious bills. Nevertheless, he refused to follow Nathan's rather logical suggestion that they ask the Deutsche Bank and Disconto-Gesellschaft to join them in this endeavor because, as Goldschmidt told Nathan, "the people in the Mauerstrasse" would never make common cause with him and "would feel triumphant because they think that I am finished. I will not give them the satisfaction of this triumph. If we both go to Luther, then we will create a fait accompli with which the Deutsche Bank must go along."²¹

As a result, the seriousness of the situation was covered up for another three weeks, and even then it proved impossible to disentangle personal relations and the objective requirements of the situation among the great Jewish bankers who stood at the center of the crisis. Ideally, the banks should have shown solidarity with one another and agreed to support the DANAT and keep its doors open while a restructuring took place, and the Reichsbank should have backed up this effort with satisfactory guarantees. Instead, to the great chagrin of Chancellor Brüning and State Secretary of Finance Hans Schäffer, another important actor in the drama, the Deutsche Bank director Wassermann behaved most peculiarly. He kept ask-

ing what was to be done about the DANAT Bank, more or less suggesting that it should be liquidated, and agreed to take over some of its larger accounts with unseemly alacrity. Brüning came to the conclusion, later stated in his memoirs and reinforced by his frequent contacts with Goldschmidt after their emigration to the United States, that Wassermann was using the occasion to ruin his competitor even at the price of playing a very destructive role. Given the personal relationship between the two bankers, Schäffer suggested that Wassermann had treated Goldschmidt as Saul had treated David, while apologists for Wassermann preferred the analogy of David and Absalom.

Mishpocheh theories of history have their limits, however, and Solmssen, who couldn't care less about Goldschmidt's fate was nevertheless deeply concerned about the fate of the banking system and was prepared to come to the rescue of the DANAT once he knew the condition of the patient and whether the Reichsbank would provide modest guarantees. He was genuinely outraged to find that Reichsbank President Luther felt so constrained by the pressures of the foreign central banks and the coverage requirements imposed by the Dawes and Young Plans that he would not act to save the system. Once this became clear, Solmssen strongly backed Wassermann in refusing to come to the support of the DANAT, bluntly pointing out that "we have no money machine in our house and cannot run the danger of losing our own liquidity in order to save that of another bank."²²

As a result, the government became responsible for the surveillance and reconstruction of the banking system which went into an eclipse lasting until well after 1945. This fact, like the entire crisis itself, had much to do with political causes and a political corruption that ran even deeper than the corruption of business practices Solmssen complained about so bitterly. Not only Goldschmidt, but also Warburg was in trouble in 1931, in his case primarily because of the difficulties of the Karstadt Department Store. His nephew in the United States, James Warburg, developed an ingenious scheme in the late summer of 1931 to make use of the American money frozen in German banks under the Standstill Agreement extending short-term credits to Germany. The DANAT would get 12.5 million dollars to assist its reconstruction so that it could sell off its retail deposits and branch network to the Dresdner, while merging its wholesale business with M.M. Warburg & Co. The Warburgs would thus join in the management, and Brüning would enjoy a desperately needed triumph. There were more worms in Goldschmidt's

portfolio than Nordwolle, however. Because of an "Account X", Brüning mysteriously turned down the offer which he had initially greeted with enthusiasm. "Account X" turned out to be a loan to Oskar von Hindenburg, the President's good-for-nothing son, and Brüning felt he could not disclose it.²³

Here too, however, a *mishpocheh* theory of history has its limits. Just as the banking crisis had its origins and was defined by the complex of financial arrangements and economic arrangements arising out of the war and the reparations agreements, so the bizarre political considerations connected with the Hindenburgs had their origins in the weaknesses of German democracy that put Paul von Hindenburg and Brüning where they were in the first place. Those deficiencies were reflected in the politics of the bankers and, indeed, of the business community as a whole.

If, in general, the bankers had played a more positive role on reparations questions and in domestic politics than many of the leading industrialists, they could hardly be accused of excessive political acumen. Goldschmidt was, as usual, far too clever for his own good. He put money into Hugenberg's Scherl Verlag, not because he was prepared to buy into Hugenberg's political program but because he thought it a good investment. Nevertheless, Goldschmidt did think he could influence Hugenberg. He urged him to form an "anti-collectivist" front and to include even the Social Democrats whom Goldschmidt viewed as "actually a bourgeois party." Hugenberg, of course, despised the SPD and argued for harnessing the NSDAP, which Goldschmidt rejected as "revolutionary." Needless to say, Hugenberg well understood that "what really separates him [Goldschmidt] from the National Socialists," was the fact that he was a Jew.²⁴

Even more disheartening than Goldschmidt's efforts to influence Hugenberg was the grotesque willingness of Wassermann and Solmssen to toy with bringing in the Nazis into the government, obviously not out of any sympathy with the movement but rather in the belief that in this way they might be "tamed." Thus, after the first Nazi success in the September 1930 elections, Wassermann suggested to Hans Schäffer that the Nazis be taken into the government since "the Social Democrats will now be reasonable anyway."²⁵ Solmssen also seems to have entertained this idea in late 1930, to the utter horror of Max Warburg whose experiences with anti-Semitism in Hamburg apparently immunized him against such tendencies.²⁶ But Solmssen came to his senses fairly rapidly and later

joined in the founding of the Conservative People's Party which broke away from Hugenberg. Solmssen and Wassermann were members of a group calling itself the "German Committee Hindenburg for Volk and Reich" which supported Franz von Papen in the November 1932 Reichstag elections.²⁷ In short, the Jewish bankers were not much different from their colleagues in the business community during the great crisis that ended with the National Socialist seizure of power. They wanted a regime that was supportive of their economic position and that kept the left and the extreme radicals on the right under control.

