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FROM AFFILIATION TO NAZIFICATION

THE POLITICAL DESTINY OF A
'GROSSBANK' IN YUGOSLAVIA

1918-1945

PUBLISHER

The Institute of Economic Sciences
Zmaj Jovina 12, Belgrade Serbia
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CIRCULATION

200

PRINTING

Donat Graf d.o.o

ISBN 978-86-89465-60-0



INSTITUT
EKONOMSKIH
NAUKA

cei

Centar za
Ekonomsku
Istoriju

Publication was made possible by the Ministry of Education, Science
and Technological Development of the Republic of Serbia

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1918 - 1945

Belgrade 2021

to my parents ◆

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FOREWORD



In today's Serbian historiography, the entire area of the former Yugoslavia is rarely taken as the thematic framework of historical research, and this is perhaps the most noticeable when it comes to economic-historical research. In that context, the issue of the history of shareholding banking is especially neglected, which is studied sporadically and is usually reduced to local frameworks. The influence and importance of foreign capital in Yugoslav banks used to be written exclusively within broader topics of economic history, most often without real insight into relevant archival material and literature, with great reliance on the works of Vladimir Rosenberg, Sergije Dimitrijević and more recently Antonije Tasić. He was the first to write about the influence of foreign capital on the Yugoslav economy between the two world wars, from the position of a high official of the Ministry of Trade and Industry of the Kingdom of Yugoslavia, having insight into official reports on the work of companies and financial institutions. For another, whose works were created in the 1950s, this topic was important because "foreign capital had a negative impact on the economic development of our country(...) thus the study of the disturbances that foreign capital had already caused in our economy was a precondition for the planned economic development of the country and successful building of socialist society." Antonije Tasić wrote similarly to Rosenberg from the position of the first post-war director of the banking department of the State Administration of People's Goods of the DFY and later the Ministry of Finance of the FPRY, so that he had insight into all

relevant documentation, but the results of his research have been waiting for an unusually long time, almost half a century.

The book in front of you is inspired by the author's master's thesis, written twenty years ago, and published under the title *Bank and Power, Socio-Financial History of the General Yugoslav Banking Association a.d.* (Belgrade, 2002). That little booklet was in many ways ahead of its time. It was written in the pre-transition period, in the time of economic sanctions and the still strong socialist economic tradition, when neither in schools nor in faculties, much attention was paid to the details of the functioning of the capitalist economic system. Very little was known about shareholding banks and especially banks with dominant foreign capital in Serbian society and even less was understood about the way they functioned and had an impact on the economy of a country. It was not only a challenge for the young student of history to master the then completely unknown financial terminology, but also to put a specific banking institution in a certain economic, political and social context, for which her mentor professor Andrej Mitrović provided her with valuable help and support. Namely, until then, no historical analyzes of the work and significance of certain large banking institutions of the Kingdom of Yugoslavia were made, while works in the field of economic history between the two world wars did not pay enough attention to the real condition of one of the financial foundations of the State. Therefore, we believe that the then socio-financial history of one of the largest private banks with foreign capital in the Kingdom of Yugoslavia was a good attempt to lay the foundation for new historical research in this area and its real significance in the economic, social, and political life of the country.

What inevitably eluded the more studious analysis at the time was, in fact, that strong and unbreakable connection with the European history of banking and finance. The huge influence that the Bank had on the entire economic and social flows in the country, it is impossible to see without connections with major European and world

financial and industrial centers. This is exactly what gives a new picture of the history of the Kingdom of Yugoslavia, which, despite the slow and uneven development of capitalism, was very interesting as a market for the placement of foreign capital. The then professional economic and financial magazines such as: *Narodno blagostanje* (we especially emphasize the importance of the supplement - "Balance Sheet Analysis"), *Bankarstvo* and *Ekonomist* provide plenty of information about this. Professional papers that were published in large numbers between the two world wars, and which dealt with the role and importance of shareholders, private (especially foreign) capital, banking institutions and their connections with other economic and industrial branches, as well as relations with the State and its individual representatives, also enable a clearer understanding of the true place and significance of the *Allgemeiner Jugoslawischer Bankverein*, as well as the role of individuals who created its business policy, and which, due to the previous general analyzes, would be left to oblivion. However, then as well as today, the basic historical source for the work on this book is the rich and very diverse archival material of the fund *Opšte jugoslovensko bankarsko društvo a.d.* (General Yugoslav Banking Association) as well as the material of the fund *Ministarstvo trgovine i industrije Kraljevine Jugoslavije* (Ministry of Trade and Industry of the Kingdom of Yugoslavia) and *Ministarstvo finansija Kraljevine Jugoslavije* (Ministry of Finance of the Kingdom of Yugoslavia). Their re-reading, after twenty years of acquired knowledge and experience, with insight into the Archives of the National Bank, the Historical Archives of Belgrade, and the Archives of Serbia, provided a completely new and fresh look not only at the Bank's business policy but also at its relations with other state institutions and the economic and political actors of the time. Very important prehistory of this Bank, i.e. the history of the Austrian bank *Wiener Bankverein*, could not be illuminated without the extremely substantial works of Professor Andrej Mitrović, on the

influence of German and Austrian financial capital in the Balkans until the First World War, and Danica Milić's works on Serbian banking at that time. Yet, of great importance is the fact that this time we had access to almost all foreign literature on banks that had their affiliations in this area, i.e. business and political interests. Books such as *Geschichte der österreichischen Privatbanken*, (Group of authors, Wien, 2018), *Vor dem großen Krach: Österreichs Banken in der Zwischenkriegszeit am Beispiel der Credit Anstalt für Handel und Gewerbe* (Fritz Weber, Wien, 2016), *150 Jahre österreichische Bankengeschichte im Zentrum Europas* (Group of authors, Wien, 2005) gave this book a completely new, broader and more significant dimension.

In the second half of the 1930s, due to the penetration of German capital into the economy of the Kingdom of Yugoslavia, the *Allgemeiner Jugoslawischer Bankverein*, in addition to great economic, gained special political significance. The German historian Eberhard Czichon, in his book *Die Bank und die Macht, Hermann Josef Abs, die Deutsche Bank und die Politik* (Köln, 1995) analyzing the activities of the great banker of the Third Reich H.J. Abs in Yugoslavia dedicated a special chapter to this Bank, and German historians Holm Sundhausen (*Wirtschaftsgeschichte Kroatiens im nationalsozialistischen Grossraum 1941-1945, Das Scheitern einer Ausbeutungsstrategie*, Stuttgart, 1983) and Karl-Heinz Schlarp (*Wirtschaft und Besatzung in Serbien 1941 - 1944. Ein Beitrag zur nationalsozialistischen Wirtschaftspolitik in Südosteuropa*, Stuttgart, 1986) also write about it in their works on the Independent State of Croatia and occupied Serbia. However, the greatest influence on the fact that this book saw the light of day was exerted by the American historian Gerald Feldman, who was the author's mentor during her study stay at the American University of Berkeley in 2007. On that occasion, she received from him both volumes of exceptional monograph *Österreichische Banken und Sparkassen im Nationalsozialismus und in der Nachkriegszeit*

(Group of authors, München, 2006), which refers to the business and political mechanisms used in the *Creditanstalt-Bankverein*, which were later transferred to its affiliations in Europe in almost the same way. Also, there is a wealth of data on the connection of *Creditanstalt* with the Yugoslav affiliation, and together with Feldman's second book *Austrian Banks in the Period of National Socialism* (Cambridge University Press, 2015), there are valuable sources of data on the arization and nacification of the banking sector which are completely in line with the data obtained by the author in domestic historical sources referring to the *Allgemeiner Jugoslawischer Bankverein* in the period from 1940 to 1944.

The book by Professor Milan Ristović, *The German "New Order" and Southeast Europe 1940/41-1944/45, Plans for the Future and Practice* (Belgrade, 1991), provided us with valuable help in understanding the importance of the *Allgemeiner Jugoslawischer Bankverein* in the business policy of the large banks of the Third Reich and its integration into German war and economic plans, then a book created in the investigation of the US Military Administration for Germany, i.e. a special department of this Administration that researched the financial and economic exploitation of the Third Reich and in which a special chapter is dedicated to *Bank-verein* and to the persons that created its work in the period from 1940 to 1945: *OMGUS, Ermittlungen gegen die Deutsche Bank - 1946/1947, Übersetzt und bearbeitet von der Dokumentationsstelle zur NS-Politik Hamburg* (Nordlingen, 1985) There is also the famous book by James Harold, *The Deutsche Bank and the Nazi Economic War against the Jews: The Expropriation of Jewish-Owned Property* (Cambridge University Press, 2003).

In revealing the social significance of banking institution in the Kingdom of Yugoslavia as well as in occupied Serbia during the Second World War and especially the role of a private bank clerk

on the social ladder at the time, of great use were the archives of this Bank. With these archives, we were able to make analyzes of the national, religious, educational, and gender structure of employees. Certain comparisons with the social position of officials in other economic branches in Yugoslavia were made possible by the texts published in *Narodno blagostanje* between the two world wars, while we especially highlight the book by Mira Kolar-Dimitrijević, *Radni slojevi Zagreba 1918 - 1931* (Zagreb, 1973). With its exhaustive data on the position of Zagreb officials, it successfully filled the gap created by the impossibility of insight into the material of the *Allgemeiner Jugoslawischer Bankverein* in Zagreb. We also highlight the book by Croatian historian Ivana Žebec Šilj, *Zagrebačka industrija 1935-1939. u kontekstu međuratnog gospodarskog razvoja* (Zagreb, 2018).

Previous historical assessments of the economic and financial strength of the Kingdom of Yugoslavia were undoubtedly made with a very general view of the importance of foreign capital, as an irreplaceable development factor, whose strength was underestimated or overestimated, all depending on the specific historical moment in which such assessment was made. However, the book in front of you is not a classic “case study” that by definition focuses on case research that is in some ways exceptional, in order to test the validity of a particular theory or to create a new one. This is actually about the fact that individual studies of the history of large private banks, as institutions of a special type and function within the banking system of a country, should show whether and to what extent such institutions depended on economic progress, social status, and general institutional development of the country and how strong their mutual connection was. The fact that this banking affiliation in the changing sociopolitical circumstances shared the political destiny of European, and especially Austrian and German banks, is proof that European banking

cannot be understood only at the economic level, but should certainly be considered at the social and political level as well as in the general context of international politics and economics.



The book *From Affiliation to Nazification* was created thanks to the support and help of a large number of individuals and institutions, to whom I would like to sincerely thank on this occasion. I owe the ease of research and collection of documentation and literature to my fellow historians, archivists and librarians: Suzana Srndović (Archives of Yugoslavia), Sonja Jerković and Saša Ilić (Archives of the National Bank of Serbia), Zorica Smilović (Historical Archives of Belgrade) and Aleksandar Rafailović (Archives of Serbia). Historian Ljiljana Dobrovšak (Pilar Institute) selflessly shared the data from the Zagreb holdings, and I also owe a great deal of gratitude to the Austrian historian Ulrike Zimmerl, with whom I once collaborated in the work of the international historical commission *Bank Austria - Creditanstalt*.

As the head of the Center for Economic History of the Institute of Economic Sciences, I would like to especially thank my young associates Emilija Cvetković, Marko Miljković and the newly arrived Aleksandar Matković, who had enough understanding and patience for my writing the book in this “corona age”. I also owe a great deal of gratitude for the support and understanding to my home Institute of Economic Sciences, and especially to the director, Jovan Zubović.

This book would not have existed if twenty years ago there had not been strong encouragement from one of the greatest Yugoslav

historians of the 20th century, Professor Andrej Mitrović. For years, his vast knowledge and research experience have instilled confidence and represented the best guideline for every young researcher immersed in the waters of scientific historiography. Having him as a teacher, was a great honor and privilege. Just like having Professor Gerald Feldman from University of California, Berkeley as a mentor. With their early departure, historical science was certainly left without its important representatives. But, in addition to historians, my maturing as a researcher of economic history was also influenced by economists, primarily Professor Dragana Gnjatović, to whom I owe not only this great translation of the book into English, but also the opportunity to solve, with a lot of confidence and ease, all the dilemmas and doubts I came across while writing the book. The reviewers of this book have given me a great honor: Professor Ulf Brunnbauer, Director of the Leibniz Institute for Eastern and Southeastern European Studies, University of Regensburg, Professor Milan Ristović, Head of the Department of Contemporary History, Faculty of Philosophy, University of Belgrade and Professor Žarko Lazarević from the Institute of Contemporary History, Ljubljana, Slovenia. Their positive criticism further strengthened my self-confidence and belief that even such complex, interdisciplinary topics can find a wider readership.

At every beginning and end, there is always a deep gratitude to my family for all the help and support, as well as to my dear friends for their patience and understanding.

In Belgrade, November 1st, 2020

THERE IS NO SUCH THING AS A NORMAL PERIOD OF HISTORY.
NORMALITY IS A FICTION OF ECONOMIC TEXTBOOKS



JOAN ROBINSON, CONTRIBUTIONS TO MODERN ECONOMICS

INTRODUCTION





Since the 1870s, in the international and economic relations of European states, the penetration of financial capital of economically more developed countries to the economies of less developed and underdeveloped ones emerged. This was the consequence of the long transformation process of banking which, with industrialization growth, got the opportunity for the financing of various businesses on mutually very distant geographical regions. Around eighty European banks, different in their character, size and strength, which were then the elite of the European as well as the world banking, had shown their interest in the Balkans. This phenomenon had been of crucial importance for the emergence and development of private banking in the new Balkan states that emerged on the European scene as well as for its further development in those Balkan regions which were a part of the large Austro-Hungarian economic market.¹

¹ More on Balkan economic and financial history until World War I see: C. Kindleberger et al, *Panics and Crashes: A History of Financial Crises*, (New York: Macmillan, 2011); *Across the Borders: Financing the World's Railways in the Nineteenth and Twentieth Century*, eds. R. Roth, G. Dinhobl, (London: Ashgate Publishing Ltd 2008); *Finance and Financiers in European History 1880-1960*, ed. C. Youssef, (Cambridge University Press, 1992); C. Kindleberger, *A Financial History of Western Europe*, (Oxford University Press, 1993); *International Banking 1870-1914*, eds. R. Cameron, V. I. Bovykin, (Oxford University Press, 1992); J. Cottenier et al., *Dossier La Société générale: 1822-1992*, (Bruxelles: Edition EPO, 1989); J. R. Lampe, M. R. Jackson, *Balkan Economic 1550 - 1950 from Imperial Borderlands to Developing Nations*, (Bloomington: Indiana University Press, 1982)

At that time, the financial capital of the Austro-Hungary paid great attention to the Balkans, primarily because it did not have the strength to aspire to worldwide expansion. Banks from France, Germany and England had also shown significant interest although this region was not of their primary importance taking into account the quantities of financial capital they invested in the businesses in the Near East. The Austro-Hungary had been suppressed from that region after the engagement of one of its strongest banks which had large national resources at her disposal, especially originating from the industry. That was *Wiener Bankverein*, established in 1869, with the money from slightly older bank *Österreichische Bodencredit-Anstalt*. In 1871, this bank, in cooperation with *Anglo-Österreichische Bank* and with some involvement of *Darmstädter Bank für Handel und Industrie*, founded *Austro-Ottomanische Bank* in Constantinople. After two years only, this newly established bank had fallen under the influence of French and British capital while *Wiener Bankverein*, not strong enough to resist sharp international competition, had turned all its attention to the Balkans where it became an irreplaceable factor in the development of modern banking.² It greatly influenced the spread of the modern spirit of banking organization and business, which, especially in some

² More on the business policy of Austro-Hungarian banks from 1855 to 1914 see: P. Eigner et al., *Geschichte der österreichischen Privatbanken* (Wien: Springer, 2018); F. Weber, *Vor dem großen Krach: Österreichs Banken in der Zwischenkriegszeit am Beispiel der Credit Anstalt für Handel und Gewerbe*, (Wien: Böhlau Verlag GmbH & Co, 2016); C. Kindleberger et al., *Manias, Panics and Crashes: A History of Financial Crises*, New York, 2011; *Finance and Modernization: A Transnational and Transcontinental Perspective for the Nineteenth and Twentieth Centuries*, eds. G.D. Feldman, P. Hertner, (London: Ashgate Publishing Ltd, 2008); *150 Jahre österreichische Bankengeschichte im Zentrum Europas*, eds. O. Rathkolb, et al. (Wien: Bank Austria Creditanstalt, 2005); Andrej Mitrović, *Strane banke u Srbiji - 1878-1914 - politika, progres, evropski okviri*, (Beograd: Stubovi kulture, 2004); *Ein Jahrhundert Creditanstalt-Bankverein 1855-1955*, (Wien: Creditanstalt-Bankverein, 1957)

Yugoslav countries, was felt until the end of World War II. Thus, neither an analysis of the situation in the private banking of the Kingdom of Yugoslavia nor a proper understanding of the role and importance of international capital in the newly established state is possible without prior knowledge of the work of Austro-Hungarian banks. The dynamics of their operations in the Balkans until 1918 explain their later necessity when establishing foreign banking affiliates and the penetration of international financial capital into the emerging Yugoslav industry.

Interestingly, at the very beginning of the second half of the 19th century, the key reason for establishing the first joint-stock bank in the Habsburg Monarchy was the announcement of the establishment of foreign banks on Wiener Platz. Thus, according to the ideas of the brothers Isaak and Emile Pereire (who founded *Crédit Mobilier Bank* in Paris in 1852), a similar bank with large share capital in the Monarchy as in other European countries had been established. The Pereire brothers had already made way for their business on Austrian soil in 1855 when they purchased the bonds of the Austrian state railroad. However, this idea of establishing an Austrian version of *Crédit Mobilier* was met with fierce resistance by the Rothschild Banking Company, which successfully thwarted its establishment due to the fact that Austrian Finance Minister Karl Ludwig Freiherr von Bruck was a close friend of the Rothschild family ever since the times when he had been a managing director of the branch office of Lloyd Companies in Trieste (owned by Rothschild).³

Thus, at the initiative of Max Egon Fürst zu Fürstenberg and the Vienna House, Rothschild, instead of the Austrian *Crédit Mobilier*,

³ H. Androsch, Vorwort. "Betrachtungen über Werden, Wirken und Verschwinden der Creditanstalt, und warum Geschichts- wie Zukunft-svergessenheit wirtschafts- und gesellschaftspolitische Kardinalsünden sind", F. Weber, *Vor dem großen Krach*, IX

whose initial capital was to be 56.6 million guilders, the same year *Österreichische Credit-Anstalt für Handel und Gewerbe* was founded, with an initial 100 million guilders and much clearer “Austrian orientation”. The aim of the new bank, in which 60 million guilders were in the hands of Fürstenbergs and Rothschild, was to become a central source of money for the entire industry as well as for the construction of the railway system. In this way, the Rothschilds set up a new and important pillar of the Habsburg Empire, given the fact that this bank soon became the dominant financial institution in the country. In a short time, *Credit-Anstalt* has given the Rothschilds a dominant position in building a railway network in Central Europe. At the same time, it represented a model for the new joint-stock banks established in the Monarchy during the 1860s, such as: *Allgemeine Bodencredit-Anstalt* (which in 1866 took over the sale of the state domains from the Austrian National Bank and thus became a bank of the Imperial family), the *Anglo-Österreichische Bank*, *Wiener Bankverein* (1869) and *Unionbank* (1870). After they were founded, all these banks applied the Statutes of *Credit-Anstalt* and the *Hungarian General Credit Bank* (founded by *Credit-Anstalt*), which the Ministry of Finance considered as the standard for banking operations.⁴

Private and joint-stock banks benefited greatly during the economic boom phase of the *Gründerzeit* from 1867 to 1873. It was the time of the Austro-Hungarian settlement and the creation of the Dual Monarchy in 1867, the adoption of the so-called. December Constitution, the transition from restrictive to expansionary monetary policy and the so-called “miraculous harvests” of the same year. The specific mix of social optimism and euphoria led to the revival of the economy, so that during this period as many as

⁴ F. Baltzarek, „Finanzrevolutionen, Industrialisierung und Crédit Mobilier Banken in der Habsburgmonarchie“, *150 Jahre österreichische Bankengeschichte im Zentrum Europas*, eds. O. Rathkolb, et al. (Wien: Bank Austria Creditanstalt, 2005), pp. 11-110

1,005 joint-stock companies were licensed, although only 682 were founded, while by 1874 there were only 516 joint-stock companies. The number of securities listed on the stock market increased from 169 in 1867 to 605 in 1873. While there were only eleven banks (including the National Bank) in the Austrian part of the Empire in 1867, that number rose to 141 by May 1873.

In just three years (from 1867 to 1869), 36 new banks were established.⁵ Among the founders of private banks, a particularly high percentage of Jews stood out, which was certainly the result of complete civil liberties, that is, the legal equality they were given by the aforementioned December Constitution. During this period, besides many construction companies, numerous banking funds, speculative and fraudulent banks, such as so-called brokerage banks appeared almost overnight. The list of these brokerage and speculative banks (including especially those that dealt exclusively with speculation with the so-called “Baubanken”) was very long, with the names of the banks of Singer, Morcutti, Walter & Co, and others.⁶ However, some large private and somewhat smaller joint-stock banks also participated in these speculative transactions. Yet, when large joint-stock banks: *Wiener Bankverein* and *Boden-Credit-Anstalt* got into financial trouble due to risky business policies, only thanks to guarantees from Rothschild and Wodianer, did they gain credit from the *Austrian National Bank*.⁷ Private and joint-stock banks benefited greatly during the economic phase *Gründerzeit* flourished from 1867 to 1873. It was the time of the Austro-Hungarian settlement and the creation of the dual monarchy in 1867, the passing of the so-called December Constitution, the transition from restrictive to progressive monetary policy and the so-called “miraculous harvests” of the same year. The specific mix of social optimism and euphoria led to

⁵ P. Eigner et al., *Geschichte der österreichischen Privatbanken*, pp.65-66.

⁶ Kindleberger, Charles et al, *Manias, Panics and Crashes*, p.63.

⁷ *Ein Jahrhundert Creditanstalt-Bankverein*, pp.4-15.

the revival of the economy, so that during this period as many as 1,005 joint-stock companies were licensed, although only 682 were founded, while by 1874 only 516 joint-stock companies remained. The number of securities listed on the stock market increased from 169 in 1867 to 605 in 1873. While there were only eleven banks (including the National Bank) in the Austrian half of the empire in 1867, that number rose to 141 by May 1873.

The history of Rothschild in Vienna is about the rapid financial but slower social rise of a family who clearly knew where she was. This banking house, together with *Credit-Anstalt*, remained a leader in financing railway companies during this period. In the social context, they were representatives of the so-called “zweiten Gesellschaft” (in the free translation of “second-class high society”), which meant that they were ennobled but did not belong to the hereditary aristocracy of the undisputed first order. It was not until 1861 that Anselmo Rothschild obtained a seat in the Reichsrat (Imperial Council), while in 1887 his son Albert Rothschild and his wife were the first persons of the Jewish faith to receive the highest social recognition or were given the right to be presented at the Court; Albert’s brother Nathaniel Rothschild also found his way into Viennese nobility, which was completely impossible at the time of their father and grandfather.⁸

When the stock market collapsed in May 1873 and many companies and banks went bankrupt, it turned out that among the “shareholders”, who at the time suffered heavy losses, there were

⁸ The Rothschilds have always been proud of their Jewish identity, which was not an ideal prerequisite for advancing an anti-Semitic society. “Growing wealth combined with increasing influence found increasing envy, especially of Karl Lüger and the Christian Social Party, which encouraged anti-Semitism, and the Rothschilds became a paradigm for wealthy and all-powerful Jews, though Lüger later as mayor of Vienna quickly revealed ‘how much it would be difficult without Rothschild’, see: P. Eigner et al., *Geschichte der österreichischen Privatbanken*, p.67.

members of all social classes. The “stock market crash”, along with the outbreak of the cholera epidemic, also contributed to the failure of the World’s Fair, where instead of the expected ten million visitors, there were only seven million visitors. The cost of 19 million was in stark contrast to the total revenue of just 4.2 million guilders. The total damage from the stock market crash and the value of bonds and securities in the Austrian market was about 1.5 billion guilders. However, the economic crisis hit Hungary more than Austria and the state bankruptcy could only be averted by obtaining a loan of 150 million guilders from a consortium led by Rothschild’s *Credit-Anstalt*, under what some considered extremely unfavorable conditions.⁹

Almost all social strata, though to varying degrees, were attracted to false offers and tempting promises of quick earnings, and participated in speculation, and some of them lost all their wealth in 1873. It is therefore not surprising that the response of the people to the crisis was also strong. Most, unfortunately, attributed responsibility for this failure to the “stock Jews” (Börsenjuden). At the same time, there was a radical departure from the highly liberal values that adorned the *Gründerzeit*, while anti-liberalism, anti-capitalism and anti-Semitism significantly strengthened. The financial and stock market system was then subject to the first regulations and as early as 1875 a new stock exchange law came into force. Following the suggestions of the Rothschild banking house and the President of the Stock Exchange, Moritz Wodianer de Caprior, the trade-in securities was consolidated, and a new stock exchange building was opened in Vienna in 1877.¹⁰ At the same time, relations between joint-stock banks and industry intensified and a period began in which banks became the driving force behind the country’s industrialization. They participated in founding companies and converting existing ones into joint-stock

⁹ *Ibid*, pp.65-66.

¹⁰ *Ibid*, pp.69-70.

companies as well as in crediting them. A place on the board of directors or supervisors of such companies was the expression of these intense business relationships. Huge industrial consortia of banks have emerged, putting entire industrial complexes under their control.¹¹

The greatest feature of the Austrian financial system during this period was precisely the dependence of its banking on the state, which again worked almost exclusively with Viennese banks. It should also be noted here that from 1873 to 1910 the Rothschild-Creditanstalt-Diconto-Gesellschaft consortium assumed the role of chief state banker in both parts of the Austro-Hungarian Empire. It was a kind of cartel grouping of about a dozen financial institutions, five of which were German (among which Diconto-Gesellschaft was the largest) and aimed at dealing with all kinds of large finances, which included the issues of Austrian security, state bodies and institutions. The decision to be just this consortium was not only about the fact that the Rothschilds had a broad financial international network, enormous prestige, competitiveness and an enormous amount of capital, but also that they had been deeply involved in Austrian financial affairs over the years and this quasi-monopolistic position allowed them to provide relatively favorable conditions. The government bond market was thus almost monopolized by this consortium, which was of great importance for Viennese banking.¹²

Although initially organized ad hoc to restrict competition among bankers when it came to an Austrian government loan, the Rothschild-Creditanstalt-Diconto-Gesellschaft consortium has evolved over time into an almost permanent financial organization. Its

¹¹ *International Banking 1870-1914*, p.335.

¹² G. Kövér, "The Rothschild Consortium and the State Debt of the Austro-Hungarian Monarchy", *The Hungarian Historical Review* Vol. 7, No. 2 (2018), pp.250-273.

hegemony was temporarily jeopardized in 1877 by *Wiener Bankverein*, when, together with a group of banks, it acquired the right to a second bond issue of 70 million guilders. Two other Viennese banks belonged to this group, the *Österreichische Boden-Credit-Anstalt* and the *Anglo-Österreichische Bank*, while the most important foreign partners were *Deutsche Bank* and the *Banque de Paris et des Pays-Bas*. It was about the cooperation of modern joint-stock banks, with their contacts being strengthened based on mutual personal influences. So between 1874 and 1901, Georg Siemens was the director of *Deutsche Bank* at the same time as the director of *Wiener Bankverein*.¹³ Yet the success of 1877 was only a temporary victory for this very modern international group in Austria at that time. It certainly had more and more success on the international scene, with the Rothschilds regaining hegemony over Austrian government loans; "...moreover, they were so powerful that they were able to integrate Boden-Credit-Anstalt into their group in 1886."¹⁴ *Wiener Bankverein* was again in the game for a government loan in 1903 when it joined the Rothschild-Creditanstalt-Diconto-Gesellschaft consortium together with five other Austrian banks.¹⁵

After the 1870s, Austrian banks gave up lending to dual monarchy governments and because of increasingly favorable capital market trends in the newly established Balkan states. In the early 1880s, with the help of *Deutsche Bank* and *Credit Lyonnais*, *Wiener Bankverein* increased its capital from 8 million to 25 million guilders; at the beginning of the 20th century, it increased it by another 30 percent, with only 18 percent of stocks in the hands

¹³ *Finance and Modernization: A Transnational and Transcontinental Perspective for the Nineteenth and Twentieth Centuries*, eds. G. D. Feldman, P. Hertner, (London: Ashgate Publishing Ltd, 2008), pp.40-41.

¹⁴ *International Banking 1870-1914*, p.336.

¹⁵ *Ibid*, p.337.

of foreign, mostly German banks before the First World War.¹⁶ Thus, in 1884, *Länderbank AG* participated in the issuance of 40 million francs of the Serbian government loan, as a member of an international consortium led by the French bank *Comptoir d'Escompte de Paris* and *Berliner Handels-Gesellschaft*. The first larger engagement of *Wiener Bankverein* on the Balkans was within the banking consortium led precisely by *Deutsche Bank*, and accompanied by *Schweizerische Kreditanstalt* and sometimes later *Dresdner Bank*. This consortium was established in 1890 by *Bank für Orientalische Eisenbahnen*, leaving her 45% of the redeemed shares of the previous *Society for the financing of railroads in European Turkey*. A year before, in 1889, it participated with the *Österreichische Länderbank* in a consortium for Bulgarian government loans. Already then, the *Wiener Bankverein* has been instrumented for quite clear political purposes of the Empire. So, in 1905, this bank founded *Balkans Bank* in Sofia with the intention of expanding its business to the greatest extent possible in the Balkans, while in 1911, with the assistance of French capital it founded the *Credit Agrarian Bank of Bulgaria*. In the meantime, in 1906, together with *Anglo-Österreichische Bank* and in cooperation with a French bank it founded *Bank Commerciale* in Bucharest which very quickly became among five strongest banks in Romania. *Wiener Bankverein* was one of the pioneers in bringing Romanian oil production to the international market by establishing a finance company in Budapest in 1890 under the name *Magyar Ipar es Kereskedelmi Bank Rt.* and partly through the purchase of Rumanian petroleum company two years later. After 1903, *Deutsche Bank* took over the financing of the Romanian oil industry and at the same time entered into an alliance with Shell in Europe and launched virtually a “price war”

¹⁶ Despite the apparent decline in foreign shareholder participation, *Wiener Bankverein* was still one of the financial institutions - such as *Boden Credit-Anstalt* - with a distinct international character, see: *International Banking 1870-1914*, p.330.

with Standard Oil. Nevertheless, *Wiener Bankverein* also maintained its interest in Deutsche Petroleum-Aktien Gesellschaft, which was established for the purpose of buying bonds, as well as in Petroleum Product AG, which was the oil sales agency of this banking group. Three years later, both banks showed interest in investing in operations related to the construction of the Eastern Railways. So *Wiener Bankverein* opened a branch in Constantinople, while *Deutsche Orient Bank* did the same in Constantinople, Alexandria and Cairo.¹⁷

In the conflict of interest of major financial centers after the Declaration of Independence of Albania, *Wiener Bankverein* was the one that performed most ambitiously. Despite strong Italian interests, in 1913, it tried her best together with *Pester Ungarische Commerzialbank* and in compromise cooperation with another three Italian banks to found the National Bank of Albania in order to organize and exploit the Albanian economy. This ambitious attempt failed precisely because of the resistance provided by Western European financial and political centers. Also, at the urging of its political leadership, *Wiener Bankverein* entered a new banking consortium in 1913 together with *Credit-Anstalt für Handel und Gewerbe* and *Ungarische Allgemeine Kreditbank*. The aim of this consortium was to grant a new short-term government loan to Bulgaria, and the reason was again to secure an economic advantage and to expand the market for the placement of goods and capital from Austria-Hungary.¹⁸ In an effort to find money and an economic market in which independent of the financial capital of Western European and Hungarian banks could operate independently, *Wiener Bankverein* found

¹⁷ *Ibid*, p.338.

¹⁸ A. Mitrović, „Ungarische Commerzialbank na Balkanu do 1918. godine“, *Zbornik Matice srpske*, 34, Novi Sad, 1986, pp.44-50; *ibid*, „Mreža austrougarskih i nemačkih banaka na Balkanu pred Prvi svetski rat“, *Jugoslovenski istorijski časopis*, no. 3 - 4, Beograd, 1988, pp.66-70.

itself very early in Bosnia and Herzegovina. Using the support and privileges provided by the Regional Government for Bosnia and Herzegovina, in 1895, it established the *Privilegovana zemaljska banka za Bosnu i Herzegovinu* in Sarajevo (hereafter *Landesbank für Bosnien und Herzegovina*), simultaneously taking over the affairs of the *Credit Bureau* and the *Bosnia and Herzegovina Savings Bank* in the same city. Through an excellent business organization, it established a network of branches (Mostar, Tuzla, Brčko, Bjeljina, Banja Luka) within a short time, and also took full control of the wholesale of tobacco products, thus limiting its business activity exclusively to the territory of Bosnia and Herzegovina, which was, after all, the case and with all other foreign capital banks that were established in Bosnia and Herzegovina by 1914.¹⁹ This phenomenon that banks do not even envisage setting up their branches or extending their business beyond national borders even under their statutes, is a unique case in the banking of Austria-Hungary. One reason is believed to be “the gravity of the national Bosnian economy to Sarajevo instead of the fact that it gravitated into national and economic centers” (in Serbia, Croatia and Dalmatia - note aut.).²⁰

The conjunction of industrial and banking capital in the late 19th and early 20th centuries was not only a feature of Austria-Hungary, but of all other modern industrial countries of the time. What set it apart from other countries, however, was the fact that large banks nowhere played such a decisive role in economic life, as was the case in the Austro-Hungarian Monarchy. It was the Austro-Hungary itself who, by equalizing money and currency reform at the end of the 19th century, made it possible to stabilize money and simplify money operations, accelerate the development of the

¹⁹ *Les banques en Yougoslavie* (Beograd: Kraljevina SHS, Jugoslovensko novinarsko udruženje, 1927), p.136.

²⁰ Lj.St. Kosier, V. Ristić, *Vodeće institucije u nacionalnom bankarstvu Bosne* (Beograd, Ljubljana: Bankarstvo, 1924), p.344.

monetary and credit economy, as well as the banking system and financial capital throughout its country.²¹ In 1913, Croatia and Slavonia, as components of its monetary and economic system, already had one credit institution (bank, savings bank or credit cooperative) per five to seven thousand inhabitants, while in some districts there were credit institutions even per two thousand inhabitants. It should be noted here that large financial institutions with domestic capital were poorly engaged in the establishment and financing of business enterprises, primarily industrial ones, due to the strong economic dependence on the centers in Vienna and Budapest. In Slovenia, city and municipal credit unions developed significantly, in which, again, the concentration of domestic capital was very successful.²² Being on “its own ground”, *Wiener Bankverein* could easily expand by establishing a branch office in Zagreb in 1908, in the literature and archival material known as the *Croatian branch of Wiener Bankverein (Hrvatska podružnica Wiener Bankverein)*. It cherished the typical banking business, but with the comprehensive support of the state, she sought to find and strengthen a business base in the industry, and having a greater share of the stocks in the few very advanced Croatian and Slovenian companies, such as the Slaveks Forest Company and the Paper Factory Vevče and Medvode and Goričane.²³ Thus, what in other parts of the Balkans was the privilege of the rest of the members of the banking consortia in which she participated, in the territory of Croatia, Slavonia, Slovenia

²¹ A. Gerschenkron, *An Economic Spurt that Failed: Four Lectures in Austrian History* (Princeton University Press, 1977), p.49.

²² M. Mirković, *Ekonomska historija Jugoslavije*, (Zagreb: Ekonomski Pregled, 1957), pp. 312-320; D. Mišić, “Pregled jugoslovenskog novčarstva i bankarstva”, (Zagreb: Nova Evropa, 1923), p.346.

²³ I. Belin, *Koncentracija novčanih zavoda*, “Jugoslovenska njiva”, year 3, Zagreb, 1919, p.165; “Opšte jugoslovensko bankarsko društvo i njegova familija u ushedećoj liniji”, *Analiza bilansa* an appendix to *Narodno blagostanje*, II, 20, Beograd, 17. 5. 1930, pp. 87-89

and especially Zagreb, was exclusively hers. This expansion of the economic as well as political and cultural influence of Vienna was of great importance and left a deep mark on the time to come and in which the *Croatian branch of Wiener Bankverein* was no longer operating within its national borders.

Serbia has long been unable to consolidate its network of banks linked to loans, either to the economy or to communications. Until the early twentieth century, the entire banking system of Serbia was based on a large number of small banks and savings banks, which reduced their business activity only to loans to peasants and merchants. Their fragmentation and deconcentrating, with quite a small amount of available capital, made it impossible for any serious action towards faster and stronger engagement in the economic life of the country. To this must be added, and characteristic of Serbia, the emergence of using banks as a tool in party struggles (especially in smaller cities where there were sometimes as many banks as there were political parties, which often lent voters instead of lending to the economy).²⁴ However, in 1882, *Österreichische Länderbank* succeeded in founding the first “daughter bank” in Serbia, the *Serbian Credit Bank*, in cooperation with the *Comptoir d'Escompte of Paris*. A new foreign capital bank appeared in 1888 under the name *Bank Andrejevic and Co*. In cooperation with its founder *Pester Ungarische Commerzialbank*, a year earlier, *Wiener Bankverein* participated in the financing of tobacco operations in Serbia. Since then, it has been repeatedly questioning the idea of opening its own branch in Belgrade. She had the most prospect of success in 1911 when she joined a consortium with the aforementioned Hungarian bank and applied for a loan to the city of Belgrade. As it failed to obtain this loan due to the increasing influx of French, British and Czech capital

²⁴ M. Mirković, *ibid*, pp.313 - 314; D. Milić, “Pregled delatnosti stranog kapitala u Srbiji do Prvog svetskog rata”, *Historijski pregled*, 2, Zagreb, 1964, pp.100-102.

(to which Serbia's private banking doors were wide open), and due to the increasingly strained foreign policy situation, it was forced to withdraw from these territories. It reappeared only during the First World War during the Austro-Hungarian occupation of Serbia. At that time, the military leadership, which was preparing the annexation of this area, namely to the Austrian part, at the initiative of the Ministry of War of the Empire, especially took an active role in establishing the branch of the *Wiener Bankverein*, which opened in 1916 in Belgrade. However, despite many facilitations, the same military administration constantly interfered with the development of this branch's business, first by controlling the agricultural yields, natural resources and industrial plants of Serbia, and then preventing the connection between institutions and people from Vienna and the local population.²⁵ Despite this rather clumsy engagement during the war, the stay of *Wiener Bankverein* in Serbia was crucial to its continued existence in the area after the end of World War I and the collapse of the Monarchy.



Until World War I, *Wiener Bankverein* was woven into a “network of Austro-Hungarian and German banks in the Balkans”, and when her interests demanded it, she knew she should be part of a consortium of other European banks. With the concentration of large capital, strong banks then became increasingly involved with industry, mining, transport, trade and agriculture. This “new type” banking, in which the Viennese bank sought to play a significant

²⁵ A. Mitrović, *Strane banke u Srbiji 1882 - 1914*, “Jugoslovenski istorijski časopis”, 1, Beograd, 1997, pp.9-24; *ibid*, *Ungarische Commerzialbank na Balkanu do 1918. godine*, pp.55-75

role, was the link between financial affairs and politics. The businesses and interests of such a bank were partly the interests of the national economy. Combining these interests with the state's economic and political aspirations allowed the bank not only enormous economic power, but also a significant role in the foreign policy of its country. Through banking financial capital, so necessary for the economic and social development of the former provinces of the Ottoman Empire in the Balkans, powerful European states have influenced their internal policies and thus included them in their respective spheres of interest. Thus, with the creation of two opposing alliances of major European states in the last third of the nineteenth and early twentieth centuries, there was a real race to achieve absolute economic and political monopolies, which made the operation of major European banks in the Balkans increasingly political. However, the end of World War I eliminated two hitherto very significant participants from this merciless economic and political game. One of them, Austria-Hungary, fell apart into several smaller nation-states, while Germany only temporarily withdrew but did not relinquish its aspiration to create from Southeast Europe (*Südost*) its "supplementary economic area".

In any case, the demonstrated performance of *Wiener Bankverein* in the Yugoslav countries until the First World War, as well as the strength of financial capital at that time, will allow us to more freely compare its later position, reputation and business in those same countries, then when they become an integral part of the newly established Kingdom of Serbs, Croats and Slovenes. We will also see how many new methods of operation of the same bank were due, both to the changed socio-political circumstances in the country from which it originated, and to economic and financial changes throughout the European continent of that time.



THE BATTLE OF
WIENER BANKVEREIN
FOR PRESERVING OLD
POSITIONS ON BALKANS



AUSTRIAN BANKING IN THE TRANSITION FROM THE MONARCHY TO THE REPUBLIC

The peace treaty in Saint-Germain left a once-powerful Austro-Hungarian state a small, war-ravaged, economically devastated and financially broken Austria. The state, which was reduced to a ninth of the former population and one-sixth of the former territory, completely separated from its once very important markets, industrial enterprises, seaports and fertile plains, almost no longer had the strength to exist.¹ Still, it had to. The coveted unification with Germany was out of the question, not so much because of Austria itself, but because of the barely defeated Germany in the war.² From November 12, 1918, until May 1922, when Sipel's

¹ The Treaty between the members of the Entente and the new Republic of Austria was signed in Saint Germain on September 10, 1919. The Austrian part of the Empire lost much of its territory: South Tyrol (Alto Adige) was ceded to Italy; Istria, the Julian region and some islands also were ceded to Italy; Bohemia, Moravia, the Sudetenland and part of Silesia became part of the new state of Czechoslovakia; Bukovina was ceded to Romania; Galicia was ceded to Poland; The Slovenian and Croatian parts of the Empire as well as part of the Dalmatian coast and Bosnia and Herzegovina became part of the new Kingdom of Serbs, Croats and Slovenes.

² *From Empire to Republic: Post-World War I Austria*, eds. P. Berger, et.al. (Innsbruck University Press 2016), pp.175-183; M. Allinson, *Germany and Austria 1814-2000, Modern History for Modern Languages* (London: Hodder Arnold, 2016), pp.57-63; H. Herwig, *The First World War Germany and Austria Hungary 1914-1918*, (Lodnon: Bloomsbury Academic, 2014), pp.422-425; M. Đ. Milojević, *Iz oblasti naše spoljne politike I*, (Beograd: Život i rad, 1932), pp.94 -101; A. Ilić, *Danubieusis. Današnja Austrija*, (Beograd, 1927), p.9.

“citizen government”³ was formed, the rule in Austria, both politically and economically, dissolved. No one can better than contemporary contemplate all the horror that the defeated state and its people went through. In the case of Austria, the words of one of its great writers, who was in Salzburg at the time, are noted:

“Every step through the street, where shop-windows had a plundered look, where decaying houses shed crumbling mortaur like scurf, where visibly undernourished people painfully dragged themselves to their work, served to trouble one’s soul(...) The chaos grew from week to week, the population became more excited. The progressive devaluation of money became more often manifest. The states later had their new currency substituted for the old Austro-Hungarian notes, thus saddling tiny Austria with the main burden, more or less, of redeeming the old crown. The first sign of distrust was the disappearance of hard money, for people tended to value a bit of copper or nickel more highly than measures printed paper. The government did its best to get maximum note production from the printing presses, following Mephistopheles’ prescription, but it could not keep pace with the inflation; then every city and town, every village, began to print its own “emergency money“ which neighborhood villas could reject and which, for the most part, was recognized to be worthless and was thrown away. An economist who knew how to describe graphically all the phases of the inflation that spread from Austria to Germany would find it unsurpassed material for an exciting novel, for the chaos took on ever more fantastic forms.”⁴

The aid for exhausted Austria came precisely from its enemies of yesterday, France and England. Fearing growing social discontent,

³ Ignaz Seipel was the Austrian chancellor on two occasions: from 1922 to 1924 and from 1927 to 1929 see: P. *From Empire to Republic: Post-World War I Austria*.

⁴ S. Zweig, *The World of Yesterday: An Autobiography*, (London: Hallam Edition, 1953), p,289; p.291.

France and England began work on the financial reconstruction of Austria, through the League of Nations, seeking to secure its budgetary balance with a favorable loan (1922).⁵ The rapid economic recovery that followed was due to the fact that as many as 17,000 industrial enterprises in Austria-Hungary before the First World War had as many as 6,283 enterprises or 37.6% in Austria. Much more important was the fact that the largest Viennese banks, with significant foreign capital intervention, were able to maintain their financial stability.⁶ Namely, the collapse of the Monarchy also led to

⁵ A Protocol for the Restoration of Austria was signed between the government of Austria and the governments of the United Kingdom, France, Italy and Czechoslovakia on 4 October 1922, which provided for the gradual rebuilding of the Austrian economy under the control of the League of Nations. The Government of Spain acceded to this protocol on 3 November 1922. It consisted of three separate declarations, which obliged the signatories not to violate Austrian territorial or economic independence and to allow the foreign loans obtained by the Austrian government to be regulated. A Control Committee has been established to oversee the distribution of funds during the recovery. The Third Declaration granted the Austrian Government the time required to regulate internal legislation in accordance with the provisions of the Protocol, as well as the right to appeal certain decisions taken by the Control Committee. A detailed program was developed to balance the Austrian budget within approximately two years and a loan of £ 26 million was granted to the country in 1924. Under the control of the League of Nations, the economy and the system of public finances were reformed and the budget balanced, so that by 1926 this control was completely withdrawn. The 1922 Protocol was supplemented by the Austrian Protocol signed on 15 July 1932, under which the governments of Belgium, the United Kingdom of Great Britain and Northern Ireland, France, Italy and the Netherlands undertook to lend to the Austrian Government 300 million Austrian Schillings for a period of 20 years. See: P. Gerlich, D.F.J. Campbell, „Austria: From Compromise to Authoritarianism“, *Conditions of Democracy in Europe, 1919-39*, eds. D. Berg-Schlosser, J. Mitchell (Wien: Springer, 2000), pp.40-58.

⁶ I. Bickerton, *The Illusion of Victory: The True Costs of Modern War* (Melbourn University Press, 2011), pp.116-148; J.M. Keynes, *The Economic Consequences Of The Peace: With A New Introduction By Michael Cox*, (London: Palgrave Macmillan, 2019); 143-144; M. Đ. Milojević, *ibid*, pp.104-105; Aleksandar Ilić, *ibid*, p.8.

the collapse of its banking system, which was completely deprived of its economic base, because it had failed to participate in a large number of industrial enterprises which then remained outside the borders of the state. Of the nine former Viennese banks with 143 branches outside Austria, by 1924 only the three oldest ones (with nine remaining branches) sustained: *Credit-Anstalt für Handel und Gewerbe*, *Niederösterreichische Eskom Gesellschaft* and *Wiener Bankverein*, thanks to the timely decision to preserve some of their assets by transferring most of their financial capital to foreign currency, as well as the already mentioned intervention of foreign, primarily Belgian, Swiss, English, and American capital.⁷

Thus, the rebuilding of *Wiener Bankverein* succeeded, first of all, thanks to the sale of a considerable package of shares in 1920 to a large international consortium led by the Belgian bank *Société Générale de Belgique*. With a strict business policy, which did not imply the operations with the capital coming from small investors and savers, but solely with its own capital or the capital of those large industrial and business clients, *Wiener Bankverein* managed to sustain itself during the inflation period. It then established a direct link with large foreign banks through which it managed to provide loans in foreign currency to companies within its consortium. *Wiener Bankverein* was able to benefit from the participation of the *Société Générale de Belgique* and its subsidiary *Banque Belge pour l'Étranger* by the end of the same year. An agreement was reached under which these two Belgian financial institutions provided *Wiener Bankverein* with a credit line of 30 million Belgian francs, successfully overcoming the constant risk of withdrawing money for psychological reasons and enabling more free investment in industry, transportation and mining.⁸

⁷ A. Teichova, „Banking and Industry in Central-East Europe in the first decades of the 20th century“, *150 Jahre österreichische Bankengeschichte im Zentrum Europas*, eds. O. Rathkolb et al. (Wien: Bank Austria Creditanstalt, 2005), pp.148-161.

⁸ F. Weber, *Vor dem großen Krach*, p.83; „Opšte jugoslovensko bankarsko

However, the situation in its key market, the Balkans, has fundamentally changed. Before World War I, it was a place with various financial heritage. Thus, the Kingdom of Serbia had its own central bank and the national currency, while other territories that became part of the new state had different financial positions depending on the countries to which they belonged. The territories that were previously parts of the Dual Monarchy were leaned on a banking system symbolized by the *Österreichisch-Ungarische Bank*, created by the privileged *Österreichisch Nationalbank*, established as early as 1816 in Vienna. From 1873 the monetary unit of the Kingdom of Serbia was the dinar, while in 1892 the Crown was introduced as the monetary unit of the Austro-Hungarian Monarchy.⁹

The conjunction of industrial and banking capital in the late 19th and early 20th centuries was not only a feature of Austria-Hungary but of all other modern industrial states of the time. What set it apart from other countries, however, was the fact that the big banks nowhere played a decisive role in economic life, as was the case in the Austro-Hungarian Monarchy. Therefore, it would be almost impossible to find a common line in the banking system that existed in the Yugoslav territories before unification. Formed in quite different political and economic circumstances, parts of the future Yugoslav space functioned in their own way. At the same time, the banking system that existed in the territories of the former Dual Monarchy was not unique. The banking legacy in Croatia and Slavonia was the largest, so before World War I there were 61 banks, 146 savings banks and 832 credit unions. The territorial distribution of these institutions was such that only *Hrvatska zemaljska banka* was headquartered in Osijek, while the centers of all other strongest banks and savings banks

društvo i njegova familija u ushodećoj liniji“, *Analiza bilansa an appendix to the Narodno blagostanje*, II, 20, Beograd, 17. 5. 1930, pp.87-89.

⁹ D. Gnjatović, V. Dugalić, B. Stojanović, *Istorija nacionalnog novca*, (Beograd: Sineks-Beograd, 2003), p.166.

were concentrated in Zagreb. Their common feature was that they were mostly founded in the second half of the 19th century, primarily with the aim of investing in the development of industry. By all means, the most powerful bank in terms of invested capital and branched out businesses, was *Prva hrvatska štedionica* (*First Croatian Savings Bank*).¹⁰

The diversity was also reflected in the time when the banks began to be established. Thus, in Slovenia, under the influence of Austria, the first banking institution started operating as early as 1820, that is, twenty years before *Prva hrvatska štedionica*, opened in 1846, while the first bank was established in Serbia in 1869.¹¹ When it comes to domestic banking institutions, they were established in Slovenia only in the first decades of the 20th century. In addition to several major banks such as *Ljubljanska kreditna banka* (*Kreditanstalt für Handel und Industrie*), *Kranjska deželna* and *Slovenska eskomptna banka*, the main feature of Slovenian banking were the various savings banks (*mestne hranilnice*) that existed in almost every populated place. The oldest was *Kranjska hranilnica*, founded in Ljubljana in 1820.¹²

Credit operations in the territory of Vojvodina included three types of banking institutions: banks, savings banks and credit cooperatives. Thus, by the end of the 19th century, there were already 42 banks, 26 of which were in Banat, 11 in Bačka and 5 in Srem. In addition to the 120 banking institutions founded with foreign

¹⁰ B. Drašković, V. Aleksić J. Minović, *Problemi deindustrijalizacije u Srbiji* (Beograd: Institut ekonomskih nauka, 2014), pp.21-24; S. Deželić, *Banke i Bankarstvo*, (Zagreb 1921), p.29.

¹¹ S. Deželić, *ibid*, p.31; A. Mitrović, Andrej, *Strane banke u Srbiji 1878 – 1914*, p.54.

¹² Lj.St. Kosier, *Narodna banka Kraljevine Srba, Hrvata i Slovenaca 1884-1924*, (Zagreb: Tisak i kom. naklada hrv. štamparskog zavoda D.D, 1924), p.35; Ž. Lazarević, “Slovenian Banks during the Great Depression,” *Economic and Financial Stability in SE Europe in a Historical and Comparative Perspective*, eds. Hinić, B. et.al. (Belgrade: National Bank of Serbia, 2010), p.57.

capital, there were also banks established with domestic capital such as *Srpska zadružna banka* and *Pančevačka kreditna banka*.¹³ Banking in Bosnia and Herzegovina was concentrated in about fifty financial institutions until the First World War and had a distinctly national and confessional note, the most powerful of which were concentrated in Sarajevo: *Landesbank für Bosnien und Herzegovina*, *Srpska centralna banka*, *Hrvatska centralna banka*, *Muslimanska centralna banka*. It should be borne in mind that in the future Yugoslav banking system, in addition to the already listed financial systems, an oriental system was incorporated, since in the short peacetime period from the end of the Balkan Wars to the beginning of the First World War there could be no integration of the banking sector in Old Serbia and Macedonia.¹⁴

With all this in mind, *Wiener Bankverein* had been guided by the prudent business policies of its Management Board, carefully choosing the time during which it would rebuild old positions and elect new ones.¹⁵ Vienna's big banks have very flexibly pursued their policy of adapting to the structure of their respective economic area. Thus, the solutions of economic relations with the newly created nation-states were very different. The nationalizations, which began in 1919 by some successor states, were largely initiated precisely for fear of the domination of Austrian economic and industrial structures, which resulted in the introduction of entirely new industrial and trade policies in those countries. In the ensuing period, great efforts were made to adapt these new economic developments to developments in the Austrian economic area itself,

¹³ *Istorija bankarstva u Vojvodini*, ed. N. Gaćeša, (Novi Sad: Matica srpska, 2001), p.123.

¹⁴ Lj.St. Kosier, *Narodna banka Kraljevine Srba, Hrvata i Slovenaca*, p.38.

¹⁵ In that period, the members of the Board and the Directorate of *Wiener Bankverein* were mostly Austrian Jews. Bernhard Popper-Artberg, Hugo Marcus, Sigmund Ichenhaeuser, Alfred Heinsheimer, dr Wilhelm Adler and Oscar Pollak: Archives of Yugoslavia (AJ), Ministry of Trade and Industry (65) - 1498 – 2482.

and this was done primarily through mergers of related companies, internal rationalization and changes in production. It turned out that economic ties went beyond new frontiers, and it seemed desirable to maintain them, both by reorganizing certain branches of the economy and starting new holding companies. This was especially true of the textile, lumber and wood processing industries, which, until 1918, received funding from well-known domestic and foreign funds. Thus, the estimated assets of *Wiener Bankverein* in the Austrian-Hungarian textile industry amounted to about one billion kronor, in the petroleum industry 800 million, in the mechanical industry 300 million, and in the mining industry about 400 million crowns.¹⁶

Of all Viennese banks, *Wiener Bankverein* was the one that had the largest network of branches and subsidiaries before the war and had to sacrifice much in its relations with the successor states. Its subsidiaries in Poland were taken over in 1921 by the newly formed *Allgemeine Bankverein in Polen AG* of Warsaw, in which *Wiener Bankverein* still managed to retain a significant share. In the same way, the *Allgemeinen Böhmisches Bankverein* in Prague was founded by the Czech branches as well as the *Mährischen Agrar-und Industrie Bank* in Brno, which jointly continued to run the *Société Générale de Belgique*, *Banque Belge Pour l'Etranger* and *Wiener Bankverein*. The banking network in the Orient, built over the years and with great effort, especially the branches in Constantinople and Smyrna, had to be abandoned shortly after the end of World War I, without any possibility of connecting with its headquarters in any way. Until 1922, *Wiener Bankverein* maintained its branches in Zagreb, Budapest, Romania's Černovic, as well as two in northern Italy: Bolzano and Merano. What was also very important was the fact that it was able to set up a new branch in Belgrade, because it found very suitable for the political and economic situation in the country of her new neighbors.¹⁷

¹⁶ *Ein Jahrhundert Creditanstalt-Bankverein*, p.165.

¹⁷ *Ibid.*, p.167.

Table 1:
Balance sheets of five largest Austrian shareholding banks at the end of 1921

BANKS	THE TOTAL AMOUNT OF CAPITAL IN MILLIONS OF CROWNS
Österr. Credit-Anstalt f. Handel u. Gewerbe (Creditanstalt)	84,502.59
Wiener Bank-Verein	79,541.00
Allg. österr. Boden-Credit-Anstalt (Bodencreditanstalt)	34,783.04
Niederösterreichische Escompte-Gesellschaft	31,978.81
Allgemeine Depositen-Bank	24,582.54

Source: P. Eigner et al., *Geschichte der österreichischen Privatbanken* (Wien: Springer, 2018), p.89.

The newly established Kingdom of Serbs, Croats and Slovenes “was, by location, a link, a bridge of Europe and Asia, of Central European, Asian and Middle Eastern space, open to the Mediterranean and connected to the Black Sea via the Danube”.¹⁸ Such a position had not only foreign policy importance but also enormous economic importance in Europe at that time. A whole new economic area was created, both in size and quality. It was an obvious change, more precisely, the disintegration of the old economic area and the adjustment and gradual integration of the new economic area.¹⁹

¹⁸ B. Petranović, *Istorija Jugoslavije 1918 - 1941, Prva knjiga*, (Beograd: Nolit, 1988), p,31.

¹⁹ M. Mirković. *ibid*, pp.339-342; J. R. Lampe, M. R. Jackson, *ibid*, pp.376-382.

That change was hidden behind the well-known political conflicts, the aftermath of war and inflation, which meant that by its very nature it was not at all easy and painless. However, without a good knowledge of the economic change, it is difficult to properly grasp the major political and social movements and changes that have taken place in the new state.

The attitude towards the changed market size was completely different in Serbia and the regions of the former Monarchy. While for Serbia, the change meant expanding the market from 2.9 million to a quadruple figure, for the regions of former Monarchy it meant a decrease, as they moved from a market of 677,000 km² to a market of 248,000 km². “This gave Serbia a sense of pride in *how many* things could be obtained in the domestic market, and in Slovenia, Croatia and Vojvodina, the surprise of *how few* things the domestic market can provide. This complacency in ones, and underestimation in others, will be the root of many later tensions.”²⁰ However, one cannot neglect the fact that Slovenia, Croatia and Vojvodina, from regions of predominantly agrarian character in the former Monarchy, had almost overnight become the most economically developed areas in the new state. This is especially true of Croatia, whose relative advantage was most evident, especially in the area of banking and financial capital. As discussed above, in 1912, there were 1,039 credit institutions in Croatia with 131 million gold crowns of their own funds, while in Serbia at that time the capital amounted to 58 million gold dinars. Therefore, it should not be surprising that in the first years after the Great War (until 1924), 50% of banking capital in the Kingdom of SCS was concentrated in Croatia and Slavonia.²¹ For the same reason, Zagreb became the center of economic power, that is, the center of the strongest con-

²⁰ R. Bićanić, „Ekonomске promjene u Hrvatskoj izazvane stvaranjem Jugoslavije 1918“, *Prilozi za ekonomsku povijest Hrvatske*, Zagreb, 1967, p.83.

²¹ *Ibid*, p.85.

centration of capital, the largest industrial and commercial center, unlike Belgrade, in which all political and state legislative power was concentrated.²²

Immediately after its founding, the reasons for the economic euphoria that prevailed in the Kingdom of SCS were outlined in one of the papers written by the University Professor and then former Assistant Minister of Finance, Velimir Bajkić: "Frivolous optimism is a capital trait in the psychology of a victorious nation. That was the case with Yugoslavia. The good mood created with the victory and the creation of a new broad Fatherland also created an unlimited opportunity in the economic field. The spiritual state of the country was *à la hausse*. Then, inflation occurred, which was a material element of the entrepreneurial spirit and a great and lively initiative. Nationalizing companies is not a bad thing, on the contrary, but for unlimited optimism, there were insufficient funds available to Yugoslav banks."²³ At first, there was an unlimited opportunity for the capital market, given the huge construction activity in big cities, the exploitation of the country's natural resources, the opening of new industrial enterprises, the development of trade well as the credit needs of the state and private entrepreneurs. It was believed that in the then devastated and bare land, everything that was built and produced would have a good pass, or that it would be profitable. Not much has been taken into account considering the purchasing power of the people. The chances of large and fast earnings have been enhanced by the progressive inflation that has emerged precisely as a result of this rapid economic prosperity of the country. The value of capital, which in the form of loans and credits was invested in the establishment of various industrial enterprises, for the

²² D, Mišić, *ibid*, p.347.

²³ V. Bajkić, *Naše bankarstvo*, "Letopis Matice Srpske", book 313, Novi Sad, 1927, pp.219-220.

construction of residential buildings (leasing) or the leasing of complexes of land for parceling, has fallen sharply due to inflation.²⁴

The inevitable decline in primarily banking capital was also influenced by the decline in the overall balance sheets of the banks located in the regions of former Austro-Hungary for the entire three quarters. The reason was the change from the Crown to the Dinar, based on the decision of the Government of the Kingdom of Serbs, Croats and Slovenes on the monetary unification, in January 1920, when the withdrawal of the Austro-Hungarian Crown began, which was then replaced by the dinar in a 1:4 ratio.²⁵

Namely, during the war, in 1918, there was a great deal of borrowing of the Austro-Hungarian state from the *Österreichisch-Ungarische Bank*. This bank issued notes based on the government bonds received, so the budget deficit was inflationary financed, which caused the money supply to increase uncontrollably without increasing the metal base. This inevitably triggered high inflation, significant price increases and the collapse of the crown. The

²⁴ S. Deželić, „Novčani zavodi Kraljevine“, *Kraljevina SHS, Almanah*, book I, part III, Zagreb, 1921/22, p.122.

²⁵ *Službene novine Kraljevine SHS (Official Gazette of the Kingdom of SCS)*, II, 13, 18. 1. 1920. The government's reasoning for this decision states, inter alia, “The unification of money prevents a further war between the crown and the dinar, which prevents the value of the crown from rising when the value of the dinar declines and vice versa; it enables the parallel movement of the value of both notes. Following this reform, and subject to the favorable economic conditions of our Kingdom, the value of the crown and the dinar has a gradual, simultaneous and parallel climb in the direction of its pre-war value. “Determining the ratio of the dinar to the crown at 1: 4 posed a major problem for all banking institutions in the territory of the former Monarchy and caused great dissatisfaction with the Croatian and Slovenian financial circles who felt that the dinar was overestimated in this scale, see: M. Ivezić, “Naše banke”, *Domovina, Kalendar za 1925*, Beograd, 1924, p.119; R. Bicanic *ibid*, p.101.

Österreichisch-Ungarische Bank continued to exist after the collapse of the Monarchy, keeping the crown in circulation throughout the territory of the Austro-Hungarian Monetary Union, in all provinces of the former Monarchy. This again led to large spillovers of money from one area to another, which allowed for speculative shocks, which meant that in the first post-war period, when economic recovery was crucial, the uncertainty faced by the businessmen greatly increased while the rise in transaction costs significantly slowed the exchange of goods.²⁶

On the other hand, at the same time, the process of creating a Yugoslav state took place, in which both external and internal factors were involved, but they did not have as a sphere of consideration the regulation of the monetary system. "There has been controversy over whether the new state should have a federal or centralist order, what nations will make it, and who will play a crucial role in governing. Currency unification was not an issue that at least initially interested Serbian politicians and the Yugoslav Committee."²⁷ This important economic issue was the second step that followed shortly after the Unification on December 1, 1918, and the initial euphoria of creating a new state, when currency divergences quickly turned out to be one of the burning problems.²⁸

²⁶ B. Begović, „Uspostavljanje monetarne unije“, *Sto godina od ujedinjenja: stvaranje države i prava*, eds. Begović, Boris, Mirković, Zoran, (Pravni fakultet Univerziteta u Beogradu, 2020), p.468.

²⁷ S. Jerković, *Narodna banka Kraljevina Srba, Hrvata i Slovenaca/ Jugoslavije 1918-1931. godine*, (PhD Dissertation), University of Belgrade, Faculty of Philosophy, 2018, p.168.

²⁸ More on the monetary unification in the Kingdom of SCS see: M. Zečević, „Srbija i valutno pitanje 1918-1921“, *Srbija na kraju Prvog Svetskog Rata*, Zbornik radova 8: Istorijski Institut, Beograd, pp.77- 87; M. Ugričić, *Novčani sistem Jugoslavije*, (Beograd: Zavod za izdavanje udžbenika Socijalističke Republike Srbije, 1967); D. Gnjatović, *Stari državni dugovi, Prilog ekonomskoj i političkoj istoriji Srbije i Jugoslavije 1862–1941* (Beograd: Ekonomski institut/Jugoslovenski pregled, 1991); B. Kršev, *Finansijska politika*

Therefore, the priority for the authorities was to eliminate the monetary chaos that prevailed, with five different currencies in circulation in the same area, which was interchangeable at a freely formed exchange rate, depending on fluctuations in the local markets of a largely disrupted and economically unrelated state. Such monetary chaos significantly increased transaction costs because trade between businessmen in the territory of the former Kingdom of Serbia and those in the newly united provinces was crucial for post-war economic recovery. In addition, for economic and political reasons, it was necessary to prevent the introduction of Austro-Hungarian crowns in the territory of the Kingdom of Serbia as soon as possible. Thus, in December 1918, the Ministry of Finance issued two orders, the first of which was a measure banning the introduction of crown notes into the Kingdom, and the second stamping and listing of crowns and Bulgarian levs only in the territory of Serbia and Montenegro, while stamping and listing of crown notes in the other territories were executed on the basis of a ban order in January 1919.²⁹ A month later the decision was made to make the newly established Kingdom a monetary union whose currency would be dinar, with the crown being exchanged for dinar in a manner and at a rate to be determined later. Monetary separation and the replacement of the crowns were also linked to the liquidation of the *Österreichisch-Ungarische Bank*, and these

Jugoslavije 1918-1939, (Novi Sad: Prometej, 2007); I. Becić, *Finansijska politika Kraljevine SHS 1918-1923*, (Beograd: Stubovi kulture, 2003) ; *ibid*, *Ministarstvo finansija Kraljevine Jugoslavije 1918-1941*, (Beograd: Institut za savremenu istoriju, 2012); *ibid*, „Za dinar ili za krunu - ko je dobio a ko izgubio“, *Istorija 20. veka*, Beograd, 2/2013, pp.41-58; B. Mijatović, „Zamena austrijskih kruna za dinare“, *Istorija 20. veka*, Beograd, 1/2014, pp.75-89; P. Garber, M. Spencer, *The Dissolution of The Austro-Hungarian Empire: Lessons for currency reform* (Princeton University Press, 1994).

²⁹ AJ - Ministry of Finance of the Kingdom of Yugoslavia (70) -3-6: Rescript on access to stamping and inventory of paper money of Austria-Hungary and Bulgaria

issues were also regulated by the Peace Agreements in Saint-Germain and Trianon. On this basis, the successor states were obliged to mark the crowns found in their territory, as well as to withdraw the crowns from circulation in a period of one year, after which the crowns were submitted to the Reparation Commission.³⁰ The treaties legalized the factual situation because crown banknotes had already been marked in all countries. What is common to Czechoslovakia, Italy, Poland, Romania and Yugoslavia is that all the activities undertaken went towards replacing the crown for national currencies, all in parallel with the organization of power, the establishment of borders, the prevention of social unrest without any model that would have been inherited from previous times.³¹ The monetary situation inevitably affected industry and trade. The currency measures of individual nation-states - in addition to the scarcity of raw materials and energy, especially coal - have led to a serious slowdown in economic life. The growing devaluation of money has disturbed the balance between physical and financial capital. In the newly established Kingdom of SCS, the necessary domestic capital, despite all the nationalization of foreign companies and banks, was still not enough. So in the end what happened was inevitable; foreign capital (Swiss, Belgian, English, American), so necessary for a comprehensive startup of the country's economic development, began to re-enter the country through the old, well-established Viennese channels.

³⁰ Begović, Boris, „Uspostavljanje monetarne unije“, p.480.

³¹ *Zbirka zakona protumačenih i objašnjenih sudskom i administrativnom praksom/Collection of laws interpreted and explained by court and administrative practice*, „The Treaty of Saint-Germain“, Book. 61, Beograd, 1927.

WIENER BANKVEREIN UNDER THE PATRONAGE OF SOCIETE GENERALE DE BELGIQUE

The banking consortium, which in 1920 removed the threat of bankruptcy of the *Wiener Bankverein*, was led by one of Europe's oldest banks at the time, the *Société Générale de Belgique* of Brussels, founded in 1822 under the name *Société Générale des Pays-Bas*. It was, at one time, the first investment bank in Europe, created at a time when Belgium was under Dutch rule, so that initially the majority of shares were owned by Dutch King William I. After the Belgian Revolution of 1830, it changed its name to *Société Générale de Belgique* and until the founding of the *Banque Nationale de Belgique* in 1851 it was also the issuing bank of Belgium. The rise of Belgian industry in the early 19th century was closely linked to the establishment of this banking system which, before the French *Société Générale du Crédit Mobilier* or large German banks, channeled financial capital into key sectors of heavy industry, which was of vital importance for its modernization and spreading. In the beginning, large banks, by covering state costs, played the role of indirect financiers of industrialization. That was the case with this Brussels bank as well. Thus, as early as 1823, 67.5% of the activities of the *Société Générale* were intended for loans to the state, and in 1834 this share was still more than 53.4%.³²

³² More on the history of *Société Générale de Belgique* see: J. Cottenier et al., *Dossier La Société Générale: 1822-1992* (Bruxelles: Edition EPO, 1989); G. Kurgan-van Hentenryk, "Finance and financiers in Belgium, 1880-1940", *Finance and financiers in European history, 1880-1960*, ed. Cassis, Youssef (Cambridge University Press, 1992), pp.317-335; H. Van der Wee, M. Goossens, "The Internationalization of the Belgian Mixed Banking System",

The beginning of industrialization quickly opened the question of transport and construction of traffic infrastructure. Belgium was more responsible for the construction of the first canals and railways than other European countries. Until 1842, all railways were built by the state, and until 1850, all major railway lines were managed by the state. All these infrastructure works were largely financed by bank loans. In the first place it was the *Société Générale*, and then the famous *Banque de Rothschild* to which at that time almost all European governments were indebted. In fact, the progress of the *Société Générale de Belgique* was so striking that it quickly faced competition from the rival Minister of Finance, Charles de Brouckère, who founded a rival institution, the *Banque de Belgique*, in 1835. Interestingly, the main capital of the competing bank came mainly from France, namely from the *Banque de Rothschild*, which was particularly concerned about the growing power of the *Société Générale*. However, the *Banque de Belgique* never managed to undermine its strength and after years of struggle, it went bankrupt in 1880.³³

The deep intertwining of the interests of the *Société Générale* and the state was also expressed in the numerous public functions performed by the bank's employees. Among the bank's 24 directors and commissioners, between 1830 and 1839, there were four members of parliament, several ministers and 14 members of the

International Banking 1870-1914, eds. R. Cameron, V. I. Bovykin, (Oxford University Press, 1992), pp.113-130; H. Houtman-De Smedt, "The banking system in Belgium through the centuries"/"Le système bancaire en Belgique à travers les siècles", *Handbook on the History of European Banks*, ed. Pohl, Manfred, (Frankfurt am Main: European Association for Banking History E.V, 1994), pp.56-64; H. Van der Wee, M. Verbreyt, *The Generale Bank 1822-1997: A Continuing Challenge*, (Tielt: Lannoo, 1997); *Société Générale*: <https://history.bnpparibas/document/the-creation-of-the-societe-generale-des-pays-bas-to-encourage-industry-in-1822/> (approached on April 29th 2020)

³³ J. Cottenier et al, *ibid*, p.8.

Brussels municipal council, including one deputy and one mayor each. Good relations with the Ministry of Finance were reflected in the fact that *Société Générale* was given the right to issue banknotes by the decision of the Minister of Finance Jacques Coghen, who was also a bank shareholder and associate of Baron Ferdinand de Meeûs, the lifelong governor of the *Société Générale* and a major economic player in the industrial development of the new Belgian Kingdom.³⁴ This Belgian bank, as a joint-stock company, played a pioneering role because it was the first in practice to form financial-industrial groups that represented an unprecedented degree of concentration of power. Thus, at the top was the bank with its credit and capital activities, the level below consisted of holding companies, and at the bottom of the “ladder” were industrial companies that performed only production activities. As early as 1837, the *Société Générale* controlled between 20% and 25% of Belgian heavy industry and participated in the founding of most joint stock companies. According to Jules Malou, who managed the bank from 1849 to 1871, *Société Générale* controlled a quarter of the total capital of profitable Belgian joint-stock companies until 1860, financing them with loans through current accounts. It was a time when Ferdinand de Meeûs and his associates, members of wealthy Belgian families, along with the powerful head of the royal cabinet Jules Van Praet, owned 80% of the shares of *Société Générale* itself, as well as 85% of the shares of companies in its consortium. Their names were on the lists of the boards of directors of all these joint-stock companies, and the record was held by Jules Van Praet, who was a member of the Board of Directors in as many as 33 companies.³⁵

Société Générale's investments in the national economy significantly accelerated the industrial revolution of this region and as a type of holding company it had some control over the Belgian and

³⁴ *Ibid*, p.9.

³⁵ *Ibid*, pp.13-14.

colonial economy. Kurgan describes the development of the *Société Générale* into a universal bank as occurring after 1880, with several other banks rapidly following and imitating the strategy of the *Société Générale*. This development was then roughly contemporaneous; it also coincided with the growth and development of overseas financing.³⁶ From 1871 to 1913, the growth of share capital and long-term loans was actually quite modest: the value of share capital rose from 75 million francs to 100 million, and loans from 31 to 57 million. On the contrary, there was a huge increase in deposits from 18 million in 1871 to 52 million in 1880, to reach the amount of 288 million Belgian francs by 1918. *Société Générale's* growing interest in international banking was actually aided by a strategy of domestic financial expansion. In 1900, the *Société Générale* already controlled twelve regional and local banks with branches in fifteen different locations in Belgium. This number of regional and local banks under the control of the *Société Générale* grew by 1913 to eighteen banks which owned a network of sixty-one branches throughout Belgium. The combined strategy of expanding control over international and domestic banking resulted in an impressive increase in the share of financial participation in *Société Générale's* total portfolio, which rose from 16.42% in 1880 to 39.67% in 1913. Finally, from 1890, this bank transferred its business policy beyond the state borders, which enabled it to reach the very top of the banking ladder in Belgium. The fact that the Belgian colony of Congo was built with the financial capital of this bank, and through the newly established affiliation of the *Banque du Congo Belge*, speaks volumes about its strength.³⁷

In most prosperous capitalist countries, a huge surplus of capital has been accumulated since the middle of the 19th century, which was prevented by relatively small domestic markets from

³⁶ G. Kurgan-van Hentenryk, "Finance and financiers in Belgium 1880-1940", p.115.

³⁷ *Ibid*, p.319; H. Van der Wee M, Goossens, *ibid*, p.123.

operating with sufficient profitability. This led to the struggle of the most powerful states for a 'sphere of influence' in less developed industrial countries as well as in the colonies, where one of the main challenges was precisely the export of capital. In his search for colonial territories, King Leopold II of Belgium was particularly interested in China, where he tried to take advantage of rivalry between the great powers and secure control of the 1,200 kilometer railway on the Beijing-Hankow line, which was to transport much of China's imports and exports. In that sense, the rise of modern holding companies was indisputably an important result of the emergence of international mixed banking. Between 1880 and 1913, *Société Générale* was directly or through specialized holding companies actively involved in the construction of railways in Western Europe, and when this market showed signs of saturation around the 1890s, it changed its investment strategy again and focused all its efforts on creating a strong international financial network outside Belgium. The first step was taken in 1891, when *Société Générale* became an important shareholder in the *Banque Parisienne*. In the following years, the *Société Générale*, among other things, participated in the founding of the *Banque Russo-Chinoise* (1896), the *Anglo-Argentine Bank* (1897) and the *Banque Française de Brésil* (1899). However, the initial year of the creation of the international banking system has been usually considered to be 1902, when the *Société Générale* found the *Banque Sino-Belge*, and three years later the Beijing-Hankow railway line was officially opened. Investments in China, especially in the construction of railways, proved to be particularly profitable, as they brought a net return on invested capital of as much as 87%. This meant that the capital invested was almost fully recouped each year. During ten years (1898-1908), this important railway project created an important demand for railway equipment produced in Belgium.³⁸

³⁸ H. Van der Wee, M. Goossens, *ibid.*, p.123; *Across the Borders: Financing the*

Meanwhile, in 1904, the *Banque Parisienne* was reorganized and transformed into an important French investment bank, the *Banque de l'Union Parisienne*. Five years later, *Société Générale* opened a branch in London and in the same year participated in the creation of *Banque Italo-Belge*, which specialized in financial activities in Latin America. *Société Générale* strengthened its presence there already at the end of the 19th century through capital investments in railway lines in Argentina and Brazil. The internationalization of *Société Générale's* investment policy was not limited to the railway and financial sectors. Mining and heavy industry were also integrated into the international investment strategy, so in 1896 it was the turn of semi-feudal Russia, where the *Société Générale* and the *Société des Acières d'Angleur* founded the joint-stock company *Société Métallurgique Russo-Belge* with its headquarters in St. Petersburg. It would later create numerous metallurgical companies in the mining region of North Donetsk, which was considered one of the most important centers of Russia's industrial development. The creation of the *Société Métallurgique Russo-Belge* fit perfectly into the general movement of Belgian capital exports to southern Russia, between 1886 and 1899. Thus the Belgians became, after the French, the second most important creditor of Russia in 1913.³⁹

The few banks and companies mentioned here were just the most prominent examples of foreign financial investment by the *Société Générale*, which only between 1891 and 1913 had an interest in at least nineteen foreign banks or financial institutions. This rapid development of *Société Générale's* foreign financial portfolio during the period before the First World War illustrates all the dynamism and energy of the Belgian mixed banking system.

World's Railways in the Nineteenth and Twentieth Century eds. R. Roth, G. Dinhobl, (London: Ashgate Publishing Ltd, 2008), p.248.

³⁹ H. Van der Wee, M. Goossens, *ibid*, pp.124-125.

Thanks to its financial contributions, *Société Générale* often won seats on the boards of patronized banks. Indirectly, in this way, Belgian industrial interests in foreign countries benefited, especially through obtaining state concessions. In an effort to secure its foreign banking investments, *Société Générale* acquired the *Anglo-Foreign Banking Corporation* in 1913, establishing its position in the City of London. The new financial institution became the center of all international banking interests of the *Société Générale* being renamed as the *Banque Belge pour l'Étranger*.⁴⁰ And while in the early 1880s *Société Générale* was still considered the most important Belgian mixed bank specializing in the mining and metallurgical industry, by 1913 it had become the center of an important financial and industrial network that expanded throughout the world. Its investment portfolio more than doubled between 1880 and 1913, from 81 million to 202 million Belgian francs. At the turn of the century, the *Société Générale* became an increasingly distinct universal bank, consolidating itself in two sectors that became the foundation of its further progress between the two world wars: electricity and the development of colonial companies.⁴¹

During World War I, the *Société Générale de Belgique* turned the London branch of the *Banque Belge pour l'Étranger* into its main provisional headquarters, which was the financial center of all its operations outside then-occupied Belgium. In 1915, this branch also established a temporary agency in Rotterdam. The first years after the cessation of hostilities were a period of intense activity for the *Société Générale*, which some authors compare to the period

⁴⁰ According to Belgian historian Helma Houtman-De Smedt, the *Banque Sino-Belge* (founded under the control of the *Société Générale*) was actually transformed in 1913 into the *Banque Belge pour l'Étranger* with a wide international scope, see: H. Houtman-De Smedt, *ibid*, p.83.

⁴¹ H. Houtman-De Smedt, *ibid*, p.84; J. Cottenier, et al, *ibid*, pp.27-28; G. Kurgan-van Hentenryk, *ibid*, p.321.

Table 2:
Société Générale de Belgique - resources of major institutions at the eve of the World War I

<i>SOCIÉTÉ GÉNÉRALE DE BELGIQUE GROUP</i>	RESOURCES (MILLION FRANCS)
<i>Société Générale de Belgique</i>	482
<i>Banque d'Anvers</i>	157
<i>Subsidiaries of the Société Générale</i>	535
<i>Banque Beige pour l'Etrange</i>	166
<i>Banque Italo-Belge</i>	89
Total	1,429

Source: G. Kurgan-van Hentenryk,
"Finance and financiers in Belgium, 1880-1940", p.322.

following the declaration of independence of Belgium and the dynamic beginning of its industrialization. Namely, immediately after the armistice, *Société Générale* participated in the capital increase of a number of new Belgian companies and at the same time expanded and improved its banking infrastructure. Thus, already during the war, the increase in the capital of patronage banks began, continued after the war, and already in 1919 she founded the *Banque Générale de Luxembourg* with the aim of strengthening economic relations between Belgium and the

Grand Duchy of Luxembourg.⁴² After the First World War, *Société Générale* had the richest portfolio of securities among European banks, represented the world economy in the miniature because of the diversity of engagements and the territorial distribution of their portfolios. This bank was the absolute master of the large and rich metallurgical industry in Belgium, and it also financed the construction of roads and new coal mines. Yugoslav economic experts between the two world wars ranked the bank's annual reports among the most important documents on the current state of the world economy.⁴³ Thus, its branch *Banque Belge pour l'Etranger* established its branch in New York as early as 1917, located its headquarters in Paris in 1919 and established branches in Manchester and Cologne, and a year later in Bucharest. Finally, in 1920, together with the Swiss bank *Banque Commerciale de Bâle (Basler Handelsbank)* from Basel⁴⁴, it participated in the reorganization of the *Wiener Banverein* branches in which the *Société Générale* recognized its business interest. Namely, the consortium, through this large Austrian bank, practically secured its representation in all countries originating from the former Austro-Hungarian Monarchy.⁴⁵

⁴² H. Houtman-De Smedt, *ibid*, p.85.

⁴³ E. Bussiere et al., *Industrialisation et sociétés en Europe occidentale 1880 - 1970*, (Paris: Armand Colin, 1997), 111-113; C. Kindleberger, *A Financial History of Western Europe*, 104; "Opšte jugoslovensko bankarsko društvo i njegova familija u ushodećoj liniji", *Analiza bilansa an appendix to Narodno blagostanje*, II, 20, Beograd, 17. 5. 1930, pp.87-89.

⁴⁴ *The Banque Commerciale de Bâle (Basler Handelsbank)* was founded in 1863 by prominent representatives of industrial and commercial capital from Basel with a capital of 20 million francs. Around the mid-1890s, this bank began to reach the level of large banks to record a capital of 60 million francs in 1918, see: *Dictionnaire historique de la Suisse*: <https://hls-dhs-dss.ch/fr/articles/044716/2002-05-01/> (approached on May 3th 2020).

⁴⁵ This consortium was joined in March 1930 by *Deutsche Bank und Disconto Gesellschaft*, one of the strongest banks in Germany at the time, formed by the merger of two banks of the same name, which together owned over a hundred

In the case of the newly formed Kingdom of SCS, this consortium used its activities in the *Wiener Bankverein* as early as 1919/20 to take part in the “nationalized” *Landesbank für Bosnien und Herzegovina*. This bank was founded on the initiative of the Provincial Government for Bosnia and Herzegovina in 1895 by *Wiener Bankverien* in cooperation with Pest’s *Ungarische Bank für Industrie und Handel* with a capital of four million forints and an additional loan in the same amount, with the possibility of using cheap capital from land deposits of the provincial government and judicial, municipal, clerical, and officer deposits. This enabled the bank to develop strong economic activity and soon established two branches in Mostar and Tuzla.⁴⁶

In the newly established Kingdom, the launch of the initiative for the nationalization of all economic entities, in which foreign capital was fully or predominantly engaged, was connected with the extension of the already existing Law on Treatment of Property of State Subjects, who were at enmity with Serbia, on August 17, 1915 and the Law on Notification and Approval of the Decision of the Paris Economic Conference of October 18, 1916, on the entire territory of the Kingdom of Serbs, Croats and Slovenes.⁴⁷

branches in the country and the world, see: “Opšte jugoslovensko bankarsko društvo i njegova familija u ushodećoj liniji”, *Analiza bilansa* an appendix to the *Narodnom blagostanju*, II, 20, Beograd, 17. 5. 1930, pp.87-89.

⁴⁶ W. Fritz, *Vor dem großen Krach*, 2016, p.80; Lj. St. Kosier, V. Ristić, *Vodeće institucije u nacionalnom bankarstvu Bosne* (Beograd, Ljubljana: Bankarstvo, 1924), p.13.

⁴⁷ *Službene novine Kraljevine SHS, (Official Gazette of the Kingdom of SCS)*, I, 11, 27. 2. 1919; A year later, the Decree on the Property of Enemy Subjects was passed, which set out in more detail the provisions according to which the goods, rights, and interests of enemy subjects were to be reported, listed and placed under state sequestration and according to which such property would be liquidated. *Službene novine Kraljevine SHS, (Official Gazette of the Kingdom of SCS)*, II, 149, July 10, 1920; Law on the transfer of all property of the former Austro-Hungarian Monarchy to the ownership of the

Based on these and subsequent legal regulations, the nationalization of banks was carried out either through the assimilation of institutes or through sequestration, which included a court ban on performing banking operations and placing such institutes under the control of the state commissioner.⁴⁸ However, in a short time, such nationalization was reduced to the placement in the management and supervisory boards of banks with foreign capital of “national representatives”, i.e. prominent politicians, MPs, high state officials or even generals, who did not have sufficient qualifications or any influence on their management and business. Very often, they received only a few symbolic shares as an opportunity to participate in shareholders’ meetings and boards of directors, although the real reward consisted of large royalties and dividends. That was the end of all the nationalization of such banks, and the lively “rush” of foreign capital into the economy of the Kingdom of Serbs, Croats and Slovenes began.⁴⁹

Nikola Berković, founder and president of the Chamber of Commerce and Crafts for Bosnia and Herzegovina in Sarajevo, member of the Management Board of the Association of Monetary and Insurance Institutions of the Kingdom of SCS, and the president and vice-president of many industrial companies in this part of the Kingdom was appointed President and General Manager of the then *Landesbank für Bosnien und Herzegovina*.⁵⁰ Through such a

Kingdom of Serbs, Croats and Slovenes, according to which “all property, both movable and immovable, which was the property of the former Austro-Hungarian state, should be considered general state property and deployment of the Government of the Kingdom of Serbs, Croats and Slovenes“, was passed two years later: *Službene novine Kraljevine SHS, (Official Gazette of the Kingdom of SCS), IV, 142, 30. 6. 1922.*

⁴⁸ F. Kohn, *Trgovački i pravni leksikon*, (Osijek: Tisak Gradanske tiskare, 1937), pp.820 - 821; Sequestration was prescribed under Article 249 of the Saint-Germain Peace Treaty and Article 232 of the Trianon Peace Treaty.

⁴⁹ D. Mišić, *ibid*, 348; V. Bajkić, *Naše bankarstvo*, pp.222 - 223; R. Bićanić, *ibid*, p.102.

⁵⁰ *Deset godina saveza novčanik i osiguravajućih zavoda Kraljevine SHS, 1919*

striking figure in the economic life of the country, foreign owners have secured uninterrupted further work and increased the capital from 14 to 20 million crowns, which enabled the continuity of this bank's participation in some of the strongest industrial companies in Bosnia and Herzegovina, Croatia and Slovenia, such as: Deonička pivara, Printing House Bosanske pošte and Bosnian-Herzegovinian construction company in Sarajevo, Sava General Insurance Company a.d., Građevinsko dioničarsko društvo in Zagreb or Građevinsko društvo Obnova in Ljubljana.⁵¹

Regardless of the fact that the newly established state received one of the first loans from the Croatian branch of *Wiener Bankverein* in Zagreb immediately after the end of the First World War, it, as a branch of the enemy bank, nevertheless became a subject of sequestration on May 17, 1919. In the meantime, all former branches of the *Österreichisch-Ungarische Bank* were sequestered as property of the enemy state, and the confiscated values and money were transferred to the vault of the *State Mortgage Bank* in Belgrade. The handling of sequestered property was first in the domain of the Ministry of Trade and Industry, and then of the Ministry of Justice, which placed the assets and liabilities of all former branches under sequestration.⁵²

However, the deterioration of the economic situation in the country due to the already mentioned lack of domestic capital, as well as the clumsy nationalization of foreign companies, led to the fact

- 1929, (Zagreb: 1929), p.19; *Ko je ko u Jugoslaviji*, Beograd, 1928, p.15: Nikola Berković was born in 1862, in Vrbovec (Croatia). For the position he held, he had a very modest education - high school in Zagreb and the Trade Academy in Graz, but also rich experience working many years in Austro-Hungarian banks.

⁵¹ *Les banques en Yougoslavie* (Beograd: Kraljevina SHS, Jugoslovensko novinarsko udruženje, 1927), p.135.

⁵² AJ, 65-1498-2482, file *Wiener Bankverein*, the act of the Ministry of Justice of the Kingdom of SCS on the sequestered branch, IV, no. 7503, 16. 10. 1920; also: *Jugoslovenski kompas, fincijalni dio*, 1919, 1920, Zagreb, 1921, 324.

that this sequestration after more than a year and a half was more of a burden than a benefit in the country's economic life. Thus, from "an institution that is a branch of *Wiener Bank Ferein in Vienna*, and belongs to the subjects of enemy countries and the capital is of Austrian origin", in a relatively short time it became "a branch (which) occupies a prominent place among credit institutions in Croatia and its business has a purely national character because it finances many domestic companies".⁵³ As the key reasons for the urgent abolition of the sequestration were mentioned: its creditors, Swiss banks, domestic banks and branch employees who had to be provided with jobs as citizens of the Kingdom of SCS.⁵⁴

The economic intertwining between Austria and the Kingdom of Serbs, Croats and Slovenes was especially evident in the first post-war years of 1919 and 1920, primarily due to the existence of old economic cooperation in parts of the former Monarchy, but also due to the economic needs of both countries "where the compromise had to be found between Yugoslav tariffs on industrial products and Austrian tariffs on agricultural products".⁵⁵ By concluding compensatory and temporary trade agreements (until 1925), Austria tried to enable the normalization of economic relations despite strong mental barriers of new neighbors who often hindered such agreements by coercive measures, among which sequestration was one of the most common. Even when it agreed to remove the sequestration, the Kingdom of Serbs, Croats and Slovenes tried to extract as much benefit as possible by imposing sometimes almost impossible conditions. This rather unpleasant process was stopped after the agreement on concluding the "sequestration agreement",

⁵³ AJ, 65-1498-2482, file *Wiener Bankverein*.

⁵⁴ *Ibid.*

⁵⁵ A. Suppan, "Jugoslavija i Austrija od 1919. do 1938. Susjedstvo između kooperacije i konfrontacije", *Časopis za suvremenu povjest*, vol. 20, no. 3, Zagreb, 1988, p.9.

during the visit of the Austrian Chancellor Ignaz Seipel to Pašić, in February 1923.⁵⁶

Seipel was also a high Catholic priest who managed to alleviate the difficult economic position of Austria by obtaining significant foreign loans (in exchange for a promise not to follow the banned Anschluss for at least ten years) and in 1924 he supported the replacement of the devalued Austrian crown with a stronger currency, the shilling. A stable currency required a sharp cut in public spending, financed by high taxes and the forced retirement of about 85,000 civil servants.⁵⁷ On the other hand, the normalization of economic relations with Austria encouraged Yugoslav officials to try, at least for a short time, to introduce a certain order and control in the work of foreign banks on its territory.

⁵⁶ I. Bickerton, *ibid*, 116-148; Arnold Suppan, *ibid*; see also: *Službene novine Kraljevine SHS, (Official Gazette of the Kingdom of SCS)*, IV, no.88-XIX, 17. 4. 1924, “Zakon o Konvencijama zaključenim sa Austrijskom republikom radi skidanja sekvestra i svih iznimnih mera nad imovinom obostranih podanika, kao i radi rešenja drugih pitanja u vezi sa odredbama Sen-Žermenskog Ugovora o Miru”/Law on Conventions concluded with the Republic of Austria for the purpose of removing sequestration and all exceptional measures on the property of mutual subjects, as well as for resolving other issues related to the provisions of the Saint-Germain Peace Treaty.

⁵⁷ M. Allinson, *Germany and Austria 1814–2000, Modern history for modern languages*, (London: Hodder Arnold, 2016), p.76.

ESTABLISHMENT OF A NEW BELGRADE BRANCH “SERVICE OR INTEREST”

Due to its expansive power, private financial capital, concentrated in Croatian and branches of foreign banks, was focused on lending to the Croatian economy and especially industry, trade and mining, even before the First World War. The government of the Kingdom of Serbs, Croats and Slovenes, led by the radical Stojan Protić, aware of the severe consequences for its own economy, especially when it comes to industrial companies in Croatia and Slovenia, began in March 1920 to consider abolishing sequestration over the *Croatian branch of Wiener Bankverein* in Zagreb. It was decided that the Ministry of Justice, headed by Momčilo Ninčić, would use this decision to obtain certain concessions from the Viennese bank. Thus, the opening of the Branch was quickly linked to the opening of the “General Directorate” in Belgrade, within a period of three months after the removal of the sequestre; provided that “its Administrative and Supervisory Board be composed of a majority of Yugoslav citizens; then that *Wiener Bankverein* be obliged to subsidize the required working capital; that the depots and deposits of Yugoslav citizens must always be in the country and that the reserves must be in our government securities.”⁵⁸

The condition that was not among these five, and which was in fact the most important one and on which the Ministry of Justice also insisted in this decision, is that the representatives of *Wiener*

⁵⁸ AJ, 65-1498-2482, file *Wiener Bankverein*, rescript of the Ministry of Justice, Department of Sequestration, S. no. 8178, 22 March 1920.

Bankverein sign a special statement in which they would waive the right to compensation for damage caused by sequestration and that they will bear all the costs incurred until then. This decision was forwarded to the Department for Credit Institutions and Insurance of the Ministry of Trade and Industry, which was just taken over by Momčilo Ninčić at that time. In the further multi-month analysis of the solution, the existing conditions were “deepened” and new ones were supplemented. Thus, point 2, which requires the Board of Directors and the Supervisory Board to be composed of a majority of Yugoslav citizens, was amended to require that they be “undoubtedly citizens without the right of option” to then introduce a new, very interesting condition, according to which “the dividends which were in the hands of German subjects to be deposited with the *Uprava fondova* for the Reparations Commission.”⁵⁹ This actually meant that the Yugoslav government wanted to nationalize the Bank, which in turn would get free access to all its industrial companies in the Kingdom.

These negotiations took place in the shadow of very turbulent political events in the newly established state. As early as May 1920, the government of Stojan Protić fell and a new coalition government of Milenko Vesnić was formed. Despite the fact that the reports of the *Wiener Bankverein* were not available to us, only on the basis of the existing documentation we can conclude that there was some outwitting between this Viennese bank and the Ministry of Trade and Industry of the Kingdom, which continued to be led by Momčilo Ninčić. However, at the beginning of January 1921, the government of Milenko Vesnić also fell, and the new government was formed by radicals led by Nikola Pašić. Unlike all previous governments, this one had very little ear for the needs of foreign capital in the country.⁶⁰ There is no doubt that this is the reason why the Bank agreed

⁵⁹ AJ, 65-1498-2482, rescript S no. 10.388, 28 December 1920.

⁶⁰ Serbian radicals, led by Nikola Pašić, have had an almost traditional

to all the set conditions on January 21, 1921, although it was fully aware that it could not fully meet them, given that they simply violated the *Wiener Bankverein* Rules, according to which none of its branches could have separate management and supervisory boards whose members would be specially awarded dividends. It is another question whether the creators of the decision to remove the sequestration over this bank knew that.⁶¹

Yet, until the registration of the branch in Belgrade, in August 1921, everything went “according to plan”, so the Bank even decided on very resounding names for the members of the Board: Oscar Pollak, Viennese director of *Wiener Bankverein*, Hugo Weinberger, director of the *Croatian branch* from Zagreb, David Hohner, Deputy Director of the newly established branch in Belgrade and a former inspector in the Ministry of Trade and Industry, as well as three members of the Supervisory Board: Kosta Riznić, Vljako Godevac and Mihajlo Bajlioni. All of the listed members were Yugoslav citizens except Director Oscar Pollak.⁶² It is very likely that agreeing to the

animosity towards the presence of foreign capital in the country. see: V. Aleksić, „Connection between State and Private Shareholding Banks in Serbia up to the Second World War – Case Study of the Beogradski kreditni zavod“, *Bankarstvo*, Vol. 41, no. 5 (2012), Beograd, pp.56-73.

⁶¹ AJ, 65-1498-2482, file *Wiener Bankverein*; On 21 January 1921, the Belgrade Commercial Court, based on the approval of MTI, announced the establishment of a branch of *Wiener Bankverein* (No. 1113) with a subsidized capital worth 7.5 million dinars. According to this document, only Hugo Weinberger, the director of the Croatian branch of the *Wiener Bankverein* in Zagreb, had the right to sign and borrow for the company.

⁶² AJ, 65-1498-2482, information on the decision of the Management Board of *Wiener Bankverein* of 11 January 1921 on the establishment of a branch in Belgrade, according to the attached conditions; Certificate of the Ministry of Justice of the Kingdom of Serbs, Croats and Slovenes, Section IV of the Sequestration for Austrian Facilities on the fulfillment of all set conditions for the establishment of a branch of *Wiener Bankverein*, no. 61, April 16, 1921; from this certificate it can be seen that point 4 from decision no. 9896, which refers to the deposit of dividends of shares of enemy subjects, by the decision

set conditions and establishing a branch in Belgrade was actually a cover made by *Wiener Bankverein* in an effort to regain lost shares in large Slovenian companies: Chemical Factory Shareholding Company in Šoštanj, paper factories Vevče and Medvode in Goričane Shareholding Companies in Ljubljana, etc. However, in February 1921, Slovenian financial circles offered very strong resistance to the renewed *Croatian Branch* from Zagreb, as well as to the Ministry of Trade and Industry, which approved the renewal. Thus, the Department of the Ministry of Trade and Industry in Ljubljana openly expressed doubts about the nationalization of the *Wiener Bankverein* branch and assessed the opening of the branch in Belgrade as “incredible”.⁶³

The Belgrade representatives of this Ministry tried again, in every way to convince their Slovenian colleagues of something in which they themselves did not believe much.⁶⁴ Thus, the Sequestration Section of the Ministry of Justice in Zagreb was trying to give the Department of the Ministry of Trade and Industry in Ljubljana an interpretation that since the branch was obliged to dispose of its own working capital in terms of point 5 of the above-mentioned ministerial decision and in terms of point 2 of the same decision it was obliged “to establish its own Board of Directors and Supervisory Board in which the majority would be undoubtedly our citizens without the right of option that this branch is to be considered nationalized.” Only a month and a half later another interpretation arrived from Belgrade to Ljubljana which said: “... The Minister’s opinion, (Minister of Justice - note aut.) that there are no reasons for interference in the work of that company, but that the branches of *Wiener Bankverein* located in our territory

of the Minister of Justice no. 926 of 14 April 1921 declared invalid.

⁶³ AJ, 65-1498-2482, correspondence between the Credit and Insurance Department in Belgrade and the MTI Department in Ljubljana.

⁶⁴ AJ, 65-1498-2482

should be considered equal to other domestic banks, especially as Mr Minister of Trade and Industry by his decision VI N. 3023 of 1 November 1920 approved that Bank to have the right to act on the entire territory of our Kingdom ...". However, on the back of this same document, which was forwarded to Ljubljana, MTI inspector Milorad Zebić practically denied the opinion of the Minister of Justice, emphasizing that: "even if *Wiener Bankverein* was given the right to work in the country, it cannot be considered domestic. It can participate with its capital in industrial enterprises, but if a certain industrial enterprise, which was under sequestration, is to be nationalized and the transfer of domestic capital and influence is ensured in it, then *Wiener Bankverein* cannot be considered equal to domestic companies in the participation in that part of the capital, since foreign capital has been invested in it, thus it is a foreign company whose headquarters are abroad."⁶⁵

When the new *Wiener Bankverein* branch in Belgrade was registered on August 25, 1921, it turned out that the suspicions of the Slovenes were completely grounded. Namely, there were no signs of the Board of Directors or Supervisory Board nor the sign of announced "nationalization". Therefore, only a branch was formed, which in addition to the already mentioned directors Oscar Pollack, Hugo Weinberger and deputy director David Hohner, also included Josif Gutman as the branch director, and the former director of the *Srpska kreditna banka* in Belgrade, Nikola D. Đorđević as the deputy director, formerly Deputy Director of *Prometna banka* in Belgrade and Dušan Arandelović as procurator, former head of the banking department of the General Directorate of State Accounting in Belgrade.⁶⁶ The explanation for this turn of events is given by

⁶⁵ Ibid.

⁶⁶ AJ, Opšte jugoslovensko bankarsko društvo a.d. (151)-1-1, advertisement of the Belgrade First Instance Commercial Court dated 25 August 1921, no. 7477 on the registration of members of the *Wiener Bankverein* branch in Belgrade, according to which it appears that Hugo Weinberger's independent right to

the Austrian historian Fritz Weber, who states that the Austrian press at the time pointed out the unpatriotic behavior of the main Viennese banks and especially pointed out the example of *Wiener Bankverein*, whose newly opened branch in Belgrade approved a loan of as much as a million dollars.⁶⁷ The obvious change in the selection of the main representatives of the Belgrade branch was a consequence of Vienna's decision to keep the focus of its work in Zagreb, despite its legal obligations (by appointing Hugo Weinberger as director of the *Croatian branch of the Wiener Bankverein* since 1908), while the choice of Hohner and Gutman next to Weinberger in Belgrade was a clear indicator of efforts to establish a link between international and domestic Jewish capital.⁶⁸

The branch in Belgrade itself officially started working only in September 1921, by moving into the rented premises of the "Grand" Hotel in Čika Ljubina Street no. 20.⁶⁹ In addition to the aforementioned directors, deputy directors and procurators, two other procurators, three chiefs: bookkeeping, foreign exchange and bill of exchange departments, as well as one bookkeeping, cashier and correspondent clerk, and two servers were employed. All employees, as well as some members of the Directorate, were between 30 and 40 years old, had experience in banking and were generally accepted on recommendation.⁷⁰ Salaries of employees ranged from

sign and borrow for this branch has ceased, but not his right to appoint and remove directors and procurators he had by power of attorney from Vienna.

⁶⁷ F. Weber, *ibid*, p.34.

⁶⁸ Rafailović, Jelena, „Economic Structure of the Population in the Kingdom of SCS”, *Tokovi istorije*, 3 (2019), pp.79-104.

⁶⁹ *Beograd u prošlosti i sadašnjosti, povodom 500-godišnjice smrti Despota Stevana (1389 - 1427)*, IV, Oglasni deo, Beograd, 1927.

⁷⁰ AJ, 151- 92-120: personal files of employees 1921 -1945: *Hohner David* 1921 - 1940; born in 1886 in Niš, unmarried. Graduated from the Faculty of Law in Belgrade and the Higher Technical School (General Department of Technical Insurance) in Vienna (knowledge of German and French - reserve captain of

the first class). Until April 1, 1921, he worked as an inspector at MTI when he came, first to the position of deputy director of the branch in Belgrade, and from 1927 to the position of director; *Krkić Dušan* 1921 - 1937; born in 1892 in Kragujevac, unmarried. He graduated from the State Trade Academy with a high school diploma in Belgrade, and was accepted as the head of bookkeeping and a proxy. From 1910, he worked first in the *State Mortgage Bank*, and then as the head of the Main Accounting Department of the Ministry of Finance (without knowledge of foreign languages - reserve captain of the first class); *dr Celegin Ljubomir* 1921 - 1945; born in 1891 in Omiš, married. Graduated from the Faculty of Law in Vienna and Zagreb in 1916 (knowledge of German and Italian). He worked as a lawyer and then as the Secretary of the General Directorate of Direct Taxes in the Ministry of Finance, as well as the Administrative Secretary and Deputy Chief in the General Secretariat of the same Ministry on projects for regulating currency relations in the country. He was admitted on September 1, 1921 to the Belgrade branch as the head of the bill of exchange department and liquidation department; later proxy, procurator and director. *Milosavljević Radovan* 1921 - 1945; born in 1897 in Šabac, married. Graduated from the Commercial Academy in France (knowledge of French). He was accepted on August 1, 1921, as the head of the foreign exchange department; later procurator, super-procurator and deputy director. *Đurković Kurt Todor* 1921 - 1930; born in 1893 in Austria, (declared himself a Serb of the Catholic faith) married. He graduated from high school and the Export Academy in Vienna (knowledge of German and English). Admitted as Senior Procurator September 1, 1921; *Krstić Žarko* 1921 - 1928; in his file there is only the information that he was hired as a procurator on September 1, 1921 (without knowledge of foreign languages - reserve captain of the first class); *Žemčužnikov Đorđe Buda* 1921 - 1928; born in 1895 in Krasni Rog in Russia (Russian stateless emigrant) married. He completed two years of Ramsgate Chatham House College in England and four semesters of the Trade Course at Riga Polytechnic School (knowledge of French, Russian, German and English). Appointed on September 1, 1921, as a correspondent clerk; *Bukovič Ivo* 1921 - 1928; born in Slovenia, unmarried. He was a member of the board of the State Class Lottery in Zagreb and an official of the branch of the Zagreb branch, from where he was transferred on September 1, 1921 to the Belgrade branch; *Jocković Mihailo* 1921 - 1931; born in 1883 in Požarevac, married. Graduated from the Higher Academy of Commerce in Belgrade (knowledge of German and French). He was hired as a treasurer on the recommendation of MTI inspector Svetozar Urošević on September 1, 1921, with fourteen years of banking experience. The personal

17,500 dinars, as much as directors received, to 3,500 dinars, which was the amount of employees' salaries. The number of employees increased over time, as did the volume of work of the Belgrade branch. In the *Croatian branch of Wiener Bankverein* the number of employees from 1921 until the transformation of both branches into affiliation in 1928 was at least three times higher, in accordance with its scope of work.⁷¹

The first female employees were admitted to the Belgrade branch in 1922, one of whom was the widow of a Serbian officer who died in the First World War, while the other, although only after graduating from trade school, was hired as a correspondent because of her good knowledge of three foreign languages. For the next three years, three new employees each year and one janitor were hired. A larger group of employees was hired in the last two years of the branch's existence (five in 1926 and eight more in 1927). Thus, in the Belgrade branch of the *Wiener Bankverein*, in the period from 1921 to 1928, thirty-three clerks and janitors were employed. One third of the total number of employees were women. Except for one clerk who had completed eight grades of high school, all the others had completed four grades of high school or trade school.⁷²

All employees were between 27 and 40 years old, except for two eighteen-year-old trainees and one 50-year-old treasurer, who was

files of Josif Gutman, Nikola Đorđević and Dušan Arandelović have not been preserved, but it is known that Arandelović left the branch in September 1922, Josif Gutman resigned as the branch director on June 16, 1926, while Nikola Đorđević took his place in 1927.