Their failure, however, obviously had more fateful personal consequences. Goldschmidt, who had become a favorite target of Goebbels left Germany and ended up in New York City. Wassermann was eased out of the board of managing directors of the Deutsche Bank in 1933 and died the next year. Warburg remained in Germany until the aryanization of his bank in 1938, an increasingly pathetic figure whose business was protected by Schacht for as long as Schacht had something to say. It remained to Solmssen to express the anger that was called for with respect to the treatment of the Jewish bankers by their colleagues. In a letter of April 9, 1933 to Franz Urbig, the supervisory board chairman of the Deutsche Bank and Disconto-Gesellschaft, Solmssen bluntly stated that he viewed the exclusion of the Jews from public service as a prelude to similar actions in the private sphere and that they were "at the beginning of a conscious and planned development which is aimed at the indiscriminate economic and moral destruction of all members of the Jewish race living in Germany." He roundly condemned the "complete passivity of the classes that do not belong to the National Socialist Party, [and] the lack of any feeling of solidarity on the part of those who up to now have worked shoulder to shoulder with Jewish colleagues in business...."²⁸ He was appalled by the profiteering from Jewish distress and especially horrified by the dishonor to which Jews were subjected. Subsequently, he tried to meet with Göring to propose a National Council to investigate the charges against the Jews and to expel those who were undesirable but restore the remainder to first-class citizenship. Solmssen went into exile in Switzerland, although he remained a member of the supervisory board until March 1938, when Urbig was compelled to remove him. In response to Solmssen's protest, Urbig pointed out that "In our circles, the business aristocracy emphasized by you has also had to lose much since 1918, and we have often been forced to do something which in the view of others was good for the state but contradicted our personal view. Such is the case today also."²⁹ One

can only hope that, by this time, Solmssen fully appreciated the grotesqueness of such an analogy.

There was obviously something naive about Solmssen's expectation that he could persuade Göring, of all people, to form a committee to separate out the wheat from the chaff in the Jewish community. Similarly, there was something obsolete about Solmssen's posture as the embodiment of the industrializing universal banker whose *virtu* was being undermined by "speculative block traders ... who to be sure are called bankers but never were such in the sense in which I conceive my profession."³⁰ Yet, Solmssen's Olympian stance did enable him to pin down the failure of the German elites of education and wealth from the very moment they betrayed the values of civilization and culture they claimed to prize, just as he was able to capture the moral decline of the German business community, which had in fact an extraordinary record of scandal in the Weimar Republic. The success of Goldschmidt and his ilk was made possible, Solmssen argued, "because important representatives of German industry did not confront them with the necessary self-awareness. Rather, they allowed themselves to become enmeshed in their rotten business maxims based on indebtedness, self-enrichment, and the irresponsible throwing together of industrial plants, only to finally end up in the hands of the State."³¹

One could also argue, however, that Solmssen made Goldschmidt into the scapegoat for inevitable transformations in business practice and the role of banks which did not fit in with his self-conception and aristocratic pretensions. The problems were those of the postwar world economic order and the fact that it always functioned on the edge of disaster, a condition which encouraged some of its economic leaders to function that way as well. In the last analysis, Goldschmidt, with his enthusiasm for growth, may have pointed the way to the future more than Solmssen. There is thus no simple way of characterizing the German Jewish bankers and their role in the crises of the Weimar Republic because they gave expression, often with a special distinction, to the qualities, both positive and negative, of the business community of which they were so integral a part. This, of course, only adds to the shameful and injustice of the manner in which the German business community permitted them to be cast out or actually participated in that process of self-degradation.