⁷¹ Due to the impossibility of insight into the personal files of employees in the *Croatian branch of Wiener Bankverein* as well as employees of the branch of *AJB* in Zagreb, we drew conclusions about the number of employees based on personal and payrolls saved for certain years: AJ, 151- 92-120.

⁷² AJ, 151-92-120: it is interesting that all female employees, except for one of them, were not married. Even more interesting is that out of thirty three employed clerks only seven of them were married.

admitted to the branch after 20 years of active military service, as a retired first-class captain. Since 1923, Jews have increasingly found work in the branch, accounting for a third of the total number of employees until 1928. Only seven of the thirty employees were born in Belgrade or Zemun, while most came from the interior of Serbia, Vojvodina, Bosnia and Herzegovina, fewer from Croatia and Slovenia, and two employees were born abroad. Twelve employees each graduated from the trade academies, or had four grades of the trade school or grammar school and three more eight grades of the grammar school. Almost all officials knew German; ten of them knew two, four officials knew three and two officials (both Russian emigrants) even four foreign languages. However, the reason why the salaries of clerks differed was not their education, but previous experience of working in banks in appropriate jobs. Salaries of employees with experience of at least two months to 14 years ranged from 1,500 to 2,500 dinars (in the period from 1924 to 1927), while beginners received salaries in the amount of 1,000 dinars.

The role of both of these branches in the economic life of the Kingdom of Serbs, Croats and Slovenes consisted in the fact that they mainly lent to trade and industrial companies, while crafts and agriculture were completely neglected. Interest rates on approved loans were lower than with other monetary institutions, because these branches had significant foreign support, and thus it was easier to obtain new available funds.⁷³ Precisely because of their foreign creditors, the approved loans could not be long-term, but due to the security of the business, they were exclusively short-term. In addition to the already mentioned industrial companies in Slovenia and Croatia, which received loans through the *Croatian branch of Wiener Bankverein*, in Serbia such crediting through the Belgrade branch began only in 1926, when the largest loans

⁷³ AJ, 151-1-1, archives considering the establishment and liquidation of Belgrade branch of *Wiener Bankverein*.

were received by companies: Horovic S. Kornel - stovarište hartije, Hirth Luis - izvoz zemaljskih proizvoda from Belgrade and the Braća Berg Company from Vršac.⁷⁴ Although it practically controlled the work of *Jagodinska banka*, *Leskovačka banka* and *Banka Stara Srbija* from Skopje with the approval of large loans, this bank did not show interest in opening branches in the interior of Serbia, just as no other foreign bank showed in this period.⁷⁵

As the overcoming of the “currency confusion” in the Kingdom of Serbs, Croats and Slovenes, followed by inflation and financial speculations, lasted until January 1923, when the dinar began to strengthen, the Belgrade branch recorded a steady increase in savings deposits. It was not until May 1925, when the dinar settled on the Zürich Stock Exchange at 9.13 Swiss francs for 100 dinars that new lending opportunities for *Wiener Bankverein* in Serbia opened up. It should be borne in mind that in the same year the first Yugoslav General Customs Tariff was introduced, according to which the domestic industry received an average protection of 21-25% on the value of imported factory products. The customs tariff was one of the important conditions for the industrialization of the country, as well as the duty-free import of industrial plants, tax relief and the like, which, however, created opportunities for foreign capital invested in the Kingdom itself, as a “domestic” producer to use the same protective tariffs to achieve relatively high profits. How this looked in practice can also be seen through the history of a classically affiliated banking institution, such as the *Allgemeiner Jugoslawischer Bankverein*, especially in the first years of its existence.

⁷⁴ AJ, 151-41-65: dosies of the loans approved by the Belgrade branch of *Wiener Bankverein* 1921 - 1928.

⁷⁵ Ibid; V. Rozenberg, J. Kostić, *Ko finansira jugoslovensku privredu, država - banke - inostrani i domaći kapital u službi privrede*, (Beograd: Balkanske štampe, 1940), pp.23-25.



The end of the First World War brought great changes not only on the political but also the economic and financial scene of the old Continent. The disappearance of strong financial centers such as Vienna and Pest enabled, especially in the Balkans, the great domination of the other two European centers, Paris and Prague. However, even those old centers have not lost all significance. Economic and political ties, vast knowledge and experience, as well as a large number of their banking and economic affiliations in this area, have made these centers gain the role of an important financial intermediary. Namely, for large European capital, especially that which came from Swiss, Belgian, English and Dutch banks, and which was not directly engaged in the Balkans even before 1918, intermediation, especially of Viennese banks, was of great importance. At the same time, for the Viennese banks themselves, this was a unique opportunity to return to the Balkan economic scene with the help of international financial capital. Earlier, they built their positions, using the influence and prestige of their country, harmonizing business interests with the interests of the national economy. After 1918 and the disintegration of Austro-Hungary, these banks had a lot of problems in the successor states due to their earlier politics, but they managed to solve them in a relatively short time. Thus, in the case of the Kingdom, the old Viennese banks skillfully took advantage of the fact that the state, due to complex internal political circumstances, was unable to organize a strong enough national banking apparatus that could successfully cover the growing financial needs of industry,

transport, trade and agriculture regardless of foreign financial influence. Taking advantage of this situation, as well as relying more on foreign than their own capital, the Viennese banks gradually regained their old positions and enabled the penetration of international capital into the Yugoslav financial market. However, the great crisis of European banking in the 1930s, will show the unsustainable conception of “mixed type” banks, which will also represent the end of the domination of the Austrian-German banking organization in the Balkans. Each further placement of large international capital will be based exclusively on its own estimates, while business policy will be characterized by much greater prudence in work.



THE PLACE OF
INTERNATIONAL
BANKING CONSORTIUM
IN THE ECONOMIC SYSTEM
OF THE KINGDOM OF
YUGOSLAVIA



ATTEMPTS TO UNIFY SHAREHOLDER LEGISLATION AND DRAWING OF THE BANKING-CREDIT SYSTEM IN THE KINGDOM OF YUGOSLAVIA

Although in Western and Central Europe, the bank has been an integral part of the economy for centuries, the idea of creating a shareholding bank broke through in those same European countries with great resistance. The long process of economic integration of Europe on the basis of liberal capitalism, filled with innovations created by merging scientific, technical and technological development, began only after the end of the so-called French Wars (1792-1815). Thus, the establishment of shareholding banks was the idea of a highly business-liberal world, so it was basically primarily political, precisely because it was inseparable from liberal citizenry and its democratic aspirations. In Great Britain, it was even prohibited by law for a long time, only to be realized for the first time in this country a little later (1826). The reason for such a cautious approach to the problem was clear: the public at the time, the nobility and the Catholic hierarchy intensively nurtured hostility towards the so-called 'associations' that with their "capital" tried to become a competition to the centuries-old domination of land ownership. For small entrepreneurs and traders, who wanted to maintain the independence of the family heritage, these new legal entities also posed a kind of threat, because the shareholding company was based on the principle of division of capital shares, which also included the division of business

risk. For an individual owner who would invest all his wealth in a certain business, eventual bankruptcy could completely ruin it. In a shareholding company, the capital was sometimes divided into thousands of small shares and any security or stock could be sold. In the event of bankruptcy, the shareholders were not liable for the debts of the company and each participant would lose only the amount of his share in the capital without the risk that it could jeopardize the rest of his assets. On the other hand, any share could be sold on the stock exchange at any time without the company suffering any consequences.¹

This legal corporate structure offered all the advantages to bankers and large industrial conglomerates. It enabled the mobilization of capital larger than what a group of wealthy investors could provide. Although business risk was shared in this way, power and control of decision-making still remained firmly in the hands of large shareholders. During the 19th and in the first half of the 20th century, a strong minority position was often sufficient to maintain the strategic reins of the company. For shareholding banks, it was the perfect way to enter the industry, and this new concentration of capital soon became inevitable in the process of rapidly building the industry of certain Western European countries.

¹ More in the establishment of shareholding banks in 19th and the beginning of 20th century see: *International Bibliography of Business History* eds. F. Goodall, T. Gourvish, S. Tolliday (London: Routledge, 1997); *Finance and financiers in European history, 1880-1960*, ed. Cassis, Youssef, (Cambridge University Press, 1992); *International Banking 1870-1914*, eds. R. Cameron, V. I. Bovykin, (Oxford University Press, 1992); *Handbook on the History of European Banks*, ed. Pohl, Manfred, (Frankfurt am Main: European Association for Banking History E.V, 1994); *150 Jahre österreichische Bankengeschichte im Zentrum Europas*, eds. O. Rathkolb et al. (Wien: Bank Austria Credit-Anstalt, 2005); *Finance and Modernization: A Transnational and Transcontinental Perspective for the Nineteenth and Twentieth Centuries*, eds. G. D. Feldman, P. Hertner, (London: Ashgate Publishing Ltd, 2008).

In order for this huge job to be carried out without major financial shocks, it was necessary for the parliaments and governments of European countries to set a clear legal framework for the establishment of shareholding banks, their scope of work and especially the protection of their investors. The caution in granting approval for the establishment of new companies and the precautionary measures for the regularity of the payment of capital had to be such as to prevent the establishment on a false basis and with unsound founders. In the following decades of the 19th century, so much work was done on these laws, that it is often said that it was the laws and changes in the laws on shareholding companies that gave the most work to the legislatures in all capitalist countries.²

It is interesting that all the trade laws of the Western European countries of the 19th century were very similar. This was because they all came from the French *Code de Commerce*, which came into force in 1808. It has been transferred over time to other countries, either in its entirety or with minor changes. Thus, during the Napoleonic Empire, French commercial law penetrated Belgium, the Netherlands, the German regions on the Rhine, Baden, Luxembourg, Italy and Poland. Its influence remained in the later laws that were passed for certain countries. This was especially the case with the Austrian trade law from 1863, which was valid at the same time on the territory of the Union of German States, but also on the territory of Slovenia and Dalmatia. With the development of the idea of founding shareholding companies and the need for their legal framework, the *Code de Commerce* was supplemented in 1867 with new provisions which were also later transcribed or imitated in other European countries.³

² V. Aleksić, “Legislative Frameworks Regulating the Operations of Serbian Shareholding Banks in the second half of the 19th and the first half of the 20th Century“, *Bankarstvo*, Vol. 42, no. 6 (2013), Beograd, p.77.

³ M. Zebić, *Akcijnsko pravo Kraljevine Srba, Hrvata i Slovenaca, Komentari zakona*, (Beograd: Komentari zakona, 1928), p.5.

It is interesting that Hungary, although part of the Austro-Hungarian Monarchy, worked on its own trade law from 1875. Although it relied heavily on Austrian law, it also borrowed certain regulations from French and Belgian legislation. It was all the more advanced than the Austrian one because in its tenth chapter it contained *inter alia* provisions on shareholding companies that were established on its territory (and thus on the territory of Croatia and Vojvodina). The same commercial law with paragraphs on shareholding companies and with only minor changes, entered into force in Bosnia and Herzegovina in 1883. Austrian commercial law was not sufficient to enable the rapid and successful establishment of shareholding banks, although in that part it relied on the Imperial Order of 1852. Therefore, from 1869 to 1873, special approvals were issued for the establishment of shareholding companies, which in that period were as much as five times more than in the period between 1830 and 1869. Only for the establishment of new joint-stock banks, 262 concessions were given. However, the business was started with unlimited gullible optimism and on an unrealistic basis, which is why even a third of the total number of approved companies was never founded. Of those remaining, more than half went bankrupt or were liquidated. This collapse of the banks in 1873 gave rise to serious accusations against the existing legislation and raised the question “to ensure stronger protection of the benevolent public from cunning and dishonest people, who in their favor distort the institution of the shareholding company, sowing ruin and misfortune around themselves.”⁴ After several unsuccessful legal projects, only on September 20, 1899, the Action Regulation was passed as a rulebook for the implementation of the mentioned Imperial Order from 1852. It did not replace the existing legal provisions, but by filling in many gaps, they were given a clearer meaning. This Regulation was made on the basis of extensive material and many years of experience in the work of shareholding companies, which is why it represented

⁴ *Ibid.*, 9.

a great progress in the regulations and provisions relating to the establishment and operation of Austrian shareholding companies.

In the economic history of Serbia, to which the Ottoman economy left a significant mark, there were no banks at all until the second half of the 19th century. If we add to that the fact that a strong banking revolution took place in Western European countries in parallel with the industrial one, it is clear that the road to the modernization of the Serbian economy and the development of banking was very long and difficult. However, in the late 1840s, for the first time in Serbia, the idea of establishing a monetary institution that would deal with short-term loans and pledges from gold and silver to securities, giro accounts as well as bills, banknotes and promissory notes emerged. The initial intention was to create a basis for supporting traders with the collected large sum (five hundred thousand ducats divided into five thousand shares worth one hundred dinars), both in times of great lack of money and in the long run, with loans for regular and extraordinary business. It would be a bank of collective private, anonymous capital, which would be organized into a shareholding company. It would consist of voluntarily gathered investors guided by the interests of direct earnings, which included business ventures to invest in existing and future economic projects. According to this idea from 1847, the bank's goal was to help the most successful Serbian economic branch of that time, trade, but for its establishment and successful and long-lasting work, it was very important that it also helped the establishment of the bank. Namely, in Serbia, merchants already formed a social stratum that had financial sources engaged in businesses that could multiply money and be invested in a bank. The importance of the growing and increasingly rich trade layer for the Serbian authorities is shown by the fact that the *Trade Law for the Principality of Serbia* was passed on January 26, 1860 with the approval of "Miloš Obrenović the First Prince of Serbia and with the consent of the Council and the proposal of the National

Assembly”, hence three years before Austrian and even fifteen years before Hungarian commercial law.⁵ Serbian commercial law, especially in the provisions relating to the establishment and operation of companies, relied heavily on French commercial law but also on the *Civil Code of the Principality of Serbia* from 1844, whose author was Jovan Hadžić. In the creation of the Civil Code, the Austrian *General Civil Code* from 1811 had a great influence, which, again, was modeled on the French *Code civil des français*, created during the reign of Napoleon, in 1804. By passing this law, Serbia joined the tradition of continental, Roman law. Jovan Hadžić, writing it in the linguistic style spoken in Vojvodina in the 19th century, relied mainly on the Austrian original, but adapted it to the circumstances of the then Serbia, i.e. the then Serbian customs, supplementing it with elements from the medieval Law.⁶

In fact, at the time of the adoption of the *Commercial Law for the Principality of Serbia*, a political atmosphere was slowly being created that could enable the penetration of new ideas in all areas of social life. Thus, the founding of the first shareholding bank in 1869 coincided on the domestic scene with the coming to power of the Liberals and the adoption of a new constitution in the same year, and abroad with a period of great economic change in the history of Austria and Germany, known as the *Gründerzeit*. We have already mentioned that in that period there was a mass establishment of shareholding companies, but also a large number of quasi-international banks - obviously with a purely speculative goal. Some of them were the responsibility of the Banking House *Erlanger*, which invented high-risk bonds, especially for developing countries. This private bank at the time had its headquarters in Frankfurt and agencies in Vienna and Paris. In 1869, it founded two

⁵ G. Niketić, *Trgovački zakonik i Stećišni postupak Kraljevine Srbije*, (Beograd: Izdanje trgovine Maričića i Jankovića, 1923), p.147.

⁶ M. Đorđević, „Pravni transplanti i Srbijanski građanski zakonik iz 1844“, *Strani pravni život*, no.1, Beograd, 2008, p.73.

banks at the same time: the *Franco-Österreichische Bank* in Vienna and the *Franco-Hungarian Bank* in Budapest. These banks had practically no connection with France, since Baron Frédéric Émile d'Erlanger moved all his business from Paris to London as early as 1870. A common feature of these "French" banks was that they issued bonds of railway and industrial companies.⁷ In the Balkans, *Franco-Hungarian Bank*, at the initiative of Živko Karabiberović, the then state banker (government banker) in charge of the country's financial transactions with foreign countries, connected with Serbian merchants and in 1869 founded the *Prva srpska banka* (*First Serbian Bank*) in Belgrade.⁸ However, the provisions of Serbian commercial law were too scarce and insufficient to establish such complex companies. Due to the attempt to act as a universal commercial bank, financing even the construction of the railway near Trieste, as well as due to purely speculative business, it led to the financial loss of not only its founders and creditors, but also the state in 1871. Only two years later, due to the same speculations with the bonds of railway and industrial companies, *Franco-Österreichische Bank* and *Franco-Hungarian Bank* were forced to liquidate.⁹

That the collapse of the *First Serbian Bank* was an important financial experience for the young Serbian state is also shown by the fact that in 1871, during the founding of the first shareholding banks with domestic capital (*Beogradski kreditni zavod*,

⁷ *International Banking 1870-1914*, p.329

⁸ Since 1833, banking services for the Serbian government have been performed both inside and outside the country by state bankers or "government bankers" appointed by the most important Belgrade merchants, see: J. R. Lampe, *Balkan Economic History, 1550-1950: From Imperial Borderlands to Developing Nations* (Indiana University Press, 1982), p.128; M. Kostić, *Uspom na Beogradu I, Poslovi i dani trgovaca, privrednika i bankara u Beogradu XIX i XX veka*, book I (Beograd: Istorijiski arhiv Beograda, 1994), p.133, p.180

⁹ *International Banking 1870-1914*, p.329

Smederevska kreditna banka and *Požarevačka banka*), it decided to pass special regulations that would specify more clearly their activities, as well as rights and obligations. Namely, several paragraphs of the Serbian Commercial Law that referred to the establishment of shareholding companies (§31-38, §41 and §44) did not state any sanctions against the founders due to negligent business. Therefore, in the Decree on the operations of these banks, passed on September 24, 1871, the first article emphasized that “false making as well as imitation of any kind of documents issued by the mentioned institutions will be punished with those penalties, which are determined to be false making or imitating public documents”.¹⁰ In the following years, i.e. until the founding of the *Privileged National Bank* in 1884, in addition to these three, only four other, mostly local banks, were established in Serbia under the existing commercial law, with a total founding capital of modest 3.2 million dinars.¹¹

The right conditions for the issuance and trade of securities were created only with the establishment of the *Privileged National Bank of the Kingdom of Serbia* in 1884, which especially encouraged the development of trade and more dynamic development of other industries. Its establishment was a great turning point, but also a great impetus in the development of Serbian banking. Significantly increased funds created the conditions for more dynamic credit operations, which is why in the period from 1884 to 1896, as many as 62 banks were established. The modest paragraphs on the “nameless companies” of the Commercial Law for the Principality of Serbia from 1860 could no longer satisfy the growing need for legal regulation of the work of shareholding companies in Serbia. But as the 1890s were marked by a great struggle between the personal

¹⁰ M. Zebić, *Zakoni i raspisi o akcionarskim društvima s uputstvima i objašnjenjima: Trgovački i mjenbeni zakon o društvu dioničarskom i Trgovački zakon za Bosnu i Hercegovinu* (Beograd, 1925), p.173.

¹¹ V. Aleksić, “Legislative Frameworks Regulating”, pp.76-95.

power of the monarch (King Milan Obrenović) and the *party* power of the People's Radical Party, the eventual modernization of Serbian economic laws depended on the outcome of this struggle. Thus, only after the arrival of Nikola Pašić as Prime Minister in 1889, and his takeover of two key ministries (Ministry of Finance and Ministry of Foreign Affairs), conditions were created for the long-prepared Law on Shareholding Companies to finally see the light of day, on December 10, 1896.¹² The creators of this law found special inspiration in the provisions on shareholding companies of the Hungarian Commercial Law from 1875, as well as the amendments to the French Commercial Law from 1867. But according to one of the greatest experts on the shareholding law between the two world wars, Milorad Zebić, Serbian law was more complete and modern than Hungarian and Austrian commercial laws when it comes to provisions on convening, constituting shareholders' meetings, their quorum and competence, which in fact did not have precise provisions on shareholders' words at all. "In general, the law from 1896 is more extensive than other laws that are valid on our territory (Kingdom of Yugoslavia). It contains 104 articles... the commercial law for Bosnia and Herzegovina has 93 paragraphs, and the one for Croatia 76 paragraphs."¹³ At the same time, certain borrowings from French law have not been successful enough; Serbian law was also criticized for having many regulations and orders and too few sanctions, which put them in danger of being left without action.

During the next two years from the entry into force of the Law on Shareholding Companies of the Kingdom of Serbia, it became clear that some of its paragraphs should be clarified in more detail and some should be abolished. Thus, the Law of November 17,

¹² V. Aleksić, „Belgrade Cooperative and its role in the Economic Development of Serbia from the late 19th to the early 20th Century“, *Bankarstvo*, Vol. 41, no. 6 (2012), Beograd, p.116.

¹³ Zebić, Milorad, *Akcijsko pravo*, p.7.

1898 abolished two disputable articles (7 and 55), which at one time provoked a great debate in the National Assembly. Article 7 of the Law provided that foreign nationals could participate in the establishment of a shareholding company, but so that there could not be more than a quarter of the total number of founders. This actually meant that Serbia did not allow the establishment of shareholding companies with majority foreign capital on its territory. Sima Lozanić, the then Minister of National Economy and an academic, appealed to the deputies of the National Assembly to repeal this article of the Law, explaining that “foreign capitalists will not allow anyone else to manage their affairs. That provision really proved to be inconvenient, because as soon as this Law came into force, many shareholding companies that could improve some of our economic branches, were not even constituted.”¹⁴ After the proposal on the abolition of this article was adopted, it was left to the Minister of National Economy to make his own assessment of how many foreign citizens could be among the founders.

While the repeal of Article 7 paved the way for the smooth entry of foreign capital into Serbia, the repeal of Article 55 would prove disastrous for many shareholding companies. Namely, this article of the Law on Shareholding Companies of the Kingdom of Serbia forbade members of the management and supervisory board, as well as employees, to take a loan from their own banking institution. Minister Lozanić as well as former radical leader Pera Todorović persistently tried to prove that the abolition of this article would be very dangerous and would put small investors in an unequal position, who need credit far more and who would find it much harder if richer people from administrations kept larger loan amounts for themselves. However, the radical majority considered that the banks’ managements were “the first people in terms of property and character, so when they are excluded, then there is

no one to guarantee the institution”¹⁵, which is why they voted to abolish this article, which was fatal for many shareholding companies in Serbia. In fact, this enabled the false payment of capital, given that the members of the management and supervisory boards opened current accounts for themselves at the same time as the bank was established. As many in Serbia tried to get cheap loans from the National Bank, they would establish companies with only a small amount of capital, which increased the general distrust towards shareholding companies. In the period from the enactment of this law until the beginning of the First World War, 270 shareholding companies were established in Serbia, of which 229 were banks and only 41 were commercial, industrial and insurance companies. It is clear that even the system of prior approval of the Minister of National Economy, which was prescribed by the Law on Shareholding Companies, did not affect the establishment of such a large number of new banks. Until 1914, the founding capital was required to be at least 500 thousand dinars for banks in Belgrade, 200 thousand dinars in other cities in the interior and 100 thousand dinars for banks in towns. It had to be paid no later than two years from the founding of the company. It is obvious that the state, in an effort to catch up with the more economically developed neighboring countries, easily approved the establishment of shareholding companies, which is why many provisions of this excellent law remained “dead letter” until the establishment of the Kingdom of Serbs, Croats and Slovenes.¹⁶

After the end of the First World War and the founding of the Kingdom of Serbs, Croats and Slovenes, the problem of legal regulation of the work of monetary-crediting institutions arose. These institutions, which were the most diverse in terms of their organization, were not then subject to any legal regulations regarding their

¹⁵ *Ibid*, p.81.

¹⁶ V. Aleksić, “Legislative Frameworks Regulating”, pp.76-95.

operations on the money market. After 1922, only the concession system of establishment was valid, in terms of credit institutions as well as in the form of shareholders, while the freedom of business remained. This situation around 1926 led to the collapse of some banks, and threatened to endanger the entire banking system in the country. In order to prevent that from happening, the Ministry of Trade and Industry of the Kingdom, being in charge of monetary-crediting operations of the banks, tried to take measures to pass a special Law on banks, which would legally regulate their work.¹⁷

In Yugoslavia, between the two world wars, there were about 1360 banking institutions, of which as many as 446 savings banks. Out of the total number, about 775 banking institutes were established before the First World War, on the then territories of the Kingdom of Serbia, the Kingdom of Montenegro, as well as in the South Slavic provinces of the Austro-Hungarian Monarchy. All large banks were located mainly in Zagreb, Belgrade and Ljubljana.¹⁸

The Yugoslav banking system in this period consisted of:

1. The National Bank, as the money-issuing institution
2. Shareholding banks of mixed type
3. Public savings banks
4. Two state banks and
5. One semi-state bank.

Integral parts of the banking system were:

1. Micro business banks and
2. Cooperative credit institutions.¹⁹

¹⁷ AJ, 65-997-1852.

¹⁸ AJ, 65-1061-1069; *Jugoslovenski kompas* for 1920-21; *Adresar Kraljevine SHS* for 1928; *Privredni adresar Kraljevine Jugoslavije* for 1934-1935; *Compass finanzielles Jahrbuch, Kroatien-Serbien*, Wien, 1942. 1944.

¹⁹ It is interesting that in the official statistics there is no mention of *Privilegovana*

The *National Bank* was really and formally a continuation of the *National Bank of the Kingdom of Serbia*, of course with a fairly expanded area of activity and with an increased scope of work. It is interesting that the western parts of the country did not consider the National Bank as their monetary institution during almost the entire duration of the Kingdom of Yugoslavia, emphasizing the favoring of Serbian regions in granting loans, consciously neglecting the active participation, primarily of Serbian capital in increasing its capital after the First World War.²⁰ Although the original idea was to increase the share capital, primarily with money from new regions, it did not happen. The economic reasons certainly lie in the fact that the monetary unification intensified the dissatisfaction of the crown territories and caused distrust in the issuing institution as an exponent of state policy. Thus, the ownership of the shares made a far-reaching influence on further operations of the *Bank*, which, in addition to the currency-political tasks that the state

agrarna banka which was a shareholding bank but was founded by the state, see: A. Tasić, “Jugoslovensko bankarstvo između dva rata”, *Glas CCCLXVI Srpske akademije nauka i umetnosti*, Odeljenje društvenih nauka, Beograd, book 26 (1992), 155.

²⁰ Territorial allocation of subscribed shares:

Place	Number of shareholders	Number of shares	Place	Number of shareholders	Number of shares
Beograd	416	29.462	Subotica	7	70
Niš	18	200	Pančevo	21	99
Skoplje	5	31	Zemun	12	62
Zagreb	33	5.970	Zrenjanin	2	20
Ljubljana	47	2.251	Varaždin	5	15
Maribor	5	66	Vršac	10	60
Sarajevo	54	861	Mostar	4	31
Banja Luka	64	280	Osijek	10	210
Novi Sad	12	312	Total	725	40.000

Source: Jerković, Sonja, *Narodna banka Kraljevina Srba, Hrvata i Slovenaca/ Jugoslavije 1918-1931. godine*, (PhD Dissertation), University of Belgrade, Faculty of Philosophy, 2018, p.108.

transferred to it, remained the main organizer and regulator of the short-term loans in the country. The scope of work of the *National Bank* was precisely determined by the Law and the Statutes:

1. Discount and re-discount of bills of exchange with at least two secure signatures and for a period not exceeding three months;
2. Purchase and sale of gold and silver;
3. Granting loans on collateral: gold, silver and government bonds;
4. Issuing short-term money orders for deposited amounts in gold or in banknotes for the purpose of payment of customs duties or other state payments;
5. Receipt of money and other valuables for safekeeping;
6. Opening current accounts and on that basis issuing checks, money orders or letter of credit;
7. Opening a giro account;
8. Making payments and collections with prior coverage;
9. Performing the service related to the registration of loans for the account of the state and municipalities, as well as industrial and commercial enterprises;
10. Granting loans on the pledge of bonds of the Association of Agricultural Cooperatives and re-discount of bills of exchange of the Association of Craft Cooperatives;
11. Taking care of emigrant foreign exchange;
12. Free performance of the duties of the state treasurer.

Most of the listed banking operations were regulated in more detail by separate regulations, so the *Bank's* operations could be conditionally divided into those from which it earned money and those performed for the state.²¹

Shareholding banks were an almost exclusive form in which Yugoslav private banks existed. When we talk about the private banking of the Kingdom of Yugoslavia, we always mean share-holding banks, because they represented the majority of the monetary crediting system in the country, being almost exclusively the direct creditor of economic activity. During the entire existence of the Kingdom, no general Law on shareholding companies was passed. Therefore, in the territory of Serbia, the already mentioned Law on Shareholding Companies of the Kingdom of Serbia from 1896 was valid (with the changes from 1898), which has been extended to the territory of Montenegro in 1922.²² We have seen that the *Austrian trade law* from 1863 was valid on the territory of Slovenia and Dalmatia; the *Hungarian law* from 1875 was valid on the territory of Croatia and Vojvodina, and with minor modifications in Bosnia and Herzegovina from 1883.²³ However, due to the possible danger of excessive independence of shareholding companies on the mentioned territories, but also the possible confusion that would arise in the application of these laws, the Ministerial Council of the Kingdom of Serbs, Croats and Slovenes passed a decision in November 1919 that all shareholding companies which start or expand their activities to the entire territory of the state, must

²¹ *Ibid.*, p.115.

²² *Službene novine Kraljevine SHS, (Official Gazette of the Kingdom of SCS)*, no.105, 15 May 1922, *Zakon o proširenju važnosti Zakona o akcionarskim društvima u Kraljevini Srbiji, na teritoriju Crne Gore/ Law on Extending the Validity of the Law on Shareholding Companies in the Kingdom of Serbia, on the Territory of Montenegro.*

²³ M. Zebić, *Zakoni i raspisi*, pp.73-124.

have the approval of the Ministry of Trade and Industry.²⁴ This Ministry also gave special approvals in cases when shareholding companies that were the affiliations of foreign companies or banks had been established.²⁵

At the beginning of the economic life of Yugoslavia before the Second World War, the banking of Serbia and Montenegro was inferior to the banking on the territories of former Austro-Hungary. It suffered the most in the First World War, which is why in 1919 the ratio of banks placed on the territories of former Dual Monarchy to that on the territories of Serbia and Montenegro was 92.31% to 6.69%. As we have explained, Serbia abounded in small local banking institutions founded by merchants or money changers, mostly former creditors of the peasantry (then the largest part of the population), who saw banking as an excellent source of income. This was precisely the reason for the low professional level of small provincial banks. In the northwestern parts of the country, the pre-World War I influence of the Viennese and Pest headquarters on local banks remained quite strong even when these territories became part of the new Yugoslav state. Thus, at that time, the share of Austrian and Hungarian banks in Yugoslav banks was: in Croatia and Slavonia 40%, in Slovenia 20%, in Vojvodina 43% and in Bosnia and Herzegovina 35%. This dispersion of the banking system, among other things, affected the excessively high-interest rate on the Yugoslav market, which was a significant problem throughout the interwar period. In an effort to bring down the market interest rate (which, for example, reached as much as 30% in 1922), the *National Bank* took measures to merge small banks by determining the minimum

²⁴ *Službene novine Kraljevine SHS, (Official Gazette of the Kingdom of SCS), no.161, 13 December 1919.*

²⁵ F. Kohn, *Trgovački i pravni leksikon*, (Osijek: Tisak Građanske tiskare, 1937), p.16.

amount of capital that those banks had to have in order to be able to use her loans.²⁶ This action did not give any important results, but still by 1930, there was a certain concentration in banking (thus, in the period from 1927 to 1935, twenty cases of mergers of banking institutions were recorded). The dispersion of the banking system was especially present in Serbia and even in Belgrade itself, and least in parts of the former Austro-Hungarian Monarchy. The exception here was Vojvodina, which inherited some bad features of Hungarian provincial banking, suffering from the hypertrophy of small and weak banking institutions that prevented the concentration of capital. This was one of the key reasons why, until the late 1920s, it was not possible to talk about Yugoslav banking.²⁷

The establishment of banks had the greatest momentum in 1922 in the midst of the inflationary period and the general effort to nationalize business enterprises - primarily banks. At that time, the existing financial institutions were expanded. Due to inflation, in the period from 1920 to 1923, the stock exchanges worked intensively with the shares of economic, especially banking institutions. The prospects for profit were very high, so the share capital of banks grew, from 829.8 million dinars in 1921, it increased to 1,919 million dinars by 1924. The aspirations for the industrialization of the country also contributed to this development. Only the collapse of some banks in 1926 stopped the further establishment of new banks, and since then the period of decline in the number of shareholding banks in the Kingdom had actually begun.²⁸

²⁶ V. Aleksić, "Uloga i značaj stranog kapitala u industrijalizaciji predratne Srbije", *Deindustrijalizacija u Srbiji: mogućnost revitalizacije industrijskog sektora*, ed. Božo Drašković (Beograd: Institut ekonomskih nauka, 2014), p.163.

²⁷ Ibid.

²⁸ D. Milić, "Privredni položaj Srbije po završetku ratnih operacija", *Srbija na kraju prvog svetskog rata – Zbornik radova Istorijски institut SANU*,

It is a very interesting fact that the introduction of the system of prior approval, which already existed in some parts of the country even before unification, was of very important national interest in terms of protecting the development of the domestic economy. Namely, immediately after the end of the war in Croatia and Vojvodina (where there was no system of prior approval), a huge number of foreign companies appeared that organized their business through the establishment of small domestic shareholding companies with a minimum founding capital of only 25 or 30 thousand dinars. These were in fact camouflaged foreign branches which, dealing exclusively with the sale of foreign goods, endangered the work of many domestic and reputable companies. Therefore, the system of prior approval was the first successful endeavor in the harmonization of state legislation on shareholding companies.²⁹ However, the next planned stages of this great and important process would not be carried out easily or quickly.

The first new change would occur only in 1930, with the adoption of the Law on Amendments to the Law on Shareholding Companies of December 10, 1896, and it will be related to equalization in terms of shareholders' voting rights.³⁰ The provisions on shareholding companies of all Austro-Hungarian commercial laws stated that each share gave the right to one vote and that there were no restrictions on the number of votes. In Serbia and Montenegro, according to Articles 65 and 66 of the Law on Shareholding Companies, three shares gave one vote, with no shareholder being able to have more than ten votes, regardless of the number of shares. Viewed in the spirit of the time when this law was created, the

Beograd, 1990, 55; *Industrijska komora u Beogradu: Izveštaj o radu 1914-1920*, Beograd 1920, p.9.

²⁹ V. Aleksić, "Legislative Frameworks Regulating", pp.76-95.

³⁰ *Službene novine KJ*, (*Official Gazette of the Kingdom of KY*), no. 29 -X, 07 February 1930

provisions had their important economic and political purpose. In this way, the interests of small shareholders were primarily protected, because the provisions made it impossible for the shareholding company to be reduced to a mere formality in which the interests of large shareholders would dominate; also, the companies were forced to have a larger number of shareholders whose control function was much more serious in that sense, and thus the business data were more transparent. However, even in the time of the Kingdom of Serbia, large shareholders were “constantly forced to adjust the schedule of their shares by introducing fictitious shareholders, in order to gain appropriate influence through their participation in the social capital.”³¹ Thus, the public falsification of the will of the shareholders was performed, although according to the Law on Shareholding Companies, Article 65 prescribed that if such irregularities were established, the work of the shareholders’ assembly could be annulled, the damaged shareholders could file a criminal lawsuit. This type of forgery could be punished by imprisonment for up to 5 years and fines could be of up to 10 thousand dinars. However, according to the claim of the prestigious interwar economic magazine *Narodno blagostanje*, “in our country it was taken for granted, so much so that life had overgrown this unreasonable regulation and made it obsolete and impossible and an obstacle to development. But even that had its discomfort and often distanced scrupulous people from shareholding companies.” However, Articles 65 and 66 of the *Law* were at the same time very problematic for the entry of foreign capital into Serbian shareholding companies. Foreign representatives could not and did not want to deal with “arrangements so as not to be overwhelmed by a small minority.” Therefore, they asked for 100% of shares in one company, otherwise they did not want to enter. “That is how

³¹ *Narodno blagostanje*, Zakon o izmeni zakona o akcionarskim društvima od 10. decembra 1896, no. 6, Beograd/ Law on Amendments to the Law on Shareholding Companies of December 10, 1896, 08 February 1929

the cooperation of foreign capital with ours was prevented.”³² The problem became even more obvious with the establishment of a new, spacious state in which foreign capitalists, in order to avoid such legal regulations, established their shareholding companies in Zagreb instead of in Belgrade. After many years of appeals by some Serbian economists and businessmen to change the mentioned provisions of the Law on Shareholding Companies, that was finally done in 1930. In this way, two major and important innovations were adopted, the first of which was that each shareholder had rights and influence on the course, work and life of the shareholding company, in proportion to their participation in the share capital, while the second was that each shareholder could represent multiple shareholders. Also, that was another important step towards the harmonization of legislation on shareholding companies in the Kingdom of Yugoslavia.³³

Encouraged by this new undertaking in harmonizing the state legislation on shareholding companies, the Ministry of Trade and Industry of the Kingdom, which was in charge of banking and credit operations of banking institutions in the country, took measures to enact a special law on banks in order to regulate legally their operations. However, due to the great crisis of Yugoslav banking from 1931, as a consequence of the severe credit crisis that prevailed in Germany and Austria at that time, such a law was never passed. Instead, the Decree on the Protection of Banking Institutions and Their Creditors and the Decree on the Protection of Credit Unions and their Associations, both passed on November 22, 1933, followed.³⁴ A year later, they were replaced by new regulations, and their goal was to rehabilitate and finally regulate

³² *Ibid.*

³³ V. Aleksić, “Legislative Frameworks Regulating”, pp. 76-95.

³⁴ *Službene novine KJ*, (*Official Gazette of the Kingdom of KY*), no. 278-LXXXII, 4 December 1933.

the otherwise difficult conditions in banking, especially in the area of agricultural credit.³⁵

When it comes to the insurance companies in the Kingdom of Yugoslavia, there were a total of 31 of them, of which as many as 19 with the participation of foreign capital. Out of that, there were 13 branches, while for the other 6 companies it was characteristic that the majority packages of shares were in the hands of representatives of foreign countries. In shareholding companies of this type, foreigners were reluctant to mobilize domestic capital because the dividends were so high that foreign capital did not want to share them, as well as because such companies mobilized domestic capital performed in another way, by charging the premiums themselves.³⁶

Public savings banks (municipal, city and regional) existed for the most part in the Northwest of the country, as well as in Dalmatia, but since the 1930s they have also been established in increasing numbers in other parts of the country. They functioned as purely depository institutions. Until 1938, their origin and activities were based on various legal regulations. In the so-called Austrian part of the former Austro-Hungary, a special Law from 1844 was in force, according to which savings banks could be established with the guarantee of municipalities or charitable societies. In Croatia and Vojvodina, savings banks were established on the basis of the Law on the Organization of Municipalities as well as the Hungarian-Croatian Commercial Law. Savings banks were also established on the basis of municipal statutes, i.e., on the basis of legal regulations on municipalities. With the legalization of the Decree on Municipal Savings Banks in 1938, the same regime ruled in relation to all savings banks.³⁷

³⁵ *Ibid*, no. 272-LXXI, 24. 11. 1934.

³⁶ S. Dimitrijević, *Strani kapital u privredi bivše Jugoslavije*, (Beograd: Nolit, 1952), pp.27 - 34.

³⁷ A. Tasić, *ibid*, pp.148-151.

Of the two state-owned banks that existed in the interwar period, one was the *State Mortgage Bank*, as the main holder of a mortgage loan in the country, and the other, the *Postal Savings Bank*, as the main organizer of postal check turnover, but also a collector of national savings. Due to the banking and credit crisis in the country, starting from 1931, state banking institutions became very important, considering that the mentioned banking crisis passed them by. While private banks, and to a lesser extent credit unions and savings banks, fell into crisis, a large part of the deposits withdrawn from such banks were placed with state-owned banks, which permanently stabilized their position.³⁸

In the Kingdom, until 1929, the state tried to respond to the growing credit needs of farmers from the budget and through the Directorate for Agricultural Credit. However, that year, the Council of Ministers made a decision on the establishment of the *Privileged Agrarian Bank*, as a shareholding company in mixed ownership, with the aim of providing favorable loans and “easing the heavy obligations of the peasants.” It was about state interventionism in agriculture against the growing agrarian crisis, which enabled farmers to refinance with mortgage loans the debts they had accumulated with shareholding banks and private individuals.³⁹

There are almost no official statistics on micro business banks. They represented more exchange offices than credit bureaus, so they never had any greater significance for the Yugoslav economy. When it comes to founding cooperatives, they developed very successfully in the Kingdom between the two World Wars, as evidenced by the then comparisons of the number of cooperatives with the number of inhabitants, according to which every fourteenth

³⁸ Ibid; S. Dimitrijević, *ibid*, 1958, p.25.

³⁹ D. Gnjatović, *Privilegovana agrarna banka, Prilog istoriji poljoprivrednog kredita Srbije 1836-1947* (Beograd: Udruženje banaka Srbije, 2013), pp.100-112.

Yugoslav was a cooperative. Until 1937, there were numerous laws on cooperatives that were applied only in a certain part of the territory, or they referred to some special types of cooperatives. Unification in both senses was achieved by the Law on Business Cooperatives, which also included credit cooperatives.⁴⁰ Local and regional cooperatives used the loan from the state, i.e., from the Directorate for Agricultural Credit, while other credit cooperatives were under the auspices of the so-called free cooperation, which did not benefit from state aid. The total number of credit cooperatives reached 4,615 between the two World Wars.⁴¹

Yugoslav economic experts between the two World Wars calculated that for every twenty thousand inhabitants of the Kingdom, there was one bank.⁴² This information obviously did not mean much to the Yugoslav state legislators, especially if we keep in mind that, during the slightly more than twenty years of the Kingdom of Yugoslavia's existence, neither a single law on shareholding companies nor a law on banking institutions of the Kingdom of Yugoslavia was passed. Frequent changes of government, as well as political and party skirmishes, certainly made the possibilities of accelerated economic and social progress and the design of development almost impossible. This inevitably leads to the conclusion that the state, without clearly defined legal regulations related to the placement, especially of foreign financial capital, could not expect the general economic prosperity of the country, without becoming a victim in the economic and then in the political sense of those legal deficiencies.

⁴⁰ *Službene novine KJ*, (Official Gazette of the Kingdom of KY), no. 217-LXII, 24. November 1937

⁴¹ V. Rozenberg, "Bankarstvo u Jugoslaviji, Sistem jugoslovenih kreditnih ustanova", *Dvadeset godina kulturnog i privrednog razvitka Kraljevine Jugoslavije* (Beograd, 1938), pp.103-111.

⁴² A. Tasić, *ibid*, p.153.

NEW BANKING AFFILIATION ON YUGOSLAV ECONOMIC SCENE

Wiener Bankverein took full advantage of the period from 1921 to 1928 to learn about all the advantages and disadvantages of a new economic area, formed by the creation of the Kingdom of Serbs, Croats, and Slovenes, skillfully exploiting all the weaknesses caused by the fact that no government succeeded until 1929 to create an economic and financial program, for the realization of which support and sources of income would be provided. In a country where the Parliament was more concerned with politics than the socio-economic development, where governments often fell and ministers changed, foreign industrial and financial capital had great potential to intervene, connect with the state leadership and party leaders, and all together to provide for itself firm control over the economic life of the Kingdom.

Political and party upheavals, which often led to changes in governments, inevitably influenced the fact that there was almost no talk of the possibilities for faster economic and social progress and the design of the development. Inflation, lack of funds to meet the material needs of the state or ways to overcome different economic bases were not discussed at all because those who were supposed to decide and implement economic policy spent most of their time accusing each other and very often labeling the work of their predecessors as wrong or full of machinations. Thus, until 1929, both the Parliament and political parties paid little attention to the economy. In conditions when the priority task was to build

a new state and its institutions, economic programs were not even discussed, and the concepts of modernization, industrialization, and urbanization, in general, were not even developed in this period. It is an interesting fact that there were no economic experts in the Parliament itself, and in the programs of the most massive parties in Serbia - the Democratic and People's Radical Party, there were not many indications of the country's economic development. In contrast, the most influential party in Slovenia - the Slovene People's Party and in Croatia - the Croatian Peasant Party, paid far more attention to economic problems (agrarian policy, cooperatives, production credit).⁴³

The ruling nomenclatures often pursued a policy that was in great conflict with the interests and desires of business, and especially financial-industrial circles. Government policies have affected certain members of the Serbian business elite in close ties to the ruling Radical Party. This claim could be supported by the provisions of the Vidovdan Constitution and the constitutional drafts of the opposition. Namely, all editions of the Constitution made by Serbian politicians Nikola Pašić, Stojan Protić and Milenko Vesnić were based on the Serbian Constitution from 1903. Unlike their centralist view, the draft of the Yugoslav Club was inspired by the idea that the era of military and bureaucratic states was over and that the state must gradually turn into an economic and cultural community. The businessmen themselves were dissatisfied with this policy of not dealing with economic issues, especially because the state ignored their professional potentials and their need to take a more active part in the renewal and planning of the country's economic development.⁴⁴

⁴³ B. Petranović, „Modernizacija u uslovima nacionalno nestabilnog društva (jugoslovensko i srpsko iskustvo)“, *Srbija u modernizacijskim procesima XX veka*, conference proceeding (Beograd: Institut za noviju istoriju Srbije 1994), p.23.

⁴⁴ S. Jovanović, *Političke i pravne rasprave I-III*, (Beograd: Bigz, 1990), p.423.

Data from the budget of the Kingdom of Serbs, Croats and Slovenes are perhaps the best evidence of how much the state did not have a clear strategy for economic development. The peculiarity of all budgets until 1924/1925 was a permanent deficit caused by large expenditures planned for unproductive purposes. Maintaining a massive military cadre due to unresolved border issues seemed to be the biggest benefit for the military ministry. The reduction of the military staff was proposed by many parties in the Parliament, but due to the views of King Alexander Karađorđević himself, it was not a problem that was solved. The first budgets without a deficit were realized only from 1924/1925 when the value of the dinar stabilized, but still the largest benefits went to the ministries of army, transport and finance. The state obviously paid the most attention to the segments of society that were the basis of its power - the ruler, the army and officials.⁴⁵

⁴⁵ Projected Budget Expenditures for Yugoslavia - Budget Years 1922/23 and 1924/25 (Mil. of Dinars):

	1922/1923	1924/1925
Superior State Admin	862.7	1,335.5
Justice	193.1	231.4
Education	461.0	579.3
Religion	72.6	105.2
Interior Affairs	340.5	496.3
Health	185.4	288.0
Foreign Affairs	57.9	183.0
Finance	1,065.6	1,481.4
Army and Navy	1,127.8	1,956.0
Construction	190.5	396.8
Transport	1,234.1	1,782.5
Post and Telegraph	264.6	364.6
Agriculture & Water	117.7	214.6
Commerce and Industry	42.4	80.2
Social Policy	373.2	359.2
Agrarian Reform	57.7	92.6

When it comes to the policy towards banks and shareholding companies, nothing has changed here either. The Ministry of Trade and Industry of the Kingdom of Serbs, Croats and Slovenes issued special approvals in cases where a shareholding company had been established as an affiliation of a foreign company or bank, or, when among the founders there were foreign nationals.⁴⁶ On the other hand, the Ministry of Finance did not pursue any particular fiscal policy towards foreign capital placed in the Yugoslav economy, nor towards the capital that was invested in the country in the form of affiliates or branches.⁴⁷ The legal regulations on shareholding companies on the territory of the Kingdom had provisions that referred to the branches of foreign shareholding companies, while there were no provisions regarding participation of foreign capital in domestic companies, i.e., those established according to Yugoslav laws.⁴⁸

Yugoslav policymakers, however, tried in the 1920s to take various measures to tear the economy of the newly established state away from too much foreign influence. It was not so much a matter of putting domestic capital in the position held until then by the capital of Vienna and Budapest, since there was no domestic capital

Constit. Assembly	0.5	0.4
Budget Reserve Credits	81.0	120.0
Total	6,934.5	10,404.9

Source: A. Fogelquist, *Politics and Economic Policy in Yugoslavia 1918-1929*, (PhD Dissertation), University of California, Los Angeles, 1990, p.510.

⁴⁶ F. Kohn, *Trgovački i pravni leksikon*, p.16.

⁴⁷ V. Rozenberg, *Inostrani kapital u jugoslovenskoj privredi. U bankarstvu, industriji, trgovini, transportu, osiguranju i ostalim granama privredne delatnosti*, (Beograd: Balkanske štampe, 1937), p.29.

⁴⁸ M. Zebić, *Zakoni i raspisi...: see articles 91 – 97 of the Law on the shareholding companies of the Kingdom of Serbia with the changes from 1896, articles 210 - 217 of the Trade Law for Croatia and Slavonia as well as articles 210 - 217 of the Trade Law for Vojvodina.*

of these proportions, but the achievement of control over the foreign affiliates, which, due to the fact that their centers were abroad, easily escaped that control. However, the lack of sufficient accumulation of domestic capital, as well as the inability of the then ruling circles to, due to increasingly complicated political circumstances, create with more energy the economic policy, led to the fact that foreign centers resorted to transforming their branches into independent “Yugoslav” banks. Foreign citizens thus became the owners of newly established banks.⁴⁹

With this in mind, the *Wiener Bankverein*’s management began to consider the possibility of establishing a “domestic” bank in the mid-1920s, either through the merger with one of the more solid Belgrade banks or through the transformation of the Zagreb and Belgrade banks. Under the laws in force at the time, it was necessary for a number of shares to be in the hands of Yugoslav citizens (usually 50% to 55%), who at the same time they had to make up at least half of the total number of board members. Namely, until 1930, on the territory of Serbia and Montenegro, on the basis of Articles 65 and 66 of the Law on Shareholding Companies, three shares gave one vote, with no shareholder being able to have more than ten votes, regardless of the number shares (in the provisions on shareholding companies of all Austro-Hungarian commercial laws, it was stated that each share gave the right to one vote and that there were no restrictions on the number of votes).⁵⁰ Viewed in the spirit of the time when the law was created, these

⁴⁹ S. Dimitrijević, *Vladavina stranog kapitala u bivšoj Jugoslaviji*, (Beograd, Prosveta, 1958), 1958, pp.2-11; *ibid*, *Privredni razvitak Jugoslavije od 1918 - 1941*, (Beograd: Visoka škola političkih nauka, 1962), p.42; *Elaborat o britanskom kapitalu u Jugoslaviji 1918 - 1941, njegova ekonomska, politička i obaveštajna uloga*, (Beograd: Institut za istorijska pitanja, Uprava za kordinaciju rada naučnih instituta, 1951), pp.1-18.

⁵⁰ M. Zebić, *Zakoni i raspisi...*, see: Law on Shareholding Companies of December 10, 1896, with the changes from 1898

provisions had their important economic and political purpose. In that way, the interests of small shareholders were primarily protected, because the provisions made it impossible for the shareholding company to be reduced to a mere formality in which the interests of large shareholders would dominate; also, the companies were forced to have a larger number of shareholders whose control function was much more serious in that sense, and thus the business data were more transparent.

It has already been said that this Law was quite problematic for the entry of foreign capital into Serbian shareholding companies. In order not to be outvoted by minority shareholders, foreign representatives sought to own 100% of the shares in one company or refused to participate in it at all, which made it quite difficult for foreign capital to cooperate with domestic ones. With the establishment of the new state, the situation became even more complicated because foreign capitalists, in order to avoid these legal regulations, established shareholding companies much more often in Zagreb. After many years of appeals by some Serbian economists and businessmen to change the mentioned provisions of the Law on Shareholding Companies, that was finally done in 1930.⁵¹ In this way, two major and important innovations were adopted, the first of which was that each shareholder could have rights and influence on the course, work and life of the shareholding company in proportion to his participation in the share capital, while the second was that each shareholder could represent more shareholders. Also, this was another important step towards the harmonization of legislation on shareholding companies in the Kingdom of Yugoslavia.

⁵¹ *Zakon o izmenama Zakona o akcionarskim društvima od 10. decembra 1896. godine/ Law on Amendments to the Law on Shareholding Companies of December 10, 1896, see: Službene novine KJ, (Official Gazette of the Kingdom of KY), no. 29-X, 07. February 1930*

In the context of the analysis of the work on harmonization of the law on shareholding companies and its adjustment to the spirit of the new time, special attention should be paid to the efforts of some interwar economists who pointed to growing corruption and the emergence of bankocracy in Yugoslav society. Thus, the well-known economist Nikola Stanarević wrote in the prestigious Zagreb magazine *Bankarstvo* in 1924 that the influence of banks and bankers on politics, that is, the dependence of politicians on plutocracy, was so great that it could not have been imagined ten years earlier. “Banks in Zagreb finance daily newspapers and implement their policy here as well. Our ministers, active and former, publicly participate in the establishment and management of shareholding companies, and if there are even written laws prohibiting it(...) There are ministers who have direct connections, as board members in a dozen banks and large shareholding companies(...) Lately, there has not been a single big deal that has not involved a prominent politician, MP or high state official.⁵² Forest and mining companies take gentlemen from that profession, others turn to influential people from *Uprava fondova*, State Monopolies, etc. Even in the Management of the *National Bank*, they come, it seems to me, according to the famous key that was once established between the Radicals and the Democrats for the number of seats in the cabinet and police officials.” It turned out that neither the Law on the Introduction of State Accounting, nor the Law on the Election of People’s Deputies, nor the Clerk Law of the Kingdom of Serbs, Croats and Slovenes could prevent this. Stanarević pointed out as especially harmful the practice of intervention of people’s deputies, representation of ministers, engagement of the closest relatives of the Prime Minister in “completing” jobs in various ministries, all to the detriment of general interests and the state treasury. That is why, according to

him, no law on incompatibility could help anymore, because due to its non-implementation, corruption continued to spread. He believed that “bankocracy was acting in two ways. On the one hand, with the help of politically or by their position influential people (ministers, people’s deputies, high state officials in management boards), the work is favorably completed with the help of the state: lease of goods, removal of sequestration; obtaining forests, livelihoods and concessions. On the other hand, with the help of such banks, the newspapers are influenced, consciences are bought, and voters are brought into a subordinate position.”⁵³

In order to stop such harmful phenomena in the country’s economy and politics, various ways have been proposed to combat them. Janko Hacin, director of the *First Croatian Savings Bank* and the Association of Banks in Belgrade pointed out the need to introduce measures that would enable credit opportunities, especially in Serbia to be set on a healthier basis, as well as to reduce risks and losses of banks, which was an indispensable condition for reducing interest rates on bank loans. In fact, it turned out that, due to the legally prescribed secrecy of operations but also the lack of control of the *National Bank* over the work of Serbian shareholding banks, many businessmen who would be left without funds sought and received loans from as many as five or more banks at the same time. “It suddenly shows that the company, which was considered good for 100 thousand dinars, enjoyed a loan in that amount not with one, but with five, ten and in one case as many as eighteen banks. And every bank lived in the belief that it was the only financier of the company.”⁵⁴ In order to bring Serbian banks into contact with each other and in order to more successfully defend their interests, the example of the banks in Ljubljana had been

⁵³ Ibid.

⁵⁴ J. Hacin, „Obaveštajni kreditni odseci kod Narodne Banke“, *Narodno blagostanje*, no.1, 09.02.1929, pp.6-8.

pointed out. Every month, those banks sent the information on the obligations of their clients to the Ljubljana branch of the *National Bank* and received reports from the *National Bank* on the status of their obligations with other Ljubljana banks. Thanks to such engagements, in 1929, Intelligence Credit Departments at the National Bank were introduced, which greatly contributed to settling the credit situation in Serbia.

For a more serious suppression of corruption in Serbian banks, it was necessary to change the provisions of the Law on Shareholding Companies from 1896 with the changes from 1898, which referred to the control of the work of monetary institutions. Namely, the organization of shareholding companies was such that individual shareholders did not have the legal and all together the factual possibilities to control the work of the management. They had to rely on a supervisory board whose members, contrary to the practice in developed western countries, were elected by board members. Instead of the control function being performed by the most professional people with the most business experience, in Serbian banks, those who were “too young and too weak” to be on the board of directors came to these boards.⁵⁵ Hacin wrote that “we often find a father or uncle in the management and a son or nephew in the supervisory board. Especially with shareholding banks, we see regularly directors in the management and clerks in supervisory boards who should supervise their bosses. This paradox has become a rule in which, due to its regularity, we no longer feel its paradox. The request to change this strange, incomprehensible practice will finally be considered a paradox.”⁵⁶ This provision was finally changed only in 1937, forty years after the adoption of the Law on Shareholding Companies.⁵⁷

⁵⁵ Ibid, „Nadzorni odbori akcionarskog društva u teoriji i praksi“, *Narodno blagostanje*, no.4, 2.III 1929, pp.51-53.

⁵⁶ Ibid.

⁵⁷ The new *Commercial Law of the Kingdom of Yugoslavia* from 1937, in

All these specifics of Yugoslav and especially Serbian banking were not unknown to the representatives of *Wiener Bankverein*, especially not to that part of the bankers who came from *Société Générale*. Namely, the most prominent members of the Belgian society have been sitting in the management of this Bank ever since the 1880s. Four of the seven directors of the *Société Générale* were then from the ranks of professional lawyers, attorneys, judges and senior civil servants. In the meantime, Jews of “haute banque” of German origin were increasingly coming to high positions in Belgian finance and society, actively participating, together with private bankers, in the work of large shareholding banks. Over time, a dense network of family ties was formed, creating dynasties of industrialists and bankers that dominated the boards of powerful banks. Although a lot was done in the professionalization of staff at the *Société Générale* until the First World War, leading public figures were still of special importance in this bank. An outstanding example of business progress in the case of Governor Ferdinand Baeyens, who entered the bank at the age of sixteen as an accountant, to eventually become the main driver of the bank’s development activities, first as a board member and then as Governor of the *Société Générale*. This exceptional rise of his was additionally crowned with the title of baron. Baeyens

addition to allowing the establishment of limited liability companies on the entire territory of the state, clearly specified the duties and obligations of the supervisory board as a control body, and introduced institutions of commissioners and external supervision. However, for many Serbian banks, the *Commercial Law* came too late, which is evidenced by the large number of bankruptcies and forced liquidations, especially in the period from 1931 to 1936. The Second World War, which arrived to the territory of Yugoslavia four years later, did not leave enough time for this Law to come to life in full so that it could really show all its effectiveness, see: L. Tauber, „Kontrola kod akcionarskih društava (po nacrtu trgovačkog zakona)“, *Narodno blagostanje*, no. 40, 30. September 1933, pp.627-629; Đ. Mirković, *Pravna priroda pravila trgovačkih društava (s posebnim osvrtom na akcionarska društva s.o.o)*, (Beograd: Privredni Pregled, 1940), p.52.

indisputably encouraged the faster development of professionalism in the Bank, in which experts were increasingly willing to accept a leading role along with politicians and other public figures. Yet one of the great industrialists, Edouard Empain, whose brilliant career was also crowned with a noble title by King Leopold II, complained at the end of his life that the Belgian establishment never actually accepted him and that “high finances and leading industries were a closed world. No one could enter without a centuries-old aristocratic background.”⁵⁸ After the War, the growing influence of the *Société Générale* in the development of Belgian industry also changed the conditions of recruitment to the Bank’s Board of Directors. In a way, professional qualifications became more important than social or political position. The Bank was expanded to nine members in 1924, and with the accession of three engineers aged about forty, the average age was significantly reduced. However, the emergence of meritocracy did not diminish the importance of the family network in Belgian banking circles, nor the political importance of Belgian bankers. In this connection it must be borne in mind that with adoption of a general electoral right in 1918, a huge number of socialists was introduced in the Parliament, changing the political balance in the country. That is how Belgium entered a period of political instability, with the constant change of coalition governments. At the same time, the sphere of influence of bankers shifted from the Parliament to the government itself.⁵⁹

Although the position of bankers in Parliament was an important position in society, the *Société Générale* has always sought to maintain as much political balance as possible with a strong reliance

⁵⁸ G. Kurgan-van Hentenryk, “Finance and financiers in Belgium, 1880-1940”, *Finance and financiers in European history, 1880-1960*, ed. Cassis, Youssef, (Cambridge University Press, 1992), p.329.

⁵⁹ *Ibid*, p.330.

on the Royal Court, which has always had a representative on the Bank's Board since its inception. For example, back in 1880, that is, at a time when power was mostly in the hands of liberals, the Board of Directors consisted of both Catholics and liberals, with all three Bank directors then being members of Parliament from the ranks of the liberals. When the Catholics gained a majority in 1884, the Bank's interest shifted to former Catholic ministers who were also close to King Leopold II. In the interwar period, the composition of the Board of Directors of the *Société Générale* became less political. The mentioned big change in the Board of Directors, which happened in 1924, was aimed at greater professionalism, so that no director had a parliamentary seat in that period. Again, this was by no means the Bank's exclusion from the realm of politics. It was actually about shifting the power relations from the Parliament to the Belgian government. The influence that some eminent Bank executives, such as Georges Theunis and Émile Francqui, gained during World War I led to them being called upon to be part of the Belgian government during the resolution of the post-war economic and financial crisis.⁶⁰

Thus, Georges Theunis, as a member of the rising Belgian bourgeoisie, was appointed president of the Belgian War Procurement Commission in London during the First World War, and after the war he was a member of the Belgian delegation to the Versailles Peace Conference and a Belgian representative in the Reparations Commission. He became the Minister of Finance already in the government of Carton de Wiart in 1920, and then at the same time the Prime Minister from 1921 to 1925, that is, at the time when the Belgian-Luxembourg Economic Union became a reality. In the period 1925 and 1926, he was a co-opted senator of the Catholic Party and then became chairman of the Board of Directors of the *Société Générale*, then to be elected President of the International

⁶⁰ *Ibid*, pp.330-331.

Economic Conference in Geneva in 1926-1927.⁶¹ In 1926, the Cabinet of National Unity, headed by Henry Jaspar, called on the help of the Deputy Governor of the *Société Générale*, Émile Francqui, who, thanks to special relations with English and American banks, managed to stabilize the economic situation in the country. He certainly used his time in the government to diminish the function of the *National Bank of Belgium* as a source of credit and to expand the influence of private banks and especially the influence of *Société Générale*. Thus, in the same year, together with Georges Theunis, he was appointed a member of the newly formed *Council of Regency of the National Bank*.⁶²



The Belgian representatives in the *Wiener Bankverein* sought to ensure the greatest possible security of their placements in the Kingdom, more favorable treatment and special relief within the framework of fiscal, tax, tariff and even social policy. Therefore, they considered it of great importance to include as influential political and economic representatives of the state as possible in the Board of Directors of future banking affiliations, the so-called *štromani*. These were personalities with strong ties and influence in the state administration, through which it was possible to contact with the most important economic and political factors in the country. For very high royalties and without actual participation

⁶¹ Georges Theunis was the brother of Lieutenant General Emil Theunis; he also finished military school and then became an engineer. He started his career in *Groupe Empain*, where, among other things, he traveled to Russia on the orders of Baron Empain himself, as a manager of *SA Ateliers de Constructions Electriques de Charleroi* (ACEC), see: AJ, 151-1-1.

120 ⁶² G. Kurgan-van Hentenryk, *ibid*, p.331.

in the management, they were supposed to provide the support of the state or at least certain ruling circles for certain business and financial transactions, which the Bank intended to perform in the Kingdom. The available archives provide us with a lot of testimony about how carefully the Bank's representatives analyzed influential person on the Yugoslav economic and political scene, who could, in the best possible way, serve their interests.

Thus, after several months of discreet research, with the comprehensive help of David Hohner and Hugo Weinberger, who were the members of the *Wiener Bankverein* branch offices in Belgrade and Zagreb, the first list of possible *štomani* arrived from Vienna to Belgrade at the end of September, 1927. It was a list that included six, among them very prominent Serbian businessmen, all of whom were members or sympathizers of the Democratic Party, except for one member of the Radical Party. This list is an important testimony about the people who were considered as the Serbian political and economic elite in the late 1920s. There is no doubt that their names were proposed to the Viennese and Belgian bankers in Belgrade by political circles close to the Democratic Party, i.e., the newly appointed Minister of Foreign Affairs Vojislav Marinković, a very close associate of King Alexander I Karađorđević. Regardless of this important fact, the last word about them was given by David Hohner and Nikola Đorđević, the directors of the Belgrade branch office of *Wiener Bankverein*.⁶³

The first proposed name on the list was the name of Dragiša Matejić, a Democratic Party MP for the Kragujevac district. Together with his much more respectable party colleagues Vojislav Marinković and Ljuba Srećković, he took over the small *Eskontna banka* from Belgrade immediately after the Great War in 1919. Thanks to the loans of the *National Bank*, this Bank quickly became the

⁶³ AJ, 151-39-63; This list, sent on September 20th, 1927 was signed by the director of *Wiener Bankverein*, Oscar Pollak.

center of the large industrial Concern *Matejić*, which also included Opšta privredna banka, Klaničko društvo a.d.,⁶⁴ Leather Factory Beli orao, Mine Jerma Gabernik a.d. and Shoe Factory Boston a.d. According to the information of the director of *Wiener Ban-verein*, Nikola Đorđević, who somehow became a member of the Management Board of the *Eskontna banka* that year, Matejić, as the majority shareholder of this concern, financed the group of Vojislav Marinković in the amount of three million dinars, “gaining good connections with high political figures, which he used for his own purposes.” He was assessed as a good and energetic trader, although unscrupulous, who belonged to the type “eines nouveau riche repräsentiert”, so as such, he could only possibly come into consideration as a member of the management of the new bank.⁶⁵ On the second place of the list was the name of Dragutin Protić, doctor of law and resigned vice-governor of the *National Bank*. As the son of General and later Minister of the Army and Deputy Minister Kosta Protić, he had a development path that was quite reminiscent of the path of the Belgian banker Georges Theunis. He also entered the management of the Central Bank after the First World War. He gained banking experience by working in banks in Paris, while in Serbia he was a member of the board of the legendary *Beogradski kreditni zavod*, founded in 1870. During the Balkan Wars and the First World War (until the exodus through Albania), he served as assistant intendant to the Supreme Command. After the War, he was a delegate to the Peace Conference in Versailles and a member of the Reparations Commission in Paris, where the paths of these two bankers most likely intersected. After the resignation of the long-term governor George Weifert in 1927, the management of the *National Bank* proposed him as the new governor, but he was not appointed to that position

⁶⁴ Abbreviation a.d. in Serbian, or d.d. in Croatian means a joint-stock company

⁶⁵ Ibid; AJ-65- 1116 – 2100 – file of the *Eskontna banka a.d.*

because he publicly criticized the currency policy pursued by the state.⁶⁶ He therefore resigned, retaining his place on the Board itself. Among other things, he was on the management boards of the Vračarska zadruga and Pivara Vajfert a.d., and he was also a member of many inquiry committees. Hohner and Đorđević assessed that Protić had good connections, that he was financially well provided for and that, although he was not politically active, he could be considered as “the first candidate for membership in the management of the new bank” for “some purposes”.⁶⁷

Engineer Miloš Savčić, an industrialist, MP (1905-1910 and 1923), former Minister of Construction (1908-1909), member of the Democratic Party and one of the largest Serbian businessmen of the first half of the 20th century, received a lot of attention in this report. He began his rise as vice president of *Prometna banka*, in which King Petar I Karađorđević was one of the shareholders. After the First World War, he became the President of the Board of Directors of this Bank, from which he created one of the most successful Serbian commercial banks in the territory of the Kingdom of Yugoslavia. As early as 1919, this Bank founded *Društvo za eksploataciju goriva* for the purpose of exploiting the *Podvis* coal mine. Ten years later, the *Tresibabe* and *Podvis* mines already had their own power plant and a large colony settlement of about 800 workers and officials. Savčić was described as a major shareholder of almost all major companies in the country and

⁶⁶ Namely, when the first news related to the legal stabilization of the dinar appeared in December 1926, after concluding an agreement with the *Bank of England*, Dragutin Protić, then vice-governor of the *National Bank*, publicly opposed it, believing that legal stabilization could not be implemented in a country, which so much depended on foreign intervention and which was not able to provide a stable foreign exchange fund with its trade balance, see: S. Jerković, *Narodna banka Kraljevina Srba, Hrvata i Slovenaca/Jugoslavije 1918-1931. godine* (PhD Dissertation), University of Belgrade, Faculty of Philosophy, Beograd, 2018, p.284.

⁶⁷ AJ, 151-39-63.

a member of the Management Board of the *National Bank, Prometno izvozna banka* from Skopje and Insurance Company Serbia; Vice President and member of the Management Board of Beočin Cement Factory and Sartid Company from Smederevo and many other companies.⁶⁸ The directors of *Wiener Bankverein* assessed him as a very agile and energetic businessman, with a great reputation and strong personal connections “especially at the Court, which should not be neglected” and because of which he was recommended as a member of the Board immediately after Dragutin Protić.

The opinion of directors Hohner and Đorđević about Ljubomir Ljuba Srećković is especially interesting, because it is almost completely different from the opinion that the public at the time had about this person. Namely, it was about the first president of the Export Association of the Kingdom of Serbs, Croats and Slovenes, who entered the management of the *National Bank* in 1922 as a member of the export lobby. As a true representative of his guild, he advocated especially for the largest possible volume of seasonal loans. At the time of writing, he was the director of the Klaničko društvo a.d. (factory within the Matejic concern), the oldest member of the Board and current vice governor of the *National Bank*, a member of the Board of *Eskontna banka* and many other smaller Belgrade banks. However, the directors of *Wiener Bankverein* described him exclusively as an exponent of Vojislav Marinković and Dragiša Matejić, but also as a man who did not understand enough financial and economic issues, nor he was well known in the economic circles of the Kingdom, which is why they assessed that he should not have been on the list.⁶⁹

⁶⁸ V. Aleksić, „Prometna Banka a.d. in the Modernisation Processes of Serbia in the first half of the 20th Century“, *Bankarstvo*, vol. 42, no. 1 (2013), Beograd, pp.30-31.

⁶⁹ AJ, 151-39-63; It is an interesting fact that in March 1928, after more than a year and a half of the “governor’s crisis” in the National Bank, it was Ljuba

The name of Vasilije I. Jovanović, a lawyer, former minister and MP of the Radical Party, is especially interesting. This report says that he once enjoyed the great trust of Nikola Pašić, but that since his death he has been a minor political figure in the Radical Party, without any special connections in business circles. Although it was only emphasized that he was a representative of Belgian companies as well as the Belgian ambassador to the Kingdom, a closer analysis of his biography shows that Jovanović, after studying law in Belgrade, received his doctorate in political and administrative sciences in 1897 in Brussels. During the First World War, he was a delegate of the Kingdom of Serbs, Croats and Slovenes at the sessions of the League of Nations in Geneva. In March 1923, he was elected MP for the first time on the list of the Radical Party. At the end of 1925, he was appointed Minister of Agriculture and Water, and after six months he was elected Minister of Transport. During 1927, he participated in the preparations for the Constituent Assembly and the harmonization of laws. It is inevitable that he played a key role in the establishment of the *Wiener Bankvein* branch in Belgrade in 1921 and that he therefore enjoyed the great trust of the management of *Société Générale*, which would be especially evident in the coming years.⁷⁰

Srećković who was elected the new governor. In the press, his election was presented as a victory for the export lobby because he advocated greater financing of seasonal loans. see: S. Jerković, *ibid*, p.381.

⁷⁰ The list that arrived from Vienna contained only the name Vasa Jovanović, while in the mentioned report Vasa J. Jovanović was written by mistake. Namely, in the political life of the Kingdom, Vasilije U, Vasilije J, and Vasilije I Jovanović appeared side by side, the first of whom was a well-known pre-war industrialist, while the other two were lawyers, former ministers and MPs of the Radical Party, with an important difference, namely, only one of them, Vasilije I. Jovanović, was a representative of Belgian companies and a representative of the Belgian ambassador to the Kingdom, see: AJ, 151-39-63; Srpska enciklopedija/ Serbian encyclopedia - Vasa Jovanović: http://srpskaenciklopedija.org/doku.php?id=%D0%B2%D0%B0%D1%81%D0%B0_%D1%98%D0%BE%D0

At the end of this extremely interesting report, the last name from the list was analyzed. That was Mihajlo D. Marinković, a lawyer, a member of the Democratic Party as well as a member of several management boards of Belgrade shareholding companies in the sphere of interest of this political party. Hochner and Đorđević described him as a person who had no significance in the economic life of the country, who lived from the political reputation of his brothers, the late Pavle Marinković, former minister and MP abroad and the already mentioned Minister of Foreign Affairs Vojislav Marinković. It was especially emphasized that Mihajlo Marinković had no political influence either in his party or outside it, and as a special, from today's perspective rather humiliating curiosity, the fact that he married very richly.⁷¹

At the request of *Wiener Bankverein* director Oscar Pollak, the management of the Belgrade branch handed over a report on the proposed *štomani* to Vladimir Đorđević, who was one of the most prominent Serbian industrialists in Yugoslav business circles. He was one of the first Serbian doctors of economic and financial sciences, who acquired this title in Berlin. He was a participant in the liberation wars, a reserve cavalry lieutenant colonel, awarded with a silver and gold medal for bravery and other medals and memorials from the wars. As a great Yugoslav industrialist, he was a member of the Board of the Chamber of Industry and the Industrial Association in Belgrade, but also a writer and translator of many professional papers in the field of economics.⁷² With all this in mind, it is clear why the foreign bankers left the last word to him. The great trust they placed in this person enabled

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(approached on May 29th 2020).

⁷¹ *Ibid.*

⁷² Vladimir Đorđević was the son of the famous pre-war merchant and member of the Commercial Court of the city of Belgrade, see: *Ko je ko u Jugoslaviji*, Beograd, 1928, p.44.

them to be extremely well acquainted with the economic and political circumstances in the Kingdom. The outcome of these “elections” will show that the representatives of foreign capital clearly separated those persons who could help them in the implementation of their current business policy and who, as such, could introduce them into their management and especially supervisory boards, from those who were with them cooperated in the economic and political field. Such relations, as was the case with the representatives of the *Wiener Bankverein*, were kept in strict secrecy.

In parallel with this correspondence between the Vienna administration and the directors of the Yugoslav branches, another important correspondence took place. Namely, at the instigation of Henry Dewez, the Belgian capital representative in *Wiener Bankverein* and a member of the Management Board of *Banque Belge pour l'Etranger* from Brussels, in the summer of 1927 an attempt was made to merge *Beogradska trgovačka štedionica a.d.*, to take over its capital for establishment of future banking affiliation. This savings bank, founded in 1893, was a real bastion of Jewish capital, which made Henry Dewez, who was also a member of the international Jewish capital, far more suitable for business maneuvering. The majority package of shares was owned by a well-known Belgrade banker and one of the richest members of the Belgrade Jewish Community, Bencion Buli, as well as merchants Lazar Avramović, Moris Levi and Hajim Alkalaj. Due to these negotiations, Georges Theunis, President of the Management Board of *Société Générale*, personally arrived in Belgrade together with Henry Dewez. However, it turned out that the planned merger, despite the personal help and support of Lazar Avramović, was very difficult to achieve. The problem was not political in nature, but business one. Not only was it a relatively small share capital, which amounted to three million dinars, but also the fact that through a loan in the amount of two million dinars to the account of the company *Nissim B. Aron & Comp.* from Belgrade, this banking

institution reached the sphere of interest of English capital through the company *A. & A. Crompton & Comp. Ltd.* from Liverpool.⁷³ Although unsuccessful, this attempt to merge a domestic banking institution clearly reflects the intentions of international financial capital to come into close contact with domestic, in this case Jewish capital, as well as with its representatives whose reputation, especially in economic circles of the Kingdom, was not negligible.

The second half of 1927 was not only dedicated to thinking about the way of placing capital and electing the štromani to the Board of Directors, but also to concrete negotiations with the representatives of the Yugoslav authorities on the conditions for establishing a future banking affiliation. It was necessary to draft the rules of the Bank and submit it for approval to the Ministry of Trade and Industry, determine the amount of share capital and allow representatives of foreign banks, as foreign nationals, to obtain appropriate permits to work in the Kingdom. Precisely for these reasons, one of the most prominent lawyers in the country, a member of the Democratic Party and the president of the Belgrade Jewish Community, Rafailo Finci, was hired.⁷⁴ Thanks to his help and suggestions, the Bank's *Rulebook* was drafted, on the basis of which the Minister of Trade and Industry, by his decision on December 29, 1927, approved Alfred Heinsheimer, General Manager of *Wiener Bankverein*, Georges Theunis, then Minister at the disposal of Brussels and Max Brugger, Doctor of Law and Director of the *Banque Commerciale de Bâle* of Zurich, to be able to establish a shareholding company called *Opšte jugoslovensko bankarsko društvo a.d.*⁷⁵ From the approved *Rules* it could be seen

⁷³ AJ, 151-39-63.

⁷⁴ Ibid; N. Popović, *Jevreji u Srbiji 1918 - 1941*, (Beograd: ISI, 1997), p.65.

⁷⁵ AJ, 65-1127-2111; Istorijiski arhiv Beograda/ Historical Archives of Belgrade (IAB), fund: Trgovački sud u Beogradu/Commercial Court in Belgrade, in. 6, no. 994, Announcement of establishment of *AJB*, 10 February 1928

that the Bank, in addition to the official name in the Serbo-Croatian language, had official names in three other world languages: French - *Société Générale de Banque Jugoslave SA*; in English - *General Yugoslavian Banking Corporation Ltd.* and German - *Allgemeiner Jugoslawischer Bankverein AG*. Since 1931, the name has been added in the Slovenian language - *Složno Jugoslovensko Bančno društvo d.d.*⁷⁶ Judging by the archival material, but also by the literature of that time and today, the Bank was best known by the German name *Allgemeiner Jugoslawischer Bankverein AG* (hereafter *AJB*), which is the reason why we will use this name. It is paradoxical that the permission for the establishment of a domestic shareholding company was given to people who were, not only foreign citizens, but also directors and members of the management boards of banks whose headquarters were located outside the territory of the Kingdom. This leads to the conclusion that the search for the most influential people in the economic and political circles of the country has certainly borne fruit.⁷⁷

At the founding (preceding) Assembly of Shareholder held on February 10, 1928 in Belgrade, the initial share capital in the

⁷⁶ AJ, 151-1-1: "Pravila Opšteg jugoslovenskog bankarskog društva a.d." 1927, 1930, 1934. and 1941. They were published several times during the existence of the Bank, especially when there were changes in individual members. They present in detail data on the scope of work, the initial shareholding capital, bodies and their role in the work of the Bank, as well as data on the manner of operations. It also provides all relevant information on the establishment of a pension fund, reserve fund, benefits and the manner of termination of the Bank.

⁷⁷ AJ, 151-1-1: A request from representatives of foreign banks (*Wiener Bankverein, Banque Belge pour l'Etranger, Banque Commerciale de Bâle*) stating, inter alia: "Asking the Minister of Trade and Industry to approve the establishment of the Bank and attached *Rules*, we express the wish that the work of the new Bank will contribute to the development of the economy of the Kingdom of Serbs, Croats and Slovenes and will contribute to more intensive economic relations of the Kingdom with foreign countries", VI, no. 5450, 16 December 1927.

amount of 100 million dinars was approved and the members of the Management and Supervisory Board.⁷⁸ Most of the initial share capital, in the amount of 60 million dinars, was paid to the *National Bank* on February 9, 1928. This capital was paid by the following banks: *Wiener Bankverein*, *Banque Belge pour l'Etranger*, *Banque Commerciale de Bâle* and the *Landesbank für Bosnien und Herzegovina*. The rest of the initial share capital in the amount of 40 million dinars was deposited in the USA dollars with the *Société Générale de Belgique* in Brussels, with the obligation to transfer this amount to the Kingdom within a year and hand it over to the *National Bank* for purchase. Based on the opinion of the Minister of Trade and Industry, who believed that this would “help the Belgian and Swiss capital to be placed in our country as soon as possible, which will produce an undoubted beneficial effect on our economy”, the final approval was given by the Ministry of Finance 23. January 1928. The meeting of shareholders of the Bank was organized according to the current Law on Shareholding Companies of the Kingdom of Serbia (1896/1898), which consisted of all shareholders of the Bank, with every three shares giving one vote, while no shareholder could have more than 10 votes regardless of the number of shares.⁷⁹ Each shareholder could vote in person or through one proxy, while the proxy himself could represent several shareholders if he was their legal representative. Legal entities, in this case foreign banks, were represented by their representatives. Decisions in the Assembly were made then,

⁷⁸ AJ, 65-1127-2111.

⁷⁹ By the mentioned decision of MTI, II no. 13170, 20 May 1930, Art. 17 of the Law on Shareholding Companies, which determined the maximum number of shares, was amended so that the number of votes was unlimited, see: *Zakon o izmenama Zakona o akcionarskim društvima od 10. decembra 1896. godine/ Law on Amendments to the Law on Shareholding Companies of December 10, 1896*, *Službene novine KJ/ Official Gazette of the Kingdom of KY*, no. 29-X, 7 February 1930

as in later assemblies, by a simple majority of votes. The Assembly could discuss only those issues that were indicated in the agenda as well as the increase or decrease of share capital, amendments to the *Rules*, merger of the Bank with another banks, conclusion of cartel agreements as well as the issue of termination and selection of liquidator.⁸⁰

How great the establishment of this Bank was for foreign investors can be seen not only by the amount of the initial shareholding capital but also on the basis of the representatives who entered the first position of the Board of Directors of the new Bank. Thus, the eminent Belgian banker and politician Georges Theunis was appointed president, who at that time did not take an active position in politics, but was therefore the president of the *Société générale de Belgique* from Brussels and the International Trade Council. as well as CEO and Chairman of ACEC, Director and President of *Royale Belgea, Traction et Electricité, Electrobela, Société Générale Africaine d'Électricité* and many others.⁸¹ From the management of *Banque Belge pour l'Etranger* from Brussels came two members and directors of this Bank: Paul Ramlot and Henry Dewez. Representatives of *Wiener Bankverein* from Vienna

⁸⁰ AJ, 151-1-1.

⁸¹ According to some sources, Georges Theunis accumulated as many as 72 seats in the interwar period; in 1932 he briefly served as Minister of National Defense in the government of De Broqueville, and then for another five months as Prime Minister of Belgium (from 20 December 1934 to 25 March 1935). During World War II, Theunis was a Belgian ambassador with a special mission to Washington, D.C. Due to his extensive diplomatic and international experience, Prime Minister Pierlot's government in exile appointed him governor of the National Bank of Belgium on December 27, 1941. After the War, he actively participated in the preparation of the Belgian post-war monetary reform, and then resigned from the position of governor. He died in 1966, see: The New York Times: <https://www.nytimes.com/1966/01/06/archives/georges-theunis-of-belgium-dead-premier-in-20s-and-30s-led-world.html> (approached on May 28th 2020)

were the directors Alfred Heinsheimer and Oscar Pollak, while the representative of the Swiss capital in the Bank was Max Brugger, director of the *Banque Commerciale de Bale* from Zurich. The last foreign representative on the *AJB* Board was the wholesaler and consul general from Vienna, Richard Fanta. It is known that before the First World War, together with his brother Emil Fant, he owned a freight forwarding company with a branch in Trieste and at the same time was the general representative of *Ungarischen Handels-Aktiengesellschaft* in Constantinople, creating excellent trade connections throughout the Levant.⁸²

Representatives of international capital in *AJB* made an extremely interesting and professionally very smart choice of domestic representatives in the Bank's management. Namely, in addition to Hugo Weinberger, a prominent representative of the Zagreb Jewish Community and former director of *Croatian branch of Wiener Bankverein* and then director of the Bank's institution in Zagreb,⁸³ several other extremely important Croatian businessmen and political representatives have been appointed. First of all, there was Ivan Ribar, a great supporter of the national unity of Croats and Serbs and one of the founders of the Croatian Progressive Democratic Party, which in 1905 joined the Croatian-Serbian coalition. From 1913 he was a Member of the Croatian Parliament and at the same time a Member of the Joint Parliament in Pest. At the end of 1918, he was elected a member of the Central Committee of the National Council in Zagreb, and after the founding of the Kingdom of Serbs, Croats and Slovenes, he became a member of the newly founded Democratic Party, which joined the Croatian-Serbian coalition in 1919. He was a member of the Main Board

⁸² E. Samsinger, *Österreich in Istanbul II: K. (u.) K. Präsenz im Osmanischen Reich*, Volume 2 (Wien: Böhlau Verlag GmbH & Co, 2010), p.336.

⁸³ *Židovski biografski leksikon/Jewish Biographical Dictionary*, Hugo Weinberger: <https://zbl.lzmk.hr/?p=2718> (approached on May 29th 2020)

of the Democratic Party and an MP. In 1920, the Constituent Assembly elected him the first president of the National Assembly of the Kingdom of Serbs, Croats and Slovenes, and he remained in this position until 1922. A year later, he officially moved to Belgrade with his family and soon became one of the vice presidents of the Democratic Party.⁸⁴ In addition to him, Vladimir Arko, a prominent Zagreb entrepreneur and founder of the Zagreb Stock Exchange in 1918, was elected a member of the Board, as well as the president of the reorganized Chamber of Commerce and Crafts in the period from 1923 to 1928. Three years later, he was appointed president of the National Union of Industrialists in Zagreb.⁸⁵ One of the wealthiest Croatian businessmen at the time, Milan Marić, was appointed a member of the board. Together with his brother Artur Marić, he was the founder of the oil industry in Croatia, co-owner of the well-known Yugoslav concern Hinko Mayer i drug and president of the largest domestic oil company Anglo-Yugoslav Petroleum d.d, who was in a business relationship with the British company Shell.⁸⁶ Lawyer Ivo Benkovič was the only Slovenian representative in the Bank's management, appointed here most likely due to close ties with Anton Korošec, the then Prime Minister of the Kingdom and leader of the Slovene People's Party.⁸⁷

⁸⁴ I. Ribar, *Iz moje političke suradnje (1901 - 1963)*, (Zagreb: Naprijed, 1965), p.48; Ivan Ribar, *Biography*: <https://web.archive.org/web/20131004225314/http://www.gimnazija-karlovac.hr/poznati-bivsi-ucenici/ivan-ribar> (approached on May 29th 2020)

⁸⁵ Hrvatski biografski leksikon/Croatian Biographical Dictionary, Vladimir Arko: <https://www.enciklopedija.hr/natuknica.aspx?id=3871> (approached on May 29th 2020)

⁸⁶ *Elaborat o britanskom kapitalu u Jugoslaviji 1918 – 1941*, p.87.

⁸⁷ Before the First World War, Ivo Benkovič was an active member of the Slovene Peasants' Union (SKZ) and a member of the Slovene People's Party - SLS in the Vienna Parliament and the Provincial Assembly of Štajerska, see: *Slovenska biografija/Slovenian Biography*, Ivo Benkovič: <https://www.>

It is interesting that out of the six considered Serbian representatives, only Vasilije I. Jovanović, then a minister at disposal and a member of the Radical Party, was appointed in the Bank's management. The decision for Jovanović to be part of the administration was not driven by political reasons, but exclusively pragmatic ones. Namely, he was a long-term representative of the Belgian ambassador in Belgrade and a representative of the Belgian capital in the Kingdom, who knew the business opportunities in the country very well and had a huge reputation and legal experience. Given the trust placed in him in the past by Austrian and Belgian bankers, the name of Vladimir Đorđević as a member of the Management Board of the new Bank could not be a surprise either. This, again, cannot be said for the trader Vlajko Gođevac, one of the owners of the metal industry company Braća Gođevac and a shareholder of the First Yugoslav Factory for Telephony, Optics and Precision Mechanics, Teleoptik d.d.⁸⁸ In this period, he was not one of the great Serbian businessmen with strong political ties, so we assume that he arrived at the *AJB* management on the recommendation of Vasilije I. Jovanović, who was once a close associate with his much better-known cousin Milorad Gođevac, a doctor and a well-known national worker.⁸⁹ The last domestic representative of the Bank's management was Nikola Berković, whom we have already met as a close associate of *Wiener Bankverein* in Bosnia and Herzegovina. In 1919, he was appointed President of the Board of the *Landesbank für Bosnien und*

slovenska-biografija.si/oseba/sbi138216/ (approached on May 30th 2020)

⁸⁸ In addition to Teleoptik, radios have been produced by the Gođevac a.d. factory since 1936, see: S. Mihajlov, "Fabrika „Teleoptik“ u Zemunu", Nasleđe, Beograd, 2016, pp.53-71.

⁸⁹ Milorad Gođevac was the initiator and organizer of the Serbian Chetnik action in the fight for the liberation of Macedonia, together with Vasilije Jovanović and the famous Serbian businessman Luka Čelović, see: Milorad Gođevac, Biography: <https://prvisvetskirat.rs/licnosti/ucesnici-ratova/godjevac-v-milorad/> (approached on May 30th 2020).

Herzegovina and was for many years the President of the Chamber of Commerce and Crafts in Sarajevo, and a member of the Management Board of the Association of Banks and Insurance Companies of the Kingdom of Serbs, Croats and Slovenes in Zagreb. The fact that he was at the same time the president and vice-president of the largest industrial companies in that part of the Kingdom speak of the fact that he was one of the leading businessmen in Bosnia and Herzegovina.⁹⁰

The Board of Directors, as the executive body of the bank, had to consist of sixteen to twenty-four members (in the case of *AJB* it had seventeen members), which the Assembly elected every three years. In the name of bail, they deposited 100 shares with a coupon in the Bank's treasury, until they were relieved of their duties. According to the established rules, all members of the Management Board were personally and with all their property liable for damage that would result from their improper or illegal performance of duties. They appointed members of the Directorate, determined their salary as well as their share in the Bank's net profit, and they could also exercise disciplinary authority over them. The Board of Directors issued instructions and orders on the conduct of business for the headquarters, main offices and branches. The Board gave procurations and powers of attorney and appointed special proxies for certain types of work. At the end of each year, it examined the annual balance sheets proposed by the Directorate, convened the Shareholders' Assembly and determined the agenda. In addition, the task of the Management Board was to prescribe the *Rulebook* on the organization of work and service of officials and other staff, to determine their salaries and other responsibilities. It was also decisive on the establishment of industrial, agricultural and mining companies, then on taking loans for the Bank,

⁹⁰ Deset godina saveza novčanih i osiguravajućih zavoda Kraljevine SHS, 1919 - 1929 (Zagreb: 1929), 19; Ko je ko u Jugoslaviji (Beograd: 1928), p.15.

determining the amount up to which the Directorate could give credits within its scope and determining the amount that could be invested in government bonds or securities. From among himself, he elected a special Executive Board of three to nine members, to whom he entrusted the current affairs of the Bank.⁹¹

The Supervisory Board of the newly established Bank included: Robert Gheud as a President, who was the General Manager of *Banque Belge pour l'Etranger* from Brussels; Adolf Kanitz-Wiesenburg and Julius Ingber, Directors of the *Wiener Bankverein* of Vienna; lawyer Pavle Mijatović from Belgrade; Franjo Braum, General Director of Tanina d.d., a trading company of leather tanning products from Zagreb;⁹² Adolf Baron Cuvaj, General Secretary of the Chamber of Commerce and Crafts from Zagreb;⁹³ Jovan

⁹¹ AJ, 151-1-1.

⁹² In 1918, Franjo Braum was the head of the Financial department of the Zagreb municipality, where he successfully rehabilitated the city's finances, thanks to which the municipality came out of the War without debts. After that, he was the commissioner of the National Council and managed the Department of financial affairs for Croatia, Slavonia and Istria. From 1919 he transferred to diplomacy as one of the delegates at the Peace Conference in Paris. He also edited the magazine *Privredni arhiv*, of which he was also the publisher, see: *Hrvatska enciklopedija/Croatian Encyclopedia, Franjo Braum: <https://www.enciklopedija.hr/natuknica.aspx?id=9317>* (approached on May 30th 2020).

⁹³ Adolf Cuvaj was a well-known Croatian economist and lawyer who studied in Vienna and Cluj, where he received his doctorate in law in 1905. In the period from 1905 to 1923, he performed prominent political and administrative duties in the ministries in Vienna, Budapest and Belgrade. From 1918 to 1923 he was in the Ministry of Social Policy, where he worked on the legalization and harmonization of a number of socio-political decrees and regulations. He was the founder of the General Emigration Commissariat in Zagreb and its first chief (1922–1923). At the suggestion of Vladimir Arko, the then president of the Chamber of Commerce and Crafts in Zagreb, he was appointed secretary in 1923 and remained in that position until 1936. He was the initiator of new economic publications, a lecturer at the School of Economics and Commerce in Zagreb (1927–35), see: *Hrvatski biografski leksikon/Croatian Biographical Dictionary, Adolf Cuvaj: <http://hbl.lzmk.hr/>*

Krsmanović and Živko Bogdanović, rentiers from Belgrade. It was understood that the Supervisory Board was the supreme supervisory body of the Bank, which had to consist of eight to twelve members, elected every three years by the Assembly of Shareholders. Its members were also required to post 100 shares as bail while in office. This Board supervised the entire business of the Bank, and was authorized to review books and business records at any time, with the obligation to do so every three months. It was the special duty of the Board to examine the annual balance sheet and submit a report to the Shareholders' Assembly. Unlike the supervisory boards in domestic banks, this board was completely independent in its work and independent of the Board of Directors. Its members were jointly and severally liable with all their property for any damage caused during the work, and they were entitled to an annual award, which was always determined by the Shareholders' Assembly.⁹⁴

The *Rules of AJB* stated that the Bank's Headquarters were located in Belgrade, but also that there was another main office in Zagreb. The Board of Directors of the Bank decided to open branches with the approval of the Minister of Trade and Industry, while he was authorized in advance to be able to open branches in Ljubljana, Novi Sad, Osijek, Skopje and Subotica. It was specified that the Bank deals with "commercial, financial and industrial affairs, and especially all types of banking operations in the country and abroad" as well as that it "buys and sells real estate, takes them and leases and rents" and also "participates in each type of industrial and financial companies, takes the initiative for the establishment of shareholding companies, issues shares and bonds of individual shareholding companies"⁹⁵

clanak.aspx?id=3807 (approached on May 30th 2020).

⁹⁴ AJ, 151-1-1.

⁹⁵ *Ibid.*

On the back of the application of the representatives of foreign banks (*Wiener Bankverein*, *Banque Belge pour l'Étranger* and *Banque Commerciale de Bâle*) for the establishment of the AJB, dated 16 December 1927, there is an interesting note from the then chief of the Ministry of Trade and Industry, Milorad Zebić, addressed to the Minister himself, stating: "I am of the opinion that the establishment of this Bank should be approved, but ... The Bank cannot deal directly with trade and industry; and in addition to accepting savings deposits, especially here where is foreign capital and where foreigners will have an advantage ... The bank should not be allowed the right to buy and sell land, because national interest does not lie in helping to speculate on land, also, the lease of large estates complicates the solution of our agrarian issues. Without all these dealings, the Bank has already too much scope."⁹⁶ The content of the *Rules of AJB*, especially the part that refers to the scope of work of the bank and the part that speaks of two, equally strong offices, indicated that the opinion of one of the then good experts on economic conditions in the country, such as Milorad Zebić, was completely ignored, which certainly indicates the great interest of the Yugoslav state representatives gathered at the Court, to enable the establishment of such a Bank, that is, to create enough space through the Viennese banking channels to engage Belgian and Swiss capital in the economy of the Kingdom. However, major changes on the world economic scene will lead to a much greater intertwining of Western European financial capital placed in the Yugoslav economy, which will inevitably affect the origin of capital as well as the work of this banking affiliation.

THE INFLUENCE OF POLITICAL AND ECONOMIC TURMOILS ON THE OPERATIONS OF THE ALLGEMEINER JUGOSLAWISCHER BANKVEREIN

The *Allgemeiner Jugoslawischer Bankverein* became part of the Yugoslav economic space on the eve of the great political crisis in the Kingdom, when unresolved national and economic and political problems reached their culmination and when the Yugoslav Parliament proved unable to ensure the much desired political and economic integration. It turned out, in fact, that the differences in the perceptions of political parties about the polity and the most important interests of the State were insurmountable. The Vidovdan Constitution, which was supposed to be an attempt to legalize a single Nation State, denied the reality in which there were great interethnic differences and a clear desire of a large part of the Kingdom to keep its own political, national and cultural identity. During the 1920s, the persistent disregard for the political views and wishes of Croatian politicians increasingly burdened the very functioning of the State. The largest political parties - Radical, Democratic and Croatian Peasants Party - slowly sank into party and factional quarrels and corruption scandals. At that time, foreign diplomats even wrote that the entire government in the country was so heavily burdened with corruption that only a *coup d'état* could stand in its way and put the State on a sound footing.⁹⁷ Combined with the absence

⁹⁷ Annual Report of the British Ambassador to the Kingdom of Yugoslavia for

of parliamentary traditions, low political and general culture, a multitude of unskilled MPs and constant party struggles, incendiary parliamentary speeches and irresponsible demagogic phrases with the press that only ignited a fire in an already overheated political life, almost inevitably led to an unprecedented murder in the history of European parliamentarism. The bloodshed in the Assembly in June 1928, when the deputies and the leader of the Croatian Peasants Party were killed, deepened the existing gap, misunderstanding and exclusivity in the relations between Serbs and Croats and led to a State, constitutional and parliamentary crisis.

For these reasons, on January 6, 1929, King Alexander decided to dissolve the Assembly, ban the activities of all political parties, repeal the Constitution and proclaim the Kingdom of Yugoslavia as a hereditary Monarchy in which he was the bearer of all power in the country, commander of military force and holder of legislative power. Surrounded by a group of court radicals and democrats, as well as several Croatian and Slovenian politicians who did not enjoy the support of their own parties, let alone the people, the King tried to merge the so-called “Three-named people” into one tribe and build a strong (one) Nation-State. This again led to the fact that the State crisis only deepened over time, the idea of Yugoslavia was completely devalued and resulted in the complete and tragic defeat of King Alexander himself.⁹⁸

While trying to catch up in such turbulent political and thus economic conditions in Yugoslavia, the *AJB*'s patronage banks found themselves almost at the same time in the whirlpool of a severe

1928. Ž. Avramovski, *Britanci o Kraljevini Jugoslaviji*, godišnji izveštaji Britanskog poslanstva u Beogradu 1921-1938, Volume 1 (Beograd; Arhiv Jugoslavije, 1986)

⁹⁸ I. Dobrivojević, *Državna represija u doba diktature Kralja Aleksandra 1929 – 1935*, (Beograd; ISI, 2006), p.38.

crisis in European banking, caused by the Great Depression in America, in October 1929. Namely, the consequence of the collapse of the stock market and the slight decline in the amount of money in circulation during the 1930s was a severe recession in the United States. According to the famous economist Milton Friedman, even if that recession ended in the late 1930s or early 1931, “which could have happened if there had not been a monetary collapse”, it would have been considered one of the worst recessions to remember.⁹⁹

In the years before the outbreak of the Great Depression, joint efforts to maintain the gold standard, to determine the amount of reparations and to establish ways of paying war debts, in some way prevented any possibility of creating protectionist economic policies of democratic countries. Even at the World Economic Conference in 1927, the preliminary general agreement on the freezing of customs duties was almost completed. Unfortunately, the final document was not prepared for ratification until 1930, when it was too late. France, Italy and Australia were the first to take steps to stabilize tariffs in 1929, but then a new rise in US tariffs followed, which initiated a real race to establish economic protectionism on a global scale. In February 1930, the United States did not send any of its delegates to a meeting at which an international moratorium on high tariffs was to be finally adopted. Instead, the Republican majority in Congress passed the new and in many ways embarrassing Smut-Holly Customs Act, which raised tariffs on most goods imported into the United States. Although historians are still arguing about the intensity of the impact of Smut-Holly's Law on the world economy, there is no doubt as to what message this law sent to the rest of the world. It was, therefore, interpreted as a clear American refusal to lead the world in its efforts to get out of

⁹⁹ M. Friedman, R. Friedman, *Sloboda izbora, Lični stav* (Novi Sad; Global book, 1996), p.99.

the Depression together. Therefore, by the end of 1930, Canada, Mexico, Cuba, France, Spain, Switzerland, Australia, and New Zealand had raised tariffs on American products. By the end of 1932, many nations had adopted a similar economic policy that could easily be interpreted as a “beggar thy neighbour policy”.¹⁰⁰

As more than four billion dollars in shares lost their value during the collapse of the New York Stock Exchange, the withdrawal of American, mostly short-term loans from Europe, almost naturally followed, which caused additional catastrophic consequences for the European economy. The inability of agriculture, mining, industrial production and transport to make normal profits has led to huge unemployment and the decline of untapped production potentials. The fall in the prices of a large number of primary products (up to 40-50%), then the shares of leading industrial companies, as well as the fall in the prices of bonds and fixed-rate bills, resulted in a severe banking crisis, which began in Europe on May 11, 1931, with the collapse of “mammoth banking institution” *Österreichische Credit Anstalt fuer Handel und Gewerbe* in Vienna. The ensuing chain reaction brought the hitherto largest private banks in Czechoslovakia, Hungary and Yugoslavia into a difficult situation. It was a consequence of the connection of financial, industrial and commercial capital, and in a similar way it was felt, in the period from 1931 to 1935, almost in the whole of Europe.¹⁰¹

¹⁰⁰ V. Aleksić, *Velika svetska ekonomska kriza u SAD: model društva u krizi*, (Beograd: Stubovi kulture, 2010), p.166.

¹⁰¹ More on the collapse of *Credit-Anstalt* see: *Ein Jahrhundert Creditanstalt-Bankverein 1855-1955*, (Wien: Credit-Anstalt-Bankverein, 1957), 210-227; D. Stiefel, “Die Krise der Credit-Anstalt in den 1930er Jahren und ihre Folgen für das österreichische Bankensystem, Zum Thema »Bankrott«”, *Österreichische Zeitschrift für Geschichtswissenschaften: ÖZG* 19.2008.3, pp.117-141; *ibid*, “Die Saniernug und Konsolidierung der Österreichischen Banken 1931 bis 1934”, *150 Jahre österreichische Bankengeschichte im Zentrum Europas*, eds. O. Rathkolb et al. (Wien: Bank Austria Creditanstalt,

Deeply worried that a severe financial crisis in Central Europe could undermine the gold standard and dangerously shake the already weakened democratic government in Germany, the United States declared a one-year international moratorium on reparations and war debts in June 1931. However, this plan came too late and did not contribute to ending the financial crisis in Germany. All German banks were closed on July 13, 1931. The British Labor government fell in August of the same year. Rejecting the accusations of the French government and the advice of his Secretary of State Henry Stimson, US President Hoover refused to ask Congress to approve a loan to Germany. Instead, the United States stayed away when the financial panic spread from Central Europe to Britain.¹⁰²

During the Great Depression, countries of the gold exchange standard began converting their foreign exchange reserves, first the pound and then the dollar into gold, for fear of depreciating the pound and the dollar. In the second half of 1931, the *Banque de France* began the process of liquidating the foreign exchange part of the monetary reserves, demanding from the *Bank of England* the conversion of pounds into gold. This example of France was followed by other countries, which put pressure on the gold reserves of the *Bank of England*. With the fact that the pound returned to the gold standard in 1925 at the estimated currency parity, maintained by a strong deflationary policy, the conversion of the pound into gold by French and other central banks, as well as the flight of private capital from the pound, made the pound in September 1931 abandon gold bullion standard and move on to floating exchange rate against 'golden bloc' currencies. In this way,

2005), pp.196-211; C. Natmeßnig, "Wege zur Währungssanierung und Beginn der Bankenkonzentration auf dem Wiener Platz", *ebd.*, 162-179; F. Weber, "Große Hoffnungen und k(l)eine Erfolge. Zur Vorgeschichte der österreichischen Finanzkrise von 1931", *ebd.*, pp.180-195.

¹⁰² V. Aleksić, *ibid.*, p.167.

the British pound lost, in just a few days, almost a quarter of its previous value in relation to the dollar. Until December, it was worth only 3.25 US dollars. This depreciation made overseas British goods cheaper; and given that British industry was heavily dependent on exports, this helped prevent a sharp economic downturn in the UK. Soon the other 25 countries followed suit and abolished the gold standard, also hoping it would help regulate the market value of their currencies against the pound. However, the United States, France, Italy and South Africa as well as many other countries have retained the gold standard. All this resulted in the multiplication of monetary agreements, which complicated and then depressed the world economy.¹⁰³

Thus, in the fall of 1931, the already existing crisis in the United States flared up, after the *Banque de France* and other members of the gold bloc began to convert their dollar reserves into gold. In this way, during 1931 and 1932, in 24 European countries, there was a decrease in foreign exchange reserves by 1.8 billion dollars and a simultaneous increase in total gold reserves by one billion dollars. The outflow of gold from the countries of reserve currencies - Great Britain and the United States, only worsened the crisis and finally led, after the fall of the pound, to a currency war in which the countries sought to stimulate economic growth and come out of the crisis implementing the policy of competitive devaluation. The consequence was a deviation from the payment of debts. No one could buy American products anymore, and the American policy of foreign loans, as a substitute for free trade, became meaningless.¹⁰⁴

¹⁰³ More on the currency see: B. Eichengreen, *Golden Fetters: The Gold Standard and the Great Depression, 1919-1939*, (Oxford University Press, 1995), pp.258-287; C. P. Kindleberger, *A Financial History of Western Europe*, (Oxford University Press, 1993), pp.366-379; L. Chandler, „Monetarna politika“, *Spasavanje američkog kapitalizma, Jedan liberalni ekonomski program* (Zagreb: Kultura, 1954), pp.241-255.