NOTES

1. See Werner E. Mosse, *Jews in the German Economy: The German-Jewish Economic Elite 1820-1935* (Oxford, 1987) and *The German-Jewish Economic Elite 1820-1935. A Socio-cultural Profile* (Oxford, 1989).
2. On Solmssen's conversion, see *ibid.*, pp. 50-53.
3. For a fuller explication of the reparations question, see the relevant chapters of Gerald D. Feldman, *The Great Disorder: Politics, Economics, and Society in the German Inflation, 1914-1924* (Oxford, 1993). For a more detailed account of the role of the banks in the Weimar Republic, see Gerald D. Feldman, "The Deutsche Bank from World War to World Economic Crisis 1914-1933," in Lothar Gall, et. al., *The Deutsche Bank 1870-1995* (London, 1995), pp. 130-276. The general discussion in this paper is based on these works to which the interested reader is referred.
4. See E. Rosenbaum and A.J. Sherman, *Das Bankhaus M.M. Warburg & Co. 1798-1938* (Hamburg, 1976); Ron Chernow, *The Warburgs. The 20th Century Odyssey of a Remarkable Jewish Family* (New York, 1993); Niall Ferguson, *Paper & Iron. Hamburg Business and German Politics in the Era of Inflation, 1897-1927* (Cambridge, 1995).
5. Aufzeichnungen, 1919, p. 4, Warburg Papers, M.M. Warburg & Co., Hamburg.
6. Aufzeichnungen, 1920, p. 24, *ibid.*
7. Stinnes to Warburg, July 3, 1922, Archiv für Christlich-Demokratische Politik der Konrad-Adenauer-Stiftung, St. Augustin, Nachlaß Hugo Stinnes, I-220, 022/3.
8. Aufzeichnungen, 1922, p. 26, Warburg Papers, M.M. Warburg & Co., Hamburg.
9. Report by Hans Humann on a discussion between Stinnes and Ambassador Wiedfeldt, Aug. 24, 1922, Archiv für Christlich-Demokratische Politik der Konrad-Adenauer-Stiftung, St. Augustin, Nachlaß Hugo Stinnes, I-220, 039/2.
10. Max Warburg to Stinnes, Jan. 3, 1923, *ibid.*, 022/3.
11. On Wassermann, see Kurt Zielenziger, *Juden in der deutschen Wirtschaft* (Berlin, 1930), pp. 249-256 and the material in the Historisches Archiv der Deutschen Bank (hereafter:HADB): File Oscar Wassermann.
12. Solmssen to Rathenau, Jan. 19, 1922, Rheinische-Westfälisches Wirtschaftsarchiv, Teilnachlaß Solmssen. For Solmssen's extensive writings on banking, political, and economic matters, see Georg Solmssen, *Beiträge zur deutschen Politik und Wirtschaft*, 2 vols. (Munich and Leipzig, 1934).
13. Wassermann to Blinzig, June 18, 1927, HADB: File Oscar Wassermann.
- 14 "Notwendige Vorbedingungen für die Erfüllung der heutigen gesamtwirtschaftlichen Aufgaben des privaten Bankgewerbes," *Verhandlungen des VI. Allgemeinen Deutschen Bankiertages zu Berlin am 14., 15, und 16. September 1925* (Berlin und Leipzig, 1925), pp. 24-46.
15. Ernst Feder, *Heute sprach ich mit... Tagebücher eines Berliner Publizisten 1926-1932* (Stuttgart, 1971), p. 114.
16. On Goldschmidt, see Stephen A. Schucker's brief biography in John A. Garraty, Editor, *Dictionary of American Biography, Supplement Five, 1951-1955* (New York, 1977), pp. 249-251 and Gerald D. Feldman, "Jakob Goldschmidt, the History of the Banking Crisis of 1931, and the Problem of Freedom of Manoeuvre in the Weimar Economy," in Christoph Buchheim, Michael Hutter, and Harold James, eds., *Zerissene Zwischenkriegszeit: Wirtschaftshistorische Beiträge. Knut Borchardt zum 65. Geburtstag* (Baden-Baden, 1994), pp. 307-328
17. DANAT Bank, Business report for 1929.
18. Feder, *Heute sprach ich mit...*, p. 101.
19. From a handwritten description, undated but most certainly of 1952, of Goldschmidt, HADB: File Georg Solmssen.
20. *Minutes of Evidence taken before the Committee on Finance and Industry*, 2 vols. (London, 1931), II, pp. 152-154.
21. H.E. Priester, *Das Geheimnis des 13. Juli 1931. Ein Tatsachenbericht von der Bankenkrise* (Berlin, 1932), p. 25.
22. Solmssen Memorandum of Jan. 6, 1954, HADB, Rheinisch-Westfälische Bank, GS, Bankenkrise 1931.
23. Chernow, *The Warburgs*, p. 329.
24. Hugenberg to Klitzsch, May 29, 1931, Bundesarchiv Koblenz, Nachlaß Alfred Hugenberg, Nr. 37, Bl. 164-165 and his letter of April 24, 1931, Bl. 167-169.

25. Schäffer diary, 14 Oct. 1930, Institut für Zeitgeschichte, Munich, Nachlaß Hans Schaeffer, kindly supplied to me by Prof. Harold James.
26. Feder, *Heute sprach ich mit....*, p. 280.
27. See the correspondence between Carl Duisberg and Oscar Schlitter, March 8, 1932-March 31, 1932, in HADB, No. 24357. On the DNVP committee, see Henry A. Turner, Jr., *German Business and the Rise of Hitler* (New York and Oxford 1985), p. 297.
28. Quoted in Harold James, "The Deutsche Bank and the Dictatorship 1933-1945," in Gall, et. al., *The Deutsche Bank*, p. 296.
29. Urbig to Solmssen, March 11, 1938, HADB: File, Georg Solmssen.
30. Solmssen to Springorum, Jan. 17, 1933, Bundesarchiv Potsdam, R 8119 F, P1220, Bl. 251-256.
31. *ibid.*