¹⁰⁴ *Ibid.*



The withdrawal of short-term American loans placed in German and Austrian banks led to a severe banking crisis after the collapse of the then largest Austrian bank. As we have already seen, the Rothschild family played a key role in founding the *Österreichischen Credit-Anstalt für Handel und Gewerbe (Credit-Anstalt)* in 1855 and dominated this bank until the 1931 crisis. Its strength was reflected in the fact that already during the War, in 1918, it increased its share capital to 200 million crowns. In the following years, from 1919 to 1923, seven further capital increases followed, which eventually led to the share capital being in the total amount of 20 billion crowns.¹⁰⁵ Already at the first capital increase after the end of the War in 1919, a third of the newly issued shares were taken over by the American investment banks Kuhn, Loeb & Co, New York and the Guaranty Trust Company of New York.¹⁰⁶ In

¹⁰⁵ *Ein Jahrhundert Creditanstalt-Bankverein 1855-1955*, (Wien: Creditanstalt-Bankverein, 1957), p.164.

¹⁰⁶ *Kuhn, Loeb & Co* was the strongest investment bank of American Jews, founded in 1867 to finance the construction of American railroads. The founders were Abraham Kuhn and his son-in-law Solomon Loeb. It was a great success in the late 19th and early 20th centuries, under the leadership of Jacob H. Schiff, son-in-law of Solomon Loeb, when it became one of the most influential investment banks in the United States and a major rival to another large investment bank, *JP Morgan & Co*. In the years after Schiff's death, from 1920 the company was run by Otto Kahn and Felix Warburg. They then performed on the European financial scene together with Morgan's *Guaranty Trust Company of New York*, which at that time was run by the famous Eugene W. Stetson, who was said to be the key to the larger question of who got capital. Stetson had a skill at creating and sustaining personal relationships. This certainly makes sense if we take into account that at the time of the so-called gentleman-bankers cooperation among the German-American Jewish elite was very common. Accordingly, partners Kuhn and Loeb were closely related in family and business with *J. & W. Seligman & Co.*, *Speier & Co.*, *Goldman Sachs & Co.*, *Lehman Brothers* and other reputable Jewish

cases of subsequent capital increases, an arrangement was made that agreements on the takeover of certain packages of shares could be concluded with Dutch and English financial circles. In the next two years, these US investment banks, with the participation of *M. M. Warburg & Co.* from Hamburg, enabled *Credit-Anstalt* to establish the *International Acceptance Bank New York*, which provided loans exclusively to Austrian industrial companies that were under the auspices of *Credit-Anstalt*.

In the Netherlands, in 1920, *Credit-Anstalt* took a 50% stake in the newly established *Amstelbank* in Amsterdam, in which the banks *S. M. von Rothschild* and *Hope & Co.* from Amsterdam as well as the *Niederländische Handelsgesellschaft* also had an interest. The well-known English Prudential Insurance Company from London has also taken over an important package of shares of this new banking institution. In the following years, *Amstelbank* from Amsterdam, in cooperation with other foreign friends of *Credit-Anstalt*, developed as a decisive factor in the Austrian credit business. Relations with German banking circles were soon expanded. Since 1922, *Credit-Anstalt* has been participating in the work of the *Bank für auswärtigen Handel* in Berlin, while all its branches, subsidiaries and agencies in Prague, Brno, Karlovy Vary, Gablonac and other places that became part of Czechoslovakia have become part of the *Böhmische Escomptebank*, which then changed its name to *Böhmische Escomptebank und Credit-Anstalt, Prague*. With the *Ungarischen Allgemeinen Creditbank* from Budapest, it founded

companies. Between the two World Wars, close relations existed especially between *Kuhn, Loeb & Co.* and *M. M. Warburg & Co.* from Hamburg, (especially through Paul and Felix Warburg), who were Kuhn, Loeb's partners, see: S. Birmingham, *Our Crowd - The Great Jewish Families of New York* (London; Futura Booke, 1967), pp.8-9; C. R. Geisst, *The Last Partnerships: Inside the Great Wall Street Money Dynasties* (New York; McGraw Hill, 2001), p.40; R. Chernow, *The Warburgs: The Twentieth-Century Odyssey of a Remarkable Jewish Family*, (New York: Random House, 1993)

the *Slowakische Allgemeine Creditbank* from Bratislava in 1921, which enabled it to enter the Slovak economic space. *Credit-Anstalt* made a very similar agreement with *Warschauer Disconto-Bank*, which took over its branch in Poland, while a special decree extended the agreement with another Polish bank, *Aktienhypothekenbank*, which allowed it to continue its business activities in this country on a different basis. In Italy, it transferred all the operations of its branches and subsidiaries in Trieste, Gorizia and Pula to the Italian group of banks led by *Banca Commerciale Triestina* for a certain fee. In Yugoslavia, it transferred the activities of its branch in Ljubljana to the newly established affiliate *Kreditanstalt für Handel und Industrie*, in which it had a majority stake. Other agreements of interest were concluded with *Anstalt und der Agrar-und Industrie Bank AG* from Belgrade, with the *Allgemeine Kroatische Kreditbank AG* from Zagreb as well as with *Handels und Gewerbebank AG* from Novi Sad.¹⁰⁷

Thus, *Credit-Anstalt*, mostly thanks to the support of investment companies of American and German Jews, after the First World War became a symbol of resilience of Austrian banking, controlling through its loans between 70-80% of Austrian industry and trade as well as a large number of industrial companies and banks in successor states of Austro-Hungary. Since the mid-1920s, half of the shares in this bank have been held by the banks: *Anglo-International Bank Ltd.* from London (formed by merging the former *Anglo-Österreichische Bank* and the British Trade Corporation), the *Schweizerischer Bankverein* from Basel and the *Amstelbank* from Amsterdam.¹⁰⁸

¹⁰⁷ Ein Jahrhundert Creditanstalt-Bankverein, p.165.

¹⁰⁸ Anglo-International Bank Ltd was incorporated as a limited liability company in September 1926, with a capital of £2.36m, on the amalgamation of Anglo-Austrian Bank (est. 1863) and the British Trade Corporation (est. 1917). The Bank of England and Glyn, Mills & Co were the largest banking shareholders

The capital of Western European countries was unwilling to invest directly in the countries of Southeast Europe and preferred to use the mediation of Viennese banks, which, as we could see, had long been an integral part of the international financial system. For Austrian banks, and especially the largest *Credit-Anstalt*, reducing business activity to a small area of the Republic of Austria could not be an option. The retention of Central European positions, even under difficult conditions, was completely in line with the economic needs not only of the bank but also of the Austrian state. However, the European economic boom of the 1920s did not live up to expectations. There was no significant economic growth in Austria, so the financial losses as a result of the War and inflation could not be compensated. During the 1920s, the number of banks decreased due to liquidations and takeovers of smaller ones by larger banks (from 358 banks in 1923 to 150 in 1935). The most dramatic case was the rescue of Vienna's *Bodencredit-Anstaltbank* in 1929, which put *Credit-Anstalt* and its president Louis N. Rothschild under enormous political pressure to take it over. This created a giant on glass legs that two years later, in the midst of the global economic crisis, became illiquid. Namely, in May 1931, *Credit-Anstalt* suffered new losses in the amount of 140 million shillings or 1,200 million dinars at the time, which, for example, amounted to exactly as much as the total bill of exchange portfolio of the *National Bank of the Kingdom of Yugoslavia*. Not only were the Bank's reserves lost, but more than half of the share capital was lost, which meant that the Bank had to close its

and Herbert Alexander Lawrence, chairman of Glyn, Mills & Co, was the bank's first chairman. Anglo-International Bank Ltd was formed to aid allied reconstruction proposals for Germany and the Austrian empire and to avoid the liquidation of Anglo-Austrian Bank and the collapse of the British Trade Corporation, both of which would have severely damaged Britain's banking reputation on the continent, see: Anglo-International Bank Ltd: <https://www.rbs.com/heritage/companies/anglo-international-bank-ltd.html> (approached on June 15th 2020); *Elaborat o britanskom kapitalu*, p.101.

counters and carry out liquidation. In order to preserve the trust of foreign creditors, on whose loans the business activity of this Bank was based, but also to save the Austrian economy, its rehabilitation was taken over by the Austrian government and its *National Bank*.

In the middle of the same month, Austrian Chancellor Otto Ender was able to present a recovery plan that included the government making 100 million shillings available, the *National Bank* and the Austrian *Rothschild house* 30 million shillings each, while the release of hidden reserves yielded another 40 million shillings as well as another 29.4 million shillings thanks to the 25% devaluation. Due to taking over almost 40% of the Bank's losses, the public sector received 43% of the share capital from the "reorganized" *Credit-Anstalt*.¹⁰⁹ This was a surprisingly large sum, considering that the amount of the Austrian budget at a time when the State was already facing a drop in tax revenues due to the beginning of the global economic crisis, was barely two billion shillings. Fortunately, foreign creditors were quite responsible and initially stayed in the Bank with a capital of about 500 million shillings. Approximately half of the share capital and half of the loans granted to *Credit-Anstalt* came from abroad, and the list of foreign creditors included the most important names from the world of international finance at the time. In mid-May 1931, under the leadership of the London branch of the *House of Rothschild* and the *Bank of England*, they established the Austrian Credit Anstalt International Committee in London, which comprised approximately 102 of the 130 foreign banks.¹¹⁰

Unfortunately, this agreement was not sustainable for a long time because it turned out that the real debt of the Bank was as much as 900 million shillings. In an attempt to get out of the crisis, the

¹⁰⁹ S. Dieter, *ibid*, pp.117-141.

¹¹⁰ *Ibid*.

foreign exchange reserves of the *National Bank* were devastated, two Austrian governments fell, which, as a new shareholder of *Credit-Anstalt*, withdrew most of the Bank's financial placement from other countries, including Yugoslavia, in which it owned several of its banking and industrial affiliations. The chain reaction that followed brought the then largest private banks in Yugoslavia, *Prva hrvatska štedionica (First Croatian Savings Bank)* and the *Jugoslovenska udružena banka* (hereafter *Jugoslawische Unionbank*) into a difficult situation. It was precisely a consequence of the connection between financial, industrial and commercial capital, and in a similar way it was felt, in the period from 1931 to 1935, almost in the whole of Europe. In Germany, the government, in cooperation with the Central Bank, also intervened in the rehabilitation of private banks, which were hit hard by the crisis. As a result of this intervention, three of the four largest private banks in Germany became state-owned, while *Deutsche Bank und Disconto Gesellschaft* was formed as the only large private bank.¹¹¹

While the capital crisis was an economic phenomenon, resulting from the scarcity of the world capital market, the credit crisis was in fact a crisis of confidence, which in difficult economic circumstances turned into panic distrust of banks. "Panic literally means that banks should pay off all the capital (to their creditors), which they have accumulated with them for many decades, and which they have placed in various ways, in a relatively short period of time. Panic means that whoever owes needs to return a debt as soon as possible."¹¹² In the case of Germany, that meant that its banks had to return around 25 billion marks within a few months, and

¹¹¹ This bank was created by merging the two oldest German banks: *Disconto Gesellschaft* and *Deutsche Bank*: *Narodno blagostanje*, several texts from 1931

¹¹² V. Bajkić, *Bankarski moratorijum - Kakve se lekcije mogu izvući iz pojedinih događaja u Nemačkoj i Mađarskoj*, *Narodno blagostanje*, III, no. 31, Beograd, 1. August 1931, p.482.

banks in Romania, Hungary, Yugoslavia and a little later in most other European countries found themselves in a similar position. This was followed by the introduction of a moratorium in Germany and Hungary, whose main feature was the ban on giving loans, but also other people's funds needed to continue production. Since economic life needed constant circulation of money, the moratorium introduced in these countries caused a complete paralysis of economic life and created a crisis of money and capital.



Immediately before the outbreak of the economic crisis, the patronage banks of the *AJB* very successfully started the business of their new affiliation in Yugoslavia, which after the first year of operation was at the very top of the ladder, when it comes to private banks in the Kingdom. From the very beginning, it followed a completely original, modern and almost unknown path for the Yugoslav space. The main feature of this kind of business was the concentration on a small number of then very large and solvent clients. The credit relationship between the Bank and the customers was alternative, i.e. business relations were most often established through countercurrents. These were mainly large companies that from time to time had needs for capital and periodically at the disposal of the same, so that occasionally they were debtors for large sums and occasionally creditors of large amounts.

Thus, from the very beginning in 1928, the concern Slaveks d.d. entered the sphere of interest of *AJB* for the forest industry, with headquarters in Zagreb, within which were the companies: Slaveks, Turčića sinovi d.d. for forest industry and Zvečevo Novo forest industrial d.d. as well as Binder and Polgar d.d. wood wholesale and Joint Stock Company for Oak Exploitation (Akcionarsko društvo za

eksploataciju hrastovog drveta) in Zagreb.¹¹³ Under the auspices of the Bank were then the United Paper Mills Vevče, Medvode and Goričane d.d. from Ljubljana, Elin d.d. for the Electrical Industry from Zagreb (affiliation of the company of the same name from Vienna) and Vardar Shareholding Insurance Company from Belgrade.¹¹⁴

In the interwar period, there was a great interest of representatives of foreign capital in the Yugoslav wood industry, as the largest and most developed export industry in the Kingdom. In order to bring Yugoslav goods to the Western European market under the most favorable conditions, they tried to participate in the work of these industrial companies through the *AJB*. Slaveks was thus in second place in terms of the amount of foreign capital engaged in the wood industry companies of the Kingdom. While the founding capital amounted to 15 million dinars, foreign investment in the form of loans and credits, at one point, amounted to 23.5 million dinars.¹¹⁵ The board of directors included well-known names: Nikola Berković, Franjo Braum, Vasilije Jovanović, Mavro Kandel, Alfred Schwartz, Fanta Richard, Franz Rottenberg and Alfred Spitz (who was also the general director). The Supervisory Board consisted of Marko Bauer and Juraj Pejanović.¹¹⁶ This concern produced veneer,

¹¹³ AJ, 151-1-1; V. Rozenberg, J. Kostić, *Ko finansira jugoslovensku privredu, država - banke - inostrani i domaći kapital u službi privrede*, (Beograd: Balkanske štampe, 1940), 142-143. The headquarters of the last two companies, as well as Slaveks itself, were located in the same building on Savčić Square no.13 in Zagreb, see: *Almanah grada Zagreba* (Zagreb: Tiskara C.Albrecht, Year I, 1931), p.271.

¹¹⁴ AJ, 151-1-1

¹¹⁵ AJ, 151-11-21: Minutes from the XIV regular annual assembly of Slaveks d.d. for the forest industry in Zagreb, dated November 10, 1934, where based on the "testimony of the present shareholders" it could be seen that the largest shareholders of the company were *Creditanstalt-Wiener Bankverein* and *AJB*, while domestic Jewish businessmen held the rest of the shares of this company.

¹¹⁶ I. Žebec Šilj, *Zagrebačka industrija 1935-1939. u kontekstu međuratnog*

firewood, railway sleepers, telegraph poles and placed them mainly on the Italian and English markets. It owned industrial plants in Slavonski Brod, where, under the then most modern technological conditions, Slavonian oak, which is highly valued in the world, was cultivated, as well as a turner in Pakrac, which processed beech from Pakrac forests, whose owner was Slaveks. For its easier exploitation, it also owned an industrial railway in the length of 70 kilometers. Binder and Polgar d.d. owned a sawmill in Zemun, which employed about 160 workers, who were provided with free accommodation, heating and electricity in addition to their daily allowance.¹¹⁷

The Deoničarsko društvo za eksploataciju hrastovog drveta (Shareholding Company for the Exploitation of Oak Wood) was formed in due time from the first factory for the exploitation of oak extract, founded in 1883. In the Board of Directors of this company, as well as in the Board of Directors of the Tvornica tanina d.d. Sisak (Tannin Factory Shareholding Company, Sisak) sat the same people connected with the management of *AJB*: Hugo Weinberger, Vladimir Arko, Franjo Braum as well as Mavro Binder, Dragutin Binder, Zoltan Polgar and Milan Schwarz. Somewhat later, they joined a group of seven Yugoslav tannin factories, which, in order to place this product more efficiently, joined a special “sales organization” (cartel) called Tanin d.d. za promet proizvoda za strojenje kože (Tanin d.d. for the sale of leather tanning products) from Zagreb.¹¹⁸ The director of this cartel, Franjo Braum, was at the same time a member of the Supervisory Board of *AJB* and at

gospodarskog razvoja (Zagreb; Institut društvenih znanosti Ivo Pilar, 2018), p.122.

¹¹⁷ “Aktuelni problemi naše drvarske privrede”, *Industrijska odbrana*, spec. edition 3 - 4, III, Beograd, March-April 1935, p.12, p.30; S. Dimitrijević, *Strani kapital u privredi bivše Jugoslavije*, (Beograd: Nolit, 1952), p.122.

¹¹⁸ J. Lakatoš, *Jugoslovenska privreda* (Zagreb: Jubilee edition “Jugoslavenski Lloyd”, 1933), p.273.

one time the commissioner of the National Council of SCS for the finances of Croatia, as well as the author of many financial and economic works.¹¹⁹

The Združene papirnice Vevče, Medvode in Goričane d.d. (United paper mills Vevče, Medvode and Goričane Shareholding Company) was the oldest industrial company in Slovenia. It was nationalized in 1920 and passed into Slovenian hands, with four-fifths of the shares in the hands of *Kreditanstalt für Handel und Industrie* from Ljubljana (affiliates of *Credit-Anstalt*). Under her auspices, the joint-stock company Združena papirnice Vevče, Goričane i Medvode was formed, which, according to the size of the founding capital (in the amount of 5 million dinars) as well as the realized investments, quickly found itself in the first place in the paper industry in Slovenia.¹²⁰

In this large industrial family, the youngest was the Shareholding Insurance Company Vardar from Belgrade, founded in 1922 with a share capital of 3 million dinars, which was supposed to be a counterpart to the Insurance Company Sava, which was founded a year earlier by *Assicurazioni Generali* (which had 40% of the principal) and large banking institutions *Jugoslawische Unionbank*, *Jadransko-Podunavska banka*, *Prva Hrvatska Štedionica*, *Srpska banka*, *Landesbank für Bosnien und Herzegovina* and *Zemaljska Banka Beograd* (with ownership over 60% of the capital). The Insurance Company Vardar did not differ much from other companies in the country and referred to the conclusion of contracts on all types insurance directly and indirectly, as well as co-insurance and reinsurance contracts. It also had four branches

¹¹⁹ *Ko je ko u Jugoslaviji*, p.20.

¹²⁰ J. Šorn, "Razvoj industrije v Sloveniji med obema vojnama", *Kronika - časopis za slovensko krajevno zgodovino*, book VII, no. 1, Ljubljana, 1959, p.17; D. Cafuta, "Zgodovina goričanske papirnice in tovarne celuloze ter obratov v Medvodah in na Verju", *Od Jakoba do Jakoba* (2006), pp.133-143.

in the largest Yugoslav cities: Zagreb, Ljubljana, Sarajevo and Novi Sad. In 1933, it merged with the Insurance Companies Triglav and Herceg-Bosna into a new insurance company Ujedinjeno, getting another branch in Ljubljana.¹²¹

And as in the past, when it tried to ensure its survival by granting special loans, so in 1928, *Wiener Bankverein*, through its new affiliation, granted a loan to the city of Zagreb in the amount of \$ 500,000.¹²² As almost all the companies of its concern were located in the northwestern parts of Yugoslavia, the focus of commercial affairs and transactions was in the Zagreb office. Hence its favoring in relation to the second main headquarters in Belgrade, although we often come across cases in sources and literature that Zagreb was considered the exclusive headquarters of the *AJB*.¹²³ If we look at the names of the Yugoslav representatives in the Bank's management, we will see that they were the most eminent personalities of Croatian economic life. Thus, Vladimir Arko, a great Croatian industrialist, was the president of the Chamber of Commerce and Crafts until 1929, when he became the president of the Association of Industrialists for the Sava Banovina. At the same time, he remained a deputy of the Chamber and president of the Industrial Department until 1935 and the election of new deputies. He was the owner of several factories for the production of spirit, yeast and liqueurs, which, together with houses for officials and barracks for workers, included large districts of Zagreb:

¹²¹ J. Lakatoš, *ibid*, p.303.

¹²² AJ, 151-1-1

¹²³ *Ibid*: The directorate in Belgrade was obliged to report on all business transactions and personnel changes to the Zagreb office, which forwarded these reports to Vienna, to the Executive Board of *Wiener Bankverein*. Also, the director of the Zagreb Office, Hugo Weinberger, was informally considered the general director of the *AJB*; see also: Lj.St. Kosier, "Zagrebačko banakarstvo", *Bankarstvo*, no. 2, Zagreb, February 1929, p.50.

Lašćinčak and Peščenica.¹²⁴ Due to his functions and advocacy for economic cooperation with Belgrade, Vladimir Arko was considered a “regime man”, most likely only because it was believed that the former Secretary General of the Chamber of Commerce and Crafts in Zagreb, Peroslav Paskiević-Čikara, was retired as a sharp opponent of the centralist Belgrade regime.¹²⁵ Adolf Cuvaj, son of Ban Slavko Cuvaj, former head of the Ministry of Social Policy of the Kingdom and part-time assistant professor at the Economic and Commercial College in Zagreb, was appointed in his place, when he was also considered a follower of the Belgrade regime, regardless the fact that he was a member of the supervisory boards of almost all major Croatian companies, being an expert for economic issues.¹²⁶ A great Croatian industrialist in the management of *AJB* was also Milan Marić, president of Anglo-jugoslovensko Petrolejsko d.d. (Anglo-Yugoslav Petroleum Shareholding Company) in Zagreb, but also the owner of 25% of the shares of this company, in which most of the shares were in the hands of Asiatic Petroleum Co. Ltd. from London (member of the large concern Shell - Royal Dutch).¹²⁷ It is particularly significant to mention the importance

¹²⁴ *Almanah grada Zagreba*, 1931, p.513; Vladimir Arko was born in 1888 in Zagreb. He was a Slovene by nationality. He graduated from the Trade Academy in Zagreb and oenological and pomological studies in Klosterneuburg, as well as chemical studies in San Mikael, see also: *Ko je ko u Jugoslaviji*, Beograd, 1928, p.9.

¹²⁵ M. Kolar, M. Jovičić, *Organized craft in Croatia: 1852.-2002* (Zagreb: Hrvatska obrtnička komora: Dom i svijet, 2002), p.22.

¹²⁶ Adolf Cuvaj was born in 1882 in Zagreb. He graduated from the University of Vienna and Kolosvar as well as the Export Academy in Vienna. He was the head of the Emigration Commissariat and the vice-president of the Association for the Trade of Foreigners in Zagreb, which is why he was hired as a representative of the company “Royal Mail Lines” Ltd. from London for the transport of emigrants, mainly to South America, see in: *Ko je ko u Jugoslaviji*, 23; *Elaborat o britanskom kapitalu*, p.174.

¹²⁷ He was born as Milan Mayer in 1885 in Zagreb. After graduating from high school and college in Zagreb, he attended economics and chemistry at the

of the engagement of the former President of the National Assembly of the Kingdom of Serbs, Croats and Slovenes and one of the most prominent members of the Democratic Party, Ivan Ribar. He represented not only the connection with the most important political figures in the country, but also the bridge that connected those personalities with foreign as well as Croatian economic representatives engaged in the work of the *AJB*.¹²⁸

In Belgrade, where the second seat of the Bank was located, where the sessions of the Management and Supervisory Boards were held, as well as the regular annual General Meeting of Shareholders, no important decisions were made. The Bank's business policy was decided in Vienna and Zagreb.¹²⁹ However, Serbian economic and political representatives in the administration, especially Vladimir Đorđević and Vasilije I. Jovanović, tried to transfer part of the business to Belgrade and Serbia. In a letter sent to Director Hugo Weinberger in December 1930, they proposed the establishment of an affiliation in Skopje "given the enormous economic wealth and favorable development of trade, industry and the general economy in the southern parts of our country."¹³⁰ According to them, it was

universities of Paris, Berlin and Leipzig. Together with his brother Artur Mayer (industrialist and doctor of philosophy), he entered into negotiations in 1921 with the aforementioned British concern for mediation in the distribution of Shell's products in Yugoslavia; At the beginning of the century, the brothers changed their surname to Marić, and in 1933, they sold their shares in this company for 32 million dinars, see in: *Ko je ko u Jugoslaviji*, p.87; *Elaborat o britanskom kapitalu*, p.143, p.306.

¹²⁸ Ivan Ribar was a full two years (from 1928 to 1930) on the Board of Directors of the Bank without being on the list of shareholders who deposited their shares, which only confirms the special role he played in the work of the *AJB*, see: AJ -65-1127- 2111, Minutes of I, II and III Assemblies of Shareholders with lists of deposited shares from 1928, 1929 and 1930

¹²⁹ See remark. no. 222

¹³⁰ AJ, 151-4-4, File of director Hugo Weinberger: a letter written by V. Đorđević and V. Jovanović addressed to director Weinberger in Zagreb, December 26, 1930

much easier, safer and more useful to have an affiliation with an old banking institution that has been working solidly in Skopje for years, such as the bank *Stara Srbija*, which was founded as a headquarters by existing banks in the southern parts of Serbia: *Pečka trgovačko-industrijska banka*, *Prištinska banka*, *Uroševačka banka*, *Gnjilanska banka*, *Vučitrnska banka* and *Južno-srpska banka* from Kosovska Mitrovica, which would enable the business turnover to expand as soon as possible to the territory that Serbia acquired after the Balkan Wars and the First World War.¹³¹ However, this proposal has never been taken seriously. Serbia was seen as a market that gave better results in retail operations, with a larger number of creditors, and in addition, in Serbia at that time there was already mentioned plurality of banking relations and “secrecy” towards the creditor, in contrast to Croatia and Slovenia, where, under the influence of the German-Austrian banking system, it was completely excluded that the client of one bank takes loans from other banks at the same time. Precisely for these reasons, *AJB* did not then invest large capital in Serbian companies, while a certain participation in some of them was conditioned more by narrow business-political than economic-financial interests. Thus, at that time, larger loans were granted only to the Belgrade Leather Factory *Beli Orao a.d.*, whose president of the Board was Vasilije I. Jovanović, and among the members were the already mentioned court democrats Dragiša Matejić, Mihajlo Marinković and Milan Todorović.¹³² Larger loans were also granted to the *Prva srpska livnica gvožđa i metala Godevac a.d.* (First Serbian Iron and Metal Foundry *Godjevac Shareholding Company*) and to the industrialist Vladimir Đorđević. It is possible that any refusal to transfer, if not the focus, then at least part of

¹³¹ *Ibid.*

¹³² J. Lakatoš, *ibid.*, p.303

the Bank's large business to Serbia, influenced Vladimir Dorđević to completely withdraw from the *AJB* management in 1931.¹³³

As in Vojvodina there were the best conditions for the placement of capital or the granting of loans "on the basis of real estate", the first branch of the *AJB* was opened in Novi Sad, on May 20th, 1929.¹³⁴ The Belgrade Office was responsible for the operations of this branch, while the operations of the branch in Ljubljana, founded two years later, was under the auspices of the Zagreb Office.¹³⁵ According to the report of the Bank's Board of Directors for the business year 1932, the Novi Sad branch operated with a profit of 297,000 dinars, while the branch in Ljubljana recorded a loss of as much as 450,000 dinars.¹³⁶ It was a time when a severe economic crisis prevailed in Yugoslavia as well, which took its toll precisely in the most industrially developed parts of the country, such as Croatia and Slovenia. This, along with the changes that had occurred in the patronage institutions abroad, would certainly be reflected in the balance of power in the *AJB* itself, where over time the Belgrade office would take the lead.

¹³³ AJ, 151-15-30, files on granted loans of the Belgrade Office of *AJB*, 1928 - 1934; Announcement of the *AJB*, on the termination of V. Djordjević's membership in the Board of Directors of the Bank, June 20, 1931

¹³⁴ AJ, 151-10-17, Decision of the Novi Sad District Court no. 33 on the establishment of the *AJB* branch in Novi Sad, May 20th, 1929

¹³⁵ AJ, 151-10-18, Announcement on the establishment of the Ljubljana branch of the *AJB*, May 30th, 1931

¹³⁶ AJ, 151-1-1.

THE AGE OF RESTRUCTURING AND FINANCIAL STAGNATION

Of all the patronage banks of the *AJB*, only the Austrian *Wiener Bankverein* in 1931 fell victim to the credit panic that arose among foreign and domestic creditors. As its number of creditors was smaller, and the financial strength of patronage banking institutions was much greater than that of *Credit-Anstalt*, the possibility of reorganization and rehabilitation from its own funds was much greater. As early as July 1932, it restructured by writing off about 45 million shillings of debt and issuing 23 million shillings in new shares, most of which were foreign-owned. However, the difficult situation of Belgian and Swiss banking led to the fact that in March 1933, in addition to the obligation to pay nineteen million shillings, *Wiener Bankverein* was in danger of losing its reserves and share capital completely.¹³⁷

Belgian banking showed great resilience in the first years of the crisis, thanks to the radical process of bank mergers when their number dropped from 99 (at the end of 1930) to 66 (at the end of 1931) in just one year. In this way, a greater concentration of capital was achieved “and security, instead of the probability of large

¹³⁷ D. Stiefel, “Die Krise der Credit-Anstalt in den 1930er Jahren und ihre Folgen für das österreichische Bankensystem”, *Zum Thema »Bankrott«*, *Österreichische Zeitschrift für Geschichtswissenschaften*: ÖZG 19.2008.3, pp.117-141; “Opšte Jugoslovensko Bankarsko Društvo i njegovi zaštitnici iz inostranstva”, *Analiza bilansa* an appendix to the *Narodno blagostanje*, IV, 36, Beograd, 3. 9. 1932, pp.267-275

profits, became the main postulate in new banking engagements.”¹³⁸ *Société Générale de Belgique*, as the largest private bank in Belgium, did not record any losses during this period, nor did its “branch” *Banque Belge pour l’Etranger*. The first hints of the crisis were felt only when *Société Générale* began to show an unchanged amount of profit for the business years 1931 and 1932, while at the same time the *Banque Belge pour l’Etranger* reduced the dividend from 8% to 6%. As both banks have been heavily involved in financing industry in various parts of the world, with the onset of the economic crisis many of their claims have failed and even more have simply been frozen.¹³⁹ In this situation, the guarantee for all such claims was taken over by the Belgian State by establishing the National Industrial Credit Bureau, while Belgian banks received 3% of 20-year bonds guaranteed by the State. In return, they had to agree to their own reorganization, in terms of separating deposits from financial affairs. Under the Banking Reform Act of Belgium, passed in August 1934, the *Société Générale* was divided into a depository bank and a holding company. Under the old name, there was a holding company for financing the industry, while a new *Société Générale Banque de Belgique* was created for the deposit business, with which almost all deposit departments of Belgian provincial banks, which were part of the former large bank, merged.¹⁴⁰ Somewhat later, *Banque*

¹³⁸ “Obaveštajna služba: novčarstvo”, *Narodno blagostanje*, IV, 43, Beograd, 22. 10. 1932, p.678

¹³⁹ The total profit of the *Société Générale* increased from 9 million to 234 million francs between 1919 and 1932, see: J. Cottenier et al., *Dossier La Société générale: 1822-1992* (Bruxelles: Edition EPO, 1989), p.42; *Narodno blagostanje*, IV, 48, Beograd, 26. 11. 1932, p.763, and *ibid*, V, 3, Beograd, 14. 1. 1933, p.43

¹⁴⁰ More on the reform of the Belgian banking see: G. Kurgan-van Hentenryk, “Finance and financiers in Belgium, 1880-1940”, 317-335; E. Bussiere, et. al., *Industrialisation et sociétés en Europe occidentale 1880 - 1970*, (Paris: Armand Colin, 1997), pp.120-121; “Sanacija banaka u Belgiji”, *Narodno blagostanje*, VI, 35, Beograd, 25. 8. 1934, 551 and *ibid*, VI, 41, Beograd, 6. 10.

Belge pour l'Étranger also undertook its own reorganization by transforming its branches in London, Paris and New York into independent holding companies, and transferring its banking business, mainly in China, to the newly established *Banque Belge pour l'Étranger Extreme Orient*. As it was a branch of the largest Belgian private bank, its transformation into an independent holding company, according to Belgian banking experts, no longer had its *raison d'être*, which is why *Société Générale* took it over completely and then increased its share capital to 796 million francs.¹⁴¹

In Switzerland, in whose banks money and capital of other European banks flowed, the beginning of the crisis, but also worrying political events in the USSR and Germany, caused general fear of civil unrest and loss of sovereignty. This, along with attempts at financial espionage in 1931, was the main reason for the introduction of Swiss banking secrecy in 1934.¹⁴² No less important reason was the so-called “Paris Affair” of 1932, at the center of which was the *Banque commerciale de Bâle (Basler Handelsbank)*, the patronage bank of the *AJB*, at that time one of the five leading Swiss banks. Namely, two of its directors and one employee were arrested in a Paris hotel during a meeting with potential clients. French authorities found lists of over a thousand clients in their suitcase, including three French senators, a dozen generals, two bishops, many former ministers, newspaper owners and leading

1934, p.651.

¹⁴¹ “Obaveštajna služba: novčarstvo”, *Narodno blagostanje*, VII, br. 49, Beograd, 30. 11. 1935, p.779; “Bankarska reforma u Belgiji završena”: *ibid*, VIII, no. 2, Beograd, 11. 1. 1936, p.24.

¹⁴² It was an attempt by Germany to bribe Swiss Banking Union employees to gather information on assets and portfolios belonging to German clients. The German agent was then expelled from Switzerland, see: Graduate Institute Publications, The origins of Swiss banking secrecy, <https://books.openedition.org/iheid/322?lang=en> (approachhed on June 29th, 2020)

industrialists, such as the Peugeot family. These lists revealed the mechanisms of a multi-year fraud that meant that Swiss bankers in Paris paid their clients directly interest and dividends on their securities deposited in Basel. In this way, the French tax authorities were damaged by about two billion French francs. As a result, France had stepped up pressure on Switzerland to reveal a complete list of French clients, threatening to use espionage as well. Fortunately for the Basel bankers, the situation changed drastically when the center-left government was forced to resign in December 1932. The next French government, in an effort to preserve the support of Swiss banks and its financial market, completely ignored this event, while the judiciary adapted to it, annulling the whole case due to non-compliance with the legal form.¹⁴³ The “Paris Affair” greatly helps to understand public support for the codification of banking secrecy, although some other events were much more important for the establishment of the Swiss Banking Act legislation and with it the banking secrecy article.

Namely, during the world financial crisis of the 1930s and the mass collapse of German banks, Swiss banks were also severely affected, which from the beginning of the crisis were a refuge for money and capital in general from countries hard hit by inflation. In time, they themselves began to suffocate from the surplus money that they failed to invest in the country and tried to transfer it abroad. This led to great state interventionism and the decision to formalize special financial supervision. The trigger for this decision was the difficult situation in which one of the largest Swiss

¹⁴³ Only a small number of offenders were punished between 1935 and 1944. The directors of the *Banque commerciale de Bâle* were given suspended prison sentences and then pardoned in 1948, see: Geuex, Sebastien, 1932: l’affaire des fraudes fiscales et le gouvernement Herriot, <https://www.alternatives-economiques.fr/1932-laffaire-fraudes-fiscales-gouvernement-herriot/00068508> (approached on June 29th, 2020)

banks, the *Schweizerische Volksbank (SVB)*, found itself in 1931. Due to the proclamation of the banking moratorium in Germany, three quarters of its property remained blocked. When this information came to light, there was a banking panic that *SVB* managed to survive only thanks to the help of the government and the *Swiss Central Bank*. However, in the period from 1931 to 1933, the gradual withdrawal of funds in the total amount of 30% of all savings of the bank's clients continued. The situation became so critical that the Swiss government and the Central Bank were forced to inject 100 million Swiss francs into *SVB*, which was the value of approximately one quarter of the then annual government budget, or about 10 billion of today's Swiss francs. At the same time, it was determined that out of 153 million Swiss francs, which was the amount of assets of the *Banque commerciale de Bâle (Basler Handelsbank)*, 117 million francs remained frozen in Germany. Due to that, the Swiss Federal Council declared this bank operating with net loss (after 72 years of existence) and made a decision on the introduction of a partial two-year moratorium. This was followed by a sharp drop in its shares, which, in just three days, in June 1935, fell by 27%.¹⁴⁴ These events were the main catalyst that accelerated the political process of introducing formal financial supervision in Switzerland. Banks and financial institutions thus changed their attitude towards government intervention overnight, voluntarily restricting capital exports, wholeheartedly welcoming massive state capital infusions and exemption programs in exchange for banking secrecy law.

The crisis that its protectors from abroad were going through could not help but affect the further work of *Wiener Bankverein* itself.

¹⁴⁴ Graduate Institute Publications, The origins of Swiss banking secrecy, <https://books.openedition.org/iheid/322?lang=en> (approached on June 29th, 2020); "Bazelska trgovačka banka", in: *Narodno blagostanje*, VII, no .27, Beograd, 29. 6. 1935, p.424.

Although, after the first rush of investors, in the summer of 1931, it managed to carry out the rehabilitation on its own, the crisis of confidence in this Austrian bank did not abate. After a little more than two years, in March 1933, it found itself in a difficult financial position again, but this time, it received help from the Austrian government and the *National Bank*.¹⁴⁵ However, as the State had already invested huge sums in rehabilitating *Credit-Anstalt*, it was unable to help in the same way, not only *Wiener Bankverein*, but also the third remaining private bank in Austria, the *Niderösterreichische Eskontgesellschaft*. After a little more than a year of searching for a solution to the banking crisis, the Austrian government, in agreement with foreign creditors, decided that the almost rehabilitated *Credit-Anstalt* would take over all assets and liabilities of *Wiener Bankverein*, and then, so united, took over only “healthy” banking operations from *Niederösterreichische Escomptegesellschaft*, while its larger, industrial part of the engagement would be handed over to the newly established company *Österreichische Industriekredit AG*.¹⁴⁶ Thus, at the end of 1933, the entire Viennese banking system was concentrated into a single bank called the *Österreichische Creditanstalt-Wiener Bankverein* (hereafter *Creditanstalt-Bankverein* or *Creditanstalt*). In this regard, *Credit-Anstalt* increased its capital to 167 million shillings. The new shares worth 97 million shillings were taken over by the Austrian state, while foreign creditors continued to hold their shares worth 70 million shillings. *Credit-Anstalt* was indirectly,

¹⁴⁵ F. Weber, “Die große Bankfusion des Jahres 1934. Organisatorische Innovation oder österreichische Improvisation?” *Die vielen Gesichter des wirtschaftlichen Wandels: Beiträge zur Innovationsgeschichte*, eds. P. Berger, A. Resch (Wien: Lit Verlage GmbH&Co, 2011), pp.223-259; “Najnovija austrijska sanacija bankarstva dobila je priznanje u celom svetu”, *Narodno blagostanje*, V, no. 14, Beograd, 1. 4. 1933, pp.223-224

¹⁴⁶ D. Stiefel, “Die Krise der Credit-Anstalt in den 1930er Jahren”, pp.117-141; “Novi naponi oko sanacije austrijskog bankarstva”, *Narodno blagostanje*, VI, br.20, Beograd, 12. 5. 1934, p.311.

through the financial group *Rortschild*, in strong ties with the City of London, while in *Wiener Bankverein*, the largest package of shares in the amount of 500 thousand shillings, was owned by investment bank *Dillon, Read & Co. New York* (owned by Clarence Dillon, a Polish Jew and a great Francophile).¹⁴⁷ The rest of the share capital, in the amount of 250 thousand shillings, was owned by the banking consortium *Société Générale de Belgique*; from March 1930, the capital of *Deutsche Bank und Disconto Gesellschaft* was also engaged here to a certain extent; as well as Czech capital, after the participation of the *Banque commerciale de Bâle* in the merger of the *Allgemeiner Böhmischer Bankverein* with the *Böhmische Union-Bank* (*Česká banka Union*) in Prague.¹⁴⁸ In this way, in the *AJB*, until 1938 and the Anschluss of Austria, the share capital ratio looked like this: 50.3% of the shares were owned by *Creditanstalt-Bankverein*, 38.3% were owned by *Société Générale de Belgique*, 5.4% of the shares were in hands of *Banque commerciale de Bâle* (*Basler Handelsbank*) and 4.0% of the shares were owned by *Böhmische Union-Bank*.¹⁴⁹

¹⁴⁷ Bank History, Central Trust Company of New York: <http://www.smokershistory.com/Central.htm> (approached on June 2nd, 2020)

¹⁴⁸ G. Feldman, *Austrian Banks in the Period of National Socialism* (Cambridge University Press, 2015), 224-226; F. Weber, *Vor dem großen Krach*, p.254.

¹⁴⁹ *AJ*, 151-1-1; According to Gerald Feldman, the share capital ratio is slightly different from the one we found in the *AJB* archives: 49.7% of the shares were owned by *Creditanstalt-Bankverein* (or 149,000 out of a total of 299,016 shares), 38.8% of the *Société Générale de Belgique* (116,184 shares), *Banque commerciale de Bâle* 5.0% (15,899 shares) and *Böhmische Union-Bank* 3.9% (11,898 shares), see: *Austrian Banks in the Period of National Socialis*, p.224.



The capital market in Yugoslavia, as we have repeatedly pointed out, was very underdeveloped. Therefore, banks, especially those of the shareholder type, were the most important channel for lending to the economy. The accelerated establishment of new industrial companies and the expansion of existing ones required huge financial resources. Banks, especially the larger ones and with the participation of foreign capital, in the long run, in addition to their relatively insignificant own funds, also placed the capital that the population deposited with them in the short term. At the same time, they not only approved loans to industry, but also took a direct part in industrial production, founding a number of their own industrial companies. With deposits placed on the liabilities side of their balance sheet, they acted in their active operations as exclusively commercial banks, specialized in long-term financing of the economy. It was almost inevitable that they would become the most important source of finance for the industry, so in the capacity of creditors, shareholders or by taking a place in the management, they took a direct influence on the companies. In addition, they joined consortia with other credit institutions and organized group financing with foreign shareholders.¹⁵⁰ Thus, foreign participation in Yugoslav banks amounted close to $\frac{3}{4}$, while shareholding companies participated with just over 18%.¹⁵¹

¹⁵⁰ V. Aleksić, "Foreign financial capital as the catalyst of Serbian economic development before the Second World War", *Economic and Financial Stability in SE Europe in a Historical and Comparative Perspective*, eds. B. Hinić et.al. (Belgrade: National Bank of Serbia, 2010), p.332.

¹⁵¹ In addition to the funds made available to companies in the form of loans (RSD 1,699.8 million), shareholding banks also helped the industry by running companies on their own (RSD 166 million), holding shares in companies (RSD 624.8 million) and participating in consortium operations (209.2 million dinars). The total engagement of shareholding banks in the country's economy

Table 3:
The origin of foreign capital in the banks in Yugoslavia in the period between two World Wars

CAPITAL ORIGIN	THE SHARE OF FOREIGN CAPITAL IN YUGOSLAV BANKING	
	In millions dinars	In percent
French	41.9	21.42%
Czechoslovakian	37.5	19.20%
Austrian (later German)	30.2	15.47%
Belgian	23.9	12.24%
Hungarian	16.7	8.53%
Swiss	10.6	5.36%
Monaco	10.4	5.33%
Italian	9.7	4.96%
British	8.9	4.56%
Dutch	5.1	2.61%
Swedish	0.5	0.32%
Total	195.3	100%

Source: Tasić, Antonije, *Jugoslovensko bankarstvo između dva rata* in: “Glas CCCLXVI Srpske akademije nauka i umetnosti - Odeljenje društvenih nauka”, Beograd, book 26 (1992), p.148

reached, in this way, 2,699.8 million dinars. If we keep in mind that the loans of 1,699.8 million dinars refer only to companies, mostly industrial, and that 85.4% of them had a shareholder form, as well as that individual companies and others in which banking institutions participate, were in the largest number industrial ones - it can be said that the amount of total engagement of the banks in industry in Yugoslavia between the two World Wars was about two and a half billion dinars, see: A. Tasić, “Jugoslovensko bankarstvo između dva rata”, *Glas CCCLXVI Srpske akademije nauka i umetnosti*, Odeljenje društvenih nauka, Beograd, book 26 (1992), pp.147-208

In this way, Yugoslav industry was oriented almost exclusively to banks as its creditors. Instead of issuing bonds and shares, the industry obtained the necessary financial resources in the form of bills of exchange, which were approved by the banking institutions on current accounts. Until the end of 1925, lending to the economy through current accounts (most widely understood) was on the rise. During 1926 and 1927, a certain decrease was recorded, which could be explained by the fact that then, especially in Serbia, several banks failed, precisely because of too reckless engagement in industry. The largest amount of current accounts was reached in 1930, when, compared to 1922, they almost doubled.¹⁵²

The Table 4 clearly shows that foreign capital was largely interested in Yugoslav industry. In fact, about 92% of loans were taken by the industry from private banks. Loans from abroad were also extremely large. Some research shows that most of the industry has even used more foreign loans than loans from domestic banks.¹⁵³ Abroad participated in lending to the industry with a smaller share than domestic banks only in the food and agricultural industries. Public credit institutions (the *National Bank* and two state banking institutions) lent to industry more than two and a half times less than private banks (26.02% : 9.99%). In the total amount of loans granted to shareholding companies, mainly industrial companies, private banks participated with one billion 699.8 million dinars, or 26.02%. When other creditors are considered, the *National Bank* participated with 5.68%, the *State Mortgage Bank* with 4.31%, foreign creditors with 44.64%, while other creditors participated with 19.35%.¹⁵⁴ In the later period, i.e. until 1938, 51.5% of the

¹⁵² *Ibid.*

¹⁵³ V. Rozenberg, *Inostrani kapital u jugoslovenskoj privredi. U bankarstvu, industriji, trgovini, transportu, osiguranju i ostalim granama privredne delatnosti*, (Beograd: Balkanske štampe, 1937)

¹⁵⁴ *Ibid.*

Table 4:
Participation of banks through credits for different types of industry

TYPE OF INDUSTRY	Total credit amount (in mill. din.)	Credit amount obtained from private banks (in mill. din.)	Share of credits obtained from private banks in total credit amount (in %)	Credit amount from abroad (in mill.din.)
Wood industry				
Companies with credit obligations	453	220	48.1	117.5
Other companies	754.3	115.2	15.3	411.1
Mining and smelting companies				
Companies with credit obligations	115.8	71.9	62.1	22.4
Other companies	620.9	145.3	23.4	341.6
Chemical companies				
Companies with credit obligations	61.1	26	42.5	14.7
Other companies	223.3	30	13.4	47.7
Food companies:				
Companies with credit obligations	121.7	74.5	52.6	15.3
Other companies	447.2	92.2	20.6	105.2
Agricultural companies:				
Companies with credit obligations	32.5	10.6	32.6	---
Other companies	447.2	35.7	31.4	12.8
Textiles companies:				
Companies with credit obligations	174.3	22.8	13.1	72.5
Other companies	595.2	215.4	36.2	184.6
Metallurgy companies:				
Companies with credit obligations	449.7	110.5	24.6	170.1
Other companies	468.4	21.2	4.6	86
Cement companies:				
Companies with credit obligations	141.5	27.7	20.3	76.9
Other companies	369	103.9	28.2	137.1

Source: A. Tasić, "Jugoslovensko bankarstvo između dva rata", p.158.

total Yugoslav share capital was foreign-owned, of which 25% was French, 17% English, 15% American and about 11% German, while the rest belonged to other European countries. At that time, the largest share of foreign capital was in the chemical and machine industry, as well as in mining.¹⁵⁵

The outbreak of the world economic crisis in 1929, the collapse of the international capital market and the gradual decline in consumer purchasing power during 1930 and 1931 were the main causes of the difficult situation in which Yugoslav industry found itself in the early 1930s. After the collapse of the *Austrian Credit-Anstalt*, the European banking crisis also affected the Yugoslav banks. The demand for the return of foreign loans, which in 1931 amounted to about thirty million US dollars, or 1.5 billion dinars, meant economic ruin for many entrepreneurs whose business depended on foreign investments. *Credit-Anstalt* itself, which had invested huge capital in Yugoslavia until then, withdrew three hundred million dinars in the first months of 1931.¹⁵⁶

The withdrawal of foreign loans from Yugoslavia inevitably led to unrest among domestic investors, who at the time deeply believed that foreign capitalists, as businessmen and well-versed in the financial situation, suggested that they should not trust the entire banking system. At the same time, the policy of the *National Bank* contributed to the growth of distrust. Namely, the withdrawal of foreign loans caused a restriction of loans on the domestic money market. In order to preserve the monetary stability, the *National Bank* began to implement a restrictive policy by successively

¹⁵⁵ V. Rozenberg, J. Kostić, *Ko finansira jugoslovensku privredu, država, banke, inostrani i domaći kapital u službi privrede* (Beograd: Balkanske štampe, 1940), pp.64 -72; S. Dimitrijević, *Strani kapital u privredi bivše Jugoslavije*, 229; Čalić, Mari-Žanin, *Socijalna istorija Srbije 1815-1941, usporeni napredak u industrijalizaciji* (Beograd: Clio, 2004), pp.272-273.

¹⁵⁶ Bajkić, Velimir, "Kreditanstalt - Larma bez razloga", *Narodno blagostanje* III, 25, Beograd, June 20, 1931, p.389.

increasing its discount rate from 5.5% to 7.5%. However, the suspension of German reparations payments just at the time of the legal stabilization of the dinar in 1931 made it impossible for the *National Bank* to help the banks at a time when there was a rush at their counters. In this way, the acute psychological crisis of banks could not be neutralized, but turned into a chronic, i.e. structural one, which gradually affected almost all private banks in Yugoslavia. Soon, the entire credit organization became so disturbed that the *National Bank* could no longer avoid extraordinary lending to banks, but the amount of loans approved at that time was not enough for the banks to overcome the acute phase of the crisis. Therefore, a moratorium was introduced in banks, which were put in a difficult position by the sudden withdrawal of deposits.¹⁵⁷ Thus, the Central Bank did not provide credit institutions with so-called indirect liquidity. On the contrary, with its decision of August 8, 1931, which aimed to abolish the large margin (of about 866 million dinars) of approved and unused loans, the *National Bank* significantly worsened the already difficult situation of Yugoslav banks.¹⁵⁸ When it became clear that there was no prospect that banks would be able to restore liquidity on their own during the crisis and resume normal operations, the Yugoslav government took steps to rebuild the country's credit organization. To that end, on November 22, 1933, it passed the Decree on the Protection of Banking Institutions and Their Creditors, and then special decrees: on the protection of credit unions, on the reduction of overhead costs of banks under protection and

¹⁵⁷ I. Belin, „Kreditna politika Narodne banke i kriza kredita“, *Nova Evropa*, Book VIII, no. 11 and 12, 1923, Beograd, p.543; D. Plavšić, „O sanaciji našeg bankarstva“, *XX vek*, Year I, February 1938, no 2, Beograd, pp.125-140.

¹⁵⁸ Instructed by the experience she gained in the crisis of 1931, she acted in a different way in the later disturbance of savers in 1938 and 1939 (caused by world political circumstances) than in 1931, see: A. Tasić, „Krizna jugoslovenskog bankarstva (1931 - 1941)“, pp.141-167.

with companies, and on maximizing interest rates. According to the Decree on the Protection of Banking Institutions, which was amended on November 23, 1934, three different forms of protection regime were envisaged: deferral of payments, rehabilitation and non-bankruptcy liquidation.¹⁵⁹

In the following years, due to the resulting mistrust, a good part of the money withdrawn from private banks was invested in state-owned banks. The creation of new state-owned banking institutions was not resorted to during the banking crisis, although we have seen that many Western European countries have resolved the banking crisis and the credit crisis in general by establishing new credit institutions that were either state or privileged. The Yugoslav State neither could nor wanted to implement the nationalization of the banking system, at least not in the first years of the crisis. Domestic banks with dominant foreign capital continued to finance the work of industrial companies in this period as well, but to a much lesser extent than was the case until 1931.

¹⁵⁹ D. Gnjatović, V. Aleksić, A. Jovancai “Analysis of the behavior of foreign-owned banks in Serbia during Great Depression and Great Recession”. *Economic Sciences on the Crossroad*, ed. I. Stošić, et al, (Belgrade: Institute of Economic Sciences, 2013), p.279.

Table 5:
Comparative overview of foreign capital engagement through participations and loans in fourteen Yugoslav banks for 1929/1930 and 1936/1937

	Year	Share capital mill. dinars	Reserves mill. dinars	Credits	Total assets
<i>Jugoslawische Unionbank Zagreb-Beograd</i> (with 4 accompanying domestic banks and 3 affiliations) capital mostly British, Dutch and Belgian	1929	185	55	688	1604
	1937	60	39	296	513
<i>AJB – Zagreb – Beograd</i> (with two affiliations)	1929	100	25	226	602
	1937	60	15	210	468
<i>Landesbank für Bosnien und Herzegovina</i> Sarajevo (with 17 affiliations and branches) capital Austrian/German, Belgian	1929	20	15	134	312
	1937	20	10	113	261
<i>Bosnische Industrie und Handelsbank</i> Beograd (with 3 affiliations) capital Hungarian-Austrian-German	1929	20	8	179	272
	1937	4	0,4	10	21
<i>Jugoslawische Bank, Zagreb</i> (with 7 affiliations) Czech capital	1929	100	25	368	1003
	1937	50	25	204	488
<i>Erste Kroatische Gewerbebank, Zagreb</i> – Czech capital	1929	15	2	17	57
	1936	15	0,5	28	64
<i>Kommerzialbank, Zagreb</i> – Czech capital	1929	5	1	20	32
	1937	10	3,5	2,6	17
<i>Allgemeine Kroatische Kreditbank, Zagreb</i> (with one accompanying bank and 4 affiliations) Hungarian and indirectly French capital	1929	37,5	5	219	320
	1937	40	6	151	319
<i>Jugoslawische Kreditanstalt, Beograd</i> – Hungarian capital	1929	10	0,13	21	51
	1937	15	6	85	109
<i>Kroatische Bank, Zagreb</i> – Italian capital	1929	20	3	83	239
	1837	20	3	133	237

<i>Banca Commerciale Spalatina</i> , Split – Italian capital	1930	1	0,64	11	23
	1937	1	---	9	10
<i>Serbisch-Schweizerische Bank</i> , Beograd – Swiss capital	1929	2w3	1,48	22	98
	1937	10	---	12	48
<i>Jugoslawische Industrie und Handelsbank</i> , Beograd – French capital	1929	15	0,40	0,81	20
	1937	6			
<i>Einheimische Bank</i> , Beograd – Swedish capital	1930	3	---	2	6
	1937	3	---	9	40

Source: Jurković, Božidar, *Das ausländische Kapital im ehemaligen Jugoslawien*, W. Kohlhammer Verlage Stuttgart/Berlin, 1941, pp.273-274.

It is safe to say that, despite many legislative interventions by the State, the banking crisis in Yugoslavia lasted until the end of the interwar period. Namely, it was only in 1937 that a certain improvement appeared, which was still so modest that it would be difficult to say that the reduction in the volume of loans on current accounts stopped at all. Bearing in mind that many banks were very interested in the fate of their clients or industrial companies in which they were financially engaged - it could be said without exaggeration that the credit function of Serbian banks in the eve of the World War II had weakened to such an extent that it hardly existed. This conclusion, of course, stands only if Yugoslav banking is viewed as a whole. At the 20 most important banks in the country, almost all of which had a share of foreign capital, the decline was stopped a year earlier: in 1936, the amount of loans on current accounts increased, and in 1937 it reached the amount recorded in late 1934.¹⁶⁰

¹⁶⁰ B. Jurković, *Das ausländische Kapital im ehemaligen Jugoslawien* (Stuttgart/Berlin: W. Kohlhammer Verlage, 1941), p.284.



Unlike most other large private banks in Yugoslavia, which have been the victims of a rush on their counters since the summer of 1931, the *AJB* was one of the few private banks that did not find itself in quiet liquidation, only thanks to its focus on large industrial companies. Already in 1929, it recorded a net profit of over 4 million dinars, and in 1932, with a profit of 5.7 million dinars, it was declared the most liquid private monetary institution in the country. "The business policy of our institution was adjusted to the needs of the difficult general situation. We approved new loans only for a short time, if their proper repayment seemed to be secured in advance. We continued to help our old clients - debtors, taking into account their justified needs for business extension."¹⁶¹ In this beautifully worded report of the Bank's Management Board for the business year 1932, one cannot even sense the agony in which, due to the difficult situation in the Yugoslav wood industry, its biggest clients Slaveks and Binder and Polgar d.d. from Zagreb found themselves.

Namely, after the outbreak of the economic crisis, the demand for wood decreased in the whole of Europe, due to the cessation of construction activities, but also the difficulties that some countries, such as Italy and Spain, caused by a sharp decrease in imports of this industrial products. In Yugoslavia, where the wood industry was the main export industry, there has been a sharp drop in prices since 1931, as well as a reduction in exports. However, in order for the trouble to be complete, the consumption of wood in the country itself fell due to the decline in the purchasing power of the

¹⁶¹ *AJ*, 151-1-1: Minutes from the XIV session of the Board of Directors of OJBD, held in Belgrade, May 3rd, 1933

population due to the agrarian crisis. All this contributed to the collapse of many companies in this industry, as well as the layoff of workers, which certainly worsened the already extremely difficult economic situation in the country.¹⁶²

Thus, according to the internal balance sheet of October 31, 1932, Slaveks d.d. already showed a huge loss of 18 million dinars, in relation to the share capital which amounted to 15 million dinars. If this balance sheet had been publicly exposed, the company would have had to be liquidated in accordance with the then legal regulations. In the Appendix to the Minutes from the XV session of the *AJB* Board of Directors held in Belgrade on July 31, 1934, there is a detailed explanation of the way in which the Bank tried to help one of its largest clients: "In this situation (illiquidity), after long negotiations with Slaveks and *Wiener Bankverein* in Vienna, which also granted loans to Slaveks, we decided to work together with Slaveks and *Wiener Bankverein* in Vienna. We must rehabilitate Slaveks with *Wiener Bankverein* and enable it to continue working, in order to enable this company to gradually release the capital invested in forestry and industrial plants and thus gradually repay the remaining part of its debts(...) We further agreed, to grant Slaveks interest relief from November 1, 1932, in such a way that we will charge interest only on that part of the loans granted to it, which corresponds to the equivalent of the current inventory and current commodity claims, while we will continue to manage the interest-free remaining part of the debt, the counter-value of which lies in investments, long-term forest jobs, frozen claims, etc. - *Wiener Bankverein* declared itself ready, that for its entire claim

¹⁶² S. Kukoleča, *Industrija Jugoslavije 1918 - 1938*, (Beograd: Balkanska štampa, 1941), 69-70. More on the crisis in wood industry see: J. Lakatoš, *ibid*, 120-122; "Nekoliko mišljenja o lečenju naše šumske industrije", *Narodno blagostanje*, IV, 4, Beograd, January 23rd, 1932, 55; *Šumska internacionala*, *ibid*, IV, 22, Beograd, may 28th, 1932, 393; J. Tomašević, *Budućnost naše drvne industrije*, *ibid*, V, 6, Beograd, February 4th, 1933, p.83.

(12.76% in relation to 87.24%, which was the claim of *AJB* - note aut.), remaining after the write-off, until further notice would not charge any interest.”¹⁶³ In the following years, the *AJB* managed to reorganize this company, but in 1936 it again found itself in a difficult position due to the introduction of economic sanctions against Italy and the outbreak of civil war in Spain. Thanks to the special engagement of patronage banking institutions from abroad, partial compensation was found in the export of its products to the English and German markets.¹⁶⁴

Much less fortunate was the company Binder and Polgar d.d. Its debt to the *AJB* on December 31, 1933, amounted to slightly more than 12 million dinars. The only hope for the gradual collection of the Bank's claims was the contract of this company with the State regarding the exploitation of forests in the vicinity of Ključ. However, the Ministry of Forests and Ores of the Kingdom annulled this contract and transferred the right of exploitation to the state forest company Šipad. Since the other company's assets could not cover the Bank's claims, this company had to go into liquidation. By September 1934, the sawmill in Zemun fired all workers and clerks, sold machines, demolished buildings and parceled out the land and handed it over for further use, i.e. the sale of *AJB*. Despite that, the Bank had to write off the rest of the debt of this company in the amount of 5 million dinars.¹⁶⁵

The third big debtor of the Bank was the Belgrade Leather Factory Beli Orao a.d. Its debt to the Bank amounted to 3.5 million dinars on December 31, 1933, but as the entire industrial concern Matejić was in a difficult financial situation, the *AJB* had to immediately

¹⁶³ AJ, 151-1-1.

¹⁶⁴ Ibid, Minutes from the XX session of the Board of Directors of *AJB*, on the business year 1936, held in Belgrade, July 22, 1937

¹⁶⁵ Ibid, AJ, 151-75-99; “Stanje naše drvne industrije u godini 1934”, *Industrijska odbrana*, spec. number 3 - 4: *Aktuelni problemi naše drvne privrede*, part III, Beograd, March - April 1935, p.12.

write off 750,000 dinars from that debt. The collapse of this concern coincided with the death of two important political figures who were connected with its work: former Prime Minister Vojislav Marinković and King Alexander Karađorđević in 1934. It was considered that this concern entered the sphere of interest of several large Yugoslav private and state-owned banks and companies, and in fact, thanks to powerful political protection, it was given the opportunity to lend to various financial institutions, which was made possible by already mentioned legally binding secrecy in doing business in Serbia. In this way, the concern Matejić managed to accumulate a huge debt in the amount of 93 million dinars, almost as much as the total share capital of the *AJB*. Only the debt to this bank was one of the smaller ones, so it depended on the regulation of other, much larger debts. This concern had the largest debt to the *National Bank*, as much as 52 million dinars, followed by: *State Mortgage Bank* (9,250,000 dinars), *Société de Banque Suisse*, Basel (8,000,000 dinars), *Postal Savings Bank* (5,200,000 dinars), Privileged Company for Export of Land Products KJ (4,700,000 dinars), *AJB* (3,500,000 dinars), *Jugoslawische Bank Belgrade* (3,300,000 dinars), Yugoslavia General Insurance Company a.d. (3,050,000 dinars), *Jugoslawische Unionbank Zagreb-Belgrade* (2,200,000 dinars), while it owed about one million dinars to Yugoslav companies Sartid a.d. from Belgrade and Piri a.d. from Zagreb as well as to one German and one Italian bank.¹⁶⁶

Due to the difficult situation in which the industrial companies that entered the sphere of interest of the *AJB* found themselves, the total debt write-off amounted to 18.5 million dinars until 1934,

¹⁶⁶ The composition of the concern Matejić included: *Eskontna banka a.d.*, *Opšta privredna banka a.d.*, Klaničko društvo a.d., Leather Factory Beli Orao a.d. and Mine Jerma Gabernik a.d., all from Belgrade. It is interesting that most of their share capital was in the hands of Dragiša Matejić, who has been mentioned several times so far, which is why the concern was called Matejić (the other shareholders on the list were the so-called court democrats), see: AJ, 65 - 1116/1128/1212/1238 - 2100/2112/2196/2222

which was almost the same as the net profit of the Bank in the same period - about 19 million dinars.¹⁶⁷ Although one of the few Yugoslav private banks that did not seek the protection of the *National Bank* during the banking crisis, in this most critical period of its operation, it was saved only thanks to a timely package of shares from patronage institutions from abroad. Namely, in order to normalize the work and strengthen the credit of the Bank, its founders handed over new 40 million dinars, embodied in 200 thousand shares of 200 dinars each, which the Bank could depreciate without any costs. In this regard, the share capital was reduced from 100 to 60 million dinars, and the resulting difference of 40 million dinars was used to create a special fund to cover possible losses. For that purpose, the Bank used 13 million dinars from this new reserve as early as 1934, and the remaining amount of 27 million dinars went into the so-called Special Reserve Fund, after an agreement with foreign creditors (only in 1937).¹⁶⁸ In this way, and considering the liquidation of the remaining debt accounts and their “purification”, the Bank was consolidated as early as 1935, which contributed to the revival of business but also led to optimal prudence in entering into new business arrangements.¹⁶⁹

However, despite all the caution in its work, the *AJB* found itself in the same year, in front of an almost imposed business arrangement. Due to the economic crisis as well as the bad way of doing business, at the end of 1934, almost all factories owned by the Zagreb industrialist Vladimir Arko were on the verge of bankruptcy. It was a family business that was founded under the name Mijo Arko in 1867, and which was taken over by Vladimir Arko in 1916. The main activity of this company was trade in wine and alcoholic

¹⁶⁷ AJ, 151-2-2; “Opšte jugoslovensko bankarsko društvo, Beograd - Zagreb”, *Analiza bilansa* an appendix to the *Narodno blagostanje*, V, no. 23, June 3rd, 1933, 45; *ibid*, VI, no. 35, August 25th, 1934, p.167.

¹⁶⁸ AJ. 151-2-2.

¹⁶⁹ *Ibid*.

beverages, as well as agricultural products. Somewhat later, they started producing, first brandy, cognac, rum and liqueur, then spirits, yeast, barrels, chemical products. The following factories worked within this concern: Vladimir Arko for the Production of Spiritism and Yeast d.d, and Arko - Email d.d. and Tvorba d.d. Barrel Factory for the production of the essence of rum and liqueur.¹⁷⁰ The concern owned buildings and land worth 60,000,000 dinars, and machines worth 40,000,000 dinars. as well as industrial tracks and wagons for alcoholic beverages and cisterns worth about 10,000,000 dinars.¹⁷¹

It was clear that Vladimir Arko, as one of the most prominent Yugoslav representatives in the *AJB* administration, would ask for its support and concrete financial assistance. However, one should certainly take into account the fact that only a year earlier, in April 1933, together with Nikola Berković, he was elected vice president of the Yugoslav National Committee of the International Chamber of Commerce, while the former Yugoslav Prime Minister, Vojislav Marinković, was elected chairman of the same committee. A few days later, Vladimir Arko was elected president of the Association of Industrialists of the Sava Banovina. In the summer of the same year, when the Yugoslav Jews intensified trade relations with Palestine, Vladimir Arko was appointed vice-president of the newly formed Yugoslav-Palestinian Economic Committee. Having all this in mind, *AJB* started from the position that “it would not be opportune to leave the person and company of Mr. Vladimir Arko to fate”, so “taking into account the opinion of another large creditor, the *National Bank of the Kingdom of Yugoslavia*, not to leave Arko” with the consent of the Vienna Executive Board, entered into a new business arrangement with him.¹⁷²

¹⁷⁰ *Almanah grada Zagreba*, 1931, p.241.

¹⁷¹ I. Žebec Šilj, *ibid*, p.98.

¹⁷² AJ, 151-9-15, Report of the Directorate on operations, balance sheet, as well

According to this arrangement, he was approved a loan in the amount of 7 million dinars, for the successive payment of urgent debts to his creditors, as well as for enabling rational work in factories. The Bank itself counted on the possibility of more productive operations of the Factory for the production of spirits and yeast, as well as on the sale of land from the completely taken over factories Tvorbe and Arko-Email, which would partially cover the losses already created in advance. In the Factory for the production of spirits and yeast, the Bank appointed its official, who supervised the entire money turnover, but it was difficult for him to agree with the owner on the control over the technical part of the business.¹⁷³ After the first degree of consolidation, during 1935, new problems arose. Repayments of the previous debt to the Bank were not made, current interest was not paid, and the possibility of supervising the business itself became less and less. On top of all that, Vladimir Arko did not want to give up his most profitable factory, which created even bigger problems for the Bank, considering that it was counting on covering its previous losses through this factory.¹⁷⁴ Having no other way out, the Bank, even with the consent of the Executive Board in Vienna, concluded a new business arrangement with Vladimir Arko, this time with the mediation of the National Bank. The factory for the production of spirits and yeast was left to Arko at that time,

as the profit and loss account for the year 1934, with item 4a of the agenda, from the session of the Management Board of the *AJB*, held on June 7th, 1935, see: "Obaveštajna služba", in: *Narodno blagostanje V*, no. 15, Beograd, April 4th, 1933, p.238, *ibid*, V, no. 16, Beograd, April 15th, 1933, p.252; Nebojša Popović, *Jevreji u Srbiji 1918 - 1941*, (Beograd: ISI, 1997), p.116

¹⁷³ *Ibid*, Report of the Directorate on operations, balance sheet, as well as the profit and loss account for the year 1934, with item 4a of the agenda, from the session of the Management Board of the *AJB*, held on June 7th, 1935

¹⁷⁴ *Ibid*, Report of the Directorate on operations, balance sheet, as well as the profit and loss account for the year 1935, with item 4a of the agenda, from the session of the Management Board of the *AJB*, held on April 24th, 1936

with the obligation to successively, every six months, pay 1 million dinars of significantly reduced debt, in the total amount of 16 million dinars. After all settlements, the uncollectible claim of *AJB* amounted to 14 million dinars.¹⁷⁵ The name of Vladimir Arko stopped appearing in the reports from the sessions of the Management Board almost overnight and without any explanation, and it also disappeared from the lists of shareholders who deposited their shares. However, he did not disappear from the life of this Bank, and although he never appeared again at the Meetings of Shareholders and the meetings of the Board of Directors, he continued to use the services of this banking institution “from the shadow”.¹⁷⁶

Due to the painful struggle that the Bank had over this, as well as the arrangement with Slaveks, all the other business of the Bank suffered. Since 1935, there has been a gradual shift to the financing of a number of smaller but more profitable industrial and commercial firms, most often through short-term loans with an interest rate of 6% to 8%. It is especially interesting to see what kind of companies were involved and what is the amount of credit

¹⁷⁵ AJ, 151-2-2, the Minutes from the XX session of the Board of Directors of *AJB*, held in Belgrade, July 22nd, 1937. We should not ignore the fact that in the same year when these negotiations began, a member of the Management Board of *AJB*, Nikola Berković, was elected a member of the Management Board of the *National Bank*, which greatly mitigated the severe consequences of the bank due to such an unfavorable business arrangement, see: “Obaveštajna služba”, *Narodno blagostanje*, VI, no. 11, Beograd, April 8th, 1934, 169

¹⁷⁶ In July 1936, as many as four new companies were registered, which entered the sphere of interest of *AJB*: *Nekretnina d.d.*, *Lašćinščak d.d.*, *Jordanovac d.d.* and *Gorica d.d.* all from Zagreb; Vladimir Arko was a member of their Management Boards and their largest shareholder, see: Trade Register, *Narodno blagostanje*, VIII, no. 29, Belgrade, July 18th, 1936, 472. Even with these companies, the Bank’s engagement would prove to be quite unsuccessful, see: AJ, 151-2-2, minutes from the sessions of the Board of Directors of *AJB* for 1937 and 1938 business years.

that was granted to them. According to the report from the session of the Bank's Management Board for the business year 1935, a total of 115 loans in the amount of over 250,000 dinars to 2.5 million dinars were granted (if we exclude the loan granted to Anglo-Yugoslav Petroleum d.d. in the amount of 16 million dinars). About 50 such loans were then granted to industrial and commercial firms with dominant foreign and domestic Jewish capital.¹⁷⁷ It is interesting that in Belgrade they accounted for about half of all granted loans, while in Zagreb and Novi Sad (since 1936) they accounted for more than half of all granted loans.¹⁷⁸ In the period from April 1936 to July 1937, *AJB* granted 154 short-term loans in the amount of 250,000 dinars to 8 million dinars.¹⁷⁹ The same practice continued during 1938 and the first half of 1939. At that time, a total of 130 loans were granted, of which 63 loans to companies with Jewish capital (Tables 6 and 7).¹⁸⁰

¹⁷⁷ AJ, 151 -2-2, Report with item 2 from the session of the Board of Directors of *AJB*, held on December 10th, 1935 in Belgrade. From the list of granted loans, the Jewish origin of the capital could be seen either from the name of the company itself or on the basis of the name of the guarantor of the granted loans. For the assigned so-called export credits as guarantors were usually large Austrian, Czech and other firms, making the determination of Jewish capital much more difficult; therefore, we believe that the number of loans granted to such companies was significantly higher than we were able to determine.

¹⁷⁸ *Ibid*, Report with item 4 from the session of the Board of Directors of *AJB*, held on July 22nd, 1937 in Belgrade. According to interwar statistics, Jews accounted for 3.31% of the total population in Belgrade in 1931, and 4.69% in Zagreb. More than a third of all employed Jews in the Kingdom were merchants, and in 1938 there were 70 Jewish industrialists in Belgrade alone, see: H. Pass Freidenreich, *The Jews of Yugoslavia. A Quest for Community* (Philadelphia: Jewish Pubn Society, 1979), p.215, p.220.

¹⁷⁹ *Ibid*, Report with item 4 from the session of the Board of Directors of *AJB*, held on June 7th, 1935, and Report with item 2 from the session of the Board of Directors of *AJB*, held on December 10th, 1935 in Belgrade

¹⁸⁰ *Ibid*, Report with item 5 from the session of the Board of Directors of *AJB*, held on August 15, 1939 in Belgrade

**Table 6:
Main Offices**

BELGRADE			
Years	Total number of granted credits	Number of credits granted to firms with Jewish capital	in percent %
1935.	38	19	50%
1936 - 1937	77	37	48%
1938 - 1939	68	27	39.70%
ZAGREB			
Years	Total number of granted credits	Number of credits granted to firms with Jewish capital	in percent %
1935.	43	23	53.48 %
1936 - 1937	57	38	66.66 %
1938 - 1939	46	30	65.21 %

Source: AJ, 151-41(70)-65(95)

**Table 7:
Affiliations**

NOVI SAD			
Years	Total number of granted credits	Number of credits granted to firms with Jewish capital	in percent %
1935.	24	11	45.83 %
1936 - 1937	11	9	81.81 %
1938 - 1939	16	6	37.5 %
LJUBLJANA			
Years	Total number of granted credits	Number of credits granted to firms with Jewish capital	in percent %
1935.	10	0	0%
1936 - 1937	9	0	0%
1938 - 1939	8	0	0%

Source: AJ, 151-41(70)-65(95)

Table 8:
Firms with Jewish capital that enjoyed the trust of the *AJB* from year to year were, among others:

NAME OF THE FIRM	AMOUNT OF CREDIT IN DINARS
Split a.d. for cement exports - Split*	11,000,000
Hartman i Koen Meat exports a.d. - Subotica**	8,500,000
Osijek Leather Factory d.d – Osijek	8,300,000
Aluminum Factory - Zagreb***	7,000,000
Hinko Majer i Drug - Zagreb****	7,000,000
Brickyard Miler – Zagreb	6,300,000
Factories for Cotton Industry d.d. Hermana Polaka Sinovi - Zagreb	6,200,000
Braća Kenigštedler d.d. - Novi Sad	5,300,000
Industrijsko i trgovačko D.D - Beograd*****	5,000,000

Source: AJ, 151-41(68)-65(92)

* The share capital of this company amounted to 30 million dinars, of which 60.34% was of British origin, while the rest was in the hands of local and Italian Jews. It was engaged in the export of cement to Palestine and the English colonies, see: *Elaborat o britanskom kapitalu*, p.126; Nebojša Popović, *ibid*, p.109.

** Hartman was a well-known industrialist from Subotica in close ties with British business circles, whom he especially helped in 1939/40 as an intermediary in the purchase of grain from Vojvodina, organized by United Kingdom Commercial Corporation. In the economic war that Britain was waging with Germany in the Danube region at that time, the goal was to limit German foreign trade as much as possible. This grain, which was transported by the Danube, was mostly thrown into the Black Sea and a small part was shipped to Asia Minor, see: *Elaborat o britanskom kapitalu*, p.261.

*** The factory was established with foreign Jewish capital and its guarantor was *Creditanstalt-Bankverein*, see: AJ, 65-1183-2167; *Elaborat o britanskom kapitalu*, p.140.

**** The firm of Jewish family Myler (brothers Milan i Artur Marić) as guarantor *Creditanstalt-Bankverein*, see: AJ, 65-1183-2167

***** This firm was established by Yugoslav and Austrian Jews in 1922, see: AJ, 65-1243-2227.

Table 9:
Loans between 2 and 4 million dinars were given to the companies listed in the following table, as well as to about a dozen other Yugoslav companies with dominant Jewish capital:

NAME OF THE FIRM	AMOUNT OF CREDIT IN DINARS
Konzorcijum za izvoz stoke u Palestinu i Egipat - Beograd	3,300,000
Voja Petrović & Ko, Gloganer & F. Polak i Moreno, eksport of agricultural products - Beograd	3,000,000
International & Caro & Jelinek - Beograd	2,500,000
Jugoslovensko žitarsko i trgovačko a.d. - Beograd*	2,000,000
Moise D. Salom Wholesale trade in manufactures - Sarajevo, Zagreb affiliation	2,000,000
Jugoslovensko Standard Vacuum Oil Comp. - Zagreb**	2,000,000
A. Lovenberger Wholesale trade in manufactures - Novi Sad	2,000,000
Astra d.d. for oil processing and distribution - Beograd***	2,000,000

Source: AJ, 151-41(68)-65(92)

* Major shareholders of this firm were the Jews, Jenő Hiršenhanser i Ladislav Edenburg, see: AJ, 151-2-2

** Director of this firm and three out of four members of the Management were Jews, see: N. Popović, *ibid*, p.109.

*** The members of the Management as well as the majority of clerks were Jews, see: Institut za istorijska pitanja, *Elaborat o britanskom kapitalu*. p.148.

Especially interesting is the case with the lending to the company Anglo-jugoslovensko petrolejsko d.d. which in 1935 changed its name to Jugoslovensko Shell and then became part of a large oil cartel in Yugoslavia, which also included the companies Astra d.d. and Jugoslovensko Standard Vacuum Oil Comp. with headquarters in Zagreb, which in 1938/39 moved to Belgrade.¹⁸¹ In the period from 1935 to 1939, the Bank granted loans to the company Jugoslovensko Shell in the amount of as much as 38.5 million dinars.¹⁸² Therefore, there is no doubt that through the international capital (of Jewish origin) engaged in *Creditanstalt-Bankverein*, this large company entered also the sphere of interest of *AJB*.

All these data only deepen the conclusion about the dominant role of Jews in industrial and trade affairs both in the Kingdom and abroad, about which, between the two World Wars, the great financial and economic expert Ljubomir St. Kosier wrote: ... “The main part of our export trade is held by the Jews, and even more than that - about 70% of the import trade was directly or indirectly related to Jewish traders(...) One should only keep in mind the large trade firms from Italy, Austria, Czechoslovakia, Germany, France and England, which work with our country and two-thirds of which are in the hands of Jews, and finally, most of the

¹⁸¹ In this cartel, British and international Jewish capital was represented, which through these companies connected with domestic Jewish capital. The main mediator was the *AJB*, see: Institut za istorijska pitanja, *Elaborat o britanskom kapitalu*, p.143.

¹⁸² Due to the lack of detailed records on loans granted until 1935, we indirectly came to the conclusion that lending to companies with Jewish capital was a practice ever from the time of the operation of the *Wiener Bankverein* branch in the Kingdom, and that this tradition continued after the establishment of *AJB*, with that difference, that it was largely intensified in the period from 1935 to the middle of 1939, apparently due to the difficult circumstances in which the Jews found themselves in Germany and then in Austria, see: *AJ*, 151-41(68)-65(92), files of credits granted from credit institutions in Belgrade and Zagreb, and the Novi Sad affiliation 1935-1939

commissioners and intermediaries for Yugoslav export and import trade are Viennese, Pest, Italian and German Jews(...) which hold in their hands the main financial arteries of our State with foreign countries, which occupy a dominant position in our credit and industrial organization, which have in their hands large export firms and finally their connections (with foreign Jews), and in light of these facts they are in a position to put our foreign trade in the direction which is most suitable for them(...) In general, the role of Jews in foreign trade is all the greater as in the Kingdom of Serbs, Croats and Slovenes not only domestic Jews appear, but above all foreign ones, with large export and import firms in Vienna, Pest, Prague, Hamburg, Trieste, Milan, Paris, Berlin, Bucharest and Constantinople, who by means of their excellent business organization and connections with world financial centers and overseas lands for a long time will exert a decisive influence on the foreign trade and trade policy of the Balkan Slavs.”¹⁸³ However, at the time when Kosier wrote these lines, the danger that the realization of the concept of a “large economic space” (großer Wirtschaftsraum) and “additional economic space” of Nazi Germany would have for the economic impact of international capital of Jewish origin, was not yet in sight. In fact, this conception presupposed precisely the conquest of economic positions and the creation of an economic monopoly in the countries of Central and Southeastern Europe, with the elimination of each and especially Jewish competition.

¹⁸³ Lj. St. Kosier, *Jevreji u Jugoslaviji i Bugarskoj*, (Zagreb: Ekonomska biblioteka Srba Hrvata i Slovenaca, 1930); citation overtaken from the book written by Nebojša Popović, *Jevreji u Srbiji 1918-1941*, (Beograd: ISI, 1997), p.106.



The great European banking crisis of the 1930s had multiple consequences for Yugoslav private banking. Due to the severe financial problems in which the banks of Vienna and Pest found themselves, their role as financial intermediaries in Yugoslavia and in the Balkans weakened. In fact, it turned out that the financing of old Austrian arrangements did not bring enough desired profits to large international capital, and the method of cooperation with certain domestic economic and political representatives from year to year only created increasing losses. At that time, the old concept of a “mixed type” bank was already being abandoned in the whole of Europe, which at the same time financed the industry and dealt with deposit operations. The new type of bank excluded the possibility of using short-term loans through current accounts to finance companies or even industrial concerns. However, with this new concept, banking affiliations in industrialized European countries, such as those in Yugoslavia, were most affected. The banks that lent to the industry were not allowed to force the realization of their claims in the new circumstances, because they were so engaged with their debtors themselves in such forms that the failure of those debtors meant, in a way, their collapse. Therefore, if they were under the tighter control of Western European financial centers, they could expect their help, while other affiliations, under the tighter control of Viennese and Pest banks, were almost left to their own devices and forced to seek help from the Yugoslav state and its Central Bank.

In this sense, the *AJB* gained great importance in the Yugoslav banking system as one of the few banks from which international capital did not withdraw, but on the contrary, with adequate financial intervention pointed out the great importance of this Yugoslav banking institution in the international economic and financial system. Thus, while the “escape” of foreign loans from other banks created great unrest among domestic depositors who knew that businessmen among foreign capitalists understood very well the situation, which suggested them the lack of confidence in overall Yugoslav banking system, on the other hand, thanks to the reputation of the European bankers engaged in the work of *AJB* and their business and political ties being built in years before crisis in Yugoslavia and abroad, enabled this Bank to climb on the very top of the “banking” scale in Yugoslavia, keep the trust of domestic depositors and foreign creditors and become in time one of major financial bases for the placement of foreign capital in the economy of the Kingdom of Yugoslavia.



ALLGEMEINER
JUGOSLAWISCHER
BANKVEREIN AND
THE “JEWISH PROBLEM”



THE POSITION OF THE JEWS IN THE KINGDOM OF YUGOSLAVIA

In the territory within the future borders of the Kingdom of Yugoslavia, the Jewish population at the time of their settlement lived in small groups whose ties to the countries they came from were stronger than the common religion and ethnicity. Two-thirds of Jews were Ashkenazi from Eastern European and Central European countries (Hungary, Slovakia, the Czech Republic, Poland, Austria, Germany) and whose mother tongue was Yiddish, while one-third of future Yugoslav Sephardic Jews were from Spain, Portugal, Italy, Turkey and other Balkan countries and their mother tongue was Ladino. Over time, new generations have embraced a language that has been in use in their immediate living and working environment. With the creation of the Yugoslav state in 1918, its citizens became Jews from Serbia, as well as those from other South Slavic countries that had been part of Austro-Hungary until then, among which there were significant differences in origin, language, social structure, culture and tradition. Thus, in the areas south of the Sava and the Danube, the Sephardim mostly lived, while in other parts of the new State, the Ashkenazi lived.¹

¹ More on the history of Yugoslav Jews see: V. Vinaver, "Jevreji u Srbiji

In Serbia, since gaining independence, Jews have enjoyed all civil and political rights. King Milan Obrenović nurtured a particularly good relationship with them, so that with the coming to power of the Karađorđević dynasty, those relations would be further improved. Thus, in 1907, King Peter I personally laid the foundation for the new Belgrade synagogue “Beth Israel”. Jews fought side by side with Serbian soldiers during the Balkan Wars and the First World War, and in 1917 Serbia became the first country, after Great Britain, to recognize the right of Jews for a “home” and also for their home country in Palestine.²

On the territory of the former Austro-Hungarian Monarchy, their position was far more complex. Thus, in Dalmatia, Istria, Croatia and Slavonia, Jews gained and lost their political freedoms together with the local population. An important date for them was certainly October 21, 1873, when the emancipation of Jews in Croatia,

početkom XX veka”, *Jevrejski almanah 1955-56* [Jewish almanac], (Belgrade: Savez jevrejskih opština Jugoslavije [Federation of Jewish Communities in Yugoslavia] 1956), pp.28-34; N. Popović, Nebojša, *Jevreji u Srbiji 1918 - 1941*, (Beograd: ISI, 1997); Ž. Lebl, *Do 'konačnog rešenja'*, *Jevreji u Srbiji*, (Beograd: Cigoja, 2002); M. Koljanin, *Jevreji i antisemitizam u Kraljevini Jugoslaviji 1918-1941* (Beograd: ISI, 2008); H. Pass Freidenreich, *The Jews of Yugoslavia. A Quest for Community*, (Philadelphia: Jewish Pubn Society, 1979); *Židovi na tlu Jugoslavije*, Katalog izložbe, (Zagreb: Muzejski prostor, 1988); I. Goldstein, “Historiografija o Židovima u Hrvatskoj”, *Radovi Zavoda za hrvatsku povijest Filozofskog fakulteta Sveučilišta u Zagrebu*, 36-37(2002-2004), pp.285-290; *ibid*, *Židovi u Zagrebu 1918-1941*, (Zagreb: Novi liber, 2004); M. Gross, “Ravnopravnost bez jednakovrijednosti”, *Dva stoljeća povijesti i kulture Židova u Zagrebu i Hrvatskoj*, ed. S. Matković (Zagreb: Hrvatski institut za povijest, 1998), pp.106-126; Lj. Dobrovšak, “Emancipacija Židova u Kraljevini Hrvatskoj, Slavoniji i Dalmaciji u 19. stoljeću”, *Radovi Zavoda za hrvatsku povijest Filozofskog fakulteta Sveučilišta u Zagrebu*, 37 (2005), pp.125-143; *ibid*, “Hrvatska, srpska, austrijska i mađarska historiografija o povijesti Židova od 1868. do danas”, *Historiografija / povijest u suvremenom društvu*, eds. G. Ravančić et.al. (Zagreb : Hrvatski institut za povijest, 2014), pp.51-70

² Š. Ignjat, *Jevreji u Beogradu* (Novi Sad: Hicad, 1926), pp.101-104

Slavonia and Dalmatia was officially proclaimed, which finally enabled them to engage in other occupations besides trade. This led to a sharp increase in the percentage of Jews in medicine, law, banking and other private professions in a relatively short period of time. Since 1906, the life of Jewish communities has been regulated by law. After the First World War, the number of Jews in Croatia rose sharply, so that in 1921 there were 20,000 of them, out of a total of 64,000 Yugoslav Jews.³ The Ashkenazi lived on the territory of southern Hungary, in today's Vojvodina, and they quickly accepted the Hungarian language and culture, settling Novi Sad and Subotica in the largest number. Due to the exceptionally good position they had in this area, they found the change of borders in 1919 as a great injustice, just like ethnic Hungarians. Zionism in this area began to develop only within the Yugoslav state.⁴

An important group of Yugoslav Jews consisted of Sephardim living in Bosnia and Herzegovina, who over the centuries arrived there mostly from Turkey, the Aegean and Albania, and to a lesser extent from Italy and the Venetian Republic. They have made a significant contribution to economic development, fully fitting into life in the new environment. Based on Ottoman sources, it can be seen that since their arrival in Bosnia, Jews have been able to perform their religious rites freely. As non-Muslims, the Jews were obliged to pay the head tax, *jizya-harach* and *ispendzha* for not performing military service and property security. As they mostly

³ L. Glesinger, *Iz povjesti Jevreja u Hrvatskoj, Jevrejski almanah 1954* [Jewish almanac], (Beograd: Savez jevrejskih opština Jugoslavije [Federation of Jewish Communities in Yugoslavia] 1954), pp.60-68

⁴ M. Koljanin, *ibid*, p.47; about three-quarters of the total number of Jews in Yugoslavia lived in 11 cities: Belgrade, Zagreb, Sarajevo, Subotica, Novi Sad, Skopje, Osijek, Zrenjanin, Bitola, Senta and Zemun, while the rest were settled in smaller cities, see: D. Perera, "Neki statistički podaci o Jevrejima u Jugoslaviji u periodu do 1938. do 1965. god", *Jevrejski almanah 1968-1970*, Beograd, 1970, p.135.

lived in urban areas and especially in Sarajevo (which was already a strong economic and trade center in the 16th century, not only in Bosnia but in the entire Balkans), they, like the rest of the urban population, were exempt from certain taxes, given that they were engaged in handicrafts and trade. After the Austro-Hungarian annexation of Bosnia and Herzegovina, Ashkenazi began to move to Sarajevo. As early as 1879, they founded their municipality there, built a synagogue and opened the First Gymnasium, which is the oldest cultural and educational institution in Bosnia and Herzegovina.⁵

The unification of individual city Jewish communities in the area where the Yugoslav state was later formed was considered even before the First World War. This idea could be realized only after the founding of the new State. Thus, in 1920, a single Association of Jewish Religious Communities of Yugoslavia was formed, which already by 1933 had considerably strengthened the mutual ties, as well as the material position of the community within the Kingdom. During that period, the Jews got their first representative in the Assembly, Rabbi Isak Alkalaj. In fact, since 1921, the legal status of the Jewish community has been regulated by the first Constitution of the Kingdom. The Constitution was the guarantor of the principle of full freedom of religion and equality of all legally recognized religious communities, among which was the Jewish religious community. Its position was also guaranteed by the new Constitution from 1931. Also, in 1929, the Law on the Religious Community of Jews in the Kingdom was passed, which, among other things, determined the amount of the state subsidy. Observed in relation to the number of members of the community, this amount was the largest in the country.⁶ According to the lat-

⁵ P. Finci, *Kratka kronologija jevrejske zajednice u Bosni i Hercegovini* (from Pinkasa Jevrejske opštine Sarajevo) see: <http://www.jevrejsketeme.in.rs/jevrejske-teme-pdf/Kratka%20kronologija%20jevrejske%20zajednice%20u%20Bosni%20i%20Hercegovini.pdf> (approached on July 1st, 2020)

⁶ I. Lazić, “Pravni položaj verskih zajednica u staroj i novoj Jugoslaviji”, *Naše*

est statistics from 1938, there were 17,370 Jewish families in Yugoslavia with 71,342 members and 4,000 to 5,000 Jews of foreign nationality. They lived in all parts of the country, with only a hundred of them in Slovenia, and even fewer in Montenegro.⁷

The professional structure of the Jews reflected their participation in economic activities in the Kingdom extremely well. Thus, while the Jewish population was the least engaged in agriculture (only 5%) and somewhat more in crafts, its presence was significant in the field of industry, and predominant in trade and banking. Their economic power in Yugoslavia was many times greater than their share in the population, which could be partly explained by their traditional intermediary role in the economy, interconnectedness and great mobility of capital, which was important not only for them but also for society as a whole. This connection of the locals with the Jewish capital in other developed countries, which enabled them great economic advantages in the Kingdom, sometimes bothered them. We have already pointed out that some pre-war research showed that Jewish capital dominated foreign trade in Yugoslavia and had significant and sometimes predominant interests, especially in insurance and banking as well as in the food, construction and textile industries. In this process, the economic and social position of Jews in Croatia and Slavonia most obviously improved.⁸ For example, during one decade, only in one Croatian city, Osijek, the share of Jewish capital in shareholding companies increased by 100%, while, say, in Subotica in 1921, individual factory owners, who were Jews, dominated here in shareholding companies during the entire interwar period.⁹

teme, 6, Zagreb 1967, p.1097.

⁷ D. Perera, "Neki statistički podaci o Jevrejima u Jugoslaviji", p.135.

⁸ Lj.St. Kosier, *Jevreji u Jugoslaviji i Bugarskoj* (Zagreb: Ekonomska biblioteka Srba Hrvata i Slovenaca, 1930), p.73.

⁹ M. Koljanin, *ibid*, p.97.

The economic strength of Yugoslav Jews significantly contributed to the modernization and Europeanization of the entire society. However, due to their financial strength and power, any negative, especially dubious business connections with foreign and domestic political and economic elites, with a corruption scandal in the background was often under public scrutiny. That is why a very important part of the stereotype about Jews was that they were behind the largest number of economic scandals that shook the Kingdom between the two world wars. In time, this will become a common place for anti-Semitic propaganda in Yugoslavia. Namely, since the National Socialists came to power in Germany in 1933, anti-Semitism has spread to European countries just as German economic, cultural, political and military influence has spread. Large waves of Jewish refugees from Germany, and later from Austria and the Sudetenland, flowed into the Yugoslav borders in the years after 1933. This refugee tide carried with it a danger, not only of jeopardizing the Yugoslav authorities' foreign policy efforts to establish and maintain good relations with powerful neighbors such as fascist Italy and since the Anschluss of 1938 the Third Reich, but also of internal political problems such as was to encourage anti-Semitism. While the first danger was already successfully eliminated during the government of Milan Stojadinović, the second inevitably gained more and more momentum, zealously encouraged by certain pro-fascist and right-wing movements and organizations.¹⁰

In the period from 1938 to 1941, philosemitic texts, publications and brochures had a limited influence on Yugoslav public opinion due to the small circulation and in most cases the anonymity of the authors, while anti-Semitic propaganda had a much greater influence, as it was accessible to newspapers, such as *Vreme* or *Balkan*. The taciturnity of the high-circulation newspapers

¹⁰ M. Ristović, "Jugoslavija i jevrejske izbeglice 1938 – 1941", *Istorija XX veka*, no 1, Beograd, 1996, pp.21-41; H. Pass Freidenreich, *ibid*, p.180.

Politika and *Pravda* together gave the impression to the Yugoslav Jews that they were in a state that also considered them one of its important internal political problems.¹¹ Since the beginning of the 1930s, the magazine *Narodna odbrana* had openly accused Jews of being foreign exploiters, bearers of corruption and enemies of establishing national harmony between Serbs and Croats. From the middle of the same decade, anti-Semitic propaganda in the Serbian environment became more and more organized, through the activities of the first pro-fascist political movement in Serbia, which operated under the name - the Yugoslav People's Movement Zbor. Its president and founder, lawyer Dimitrije Ljotić, a great admirer of the character and work of Adolf Hitler, practically personified this movement, which would lead to open cooperation with the Nazis after the occupation of Yugoslavia in 1941. In Croatia, anti-Semitic propaganda was both anti-Yugoslav and anti-Serbian, given that it was backed by far-right and clerical organizations as well as illegal terrorist organizations, the most famous of which was certainly the Ustasha. The return of Ustasha emigration to the country after the Yugoslav-Italian agreement of 1937 gave a strong impetus to pro-fascist and anti-Semitic propaganda in Croatia. There, Jews were most often accused of acting against Croatian interests, that is, against the Croatian liberation movement, but their economic strength, on which the entire Croatian economy was largely based, was no less under attack.¹²

In the background of this situation was the great German economic and political influence on the official Yugoslav policy. Namely, after the assassination of King Alexander Karađorđević in 1934, and especially after the arrival of Prime Minister Milan

¹¹ N. Đuka, "Antisemitizam i kritika antisemitizma u beogradskoj brošuri 1933 – 1945", *Godišnjak za društvenu istoriju*, I book. 3, Beograd, 1994, 283–300; N. Popović, *ibid*, pp.164-170.

¹² *Ibid*; M. Koljanin, *ibid*, p.47.

Stojadinović, a year later, Yugoslav foreign policy increasingly turned to cooperation with Nazi Germany and fascist Italy. When Stojadinović's government fell in February 1939, the Jewish community gave great support to the new government of Dragiša Cvetković, which partially silenced the anti-Semitic propaganda in the country. In return, the Jews significantly supported the signing of the Cvetković-Maček agreement with their support.¹³ However, after the unexpected and complete collapse of France in the spring of 1940, Germany definitely became the most important foreign policy partner of the Yugoslav economy, and in that sense, the political pressure of Nazi Germany on Yugoslavia was growing. This situation inevitably led to politically forced measures which, at the end of 1940, for the first time in the history of the Kingdom of Yugoslavia, led to the introduction of discriminatory measures against Jewish Yugoslav citizens. Namely, on October 5, 1940, the Council of Ministers passed, without an official explanation of the motives, two anti-Semitic decrees, the first of which practically banned all food wholesalers if their owners or co-owners were Jews, while the second decree introduced *numerus clausus* which stipulated that the percentage of Jewish pupils and students had to be reduced to the level of the percentage of Jews in the total population.¹⁴ This was an extremely severe blow to the Yugoslav

¹³ The Cvetković-Maček agreement was a political compromise made in August 1939 between the Prime Minister of the Kingdom of Yugoslavia, Dragiša Cvetković, and the leader of the coalition of the Croatian Peasant Party and the Peasant-Democratic Coalition, Vladko Maček. It implied the formation of a new coalition government in which Maček was appointed vice-president and the proclamation of a territory that included a large number of ethnic Croats in the Banovina of Croatia, see: J. B. Hoptner, *Yugoslavia in Crisis 1934–1941* (Wisconsin: Literary Licensing, LLC, 2011), p.256; It is interesting that Yugoslav Jews had previously taken an active part in the negotiations on the political reorganization of the state, so the only meeting between Prime Minister Milan Stojadinović and Vladtko Maček was held in the hunting lodge of the Jewish industrialist Robert Deutsch-Mačeljiski in early 1937, M. Koljanin, *ibid*, p.105.

¹⁴ H. Pass Freidenreich, *ibid*, pp.239-242.

Jewish community because, although they made up just under half a percent (0.46%) of the total population, their children's share at the University of Belgrade alone was 3.16% and at trade academies 4%. Prior to the enactment of the Decree, 118 Jewish students, out of a total of 3,731, enrolled in the first year of study at the University of Belgrade. After a scuffle between the state representatives, who thought that only 17 students should be enrolled, and the University, the University won Pyrrhic victory, succeeding in getting "as many as" 44 Jewish students to study that year.¹⁵

Three months before the decrees were passed, the *AJB* management fired about 40 of its employees, all of whom were of Jewish descent, without the knowledge and approval of the Yugoslav authorities. It was the first mass dismissal of Jews from a legally speaking Yugoslav institution, carried out under conditions of strong pressure from the new, German owners. Except for the symbolic manifestation of professional solidarity, embodied in a protest text of the *Glasnik Saveza bankovnih činovnika* (Gazette of the Union of Bank Officials), this unpleasant event had almost no echo in the Yugoslav public at the time.¹⁶ Therefore, it is not surprising that the reactions to the introduction of discriminatory measures against Yugoslav Jews were lukewarm, while among political parties, the only one that criticized the decrees was the illegal Communist Party of Yugoslavia, which through its members and sympathizers, especially at the University of Belgrade, actively took participation in printing proclamations and organizing protest rallies of students and professors.¹⁷

¹⁵ M. Koljanin, *ibid*, p.427.

¹⁶ *Glasnik bankarskih, osiguravajućih, trgovačkih i industrijskih službenika*, Zagreb, no.10, 11. September 1940; V. Aleksić, *Banka i moć, Socijalno-finasijska istorija Opšte Jugoslovenskog bankarskog društva 1928-1945* (Beograd: Stubovi kulture, 2002), p.74.

¹⁷ M. Koljanin, *ibid*, p.448.

REPRESENTATION OF JEWS IN THE ALLGEMEINER JUGOSLAWISCHER BANKVEREIN

Out of a total of eighteen foreign representatives, who passed through the *AJB* Board of Directors in the period from 1928 to 1940, eight of them were Jews. Among them were already mentioned: Richard Fanta, wholesaler and consul general from Vienna, in the administration from 1928 to 1935; Alfred Heinsheimer, CEO of *Wiener Bankverein*, from 1928 to 1936; Hugo Weinberger, from 1928 to 1933; Oscar Pollak, director of *Wiener Bankverein* and director of *Böhmische Union-Bank* (*Česká banka Union*), 1928 and from 1937 to 1938; Gotlib Moravec from 1929 to 1933, when he was succeeded by Otto Freund, another director of the same Bank, in administration until 1939; then, there was Alfred Schwartz, the director of the Budapest branch of the *Wiener Bankverein*, as well as the general manager of the *Banque Belge pour l'Etranger* in 1929 and from 1934 to 1938; and Edmond Goldschmidt, the representative of foreign capital in the *AJB*, from 1931 to 1939. In the same period, among six foreign representatives in the Supervisory Board, three of them were Jews. Two of them were directors of *Wiener Bankverein*: Julius Ingber, from 1928 to 1932, and Adolf Kanitz-Wiesenburg, from 1928 to 1939, while Josef Weil was deputy director of the same Bank from 1930 to 1935.¹⁸ As it has already been mentioned, in addition to foreigners who were the shareholders, such Boards also included local persons who, due to the specific role they performed, were called *štomani*. Among the most famous *štomani* in the *AJB*

was Milan Marić (formerly Mayer), a member of the Bank's Management Board in the period from 1928 to 1939, who, in addition to being the president of the Anglo-jugoslovensko Petrolejsko d.d. in Zagreb, was also a co-owner of the famous Yugoslav company Hinko Mayer i drug and a member of the Masonic Lodge Libertas in Zagreb.¹⁹ Due to growing anti-Semitism, he converted to Christianity in 1938, when he was also the Turkish consul in Zagreb.²⁰ Among the names of shareholders from the Assembly of Shareholders, the name of lawyer Rafailo Finci, a member of the Zionist Association of Yugoslavia since 1921, president of the Belgrade Jewish Community for 1920, 1922 and 1926, a prominent official of the Association of Jewish Religious Communities of Yugoslavia and one of the founders of the Beneberite Lodge Serbia in 1911.²¹ Since 1934, one of the members of the Supervisory Board was Nikola Najman, an industrialist from Belgrade. It is interesting to note that one of the largest intermediaries between international and Yugoslav Jewish capital was a longtime member of the *AJB* Management Board, the well-known Croatian industrialist Vladimir Arko.²²

Jews were also represented in a large percentage in the staff of the Bank itself. In the period from 1928 to 1940, the number of employees in the *AJB* varied from the initial 131, and during the economic crisis, after the reduction of staff, the number dropped to only 95 employees. From 1935 to 1937, the number of employees increased again to a record 144, and in 1940 (before the dismissal of Jewish employees) the total number of employees was almost the same as in the year of its establishment - 132 employees.²³

¹⁹ *Ibid.*

²⁰ H. Pass Freidenreich, *ibid.*, p.110, p.158.

²¹ H. Pass Freidenreich, *ibid.* and N. Popović, *ibid.*, more pages

²² See footnote 85

²³ *AJ*, 151-90-116(118)

Until 1938, the Zagreb Office of *AJB* employed the largest number of employees: from 99 in 1928 to 67 in 1938. Due to the common practice of frequent transfers of employees from one branch to another, and due to the impossibility of inspecting the personal files of the Zagreb Office and the branch in Ljubljana, the number of Jewish employees amounted only approximately to 35 in the period from 1928 to 1940. It has been established with certainty that eleven Jewish officials, taken over from the *Croatian branch of Wiener Bankverein* in Zagreb in 1928, remained in this Office until the decision to dismiss non-Aryan officials in 1940. The most prominent person among them was Mavro Kandel, who had been in the Zagreb Office of the *AJB* since 1908. After the retirement of Hugo Weinberger in 1933, he was appointed director of this Office. From 1927 to 1930, he was a member and treasurer of the Beneberite Lodge Zagreb, and from 1935, the founder and member of the Grand Yugoslav Lodge Independent Order of Ben Berit.²⁴ The deputy director of this Office was also a Jew, Rudolf Marcus, who came there in 1913, as well as two procurators, Eduard Mandolfo and Rudolf Weil, the first in the *Croatian branch* since 1912 and the second since 1921.²⁵

The situation regarding the determination of the number of Jewish officials in the Ljubljana branch was even more difficult. There, the total number of employees ranged from eight employees in 1931, when the branch was founded, to thirteen in 1938. Based on the lists of the Bank's staff, it can only be concluded that there were occasional Jewish employees, but that they came from the Office in Zagreb for a certain period of time. It was established that in 1940, at the time of the dismissal of non-Aryan officials from the bank, not a single Jewish employee worked in this branch.²⁶

²⁴ H. P. Freidenreich, *ibid*, p.123.

²⁵ AJ, 151-90(91)-117(119)

²⁶ AJ, 151-90-118

As for the Belgrade Office of the *AJB* and its branch in Novi Sad, the situation regarding determining the number of Jewish officials is much different. The number of employees in the Headquarters in Belgrade ranged from 76 in 1928 to 69 in 1938. If we keep in mind that during the Great Depression and the reduced volume of the Bank's business, the number of employees in Belgrade was only 35, this number of 69 employees, actually represented an increase compared to the previous period. Among the employees who worked at the Belgrade Office were 42 Jews, 18 of whom were taken from the former *Wiener Bankverein* branch in Belgrade. In the period up to 1935, another fifteen Jewish officials were employed, which means that they constituted slightly less than half of the total number of employees (Tables 10 and 11). This ratio was reduced to 1/3 by 1938, due to the transfer of these employees to other branches, and due to their voluntary leaving the service.²⁷

Table 10:
National structure of the employees in Belgrade Office of the *AJB*

Nationality	Period		
	1928 -1932	1932 -1935	1935 -1940
Jews	24	16	29
Serbs	24	10	19
Croats	10	5	8
Germans	3	4	4
Slovenes	6	-	2
Russian Emigrants	4	-	7
Foreign Citizens	5	-	-

Source: V. Aleksić, *Banka i moć*, p.77

²⁷ AJ, 151-90-116(117)

Table 11:
Religious Commitment of the employees in Belgrade Office of the
AJB

RELIGION	Period		
	1928-1932	1932-1935	1935-1940
Moses	25	16	29
Orthodox	25	8	24
Catholic	24	11	15
Evangelist	2	-	2

Source: V. Aleksić, *Banka i moć*, p.77

For many years, the director of the Headquarters in Belgrade was a Jew, David Hochner. After graduating from the Faculty of Law in Belgrade in 1913, he worked as a third-class inspector in the Ministry of Trade and Industry. In December 1921, he resigned and moved to the newly established *Wiener Bankverein* branch in Belgrade. As early as 1919, as one of the founders, he joined the Provisional Board of the Association of Jewish Religious Communities of Yugoslavia, whose functionary he remained until 1940.²⁸ His “right hand man” at the headquarters in Belgrade was Željko Polak, who was appointed deputy director in 1933. After graduating from the Faculty of Law in Zagreb in 1916, until the founding of the *AJB* in 1928, he worked at the *Francusko-srpska banka (Banque franco-serbe)* as a procurator. Rafail Alkalaj, brother of Aron Alkalaj, who was the Secretary General of the *Državna hipitekarna banka* and President of the Great Yugoslav Beneberite Lodge, as well as Felix Brammer-Marković, son of the director of the *Prva srpska poljoprivredna banka*, and later the director of the Danube Credit Bureau in Belgrade, also

²⁸ *Ibid*; H. Pass Freidenreich, *ibid*, 102; N. Popović, *ibid*, p.44.

worked at the Belgrade Office for a long time. One of the directors here was the Jew Ladislav Scheiber, who, in addition to the director Hugo Weinberger, was, by experience, the oldest Bank official. After the founding of *AJB*, he was transferred from the *Croatian branch of Wiener Bankverein* to Belgrade Office, in order to organize its work, and after the founding of the Novi Sad branch, he was appointed deputy director there. There is almost no other information about him, except that it is known that he was a member of the Supervisory Board of the *Fabrike porcelana i majolike d.d.* in Novi Sad.²⁹

In the *AJB* Branch in Novi Sad, founded in 1929, the number of employees mostly increased, from 12 in the year of its establishment, to 21 employees in 1938. The number of officials of Jewish origin was around 17, with at least five of them moving there in 1929 from the Offices in Belgrade and Zagreb. It is an interesting fact that until 1940, Jews made up half of the total number of employees here.³⁰

The reason for such a large number of Jewish employees compared to other Yugoslav banks lies in the fact that until 1939 the *AJB* was the center of international capital, much of which was of Jewish origin or cared for by the staff of the European banks who were also of Jewish origin. No less important reason for their number in the *AJB* could be found in the analysis of their level of education as well as knowledge of foreign languages. More than half of the total number of employed Jews in Belgrade and Novi Sad (28 of them) spoke two or more foreign languages, and the same number graduated from trade academies, mainly in Zemun, Belgrade, Zagreb or Thessaloniki, Vienna and Graz, while "only" eighteen of them had completed 6 to 8 grades of high school or completed high commercial school.³¹

²⁹ V. Aleksić, *ibid.*, p.78; *AJ*, 151-92-101

³⁰ *Ibid.*

³¹ *Ibid.*, *AJ*, 151-92-101

PENETRATION OF GERMAN CAPITAL AND NACIFICATION OF THE ALLGEMEINER JUGOSLAWISCHER BANKVEREIN

The Great Depression spread very quickly from the United States to the whole world after the collapse of the American export industry and the adoption of the restrictive Smoot-Hawley Tariff Act in 1930, causing unprecedented economic devastation. At the same time, its outbreak represented a crucial link between the two worst wars in human history. Economic disturbances caused by the First World War significantly helped to prepare the ground for the collapse of the world during 1930. The moment it began, the Great Depression gave impetus to militant nationalists to try to seize power by force, especially in developed countries such as Germany and Japan. There, the emergence of the economic crisis initiated a strong blow to democracy, liberalism and the capitalism of private initiative. An increasing number of people were ready to give up their freedom in the hope of gaining economic security. Communism promised a classless society and a planned economy, which is why many sided with it at the time. However, a much larger number followed the propaganda of fascist organizations, especially in Germany, where the social order was already weakened by the defeat in the Great War and post-war inflation. When the Nazis came to power, they incited racial and religious hatred, relying primarily on the middle class and the unemployed, and skillfully blaming Jews and the Versailles Agreement for the economic crisis. The speed with which they strengthened was a

direct consequence of the severity of the economic crisis in which Germany found itself, so that already in 1933, they managed to take power into their own hands. Even in those countries where the faith in democracy was preserved, the State, in order to settle the economic situation, gained powers like never before in its history.

The Great Depression and the introduction of protectionist measures by Western European countries and the United States (1930-1932) had severe consequences for the German economy. The reduction of exports and the fall of industrial production by 50%, in 1932, led to the depletion of foreign exchange and gold reserves due to the passive foreign trade balance.³² M. Ristović believes that the loss of economic strength, declining competitiveness of German goods in the markets of developed countries and separation from cheap overseas raw materials, imposed more geographically accessible countries in Southeast Europe as a kind of compensation, while foreign trade activity, in addition to its basic purpose, turned into a powerful weapon of the German political space. During this period, there was an increasingly intense turn of German industrial circles towards the concept of "large economic space" - Grosswirtschaftsraum, which assumed the conquest of economic positions and the creation of an economic monopoly in the countries of Central and Southeastern Europe, among which was the Kingdom of Yugoslavia. The German historian H. Sundhausen believed that from the very coming to power of the National Socialists it became clear that the countries of Southeast Europe would play a very important role in the economic preparation of the Third Reich for war. Thus, as early as in March 1939, a

³² The crisis that broke out in Germany in the summer of 1931 is known as the 'twin crisis' because there was a simultaneous occurrence of disturbances in the banking sector and currency turmoil, see: G. Galofré-Vilà et al., *Austerity and the rise of the Nazi Party*, Working Paper 24106 (Massachusetts: National Bureau of Economic Research, 2017), p.6.

State Memorandum for internal use emphasized that Romanian, Yugoslav and Greek oil, iron, bauxite, copper and other ores must be provided for German needs. As part of those plans, Berlin decided to tolerate independent industrial development in those countries, but only to the extent that it would not interfere with its own interests.³³

Since coming to power in 1933, the National Socialists have attached great importance to the economy in their plan for the complete political independence of Germany in international politics. Thus, in controlling the economic life and development of the Southeast, with the elimination of all competition, they saw a very successful way of establishing political domination. As early as in

³³ More on Grosswirtschaftsraum see: P. Hadzi-Jovančić, *The Third Reich and Yugoslavia, An Economy of Fear, 1933-1941* (London: Bloomsbury, 2020); J. Brechtefeld, *Mitteleuropa and German Politics: 1848 to the Present* (London: Macmillan, 1996); A. Mitrović, “Die Zentralmächte, Mitteleuropa und der Balkan”, *Mitteleuropa-Konzeptionen in der Ersten Hälfte des 20. Jahrhunderts*, eds. R.G. Plaschka et al. (Wien: Verlag der Österreichische Akademie der Wissenschaften, 1995), pp.39–62; M. Ristović, “Nemački “novi poredak” i jugoistočna Evropa 1940/41 - 1944/45. Planovi o budućnosti i praksa, (Beograd: Vojnoizdavački i novinski centar, 1991); W. Grenzebach, *Germany's Informal Empire in East-Central Europe*, (Stuttgart: Franz Steiner Verlag Wiesbaden, 1988); A. Mitrović, “Die wirtschaftlich-politische Auffassung von Südosteuropa in der Weimarer Republik”, *Balkanica* XII, 1981, pp.149-180; *ibid*, “Ergänzungswirtschaft: The Theory of an Integrated Economic Area of the Third Reich and the Southeast Europe (1933–1941)”, *The Third Reich and Yugoslavia, 1933–1945* (Belgrade: Institute for Contemporary History, 1977), pp.7–45; *ibid*, “Kontinuität und Diskontinuität in der deutschen Südosteuropa-Politik 1914-1941”, *Balkanica* VIII, 1977, pp.559-572; H. J. Schroeder, “Jugoistočna Evropa kao ‘nezvanična imperija’, (‘informal Empire’) nacionalsocijalističke Nemačke - Primer Jugoslavija 1933-1939”, *Istorijski glasnik* 1-2, 1976, pp.48-81; H. Sundhaussen “Südosteuropa in der Nationalsozialistischen Kriegswirtschaft am Beispiel des ‘Unabhängigen Staates Kroatien”, *Südost-Forschungen*, 32 (1973), pp.233–266; J. Wüsch, *Jugoslawien und das Dritte Reich. Eine dokumentierte Geschichte der deutsch-jugoslawischen Beziehungen von 1933 bis 1945* (Stuttgart: Seewald Verlag, 1969).

September 1934, the first Minister of Economy in Adolf Hitler's government and *Reichsbank* President Hjalmar Schacht promoted the "New Plan" policy which, together with the Four-Year Plan, provided the basis for what was commonly considered Drang Nach Südosten (the drive to the south-east), which actually represented the theory of complementary economies which offered an ideological justification for it.³⁴ Thus, Schacht's policy of the "New Plan" was focused on the control of foreign trade, foreign exchange transfer and bilateralization of foreign trade relations (especially with South America and Southeast Europe). From his talks with Belgian bankers, the same year, it became clear that the role of the predecessor, which would open the door to a more creative functioning of political pressure and influence, was intended for German banks.³⁵

Until the appearance of Germany, Italy was in the first place in the foreign trade of the countries of Southeast Europe, ever since 1931 and 1932. However, the war in Ethiopia and the sanctions that Europe imposed on this country in the fall of 1935, as well as the catastrophic state of the national economies of Southeast European agrarian States, caused by a sharp drop in agricultural prices during the Great Depression, with insufficient interest from Western European countries to help the economies of these countries, created extremely good conditions for the rapid establishment of German economic domination. Germany itself, having a surplus of industrial products, offered these countries to buy their agricultural products, but instead of paying in foreign currency, to pay by exporting industrial products. The clearing settlement in the field of international trade was based on this principle, which already

³⁴ A. Matković, "Čuvari kontrarevolucije: nacistička ekonomija i potčinjavanje rada", *Filozofije revolucije i ideje novih svetova*, radovi trećeg Okruglog stola Odsjeka za filozofiju 2017, Filozofski fakultet Sveučilišta u Zagrebu, 2018, pp.201-202.

³⁵ "Le Dr Schacht a Bruxelles", *L'illustration*, no. 4912, Paris, April 24th, 1934, p.435

by 1939 enabled 80% of Germany's foreign trade turnover to go to clearing and currency agreements.³⁶

At the same time (1935), the Kingdom of Yugoslavia underwent a reorientation in foreign policy, from cooperation with traditional allies, to Germany and Italy, and after the formation of a new government led by former Minister of Finance Milan Stojadinović. The frequent crises of the governments in France and England, as well as the withdrawal of Germany and Italy from the League of Nations, brought into serious question the previous concept of collective security.³⁷ On the other hand, Western European countries did not show readiness to help Yugoslavia either during or after the Great Depression. All concessions and benefits to foreign businessmen and their capital given by the Yugoslav government, which were in line with state interventionism in the crisis-stricken economy, did not yield satisfactory results. Foreign capital was interested only in the most profitable businesses, investments through short-term loans and cartel agreements, and with these small-scale actions it was not possible to build a longer-term economic policy or improve the situation in rural areas, where four-fifths of the population lived. In the conditions of complete stagnation of exports, the conclusion of bilateral trade agreements, such as the trade agreement with Germany, concluded in June 1934, seemed a saving way out for the Yugoslav government. In the same year, Germany's percentage share in total Yugoslav imports was 13.9%, and in exports 15.4%. In fact, Germany's share in Yugoslav imports, which amounted to 13%

³⁶ S. Ilić, "Neopravdana nada: robna razmena Jugoslavije i uvećanog Trećeg rajha 1938–1939. godine", *Anali Pravnog fakulteta u Beogradu*, LXVIII, 3/2020, p.107; Ž. Avramovski, "Sukob interesa Velike Britanije i Nemačke na Balkanu uoči Drugog svetskog rata", *Istorija XX veka*, Institut društvenih nauka, Odeljenje za istorijske nauke, Beograd, 1961, pp.16-18.

³⁷ J. B. Durocelle, *Histoire diplomatique de 1919 a nos jours*, (Paris: Dalloz, 1957), p.120.

in 1933, rose to about 26.7% by 1936 (in 1939 it rose to nearly 47.7%), while in exports it rose from about 14%, as much as was in 1933, rising to about 24% by 1936, (almost 32% in 1939).³⁸ This is one of the important reasons why Yugoslavia took a decisive stand against the French demands to impose economic sanctions against Germany due to the remilitarization of the Rhineland in 1936.³⁹ As part of the general plan to establish a financial monopoly and turn Berlin into the financial center of Europe, where the entire supply of European countries was to be concentrated, i.e. to establish full control over the movement of capital and investments, ever since 1936 Germany had been striving to increase its placement of capital in Yugoslavia, by establishing its first bank, or affiliation, in this area. However, the dominant role of the Czech, French and Swiss, i.e. Western European financial capital in Yugoslav banking, seriously disrupted such German efforts. M. Kolar-Dimitrijević believes that the agreements on the establishment of the first German bank in Yugoslavia began at the second session of the German-Yugoslav Mixed Economic Committee in Zagreb, on April 1st, 1936.⁴⁰ On several occasions during the same year, the economic magazine *Narodno blagostanje* also indicated the possibility for the *Deutsche Bank* or *Dresdner Bank* to establish their affiliates in the country, which, however, never happened.

³⁸ Opšta državna statistika (General government statistics). 1935. *Statistički godišnjak 1933. Book V*; Opšta državna statistika. 1938. *Statistički godišnjak 1937. Book VIII*; Opšta državna statistika. 1939. *Statistički godišnjak 1938–1939. Book IX*; Opšta državna statistika. 1941. *Statistički godišnjak 1940. Book X*, Beograd.

³⁹ J. Marjanović, "Ekonomska politika nemačkih nacističkih okupatora u Jugoslaviji 1941 - 1945 (S posebnim osvrtom na nemačku ekonomsku politiku u Srbiji i Banatu)", *Jugoslovenski istorijski časopis*, 4, Beograd, 1963, p.74-75.

⁴⁰ M. Kolar-Dimitrijević, "Strani kapital i Banovina Hrvatska 1939 – 1941", *Povjesni prilozi, Zbornik radova PP, Institut za suvremenu povjest*, god 9 (1), Zagreb, 1990, pp.168-169.

A complete turnaround, however, would occur only two years later, after the Anschluss of Austria and the break-up of Czechoslovakia. *Deutsche Bank*, as one of the largest private banks in Germany, then then openly showed his interest in the largest Austrian bank, *Creditanstalt-Wiener Bankverein*.⁴¹ For the Reich leadership, these pretensions were fully in line with their policy of absorbing the Austrian economy as quickly as possible and placing German capital in the countries of Southeast Europe, where this Austrian bank had numerous affiliations, three of which were in Yugoslavia alone: *Jugoslawische Unionbank*,⁴² *Landesbank für Bosnia und Herzegovina* and *AJB*.⁴³ Also, according to their plans, Vienna, thanks to its geographical position, network of institutions, professionals and resources as well as its traditional connections, fulfilled all the conditions of a center through which the countries of Southeast Europe would be connected to the Reich as economically complementary areas, where the city itself would represented the main hub of established connections.⁴⁴

The leadership of Nazi Germany was very impressed by the Austrian economic recovery, and especially by the renewal of *Creditanstalt*, which after the crisis of 1931 became the main instrument of state

⁴¹ *Österreichische Creditanstalt-Wiener Bankverein* was a formal name of the Bank until June 16th, 1939, when the Banke was renamed to *Creditanstalt-Bankverein*, *Ein Jahrhundert Creditanstalt-Bankverein 1855-1955*, p.236; for practical reasons, we have decided to use the abbreviation *Credit-Anstalt* in this book.

⁴² In the process of its reconstruction, *Credit-Anstalt* was forced to sell a package of shares to the Swiss Bank *Continentale Gesellschaft für Bank- und Industrierwerte* from Basel.

⁴³ *Credit-Anstalt* acquired ownership of the shares of the last two banks after merging with *Wiener Bankverein*: *Ein Jahrhundert Creditanstalt-Bankverein 1855-1955*, p.225; E. Czichon, *Die Bank und die Macht, Hermann Josef Abs, die Deutsche Bank und die Politik*, (Köln: PapyRossa, 1995), pp.155-156.

⁴⁴ A. Mitrović, "Nacistička ideja velikog privrednog prostora i jugoistočna Evropa (1940)": *Zbornik Filozofskog fakulteta*, book XI-1, Beograd, 1970, p.723.

economic policy, at the same time giving up, at least temporarily, its ambitions in the Danube region. Through the large German bank *Dresdner Bank*, on which they had the greatest influence, the Nazis tried to take over the Austrian *Mercurbank* in parallel, which, until 1938, proved to be extremely difficult for arization, i.e. nacification. *Dresdner Bank's* chief representative in Austria, Hans Pilder, immediately after the Anschluss suggested to the German Foreign Ministry that it would be much more efficient to take control of *Creditanstalt* in order to ensure Germany's secure influence in Austrian finance and industry, instead of relying solely on *Mercurbank*. His plan was for *Dresdner Bank* to retain its ownership of the Austrian companies it already controlled and to take over a third of *Creditanstalt's* shares, which would gain a huge impact on the Austrian economy. The precondition for such an operation, as Pilder noted, was the consent of the Austrian government, as well as foreign creditors and shareholders of *Creditanstalt*.⁴⁵

However, the intentions of the main Nazi Bank very quickly clashed with the aforementioned claims of *Deutsche Bank*. Even during economic crisis, the leaders of *Deutsche Bank* had high hopes for solutions offered by the National Socialists, so they contacted them very early. Special advantage of *Deutsche Bank* over *Dresdener Bank* was reflected in the fact that of the thirty-three members in the Bank's management, only three were from the Bank's administration, while all others were representatives of the most important German industries and insurance.⁴⁶ Also, after *Creditanstalt* took over *Wiener Bankverein* in 1934, *Deutsche Bank* became, admittedly, its very small shareholder. This did not prevent it from immediately including one of its directors, Gustav Schlieper, on the board

⁴⁵ G. Feldman, *Austrian Banks in the Period of National Socialism*, (Cambridge University Press, 2015), pp.20-21; *Österreichische Banken und Sparkassen im Nationalsozialismus und in der Nachkriegszeit*, Erseter Band Creditanstalt-Bankverein, eds. G. Feldman et.al. (München: Verlag C.H.Beck, 2006), p.40.

⁴⁶ Milan Ristović, *ibid*, p.225.

of *Creditanstalt*. After his sudden death in November 1937, he was succeeded by the ambitious thirty-six-year-old director of the same Bank, Hermann Josef Abs.⁴⁷

At that time, the Managing Board of the *Creditanstalt* had gone through the process of rationalization and important "Austrification." Already in 1931, new members were elected who were until then directors and very distinguished bankers: Josef Joham, Erich Heller, Franz Rottenberg and Oskar Pollak.⁴⁸ Then in 1933, the Managing Board, which had 36 members at that moment, had been abandoned by 13 representatives of foreign capital while two members passed away. Also, former Austrian finance minister Emanuel Weidenhoffer took the place from the president of the Management Louis Rothschild while the major representative of Austrian timber industry Franz Hasslacher took the place of Hans Mauthner at the position of the first vice-president, becoming at the same time the major link between the Managing and Executive Board of the Bank. An year later, the Board had 21 members out of which only eight were foreigners. The number of foreigners would remain the same even in 1937 when the Board had only nineteen members.⁴⁹

Just before Anschluss, newly elected general director Josef Joham became the key figure in *Creditanstalt*. Coming from a humble family from Carinthia, he earned a PhD in law very young, and he became a director in *Creditanstalt* in 1921. He remained full ten years at this position, until he was nominated for a member of the Managing Board of the Bank. He was personally in charge of

⁴⁷ G. Feldman, *ibid*, 13. *Österreichische Banken und Sparkassen im Nationalsozialismus*, p.32.

⁴⁸ Oskar Pollak was very experienced and in international circles very distinguished banker who found himself in this group after overtaking *Wiener Bankverein*, see: AJ, 151-1-2.

⁴⁹ G. Feldman, *ibid*, p.10.

the takeover of the operations of the *Niederösterreichische Escompte-Gesellschaft* and the fusion with *Wiener Bankverein*, which assumed extremely complicated process of reducing the costs of the stuff as well as reducing the number of employees. During the takeover of the *Wiener Bankverein*, in the negotiations with *Foreign Creditors Committee*, he succeeded in solving the issue of pensions and obtaining the capital coverage for them, thus reducing the yearly costs of the Bank from 10.1 million shillings to 470 thousand shillings. At the same time, he worked on the reducing of the number of employees in the Bank mainly by firing the stuff overtaken from the *Wiener Bankverein*. However, his biography from 1938, sent to the director of *Deutsche Bank* H. J. Abs revealed that behind this rationalization was the disguised arization of the Bank, because, according to his own admittance, the number of Jewish employees which amounted to 506 in 1931, after the transformation of the Bank was reduced to 190.⁵⁰ According to the opinion of Feldman, J. Joham was not a nationalsocialist, although he made connections with them very early as well as with German banking circles especially after the fusion of *Wiener Bankverein* in which the *Deutsche Bank* had shares and participated in its Managing Board. He was inclined more to German industrial and banking circles than to political ones is evident by the fact that only five days after the Anschluss he initiated the meeting with H. J. Abs and his associateds in Vienna at which he suggested to *Deutsche Bank* to repurchase the shares of the *Creditanstalt* which were in the possession of Austrian government and *Österreichische Nationalbank*.⁵¹ However, newly appointed trus-

⁵⁰ *Österreichische Banken und Sparkassen im Nationalsozialismus.*, p.30.

⁵¹ At this meeting, H.J. Abs was accompanied by Helmuth Pollems, the deputy director in the Department for Foreign Operations of the *Deutsche Bank*, director Walter Pohle, who was supposed to play a key role in the expansion of the *Deutsche Bank*, and the director Erhard Ulbricht from the Accounting Department, see: G. Feldman, *ibid*, p.30.

tee of the Reich for Austrian economy Wilhelm Keppler (now been installed by Göring as the Four-Year Plan Reich Plenipotentiary for Austria) did not accept that suggestion.

As *Creditanstalt* needed urgently the capital and a strong protector, on March 26th, 1938, J. Joham together with H.J. Abs had signed the “Pact on the Friendship” in the name of the Bank in which it is stated that the *Deutsche Bank*, in line with the proposition of the *Creditanstalt* and with the permission of the Ministry of Economy of the Reich was ready to repurchase the shares in the property of the Austrian State, *Österreichische Nationalbank* as well as *Österreichische Industriekredit-Aktiengesellschaft* and preferential shares of the Pension Fund CA. Although 51% of capital of the *Creditanstalt* was in stake, both parties agreed that the *Creditanstalt* would remain an independent private bank whose Managing Board works in line with commercial and economic principles. According to this Pact, the *Deutsche Bank* was ready to strengthen the liquidity of the *Creditanstalt* with 20 million of Reichsmarks (RM)⁵² for the financing of credits amounting to and above one million RM which were already granted by the *Creditanstalt*. Besides, it was ready to offer 10 million RM for covering short term monetary claims under most favorable banking terms as well as, together with *Creditanstalt*, share credit lines with relevant foreign banks for the purchase of raw materials necessary for the Austrian economy. In return the *Deutsche Bank* expected the *Creditanstalt* favorising it in all projects for crediting and financing in Austria in which it seeked for a partner as well as to support it in all such projects worth more than one million RM. It has been particularly stressed that the *Deutsche Bank*, whenever possible, would continue its operations in South Eastern Europe through Vienna i.e. it would respect traditional ties of

⁵² 1 RM was worth approximately 2.5 U.S Dollar, see: University of California, Santa Barbara: <http://marcuse.faculty.history.ucsb.edu/projects/currency.htm> (approached on July 12th 2020)

the *Creditanstalt* with its southern neighbours, thus being ready to use that Bank as its intermediary wherever it would be possible. This had been verified on the Shareholders' General Assembly of the *Deutsche Bank* on April 6th, 1938. At that occasion, H.J. Abs had particularly stressed the importance of the presense of German interests through the *Deutsche Bank* in Bulgaria, Turkey, Netherlands and Poland as well as strong presense of the *Creditanstalt* in Hungary and Yugoslavia. He considered as of key importance the fact that its privatization would be in line with the general policy of reprivatization of the banking sector since the privatization of he Austrian capital market could not be expected in the foreseeable future.⁵³

It turned out, however, that *Creditanstalt* did not have any freedom in its operations and that National-Socialists had for it different plans. So, already during those negotiations they infiltrated their party members in the Management of the *Creditanstalt*, among which especially noticeable were former employees of the *Wiener Bankverein* Rudolf Pfeiffer and Ludwig Fritscher.⁵⁴ New members were particularly hostile towards general director J. Joham whom they considered as an unconditional advocate of the previous system.

⁵³ Österreichische Banken und Sparkassen im Nationalsozialismus, pp.32-33; G. Feldman, *ibid*, pp.37-40

⁵⁴ During Anschluss, Rudolf Pfeiffer was appointed as special representative of The National Socialist German Workers' Party (NSDAP) for economic issues in *Creditanstalt*. He had personally forbidden any payments form the Bank, and that was retroactively permitted by the Austrian Ministry of Trade with the explanation that in that way the penetration of Jews and other enemies of the new regime in the Bank had been prevented; Ludwig Fritscher was a catholic priest who abandoned the church and joined NSDAP in 1931, and also joined The Waffen-SS. He did not have almost any banking experience but his friendship with the Minister of Economy Fischböck and other leading Austrian national-socialists had undoubtedly recommended him for a member of the Managing Board of the *Creditanstalt* and later for the president of the Vienna Stockexchange, see: *Österreichische Banken und Sparkassen im Nationalsozialismus*, pp.41-43; G. Feldman, *ibid*, p.27.

Thus he was on the list of those whom Gestapo assumed for arresting and imprisoning in the concentration camp. His house had been searched and he was spared from arrest at the last moment thanks to the intervention of his colleague from the Bank F. Hasslacher. Due to his great achievements in the *Creditanstalt* he was allowed to stay in the Management Board as one of the directors while the position of general director was overtaken by his until then assistant Erich Heller.⁵⁵

During April 1938, the Pact on the Friendship, on which the *Deutsche Bank* counted as a way for strengthening its position in Austria, and under the pressure of the *Dresdener Bank* and *Reichs-Kredit-Gesellschaft (RKG)* and also with the opposition of new Nazi government of Austria and its Minister of Economy Hans Fischböck, had proven to be completely useless. The *Deutsche Bank* had been deprived from the right to participate in the auction of the shares of the *Creditanstalt* as well as of the right to seek for an alternative in the establishment of its own affiliates in Austria. Finally, it lost its exclusive position as the only large Berlin bank in the Managing Board of the *Creditanstalt*. Austrian bank had been forced to sell 39% of shares to German holding company in state property - *Vereinigte Industrie Unternehmungen AG (VIAG)*⁵⁶. Until then, those shares were in the possession of *Österreichische Industriekredit AG* and *Österreichische Nationalbank*. Also, it had been forced to sell 35% of the shares to *RKG Bank* which was in a possession of

⁵⁵ *Ibid.*

⁵⁶ *VIAG* had been established in March 1923. It was a holding company which was “arized” during the Nazi era and incorporated in the implementation of so called Four-Year Plan. It became the key producer of aluminum. Also, *VIAG* was very important in the production in the Third Reich and one of the most important companies in huge armament industry especially in the production of vehicles which needed large quantities of aluminum. *VIAG* was also very important in the production of electrical power and nitrogen, see: P. Manfred, *VIAG Aktiengesellschaft 1923–1998. Vom Staatsunternehmen zum internationalen Konzern* (München / Zürich Piper Verlag, 1998).

that Holding Company. In this way, VIAG had become the owner of 74% of shares of the *Creditanstalt*.⁵⁷

Aware of the fact that the competition came from the director August Rohdewald, who only a month earlier was transferred from *Dresdner Bank* to *RKG* with the aim of developing the programme of financial expansion in South Eastern Europe as well as of the fact that the primary interest of the VIAG was to get the ownership over industrial property of *Creditanstalt*, H.J. Abs had wisely started the campaign of business approach to that huge German state holding. He played immediately on the card of the great importance of Vienna which had been seen as a bridge to the South Eastern Europe by the *Deutsche Bank* because of which the cooperation with the *Creditanstalt* was crucial. He insisted that it was not possible to cooperate with the Bank on which there was no financial influence especially because the *Deutsche Bank* had been operating for decades in Romania and Bulgaria while the *Creditanstalt* had its affiliates or the participation in banks in Hungary and Yugoslavia. The ruling people of VIAG were ready again to cooperate closely with the *Deutsche Bank* in order to use its large competence in commercial banking and the financing of trade, aware of the fact that they had to restrain from the ambitions of Rohdewald and respect the Pact on the Friendship between the *Deutsche Bank* and the *Creditanstalt*. Also, H.J. Abs in his conversations with highest representatives of the Reich Ministry of Economy stressed that the spheres of interests and common business arrangements abroad had to be determined because in contrary everyone would have to go its own way, what was in no interest of economic policy of the State.⁵⁸

⁵⁷ H. James, *The Deutsche Bank and the Nazi Economic War against the Jews: The Expropriation of Jewish-Owned Property*, (Cambridge University Press, 2003), pp.132-133.

⁵⁸ *Österreichische Banken und Sparkassen im Nationalsozialismus*, pp.73-74; G. Feldman *ibid*, p.47.

Thus, in the autumn of 1938, the Reich Ministry of Economy supported the idea of close cooperation between *RKG* and *Deutsche Bank* in *Creditanstalt*, with approximately equal participation in capital, given that the interests of *Deutsche Bank* and *Creditanstalt* abroad complemented each other extremely well. In December of the same year, *Deutsche Bank* and *VIAG* decided to enter into a consortial agreement which enabled *Deutsche Bank* to purchase 25% of the share capital of *Creditanstalt* (48,500 ordinary and 35,000 preferred shares). This consortium implied joint organizational and business management of *Creditanstalt*. *VIAG* was given the right to appoint three, and *Deutsche Bank* two members of the Supervisory Board, with joint appearance at the meetings of the Bank's Board of Directors and Executive Board. Just before this business arrangement, *Deutsche Bank* owned 1% of *Creditanstalt* shares that after this purchase, at the end of 1938, it had only 26% of the shares of this Bank.⁵⁹ "The tenacity of the *Deutsche Bank* and Abs had thus paid off. It was an extraordinary achievement given the fact that the *Deutsche Bank* had been a totally insignificant shareholder in the CA, and Otto Neubaur of the *RKG* was shocked to learn this after the war. In his view, 'they had bluffed in an extraordinarily skillful manner'."⁶⁰

The accession of the Sudetenland in the same year multiplied Germany's position in Central Europe and enabled it to exert even stronger economic and political pressure on the countries of South Eastern Europe. More than half of the Czechoslovak industry and hydroelectric power plants were then in German hands. After the final disintegration of Czechoslovakia in March 1939, its monetary system came under the full control of the Reich. This enabled a sharp increase in their share in the total foreign capital placed in the economy of the Southeast, and thus in the economy of

⁵⁹ H. James, *ibid*, pp.134-135.

⁶⁰ G. Feldman, *ibid*, p.59.

Yugoslavia.⁶¹ In this regard, the Reich Ministry of Economy declared *Böhmische Escomptebank* a leading bank in the promotion of German economic interests, believing that it should be controlled by *Dresdner Bank*, despite the fact that *Creditanstalt* had owned 22.5% of its shares there since 1919.⁶² *Deutsche Bank* had to settle for taking over the second best Czech bank, the *Böhmische Union Bank*, which was controlled by a powerful international consortium in which *Wiener Bankverein* owned as much as 35% of the shares, after the Bank merged with the *Allgemeiner Böhmischer Bankverein* in 1930.⁶³ This meant that *Böhmische Union Bank* had a large Jewish leadership and clientele, so the arrival of the very arrogant and ruthless director of *Deutsche Bank*, Walther Pohle, necessarily worsened the situation in the Bank. In an attempt to sort out the financial situation, *Deutsche Bank* presented the situation of the *Böhmische Union Bank* much worse than it really was, draconianly reducing its capital in December 1939.⁶⁴ With a state subsidy, it tried to take over the majority in this Bank, which it succeeded only in 1942, when it took over the majority package of shares from *Creditanstalt*, which gave it a third of the share in the *Böhmische Union Bank*.⁶⁵

⁶¹ Ž. Avramovski, *ibid*, pp.52-53.

⁶² *Die Erfahrung der Inflation im internationalen Zusammenhang und Vergleich /The Experience of Inflation*, International and Comparative Studies, Series: Veröffentlichungen der Historischen Kommission zu Berlin, 57 and VHKB / Beiträge zu Inflation und Wiederaufbau in Deutschland und Europa 1914–1924, 2, eds. G. Feldman et al. (Berlin: De Gruyter, 1984), p.153.

⁶³ *Ibid*.

⁶⁴ At the same time, *Deutsche Bank* had overtaken 23 branches of the *Böhmische Union Bank*: M. Ristović, *ibid*, p.229.

⁶⁵ H. James, *ibid*, p.140; Teichova, Alice, *An Economic Background to Munich: International Business and Czechoslovakia 1918-1938*, (Cambridge University Press, 1974), p.336.



Of great importance to German business circles was the fact that the share of foreign capital in the private banking of the Kingdom of Yugoslavia was almost 62%, which meant that foreign capital could control the credit policy. Gathered together with other German and Austrian businessmen in a special Central European Economic Council (Mitteleuropäische Wirtschaftstag - MWT) in which was a concentrated German economic (and political) power until 1941, owners of foreign capital, already in 1936, had founded the Yugoslav-German Chamber of Commerce, based in Berlin, which included all German companies operating in Yugoslavia. That year, in fact, work began on the realization of a Four-Year Plan led by Hermann Göring, based on Hitler's order to train the German economy for war missions within four years. Thus, the main goal of this Chamber of Commerce, which was founded by Mak Hahn, the leading man of the MWT, was to intensify the German economic penetration into Yugoslavia, while at the same time organizing strong economic intelligence services. The first president of the Berlin Chamber was Albert Dufour-Feronce, the former German ambassador to Belgrade, to be later replaced by Vice President Carl Müller, manager of the Chemical Concern Rütgerswerke.⁶⁶ This institution was supported by big business and the old Prussian nobility, and in Yugoslavia they had H. Göring's special envoy for South Eastern Europe, Franz

⁶⁶ In addition to this, there was also the National Committee of the Yugoslav-German Chamber, founded in Belgrade in February 1935. The founders were businessmen with business connections in Germany. The president of the Committee was Živojin Nešić, the manager of the Weifert Brewery and the Kostolac Mine, and the vice president was Damjan Branković, one of the most prominent Serbian businessmen. The secretary was a Serbian businessman and partner of Milan Stojadinović, Milan Lujanović, see: AJ, 151-14-28; *Nemačka obaveštajna služba u staroj Jugoslaviji* (Beograd: Državni sekretarijat za unutrašnje poslove FNRJ, Uprava državne bezbednosti, book II, 1955) pp.158-161.

Neuhausen⁶⁷, while for the president of the Chamber of Commers was also appointed Austrian, Georg Saal.⁶⁸ Due to the special interest that *Deutsche Bank* had in Yugoslavia, these personalities, together with Hermann Josef Abs, would play key roles in the transfer of *AJB* under full control of German capital.

Talks with *Creditanstalt* on acquiring joint control over *AJB*, in which this Austrian bank then had almost half of the total number of shares, began as early as 1937. According to the research of the German historian Eberhard Czichon, a significant package

⁶⁷ Franz Neuhausen was a pilot in the German Air Force during the First World War. In the interwar period, he reached the rank of Gruppenführer (major general) in the National Socialist Flying Corps (Nationalsozialistisches Fliegerkorps - NSFK), which was a paramilitary Nazi party organization. He was stationed in Belgrade from 1931, first as the head of the German Traffic Office, then as the official representative (Landesgruppenleiter) of the Nazi Party in the Kingdom of Yugoslavia, and finally as the German Consul General. His task was to carry out political and economic intelligence work in Yugoslavia, thanks to which he built a very efficient network of people in government and political circles (among whom was the Prime Minister M. Stojadinović). As a close friend of H. Göring, he acquired shares in a large number of mining and metallurgical industries through suspicious transactions, which enabled him a great fortune, see: P.N. Hehn, *A Low, Dishonest Decade: The Great Powers, Eastern Europe and the Economic Origins of World War II*, (New York: Continuum, 2005); *Germany and the Second World War: Volume V: Organization and Mobilization of the German Sphere of Power* (Part I: Wartime administration, economy, and manpower resources, 1939-1941), eds. B. R. Kroener et.al. (Oxford University Press, 2000); J. Tomasevich, *War and Revolution in Yugoslavia, 1941-1945: Occupation and Collaboration* (Stanford University Press, 2002)

⁶⁸ Georg Saal was a German banker who, even before the Anschluss, was engaged in the rather murky efforts of the German Ministry of Foreign Affairs and the MWT to organize the financing of Germans and National Socialists both in Austria and in the surrounding countries. Because of that, the Austrian government deported him to Germany in 1936. After that, Saal became especially engaged in organizing the work of the German Chamber of Commerce for the Promotion of German Economic Interests in Yugoslavia: AJ, 151-5-5, documentation related to business and private correspondence of the director G. Saal

of shares of the Austrian companies Munk and Galopin, which was owned by *Creditalstant*, was taken over by *Deutsche Bank* in early 1938, and through these companies the Germans acquired a “noteworthy package of shares” of the *AJB*.⁶⁹ Thus, the Anschluss itself marked the beginning of a series of changes in the Board of Directors of the *AJB*, which primarily referred to the elimination of Jewish members of the Board, i.e. their replacement by “Aryans”. The position of chairman of the Board has been vacant since 1932, when the then president Hugo Weinberger retired, so that the Board was chaired by its first vice-president Paul Ramlot, director of the *Société Générale de Belgique*, while the general director of *Banque Belge pour l’Etranger*, Robert Gheud was also on the Board. Representatives of *Creditanstalt* at the time were Oscar Pollak and the director of the Budapest branch of *Creditanstalt*, Alfred Schwartz. Otto Freund represented the interests of *Böhmische Union-Bank*, while Emil Müller represented *Basler Handelsbank*. Of the six board members identified as living in Yugoslavia or its citizens, three were Jews, most notably the Bank’s CEO Edmond Goldschmidt, a Romanian Jew with Czech citizenship and a residence permit in Belgrade, Zagreb and Vienna.⁷⁰

In April 1938, during preparations for the *AJB* Shareholders’ Meeting, Alfred Schwartz resigned, while J. Joham, the director in *Creditanstalt* joined the Board as second vice president.⁷¹ After Oscar Pollak was forced to resign as a member of the Boards of both *Creditanstalt* and *AJB* in July 1938, the German representatives succeeded in appointing J. Joham as the Bank’s first vice-president. The position of Chairman of the Board remained vacant, while Paul Ramlot was then appointed second Vice-Chairman.⁷²

⁶⁹ E. Czichon, *ibid*, p.274.

⁷⁰ AJ, 151-4-4: Business correspondence of the director of the *AJB*.

⁷¹ AJ, 151-2-2: Report from the session of the Management Board of *AJB*, held in Belgrade on April 4th, 1938

⁷² Based on a letter from February 1940 written by O. Pollak to his colleague

He then announced that the majority shareholders had agreed to appoint the then president of the Yugoslav-German Chamber of Commerce, G. Saal, as a new member of the Bank's Board of Directors. J. Joham went a step further, believing that G. Saal should replace E. Goldschmidt as CEO in the near future and be appointed to the Executive Board of the Bank.⁷³

When, with the break-up of Czechoslovakia in March 1939, *Deutsche Bank* took over the share capital of the *Böhmische Union-Bank* in Prague, it thus acquired a small share of 4% in *AJB*. Otto Freund formally continued to represent the interests of this Bank in the *AJB* for several more months, until he, as a Jew, was forced to resign. After being arrested by the Gestapo in June 1939, he committed suicide in prison.⁷⁴ At the time, Friedrich Landfried, a state official, who was a secretary at the Reich Economics Ministry, played a key role in the development of German-Yugoslav trade agreements, in which Germany was to receive raw materials and metals in exchange for the sale of various finished products, including the surplus of frequently amortized and obsolete weapons

and director of *AJB*, D. Hohner, we learn that he managed to evacuate his children from Austria, while with G. Feldman we find information that he was unfortunately deported together with his wife. in May 1942 to Maly Trostinec near Minsk and killed a few days later: AJ 151-90-115; G. Feldman, *ibid*, p.22.

⁷³ AJ 151-90-115, Minutes from the meeting of the Board of Directors of *AJB*, held in Belgrade, on October 24th, 1938. According to the Minutes from the meeting of the Board held less than a year later, it could be seen that G. Saal was only then appointed director and member of the Board because "already from the middle of the last year he has taken part in the management of our Bank (and therefore) the Presidency was authorized to determine G. Saal's salary and to conclude an official contract with him". O. Pollack, who apparently met him through his banking activities in Vienna, considered him a decent person, so he even expressed his condolences when his wife died in an accident, AJ, 151-5-5: business and private correspondence of the director of *AJB*.

⁷⁴ G. Feldman, *ibid*, p.226. Otto Freund, Biography: <https://peoplepill.com/people/otto-freund/> (approached on August 29th 2020)

for the Yugoslav army. The Austrian Minister of Economy and Finance, Hans Fischböck, who was also the Chairman of the Board of *Credittalstant*, was the first to propose that it would be of great importance for the needs of the German economy in Yugoslavia to support the appointment of German Consul General in Yugoslavia, Franz Neuhausen, for the Chairman of the Board of *AJB*. "As Fischböck explained to Landfried, the appointment of Neuhausen was aimed at servicing the needs of the German economy in Yugoslavia, especially through the providing of credits for the intended participation of German interests in the context of the Four-Year Plan. He pointed out that most banking institutions in Southeast Europe did not have sufficient deposits to permit a satisfactory basis for granting needed credits and asked that this situation be repaired by allowing the *AJB* to hold the successive installments being paid by the Yugoslav military for German weapons deliveries. As one installment was paid, the *AJB* would proceed to hold the next one and, in this way, the Bank would have a yearly annuity in dinar that would insure the ability of the Bank to perform its credit functions."⁷⁵ The inevitable fact was that thanks to the director E. Goldschmidt, the Bank was consolidated and liquid with 60 million dinars of share capital, 250 million dinars in deposits, 60 million dinars of invested capital and about 100 million dinars in real estate owned by it. It also turned out that deposits had decreased significantly since the fall of 1938, and that a further significant loss of Jewish savers could be expected.⁷⁶ Although he undoubtedly supported the idea of *AJB* being nationalized as soon as possible, H.J. Abs was also very concerned that the proposed appointment of F. Neuhausen could lead to a significant loss of the Jewish clientele. On the other hand, H. Fischböck, armed with the information provided to him by G Saal (which spoke of the Bank's status and the list of Jewish and anti-German clients who would most likely leave

⁷⁵ G. Feldman, *ibid*, p.228.

⁷⁶ *Österreichische Banken und Sparkassen im Nationalsozialismus*, pp.432-433

the Bank if it took on a pronounced German character), considered *AJB* liquid enough to withstand such withdrawals. H. Göring himself considered Fischbock's arguments convincing enough, so he personally gave guidelines to Neuhausen to turn this Yugoslav bank into an instrument of German economic interests in this area within the framework of the Four-Year Plan.⁷⁷

Representatives of the Belgian and Swiss capital, Paul Ramlot and Emil Müller, as well as Yugoslav representatives and legal advisers in this Bank, Vasilije I Jovanović, Ivo Benković and Nikola Berković, equally opposed this rather aggressive performance. Paul Ramlot sent a letter to H.J. Abs, on his own behalf and on behalf of his colleagues from the *AJB* Management, in which he stated the common position that the chairman of the Board of Directors should be a Yugoslav businessman capable of providing a stable clientele without being politically instructed. In that sense, they saw the former governor of the *National Bank of the Kingdom of Yugoslavia*, Milan Radosavljević, as the best candidate. After two meetings with P. Ramlot in Denmark and the Netherlands, it became clear to H.J. Abs that the *Société Générale* would not easily give up the *AJB*, which is why he felt that the proposal for Neuhausen's chairmanship of the Board of Directors should, at least temporarily, be replaced only by a proposal for membership in the Board. However, the Austrian representatives in the *AJB* did not agree with that, so H. Fischböck personally arrived in Belgrade and found that this proposal was positively accepted by the political and economic leadership in Yugoslavia.⁷⁸

⁷⁷ *OMGUS - Office of Military Government for Germany, United States Finance Division - Financial Investigation Section, Ermittlungen gegen die Deutsche Bank - 1946/1947, Übersetzt und bearbeitet von der Dokumentationsstelle zur NS-Politik (Hamburg, Nordlingen, 1985), (hereafter: *OMGUS - Ermittlungen gegen die Deutsche Bank*) p.235.*

⁷⁸ An important political change took place in the Kingdom of Yugoslavia in February 1939, when the government of M. Stojadinović, who enjoyed great trust among the Germans, was overthrown, and the government of Dragiša

It is interesting that not all German representatives in the *AJB* were satisfied with the upcoming appointment of Neuhausen. The new director general, G. Saal, feared that when the Yugoslav public learned of his appointment, between 40 millions and 50 millions of a total of 90 millions dinars in deposits would be withdrawn, mostly from Jewish-owned accounts. He was no less concerned about the signs that Neuhausen would encourage businesses that could violate good banking practice and burden *AJB*'s resources. Such thinking was instigated by the case in which Neuhausen promoted the approval of a loan of 500,000 dinars, giving only a personal guarantee for the borrower. On another occasion, after learning that *AJB* had granted a loan to a Yugoslav aluminum factory, he openly stated that he wanted the factory, which could mean that he wanted it to be under German control, but at the same time it could mean (and later years it turned out that it did mean), an independent ownership of industrial enterprises.⁷⁹ The Belgian representatives in *AJB* had the same fears, so even though they claimed that they had nothing against Neuhausen personally, they were ready to accept only a non-political and domestic representative for the president of the Bank's Management Board. It was also clear to them that it was only a matter of time before they would receive an offer to buy their shares in *AJB*, which is why they insisted on respecting their

Cvetković was set up. In order to show that there were no changes in Yugoslav foreign policy, the new president appointed Aleksandar Cincar-Marković, the former Yugoslav ambassador to Berlin, as the Minister of Foreign Affairs, who was personally admitted to the audience of Adolf Hitler in April 1939. Although no evidence could be found in the domestic archives of H. Fischböck's conversation with Yugoslav officials over the appointment of Neuhausen as the new CEO of *AJB*, it is clear that the hosts were much more afraid that the Bank would have a bigger problem if it rejected the proposal than this would be in the case of his appointment: R. Gašić, "Beogradska politička i vojna elita u svetlu nemačkih i britanskih izvora pred Drugi svetski rat", *Istorija 20. veka*, no. 1, Beograd 2006, p.63-80.

⁷⁹ *Österreichische Banken und Sparkassen im Nationalsozialismus*, pp.435-236; G. Feldman, *ibid*, p.230.

rights as an equal business partner. Given Neuhausen's undeniable reputation in German and Austrian political circles, they were ready to vote for his entry into the Board of Directors, but continued to emphasize M. Radosavljević as President of the Management Board, and if he refused, they accepted only the appointment of Nikola Berković who was already in the Board.⁸⁰

By August 1939, the Germans had succeeded in "inserting" their members into the Bank's Management Board, and despite the fact that the agenda for the Assembly of Shareholders did not include a proposal for the election of new members of the Management Board. Even at the very session of the *AJB* Management Board on August 15th, 1939, for the first time in its history, a "discussion" was recorded, precisely because of the intention of the representatives of *Creditanstalt* to appoint their members to the Management Board contrary to the valid Yugoslav legal regulations on shareholding companies, and before the session of the Annual Meeting of Shareholders and ratification of its conclusions by the Minister of Trade and Industry of the Kingdom of Yugoslavia.⁸¹ Therefore, the resignations of the former members and the only remaining Jews in the Bank's Management Board, Edmond Goldschmidt, Milan Marić, Nikola Najman and Otto Freund as well as the appointment of new members: Hermann Josef Abs as the representative of *Böhmische Union-Bank* and Ludwig Fritscher and Franz Neuhausen as representatives of *Creditanstalt* could only be "announced" at this session. The position of the president of the Bank remained vacant.⁸² The ratification of the conclusions from the Assembly of Shareholders of *AJB*, which was held on the same day as the meeting of the Management Board, it took quite a long

⁸⁰ *Ibid.*

⁸¹ *AJ*, 151-2-2, Minutes from the session of the Management Board of *AJB*, held in Belgrade, on August 15th, 1939

⁸² *Ibid.* Minutes of the XI regular General Meeting of Shareholders of *AJB*, August 15th, 1939

time, so the official appointment of new members was actually only in December 1940.⁸³

The ambitions of *Creditanstalt* and *Deutsche Bank* to exercise majority control over *AJB* certainly had something to do with the fact that the capital market could not be developed in Yugoslavia due to the lack of capital. We have also seen that because of that, economic activity was directed almost exclusively to banks as their creditors. Thus, instead of issuing bonds and shares, the economy obtained the necessary financial resources in the form of bills of exchange, which were approved by the banking institutions. At the same time, Yugoslavia was of great military and economic importance for Germany due to the large reserves of mineral raw materials: copper, bauxite, chromium and zinc. One of the reasons for founding MWT was precisely to explore the possibility of investing in Yugoslav mining for the needs of the Reich industry.

Until 1938/39, there were a relatively small number of Yugoslav companies under the control of German capital that enjoyed loans from *AJB*. Thus, I.G. Farbenindustrie had its affiliation in Zagreb, called Juganil and at the same time in Belgrade there was a company Juganil K.O. - aniline paints and chemical products. In the period from 1935 to 1939, through *AJB*, Zagreb's Juganil received loans in the amount of 9.5 million dinars, and Belgrade Juganil K.O. - Aniline Paints and Chemical Products received 14 million dinars.⁸⁴ Also, in 1933, a Gold Mine Slišane a.d. was established with a share capital of 20 million dinars, deposited with the *AJB*. This was one of the richest ore deposits in Europe, and the largest shareholder was the German company Humboldt-Deutz from Cologne, while since 1936 the British Pacific Trust was trying to get the right to exploit. In addition to German and English economic representatives, the directors of *AJB*, David Hohner and

⁸³ Ibid. Minutes from the Extraordinary Meeting of Shareholders of *AJB*, December 2nd, 1940

⁸⁴ AJ, 151-49-73, Reports on the approved credits, *AJB*, 1935 - 1939.

Aleksandar Nikolajević, were in the Mine Management.⁸⁵ In 1936, MWT founded the company Montania AG, with the participation of Swiss capital, and built an antimony smelter in Zajača near Loznica.⁸⁶ In the same year, MWT founded also a company called Antimon-Bergbaubetriebe und -Hüttenwerke AG and secured concessions in Srebrenica and Olovo.⁸⁷

As early as 1937, MWT founded the Berlin-based Society for the Exploration of Foreign Ore Deposits (Gesellschaft zur Erforschung ausländischer Erzvorkommen), which housed many important German companies, such as Allgemeine Elektrizitäts-Gesellschaft AG (AEG), Siemens & Halske, Feiten & Guillaume Carlswerk AG. *AJB* granted 6 million dinars in loans to Siemens' affiliate in Zagreb, and in 1939 approved a new loan, in the amount of 1,118,000 dinars, to cover the costs related to the purchase of cable material for the Ministry of Post, Telephony and Telecommunication of the Kingdom of Yugoslavia.⁸⁸ The careful placement of German capital into the Yugoslav economy had taken the form of a "real economic offensive" since 1939. This could best be seen in the number of newly established "Yugoslav" companies, which, as a rule, had deposited their shareholding capital at the *AJB*. According to the records of the Ministry of Trade and Industry of the KY, in 1939

⁸⁵ *AJ*, 65-1183-2167; *Elaborat o britanskom kapitalu u Jugoslaviji*, p.74.

⁸⁶ B. Jurković, *Das ausländische Kapital im ehemaligen Jugoslawien*, (Stuttgart/Berlin: W. Kohlhammer Verlage, 1941), p.314; immediately after the founding of Montania *AJB* approved the credit amounting to 2 million dinars, see: *AJ*, 65-1185-2169

⁸⁷ In 1940, most of the shares in Montania AG (since 1942 it was called Antimon AG), in which other Yugoslav companies also had a stake, were taken over by Preußischen Bergwerks- und Hütten-AG (Preußag) with the intention of further expanding its business, because at that time Yugoslavia already provided almost a quarter of the total German demand for antimony: R. Schönfeld, "Deutsche Rohstoffsicherungspolitik in Jugoslawien 1934-1944", *Vierteljahrshefte für Zeitgeschichte (VfZ)* 24.1976, p.217.

⁸⁸ *AJ*, 151-151-41(59)-65(83)

and 1940 at least sixty largest Yugoslav mining, metallurgical, textile, transport and other companies were established with German capital or fell under the sphere of interest of German capital.⁸⁹ Out of about thirty newly established companies, there were ten mining and metallurgical companies, and the other twenty covered agriculture, export-import trade, construction and transport.⁹⁰ These were the companies: Balkan Ugalj - Belgrade, for the import of Silesian coal and coke from Germany, with a capital of 500,000 dinars; Adir a.d. Belgrade, for exploration of ore fields (geological exploration), with a capital of 3 million dinars, in which IG Farbenindustrie AG also participated;⁹¹ Jugomontan a.d. Belgrade, for exploration of lead and copper deposits, with a capital of 15 million dinars, under the control of *AJB*; Jugoruda a.d. Belgrade, with a share capital of 1 million dinars; Jugopetrol a.d. (formerly Rudokop a.d.) with a capital of 25 million dinars, controlled by *AJB*; Panonija petrolejsko a.d. Belgrade (founder Radomir Pašić, son of Nikola Pašić) with a capital of 6 million dinars, under the control of *AJB*; Rudna Glava a.d., Belgrade (main shareholder Slovenian industrialist Rado Hribar, loan with *AJB* for 5 million dinars) and Yugoslav Mining Asbestos Society a.d. Belgrade, with a capital of 25 million dinars, also under the control of *AJB*.⁹²

In addition to Turkey and Greece, Yugoslavia had very rich deposits of chromium, the exploitation of which has already been largely ensured by the English company Allatini Mines Ltd. The German

⁸⁹ AJ, MTI (65), files of registered industrial and commercial firms in the Kingdom of Yugoslavia

⁹⁰ Among others, there was a large company: Cereal - Export a.d. for the export of fruits, vegetables, hemp and leather, with share capital in the amount of 5 million dinars and loans in the amount of 8.4 million dinars, under full control *AJB*: AJ, 65-1172-2156.

⁹¹ At the initiative of IG Farbenindustrie AG, MWT founded another non-ferrous metal mining company in 1939 (Erzgesellschaft zur Erschließung von Nichteisenmetall-Lagerstätten mbH): R. Schönfeld, *ibid.*, p.221.

⁹² AJ, 65-1181(87)-2160(70) i AJ, 151-41(59)-65(83)

Krupp managed to lease only a few smaller and not very productive chrome mines near Skopje, and in order to avoid competition, it offered the company Reichswerken Hermann Göring AG from Berlin the establishment of a joint company in Yugoslavia. Thus, in August 1940, Jugochrom AG was founded, in which both partners had a 50% share, with Krupp being in charge of running the company. Jugochrom got a monopoly for the extraction of chromium ore in Yugoslavia with the elimination of every other German competition.⁹³ At the same time, the German industry began to take an increasing interest in Yugoslav bauxite deposits due to the rapid armament of the mid-1930s. There is no doubt that its companies played a decisive role in the development of the very rich deposits there, which, although exploited on a small scale, accounted for about 10% of total world production. In 1937, the Yugoslav government established its own bauxite processing factory in Lozovac near Šibenik, which already in 1939 produced almost 1,800 tons of aluminum. Regardless of the fact that only Yugoslav citizens could participate in its work, investment and sales went mainly through *AJB*, of course with the financial support of *Creditanstalt* and *Deutsche Bank*.⁹⁴

We should not ignore the fact that in October 1939, within the Kingdom of Yugoslavia, the Banovina of Croatia was formed, which as an economic area was especially interesting to the representatives of the Third Reich. Namely, this Banovina, with 32.08% of the share capital in companies with predominantly foreign influence and 11.67% in those with exclusively foreign capital and there was a third of the total value of shareholder placements in the economy of Yugoslavia.⁹⁵ The entrance for the infiltration of German capital into

⁹³ R. Schönfeld, Roland, *ibid*, p.222.

⁹⁴ B. Jurković, Božidar, *ibid*, p.311.

⁹⁵ According to M. Kolar-Dimitrijević, the Banovina of Croatia was the starting point for the accelerated inclusion of the Yugoslav territory in the "great German economic space", which is why German and Italian diplomacy was

this Banovina was precisely the *AJB*, which is why it was not surprising that Great Britain declared it an enemy bank at the very beginning of the war in 1939 and put it on the “black list”.⁹⁶

In addition to those already mentioned, there were other reasons why this Bank was important to the Germans. A good part of the Yugoslav companies that enjoyed large loans were companies with dominant Jewish capital, and at the same time they were of special importance for the realization of German economic plans. Only in the Banovina of Croatia, 63.70% of the domestic Jewish capital was engaged in industry at that time, which was also engaged in trade in a higher percentage than the capital of the Reich.⁹⁷ These data for the Banovina of Croatia were collected thanks to the *Order with legal force on alienation and operation of companies*, according to which all shops with values over 100,000 dinars, as well as factories and craft shops with values over 300,000 dinars, then banking, insurance companies as well as steamship and traffic companies, regardless of their value, had to provide data for the share holding cadastre, with each shareholder having to state citizenship, nationality and religion, and when changing religion even the religion in which he was born.⁹⁸ The collected data enabled, a year later,

much more involved in the formation of this Banovina than Yugoslav historiography has been willing to admit until the beginning of the 1990s. *ibid*, pp.172-175

⁹⁶ AJ, 65-1127-2111, Report of the Embassy of the Kingdom of Yugoslavia in London to the Ministry of Foreign Affairs of the Kingdom of Yugoslavia KJ MFA, act no 1826, November 13th, 1939

⁹⁷ Fully processed data were published in the paper written by Juraj Mrzljak, under the title *Struktura dioničkog kapitala u Hrvatskoj (Economist, 1942)* see: Mira Kolar-Dimitrijević, *ibid*, p.178; We also note that in 1939, the newly established Banovina of Croatia included the former Sava and Primorska Banovina, as well as the districts of Dubrovnik, Šid, Ilok, Brčko, Gradačac, Derventa, Travnik and Fojnica.

⁹⁸ *Narodne novine*, 246, Zagreb, October 31st, 1940. At the suggestion of Ban Ivan Šubašić, the royal deputies, Prince Pavle, R. Stanković and Dr. Perović, passed the Decree on the Establishment, Business, Alienation and Liquidation

the successful arization of the economy of the Independent State of Croatia (Nezavisna država Hrvatska - NDH).

The German capital achieved great success with the complete takeover of the First Yugoslav Transport Shareholding Company Schenker & Co. (affiliation of the Viennese company of the same name in the sphere of interest of the Bank through *Creditanstalt*). By taking over this company, German economic and political representatives were given the opportunity to control the Yugoslav railway traffic. Also, in an effort to prevent the representatives of Western European countries from producing and refining oil on the territory of the Kingdom, as well as to obtain the same concessions, the German companies Gewerkschaft Elwerath, Preußag, Deutsche Erdöl AG and Wintershall AG led by Neuhausen, founded the company Jugopetrol a.d. in 1939.⁹⁹ Yugoslav kerosene was part of the German efforts to create deposits in the southeast in their sphere of influence to meet most of the future (war) needs for various liquid fuels.¹⁰⁰ As the strongest Western European cartel Yugoslav Shell entered the sphere of interest of this bank, the German representatives were able to change the lending system of priority companies by taking over a significant part of the Bank's share capital.¹⁰¹ Already in 1939, through the new Yugoslav Prime Minister, Dragiša Cvetković, they managed to obtain a large concession for drilling and exploitation of kerosene in the country.¹⁰²

of Business Enterprises in Yugoslavia, with a decision that the Croatian Ban regulates all issues in its territory. On the basis of these legal provisions, Dr. Mirko Lamer, Head of the Department for Crafts, Industry and Trade of the Ban Authority of the Banovina of Croatia, passed on October 31st, 1940, the aforementioned *Order with legal force on the alienation and operation of companies*.

⁹⁹ AJ, 65-1198-2182.

¹⁰⁰ *Nemačka obaveštajna služba u staroj Jugoslaviji*, p.39.

¹⁰¹ Yugoslav Shell, got only one amounting to 2 million dinars in 1939/40: AJ, 151-15-30

¹⁰² German negotiators have combined the issue of obtaining a concession with a

AJB, meanwhile, has undergone important changes in the ownership structure as well as in the composition of the Bank's staff. Negotiations on the sale of 45% of Belgian and Swiss-owned shares were to be completed by September 1940, but the outbreak of war in September 1939 and the occupation of Belgium in the spring of 1940 changed the position of Belgian shareholders in the *AJB* before there was a sale of shares.¹⁰³ Just before the occupation and evacuation of the Belgian government, Foreign Minister Paul-Henri Spaak and Finance Minister Camille Gutt brought together three major bankers in the country: *Société Générale* President Alexandre Galopin, *Banque de Bruxelles* head Max-Léo Gérard and Fernand Collin of *Kredietbank* and founded a special body better known as the "Galopin Committee." Management was entrusted to Alexandre Galopin as *Société Générale* then dominated the Belgian economy and controlled almost 40% of the country's industrial production.¹⁰⁴ The aim of this Committee was to negotiate with the German occupation authorities about the future economic and social policy in the country. A. Galopin launched a controversial economic policy, better known as the Galopin Doctrine, which meant that Belgian

short-term loan of 100 million RM to Yugoslavia for the purchase of industrial products in Germany, which included the purchase of weapons, see: *Nemačka obavestajna služba u staroj Jugoslaviji*, p.156.

¹⁰³ In the first round of negotiations, in January 1940 in Zagreb, which proved to be very difficult, J. Joham offered P. Ramlot 5 Swiss francs per share, which represented 25% of their market value. Ramlot rejected the offer as completely insufficient and asked for 15 Swiss francs per share: *Österreichische Banken und Sparkassen im Nationalsozialismus*, p.438.

¹⁰⁴ *OMGUS - Ermittlungen gegen die Deutsche Bank*, p.221, p.235: *Société Générale* owned significant share in European and world banks such as: *Creditanstalt*, *Banque d'Anvers*, *Banque Belge pour l'Étranger - Paris*, *Banque Belge pour l'Étranger - London*, *Banque Générale de Luxembourg*, *Banque Belge et Internationale en Egypte*, *Banque du Congo-Belge* i *Banque Commerciale du Congo*, and it owned large packages of shares, besides in *AJB*, in *Jugoslawische Unionbank*, and in Rumania in *Banca Comerciale Romana* in Bucharest. It has been estimated that on December 31st, 1939, the capital and reserves of this Bank amounted to 650 million Belgian francs and its overall assets amounted to 6,853.000.000 Belgian francs.

companies should continue to produce under German occupation, provided they produced goods for the Belgian civilian population (such as food or consumer goods), while they should refuse to produce war material that would directly contribute to German war efforts. As for the German occupiers, they were of the opinion that cartel agreements with Belgian and French companies could better serve their interests than dismantling heavy industry in the occupied territories. In practice, however, it has been shown that it was very difficult to distinguish between such "limited" cooperation, so that Galopin's doctrine was widely understood in Belgium as a form of collaborationism.¹⁰⁵

That they were not equal economic partners is also indicated by the fact that on July 9th, 1940, at a meeting of the Working Committee of *Creditanstalt*, it was decided to exclude all representatives of *Société Générale* from the Bank's Board of Directors and not to send them reports on the Bank's work. At the same time, this meant that they were automatically excluded from the work of the *AJB*. Shortly afterwards, they were offered 9 Swiss francs per share, but negotiations failed even then because the Belgians, led by A. Galopin, bravely continued to ask for 15 Swiss francs per share, apparently encouraged by the offer of rival *Dresdner Bank*, which was ready to offer more than *Creditanstalt* for these shares.¹⁰⁶ Thus, immediately after the conquest of Belgium, a great struggle for decisive control of the *Société Générale* began between the two largest German banks, *Deutsche Bank* and *Dresdner Bank* (the latter bore the epithet "Nazi Bank" because of its ties to the German party lead-

¹⁰⁵ More on the Galopin Doctrine see: A. Mommen, *The Belgian Economy in the Twentieth Century*, (London: Routledge, 1994), pp.62-64; G. Kurgan-van Hentenryk, "Finance and financiers in Belgium, 1880-1940", p.332; J. Cottenier, et al, *Dossier La Société générale: 1822-1992* (Bruxelles: Edition EPO, 1989), pp.53-55; Galopin was killed in 1944, when he was assassinated by the members of *Duitsch-Vlaamsche Arbeidsgemeenschap (DeVlag)*, a radical pro-Nazi paramilitary group operating in Flanders at the time.

¹⁰⁶ *Österreichische Banken und Sparkassen im Nationalsozialismus*, pp.438-439

ership and the SS and the financing of their operations). However, in contrast to the political influence of *Dresdner Bank*, there was still a strong enough influence of the President of *Deutsche Bank*, H. J. Abs, especially on the decisions made in the Reich Ministry of Economy. He took over the final negotiations by authorizing the director of *Deutsche Bank*, Alfred Kurtzmeier, to agree with the representative of *Société Générale*, Auguste Callens (former member of the Board of *Creditanstalt*), to sell 116,484 shares in the value requested by the Belgians, i.e 15 Swiss francs or 8 RM per share. It was agreed that 994,773 RM would be paid through the German-Belgian clearing arrangement by October 10 of the same year. In addition, *Société Générale* received only a partial payment of its funds from an account with *AJB* in the amount of RM 660,660. *Baseler Handelsbank* was not jeopardized in any way by this agreement and retained its small stake in the Bank. Representatives of the Belgian capital P. Ramlot and R. Gheud agreed to immediately withdraw from the Board of Directors of the Bank, which opened the door wide to the future nazification and arization of the Bank.¹⁰⁷

In his book “Austrian Banks in the Period of National Socialism“, M. Feldman says that “the fact that the payment to the Belgians, whose country was occupied, was now governed by a clearing arrangement with Germany meant that they were being paid in overvalued Reichsmark rather than Swiss francs”.¹⁰⁸ However, in the investigation conducted by the Financial Investigation Section of the Office of the Military Government for Germany, it was stated that 12,437,657 Belgian francs were transferred to the account in Brussels by October 10th, 1940, for 116,484 shares of *Société Générale* (each worth 15 Swiss francs), so based on the taken over 50.3% of the share capital of *Creditanstalt* and 38.8% of *Société Générale*, it has been calculated that under the control of *Creditanstalt* or *Deutsche Bank* was slightly more than 88% of the share capital of *AJB*.¹⁰⁹ It is not taken into account here that

242 ¹⁰⁷ *OMGUS - Ermittlungen gegen die Deutsche Bank*, p.235.

¹⁰⁸ G. Feldman, *ibid*, p.101.

¹⁰⁹ *OMGUS - Ermittlungen gegen die Deutsche Bank*, p.235.

Deutsche Bank already had 4% of the share capital taken over from *Böhmische Union Bank* as early as 1939. This means that 93% of *AJB*'s share capital was under German control.¹¹⁰ Of the remaining 7% of the share capital, 5.4% remained in the hands of the Swiss *Baseler Handelsbank*, while the rest was in the hands of the Yugoslav *štomani*, among whom the most prominent was Dragan Tomljenović from Juganil AG in Belgrade, which actually belonged to IG Farbenindustrie AG. It was also noted that the Yugoslav government protested against the change in ownership in *AJB*, but that the protests were without any result.¹¹¹

At the same time, measures were taken to recapitalize *AJB*, so that already in December 1940, at the Extraordinary Assembly of Shareholders, a decision was made to increase the founding capital from 60 to 100 million dinars.¹¹² The liquidity of the Bank was also increased when Neuhausen decided to deposit 15 million dinars through funds placed by the *Reichsbank* with the Yugoslav National Bank.¹¹³ There is no doubt that this capital increase has made *AJB* the largest credit institution in the country and the leading German bank in all of Southeast Europe. From that moment on, it became the main channel for financing almost all German ventures, even those that had no economic but political and intelligence goals in Yugoslavia. With its financial strength, it practically put pressure on Yugoslav businessmen to connect as intensively as possible with companies on German territory. The story, which at the same time encouraged the further strengthening of German influence, and thus the arization of the Bank was only a matter of time.

¹¹⁰ AJ, 151-2-2, lists of deposited shares for the XII Assembly of Shareholders on October 10th, 1940 and for the Extraordinary Assembly of Shareholders on December 2nd, 1940; the same information is given by E. Czichon, *Die Bank und die Macht*, pp.274-275.

¹¹¹ OMGUS - Ermittlungen gegen die Deutsche Bank, p.236.

¹¹² AJ, 151-2-2 Extraordinary Assembly of Shareholders on December 2nd, 1940

¹¹³ AJ, 151-2-2 Extraordinary Assembly of Shareholders on December 2nd, 1940

ARIZATION OR “RATIONALIZATION” OF BANK STAFF

Whenever the question of the source of modern anti-Semitism was raised in world historiography, it often started from the changes in the political situation in Europe after the French Revolution. They led to the creation of nation-states, whose economies required a much larger amount of investment capital and credit than those provided to local rulers in earlier periods of history by so-called court Jews. The new opportunities actually gave impetus to the Jewish entrepreneurial spirit. We have seen that they have led to the amalgamation of the wealth of the wealthiest Jews from the countries of Western and Central Europe through the establishment of a new, shareholding type international bank. Great financial power enabled a wider class of wealthy Jews to receive significant privileges, after they managed to enter an important city and financial centers during the eighteenth century. This kind of emancipation did not occur only in those countries, such as Russia and some Eastern European countries, where Jews due to their number and general backwardness were not able to organize into special separate groups, which could be financial support to local governments.¹¹⁴

¹¹⁴ From exceptionally rich literature dealing with the subject of the roots of modern antisemitism we single out: L. Poliakov, *The History of Anti-Semitism, Volume 3, From Voltaire to Wagner*, (London: Routledge, 1975); *ibid*, *The History of Anti-Semitism, Volume 4: Suicidal Europe, 1870-1933*, (University of Pennsylvania Press, 2003); M. Zimmermann, *Wilhelm Marr: The Patriarch of Anti-Semitism*, (Oxford University Press, 1987); L.P. Gartner, *History of the Jews in Modern Times*. (Oxford University Press, 2001); W. Brustein, *Roots of Hate: Anti-Semitism in Europe Before the Holocaust*, (Cambridge University Press, 2003); M. Battini, *Socialism of Fools, Capitalism and*

With the advent of imperialism, it became clear that power did not have to be synonymous with economic power. In fact, it has become more than clear that economic and industrial power were the prerequisites for political power. Jerusalem professor Arthur Ruppin wrote back in 1939 that the Jews who settled in France, Belgium and England until 1880 were exclusively bankers, wholesalers or members of the liberal professions. So they belonged to a higher social class.¹¹⁵ There were no big differences in the countries of Central Europe either. In Austria, they participated in the establishment and development of 25% of various industries, in Poland their participation in various industries amounted to 42.2%, while in Germany 52.2% of the employed in the field of transport and communications were Jews. Their disproportionate representation within certain economic branches, without major political engagements, indicated their collective vulnerability.¹¹⁶ According to Hannah Arendt "non-national, inter-European Jewish element became an object of universal hatred because of its useless wealth, and of contempt because of its lack of power..." while at the same time "family ties were among the most potent and stubborn elements with which the Jewish people resisted assimilation and dissolution."¹¹⁷ It was this large representation of Jews in the economic elites of most countries of continental Europe that was in itself a powerful source of anti-Semitism, probably the strongest, because it persisted for generations.

Modern Anti-Semitism (Columbia University Press, 2016); R. Chazan, *From Anti-Judaism to Anti-Semitism: Ancient and Medieval Christian Constructions of Jewish History*, (Cambridge University Press, 2016)

¹¹⁵ G.J. Rickman, *Conquest And Redemption: A History of Jewish Assets from the Holocaust* (New Jersey: Transaction Publisher, 2007), p.7.

¹¹⁶ *Ibid.*

¹¹⁷ H. Arendt, *The Origins of Totalitarianism*, New Edition with Added Prefaces (New York: A Harvest Book Harcourt Brace & Co, 1973), p.15, p.28.

In a sense, during the second half of the nineteenth and first half of the twentieth centuries, European governments slowly began to cultivate the same faith in the importance of the State's economic power as its economic elite, which successfully convinced them that their positions could only be undermined by a lack of power. Thus, in Germany, after the defeat in the First World War and the severe economic crisis of the 1920s, it quickly followed that State instruments of violence should be used to protect business interests and national property from non-national elements and especially from the Jewish element, which was considered the most dangerous precisely because of its economic power. Once, when through the Nuremberg Laws (1935), this idea became part of the official State policy, it left enough space for the market, by eliminating the economic activity of the Jews, to be completely racially cleansed and to provide the State with significant material benefits.¹¹⁸

According to one of the last thorough researches from the end of the last century, it turned out that the total value of the Jewish property that the Nazis looted in twenty European occupied countries was between 9 and 14 billion dollars.¹¹⁹ Because of that it should come as no surprise that arization (as well as other forms of expropriation of property belonging to Jews) was seen as 'the first thing that needs to be done'.¹²⁰ In fact, there was an organized, institutionalized effort to carry out one of the biggest robberies in history as successfully as possible. The questions that historians have been

¹¹⁸ S. Wolfe, *The Politics of Reparations and Apologies*, (Wien: Springer, 2014), pp.94-96.

¹¹⁹ G.J. Rickman, *ibid*, 8; Albrecht Ritschl concluded by empirical analysis that the Jewish share of Germany's real wealth actually matched the percentage of the Jewish population and that the booty from the Jewish confiscation of property was nowhere near enough to justify an economic interpretation of the Holocaust: A. Ritschl, *Financial destruction: confiscatory taxation of Jewish property and income in Nazi Germany*, Economic History working papers (297), (London School of Economics and Political Science, 2019)

¹²⁰ G.J. Rickman, *ibid*, p.9.

trying to answer for more than 80 years are, how did a good part of Germans and then Austrians in the heart of Europe start believing that it was allowed to isolate, delegatize, rob and finally physically destroy an entire nation?

In Austria, the ingrained belief that Jews were most responsible for Austrian economic problems after 1918 certainly played an important role, although "nowhere had the Jews rendered such great services to the state as in Austria, whose many nationalities were kept together only by the Dual Monarchy of the House of Hapsburg, and where the Jewish state banker, in contrast to all other European countries, survived the downfall of the monarchy. Just as at the beginning of this development in the early eighteenth century, Samuel Oppenheimer's credit had been identical with the credit of the House of Hapsburg, so 'in the end Austrian credit was that of the *Creditanstalt* Rothschild banking house."¹²¹ This, of course, was valid only until 1933, when the State took ownership of this large bank, which was simply overlooked by many contemporaries as well as some later historians, such as Saul Friedländer.¹²² In fact, there were only two Jews on the Board of Directors at the time of the Anschluss in 1938, Oscar Pollack and Franz Rottenberg.

In order to be able to understand the mechanisms by which the arization of a legally speaking Yugoslav banking institution was carried out, it is necessary to look at how it was implemented at its Vienna headquarters, at the moment when the Austrian National Socialists came to power. There, the initial phase, immediately after the Anschluss on March 13th, 1938 (the so-called savage arization), meant plundering and seizing Jewish companies by self-appointed commissioners, as well as directly forcing Jews to sell their property in certain companies for nothing. Two days later, the Decree on the Swearing in of Officials in Austria was passed, on the basis of which

¹²¹ H. Arendt, *ibid*, p.42.

¹²² S. Friedländer, *Nazi Germany and the Jews, The Years of Persecution, 1933-1939* (New York: Harper Collins, 1997), p.243; G. Feldman, *ibid*, p.20.

all public officials had to take an oath of allegiance to Adolf Hitler. At that time, there was a mass resignation in the *Creditanstalt* management. Franz Rottenberg left the bank immediately after the Anschluss, while Oscar Pollack remained for a few more months, solely due to the enormous commitment of the Deputy Chairman of the Supervisory Board, Franz Hasslacher, otherwise an ardent supporter of the Third Reich. The Chairman of the Management Board, Josef Joham, as well as the Chairman of the Supervisory Board, also resigned at that time.¹²³ It would soon turn out that the “non-Aryan question” was a big problem in Austria, which was stated by H.J. Abs himself at the end of March 1938. He told his colleagues at *Deutsche Bank* that out of 125 members of the Vienna Stock Exchange, as many as 103 were non-Aryans, while only 4% of lawyers and jurists at that time were Aryans, and that it was similar in various other professions. In *Creditanstalt* itself, 36 of the 54 leading officials and a total of 148 Bank employees were Jews or were of mixed descent.¹²⁴ As a result, almost overnight, *Creditanstalt*’s leading figure would become former *Wiener Bankverein* employee Rudolf Pfeiffer, a Nazi party activist since 1933. His first task was to implement personnel changes in the Bank, but also in companies that were under the control of the Bank, which actually meant the removal of directors and officials of Jewish origin.¹²⁵

In early November 1938, Walter Rafelsberger, the State Commissioner for the Private Economy, informed the authorities that *Creditanstalt* had been completely “Arianized” by the methodological application of the Law for the Protection of the Austrian Economy of April 14th, 1938, which in fact gave the authorities

¹²³ H. James, *ibid*, p.130.

¹²⁴ It turned out that the “silent arization” of the Bank’s staff began in late 1934 by J. Joham, boasting in a letter to H.J. Abs that the number of Jewish employees, which at the end of May 1931 was 506 (with another 47 newcomers from *Bankverein*), he managed to reduce to 190 only, see: G. Feldman, *ibid*, p.12.

¹²⁵ *Ibid*, p.20.

discretion to eliminate Jewish and other politically undesirable banking officials. G. Feldman writes that the way it was done was extremely humiliating and cites the example of former Board member Franz Rottenberg who was put in a truck by the Nazis to be kicked out of a moving vehicle, which resulted in multiple broken arms. His sudden release was attributed to a chance encounter with a very high-ranking Nazi official, whose life he once saved and who then returned his favor, and it was important at the time that his wife was "a full Aryan".¹²⁶ Other Jewish officials were not so lucky. Oscar Pollack and Deputy Director Ernst Ornstein are known to have been deported and liquidated in 1942, while it is believed that in addition to Deputy Director Otto Russo, there were certainly other cases of suicide of Jewish officials immediately after the Anschluss.¹²⁷

In fact, this, compared to Germany, sudden and rather cruel arization led to the fact that in just eight months, as many as 50,000 Jews left Austria, compared to 10,000 Jews who left Germany in the same period of time.¹²⁸ Staunch National Socialists and anti-Semites were immediately appointed in their place, often without sufficient professional knowledge and education. J. Joham later complained that the departure of Rottenberg and Pollak, as well as the arization of staff, along with new appointments, made the day-to-day operation of the Bank extremely difficult.¹²⁹ Since the

¹²⁶ Encouraged by this rescue, Rottenberg, referring to the Austrian Law on Bank Employees, demanded that in addition to the agreed payment of wages until September 1938 (as was the case with all other Jewish officials), he be paid an annual pension of 10,000 RM monthly and settlement of 67 000 RM based on thirty-two years of service. Most of these requests were rejected by the Bank. Still, Rottenberg survived the war, worked for *Creditanstalt* again, and managed to get compensation for what the Nazis had denied him: G. Feldman, *ibid*, pp.20-21.

¹²⁷ *Ibid*, p.21.

¹²⁸ G.J. Rickman, *ibid*, p.13.

¹²⁹ G. Feldman, *ibid*, p.17.

arization involved the mass confiscation of private property in Austria and Germany, *Creditanstalt*, as the largest Austrian bank and a large industrial holding company, was given a very important role in this process. The confiscation of Jewish and politically unsuitable clients' property then became an integral part of its business.



Unlike Austria, the Kingdom of Yugoslavia was still a sovereign state at the time when the arization of the *AJB* began. There is no doubt that Yugoslav Jews, including those employed by the *AJB*, had largely witnessed the outbreak of anti-Semitism in Central Europe. The pro-German government of Dragiša Cvetković had already hinted that a similar fate could happen to them. Recent research indicates that even D. Cvetković himself gathered local respectable Jews in his house in Niš in late 1940 in order to warn them of what was to happen, even offering to personally provide them with visas for Turkey. But, as the government has already lost all credibility with the Jews by passing the mentioned anti-Semitic decrees, they treated this warning as a “dirty trick” and did not even try to take it more seriously.¹³⁰ *AJB* directors and officials also received warnings from their Austrian counterparts, but there was little they could do to stop the forthcoming arization, which had been apparently prepared for a very long time.

Namely, Franz Neuhausen, then still informal chairman of the *AJB*'s Board of Directors, was appointed by the Foreign Organization of the Nazi Party (NSDAP-Auslandsorganisation)

¹³⁰ N. Ozimić, „Dragiša Cvetković i niški Jevreji u Drugom svetskom ratu“, *Zbornik Narodnog muzeja*, no. 23, Niš, 2014, p.136.

as its commissioner for Yugoslavia in 1933, with the main goal of collecting data on various individuals and companies, especially those with which the German economic leadership would like to get in touch with. And thanks to F. Neuhausen and his trusted people, by 1940 the order of this organization to submit a list of all Jews employed in the *AJB* was carried out.¹³¹ In the middle of the same year, after *Creditanstalt* got rid of the "ballast" of Belgian partners, a final decision was made to "rationalize the Bank's staff", as formulated in the documents for the preparation of the meeting of the *AJB* Board of Directors. It was to be carried out in such a way that by December 31, 1940, only Aryan officials would remain in the Bank.¹³²

The decision on the arization of the bank, which was obviously made in the management of *Creditanstalt*, was the subject of a special discussion at the session of the Board of Directors of *AJB*, held on July 12, 1940. Namely, it was not even mentioned as such in the agenda of the session, but was included in item 2, as a proposal to create a special reserve fund from the profit for the business year 1939 "in order to cover extraordinary expenses related to the reduction of staff that will to be concluded at this session".¹³³ It seemed that in this way the Yugoslav members of the Management Board: Ivo Benkovič, Nikola Berković, Vasilije I. Jovanović and Ivan Ribar, were brought before the final act. That, however, was unlikely. These were people who had long been part of the economic and political elite in the Kingdom and who for years had done everything in their power to facilitate the entry of foreign and even German capital, not only in banks but also in other segments of the Yugoslav economy. For these 'services', they received hefty monetary compensations, so apart from perhaps the moral

¹³¹ *Nemačka obaveštajna služba u staroj Jugoslaviji*, pp.34–51.

¹³² V. Aleksić, *ibid*, 89-92; AJ-151-16-32

¹³³ *Ibid*; AJ-151-2-2.

one, they had no other ‘valid’ reason to jeopardize their positions and stop the arization of the Bank. The signature of Ivan Ribar, former first president of the Assembly of the newly established Kingdom of SCS, leader of the Democratic Party, the lawyer who defended a large number of communists between the two wars and future first president of the Assembly of the Federal People’s Republic of Yugoslavia, in that sense is especially devastating.¹³⁴

The President of the *Landesbank für Bosnien und Herzegovina*, Nikola Berković, was the only one who tried to make a concession for these officials at the time, but even that seemed more like calming their own conscience by proposing to move the proposed deadline or implement a more liberal form to give Jewish officials the option of resigning voluntarily by mid-1941. He underlined the fact that everyone already knew well, that this was a serious number of employees and officials, half of whom had been in this Bank since its very establishment. Having not received any support from other members of the Management Board, he eventually agreed to this decision.¹³⁵

Only a few days later, all *AJB* employees were orally informed about this, which was quite unusual and inconsistent with the Bank’s business practice until then. However, on July 30, 1940, the Belgrade Directorate received a letter from an exemplary employee of the Novi Sad branch, a certain Hans Prohaska, informing the Directorate that after the visit of the director Saal and the conversation he had with the employees of this branch, there was ‘complete disarray’. Namely, the day after Saal’s visit, the deputy director and manager of this branch, Ladislav Scheiber, went on vacation, leaving his deputy, procurator Murgić, without any instructions. Other Jewish officials (10 of them out of a total of 21

¹³⁴ *Ibid*; The Minutes from the session of the Management Board of *AJB*, August 12th, 1940, contain the signatures of all members of the Management Board

¹³⁵ *Ibid*; *AJ*, 151-2-2

employees), if they did not follow Scheiber's example, tried to prevent any further work of the branch with "passive resistance".¹³⁶ It is possible that a similar situation occurred in Zagreb, where 13 Jewish officials out of a total of 56 were employed at the time, but they also held all key positions: Mavro Kandel¹³⁷ as director, Rudolf Markus as deputy director, Rudolf Weil and Eduard Mandolfo as procurators and Alexander Gutentag as head of the department. In Belgrade, out of a total of 51 employees, there were 16 Jewish employees, including director David Hohner, deputy director Željko Polak, procurator Mayer Alkalaj and department head Haim Vidman.¹³⁸ Here, by introducing a ban on gathering and keeping employees on the Bank's premises after working hours, the Directorate tried to prevent the creation of circumstances similar to those in the Novi Sad branch.¹³⁹

However, the situation in the Bank did not calm down, but became more and more complicated and tense day by day, so that regular jobs could no longer be done. The management therefore decided to appear before these officials at the end of July with a proposal that if they want to, they can leave the service earlier, with regular salary until December, and then get the right to severance pay or redemption of pension rights, depending on whether they acquired those rights or not.¹⁴⁰ It can be said with certainty

¹³⁶ *Ibid*; AJ, 151-4-4, correspondence of the Bank's Directorate in Belgrade and the branch in Novi Sad, July-August 1940

¹³⁷ Mavro Kandel remained living in Zagreb during the war and paid for his freedom by selling to the representatives of the NDH the shares he owned in Croatian companies, as well as a significant amount of gold and jewelry. After the war, he fled with his family to Switzerland: *Židovski biografski leksikon/ Jewish Biographical Dictionary*, Mavro Kandel, <https://zbl.lzmk.hr/?p=594> (approached on September 9th 2020)

¹³⁸ *Ibid*; AJ, 151-92 (99)-120 (127), Personal files of *AJB* employees and materials related to Bank staff, 1921 – 1940

¹³⁹ *Ibid*; AJ, 151-4-4

¹⁴⁰ *Ibid*.

that after this announcement, all Jewish officials left the Bank, accepting the offered conditions. Thus, as early as August 9th, 1940, Ludwig Fritscher, a member of the *AJB* Management Board and a member of the *Creditanstalt* presidency, informed Herbert Martini, an adviser to the Reich Minister of Economy, that all Jewish staff, including members of the Bank's Management Board, had been fired.¹⁴¹

As the average age of Jewish employees in Belgrade and the branch in Novi Sad was between 30 and 40, while only six employees were between 40 and 54, the minimum number of employees acquired the right to a pension. Some of them managed to find a new job by the end of 1940, while most of them were still without a job until the beginning of the war, in April 1941.¹⁴² However, there were also employees who left the Bank after the expiration of this period, such as Željko Polak, who walked out on March 31st, 1941, and two employees of the branch in Novi Sad, Mayer Imre, on April 3rd, 1941, and Altver Armin even on June 1st, 1941.¹⁴³ The reason for this postponement of the notice period from three to six months was the introduction of the Decree on the regulation of official relations in case of conscription, from August 10th, 1940, according to which "conscription ... does not terminate official service" (Article 1) or "if the departure for military service occurred after the termination of official service by the employee, but before the expiration of the notice period, this termination of service is not valid" (Article 5). These cases in a way illustrate the effort of the Bank's Management and Directorate to create the impression of orderly application of the legal regulations of the Kingdom of Yugoslavia during the implementation of the decision on "rationalization of the Bank's staff".¹⁴⁴

¹⁴¹ *Ibid*; AJ, 151-2-2

¹⁴² *Ibid*; AJ, 151-92 (99)-120(127), Personal files of employees in the *AJB*

¹⁴³ *Ibid*.

¹⁴⁴ It turned out that the application of this Decree saved the lives of some of

It is interesting that at the XII Regular Meeting of the Bank's shareholders, which was held on October 9th, 1940, not a single word was mentioned about the already "rationalized" or arized bank. We have no trace that any of the few domestic shareholders raised the question of the expediency of this rationalization in the midst of the great expansion of business, to which the bank referred in its annual report and for which it proposed an increase in share capital. That is why it is not surprising that there was no reaction from the Yugoslav public at all. Thus, only thirteen days later, a session of the Management Board of Credittal was held, at which the chairman H. J. Abs confirmed that the "successful arization of AJB" had been carried out.¹⁴⁵

The old Sarajevo director and member of the Management Board, Nikola Berković, tried again, this time at the meeting of the Management Board on December 2nd, 1940, to give a slightly more humane tone to this whole "saga" about the dismissed Jewish officials. He said that the Bank's management, on behalf of "all employees", should send a letter of thanks to directors David Hohner and Mavro Kandel for their many years of flawless, dedicated and diligent work, as well as their contribution to improving the Bank's business policy.¹⁴⁶ It is interesting, however, that in the original

these officials, including Director David Hochner, who, as a reserve officer, was also mobilized during the April War of 1941 to spend the rest of the war in German captivity, see: *Mi smo preživeli... Jevreji o holokaustu*, (editor Aleksandar Giaon), Beograd, 2001; Nothing is known about the fate of other officials; based on insight into the lists of executed, imprisoned in concentration camps in Banjica, Staro Sajmište or deported to Germany, we do not find their names: *Pomenik žrtvama Holokausta u Beogradu, Iz arhivske građe Narodnog odbora i rejona grada Beograda, Remembrance Book of Holocaust Victims in Belgrade*, From archival materials of the City of Belgrade 1st District People's Committee, (Beograd: Istorijiski arhiv Beograda/Historical Archives of Belgrade, 2014)

¹⁴⁵ E. Czichon, *ibid*, p.274.

¹⁴⁶ AJ, 151-2-2: Extraordinary Assembly of Shareholders on December 2nd, 1940

version of the minutes from this session, which was translated from German by an official court interpreter and forwarded to the Ministry of Trade and Industry of the Kingdom of Yugoslavia, there was Berković's appeal in which, among other things: "...he mentions members of the directorate with warm words who leave the Bank and expresses its gratitude to the Board of Directors for the deserving work of these members, who(...) represented the interests of the Bank to the best of their knowledge and skills and fulfilled their duty in difficult times, and asks that this be noted in the minutes. especially through many years he had the opportunity to meet Messrs. Kandel and Hohner in their work and to appreciate them, and to feel compelled, to now at the moment of parting with these excellent collaborators emphasize his satisfaction, which he always felt again when he was able, to observe these gentlemen in their behavior and to follow them in their work, while gaining a deeper conviction that the interests of the Bank are entrusted to people who, due to their education, their experience and their personal qualities worthy of the great trust. He is therefore of the opinion that a written announcement should be issued at the moment of the farewell of these gentlemen. The President (F. Neuhausen) stated that the Directorate would make its proposals in this regard."¹⁴⁷ However, despite the fact that this "announcement" was read at the meeting of the Board of Directors of the *AJB* held on December 30th, 1940, there had been made a second version of the minutes from this session, which was forwarded to the management of the *Creditanstalt*, and from which this appeal by Berković was dropped, and his entire statement was reduced to the first sentence only.¹⁴⁸

(two versions).

¹⁴⁷ *Ibid.*

¹⁴⁸ *AJ*, 151-2-2: Minutes from the session of the *AJB* Management Board held on December 30th, 1940

There is no doubt that the application of the regulations of the Yugoslav state, as well as this official announcement, was a small consolation to the people who, perhaps not with their capital, but certainly with their knowledge and work, were one of the main pillars of the *AJB* for twenty years. Their dismissal from this Bank in the summer of 1940, was, unfortunately, only an indication of much greater horrors that this nation was already going through in some European countries and that it had yet to go through in the years to come.

BANK AND SOCIETY





BANKERS AS PART OF THE ECONOMIC AND POLITICAL ELITE

According to the definition of the German sociologist M. Hartmann, the elite in the most general sense consists of special people or separate parts of social groups, who occupy prominent places in a particular system in accordance with the characteristics that qualify them for these positions, such as heritage, education, work and professional achievements, social position but also certain individual characteristics.¹ The founders of the theory of elites did not once distinguish between the economic and the political elite. They believed that the political elite was the source of revolutionary historical events, in which there was no place for the economic elite. However, after the experience of two world wars and the emergence of Socialism, Fascism and Nazism in Europe, this classical interpretation of the term elite became unsustainable. According to the new approach, in modern societies there cannot be a single elite that is the bearer of social change and progress. New approaches distinguish the elite of values - embodied by members of society who, through education or their activities, best represent the prevailing values in society; then the elite of achievements - whose members are characterized by outstanding achievements in the fields of professional activity as well as special performance skills within the given working conditions;² position elite - which is associated

1 M. Hartmann, *The Sociology of Elites*, (London: Routledge, 2007), p.4.

2 Thus, in developing countries, even reading skills can be declared a measure of being elite as long as literate people represent less than 10% of the population, see: Ž. Koenen-Iter, *Sociologija elita* (Beograd: Clio, 2005), pp.132-133.

with a certain defined structure of action within which individuals occupy “strategic positions” that allow them to decisively influence the decision-making process and the power elite - which often involves holders of power, but they can provoke conflicting feelings in public more often disrespect, contempt and fear than respect, and in some societies authorities and power are often thought of as a source of widespread corruption.³

Precisely for these reasons, there is a clear distinction between the ‘ostensible elite’, which is defined by objective measures of position, from the ‘real elite’ which fulfils the most important social roles and which is always the bearer of progress and modernization of society. Croatian sociologist D. Čengić believes that this typology is one of those that every researcher should get acquainted with before embarking on concrete research of special social groups of the elitist type. “The choice of any typology of elites as research-relevant, after all, comes down to the personal responsibility of researchers according to numerous theoretical determinations and typologies of elites, but also to the specific research situation and available empirical material.”⁴

In Western Europe, during the period of modern history, the most elite part of civil society, by influencing and fighting for its interests, constantly put pressure on the State, gradually liberalizing and expanding civil rights. In these societies, politics and economics were seen as functionally autonomous but interdependent and interacting spheres of society. Here, under certain conditions, political power could turn into economic power, but also economic power could ensure the acquisition of political power. Thus, in the middle of the 19th century, instead of inherited wealth from the past, the backbone of lasting wealth and power began to be

³ D. Čengić, *Ekonomska elita: Vladar iz sjenke? Prilozi ekonomskoj sociologiji* (Zagreb: Institut društvenih znanosti Ivo Pilar, 2016), pp.17-20.

⁴ *Ibid*, p.20.

represented by large banking and industrial corporations, whose rise led not only to a new concentration of power but also to greater internal connection between the ownership class. As most of the shares were owned by bankers and industrialists, which provided them with a position on boards of directors and supervisory boards, it also created the opportunity to expand their visions beyond individual corporations, representing the interests of banks or individual industries and in the end the whole social classes. Their decisions began to determine the direction of the economy, the employment rate, the purchasing power of the population, the method of investment, the price level.⁵

This can perhaps be best seen in the example of Belgium, where since the middle of the 19th century there has been a very high degree of overlap and integration between bankers and other parts of the Belgian industrial and professional bourgeoisie. Thus, until 1918, a seat in Parliament was an important component of social eminence for Belgian bankers. With the adoption of universal suffrage in 1918, the sphere of influence of bankers shifted from Parliament to government itself. At the time, some eminent bankers, such as Georges Theunis and Émil Francq, were invited to participate in government either as finance ministers, or as members of the Belgian delegation to the Peace Conference or to the Reparations Commission. Although the banking reform of 1934 was seen as a victory for proponents of state intervention in the economy, it was actually the result of close cooperation between the liberal Minister of Finance Max-Léo Gérard and Belgian bankers. It turned out that the banks themselves, eager to restore public confidence, were the main force of the reform, and although they accepted the regulation of banking activities, they at the same time carefully took care to preserve their own interests. A few years later, the formation of the controversial “Galopin Committee” only

⁵ M. Hartmann, *ibid.*, p.44.

confirmed the strong influence that Belgian bankers had on the State policy.⁶

Also, the great economic successes of the German business elite enabled the transformation of Germany into the most dynamic economic power in Europe at the end of the nineteenth century, which helped it consolidate its wealth, economic power and prestige in German society. Although at that time German bankers were the elite in themselves, still they as a group did not have the highest status in the business elite, but it could be said that they were an integral part of it. Unlike Belgium, 37% of all bankers in Prussia (including bank directors) were Jews. They played a major role not only in private but also in corporate banking. At that time, among the richest German bankers, as many as 54% of them were Jews, residing mainly in Berlin.⁷ Due to the wide range of knowledge, as well as the networks they had built for decades and sometimes centuries, a similar kind of domination of Jewish private bankers existed in Austria-Hungary.⁸

The greatest wealth of the European economic elite from the end of the 19th and the beginning of the 20th century was extremely rare to be accomplished during one generation. The education that

⁶ G. Kurgan-van Hentenryk, "Finance and financiers in Belgium, 1880-1940", *Finance and financiers in European history, 1880-1960*, ed. Cassis, Youssef, (Cambridge University Press, 1992), p.332.

⁷ D. L. Avgustin, "The banker in German society, 1890-1930", *Finance and financiers in European history, 1880-1960*, ed. Cassis, Youssef, (Cambridge University Press, 1992), p.163.

⁸ What made it easier and faster for Jews to enter Austrian society was the conversion to Christianity. Nevertheless, the examples of the Jewish families Arnstein, Rothschild, Biedermann, Gomperz, Herz, Eskeles, Todesco or Vertheimstein show that it was possible to pursue an economic (and social) career and stay in their religion either out of conviction or out of solidarity with their compatriots. The upper middle class or the upper strata of the bourgeoisie in Austria also behaved very reservedly towards the rising Jewish dynasty, see: P. Eigner et al., *Geschichte der österreichischen Privatbanken*, (Wien: Springer, 2018), p.29.

was necessary to succeed in this business was available only to the wealthy strata of the society. The income of private bankers exceeded the income of bankers in shareholding banks, so in 1911, Baron Albert Salomon Rothschild was at the top of the income pyramid. His fortune was estimated at around 700 million to one billion crowns that year, which made him the richest man in Europe.⁹ Here, it is important to emphasize the role that bankers played as patrons and promoters of science, art and various social institutions. Thus, in Austria-Hungary, the Philanthropic Association was founded in 1879, which was one of the most important charitable institutions in Vienna, and which was supported primarily by Jewish financiers; in the period from 1880 to 1899, only two families, Rothschild and Gutmann, covered as much as 65% of the total budget of this institution. A huge number of cultural and scientific institutions, as well as children's homes, schools, hospitals, homes for the poor and other institutions, financed this part of the emerging economic elite.¹⁰

After the First World War, there were significant structural changes, especially in the Austrian and German economies, which certainly affected the previous role of bankers. In fact, economic factors would contribute to the growing importance of bankers until the beginning of the Great Depression. Although the importance of banks in financing industry has declined, they have simultaneously been given a new and important role in importing capital from abroad. Here again, the international connections of Jewish bankers proved to be extremely useful, which is why the governments of these countries used a number of bankers - among whom were prominent Jews - as advisers and negotiators abroad. At the same time, bankers played a central role in concentrating and merging industrial enterprises. During this period, the banking elite itself became more diverse, both due to the manner of recruitment

⁹ *Ibid*, p.75.

¹⁰ *Ibid*, pp.74-75.

and due to its increasingly active role in the social and political life of Western European countries. At the same time, the time of inflation and the economic crisis of the 1920s contributed to the rise of anti-Semitism and anti-capitalism, paving the way for National Socialism, which in turn brought Jewish bankers increasingly into the position of 'social outcasts'.¹¹

In the Balkans, the process of modernization went in reverse. According to the research of the historian D. Stojanović, the sphere of the State, the sphere of various forms of civil society and the sphere of society - developed almost independently of each other, without real mutual connections. This modernization did not begin with the mutual intertwining of economic, social, political, cultural and other factors, but started quite abruptly, during the creation of nation-states in the 19th century.¹² Therefore, especially in these countries, the emergence of the elite of power is associated with the historical process of nation-building, in which the ruling classes, supporting dynasties in politically turbulent times, enabled the gradual growth of state power, which was then used for personal advancement. "In such historical circumstances, a 'reverse model of development' has emerged in relation to the Western one. Political modernization preceded economic and social, which over time created a strong contrast between state institutions based on models taken from the West and a weakly mobile, poor, agrarian society. That is why in the Balkans, the State appears as a substitute for society, it is the basic driver of development and modernization and the most important source of influence, prestige and wealth for individuals."¹³ This is especially true for Serbia, where the impossibility of forming a separate business elite was closely connected

¹¹ D.L. Avgustin, "The banker in German society, 1890-1930", pp.161-187.

¹² D. Stojanović, „Ulje na vodi – Politika i društvo u modernoj istoriji Srbije”, *Srbija 1804-2004, Tri pogleda ili poziv na dijalog* (Beograd: Udruženje za društvenu istoriju, 2005), p.118.

¹³ *Ibid.*, p.119.

with the fact that the struggle for the expansion of freedoms, but also the struggle against state omnipotence, belonged to that part of society that depended almost entirely on the State given that it educated those belonging to elite, that it enabled them social mobility and ultimately secured them the status of a leading social stratum. In Croatia and Slovenia as provincial and less economically developed parts of the Austro-Hungarian Monarchy, the nascent business elite was a combination of feudal aristocracy that sought to make the transition and establish its traditional interests within civic relations and a range of social strata whose common interests could be marked with the notions of overall liberalization and modernization. In their development and activities, they did not depend on the processes and relations of power in their countries, but primarily on the interests determined in the Austro-Hungarian Monarchy.¹⁴

With all this in mind, it is clear that the study of the process of social creation of the economic, and within it the banking elite in Belgium, Austria and Germany, as well as ordering the results of that process, cannot be compared with that created in Yugoslav countries, as we cannot do that even within these countries themselves. What we can certainly do (and have done for the most part in this book) is to identify the “positions” of certain persons in the corporate or hierarchical structure of government, and then, through identifying the social reputation of such persons, determine what was formal, but also the real influence of these members of the community, who were often without official signs of authority, although they enjoyed great prestige and respect in their professional environment.¹⁵ The study of the representatives of this

¹⁴ J. Jurčević, “Upravljačke elite u suvremenoj hrvatskoj povijesti”, *Upravljačke elite i modernizacija*, eds. I. Rogić, D. Čengić, (Zagreb: Institut društvenih znanosti Ivo Pilar, 2001), pp.81-95.

¹⁵ In sociology, this method is known as a “snowball”, see: R. Putnam, *The Comparative Study of Political Elites* (New Jersey: Prentice-Hall, Englewood Cliffs, 1976)

so-called “strategic elite” is especially important, not only in the context of their emergence and development, but also in the context of their sudden and sometimes violent disappearance.



Well-known Yugoslav economist Ljubomir St. Kosier, analyzing Zagreb’s banking in 1929, wrote with inspiration that “..when you walk on that slippery asphalt from Jelačić Square through Ilica and Jurišićeva Street, through that banking artery of the Croatian metropolis(...)all large and a significant number of small of banking institutions are lined up(...) *Wiener Bankverein* moved from Jelačić Square to Jurišićeva Street, even though Ban had been pointing with a sword to its marble plate for a decade. Indeed, in Zagreb’s banking, in addition to the great traditional respect for Ban Jelačić, there is also great respect in front of the blade of his sword. No banking institution that stood in front of his sword could withstand the critical view of this great patriot and military leader(...) Now there are no more banks on that main front of Jelačić Square, and instead the company Meinl roasts good coffee and its intoxicating smell captivates passers-by, and the smoke is reminiscent of the sacrifices that Zagreb banks have unsuccessfully made to their god Mercury for years.”¹⁶

Taught by this Zagreb ‘experience’, the old Austrian bank has been located in Belgrade, right behind the ‘critical eye and the blade of the sword’, of another, equally famous historical figure, whose monument adorned then, as well as today, Belgrade’s largest square. There, in Čika Ljubina no. 20, in the old “Grand” hotel, the Bank took over an entire floor, and rearranged the bedrooms into

¹⁶ Lj.St. Kosier, “Zagrebačko bankarstvo”, *Bankarstvo*, no. 2, Zagreb, February 1929, pp.50-51.

offices.¹⁷ In this small and cramped space, about 69 clerks and 5 servers have worked since 1928, while in the spacious and very monumental and representative Zagreb Palace, in Jurišićeva Street no. 22, 99 clerks and 25 servers worked at the same time. This palace was built in the period from 1921 to 1923 on the basis of a project made by Viennese architects specializing in the construction of bank buildings, Ernst Gotthilf and Alexander Neumann. The exterior of the building, as well as its rich interior equipment and decoration were part of the artistic expression Art-Deco, a total design that met the then requirements for practicality and functionality of banking premises while emphasizing the representativeness and monumentality of this extremely modern banking palace.¹⁸

Neither the Novi Sad nor the Ljubljana branches had their own buildings. The first was located, with 14 employees, in rented premises in the centre of Novi Sad, and the second rented the working space (with eight employees) from the Ljubljana branch of the *State Mortgage Bank*, in Aleksandra Street no. 6.¹⁹

Two, extremely striking phenomena of Yugoslav and European banking, which enjoyed a great reputation and deep respect among their contemporaries, left a big mark on the work of *AJB*, as well as on over 200 workers who passed through this Bank in the period from 1928 to 1940. Thus, "... Mr. Weinberger in dealing with people is natural, without acting. He is a negation of a nerd. He never pushed forward, he did not take anyone's place or fame, he did not

¹⁷ The owner of Hotel "Grand" was Dušan Đ. Miličević, the first educated hotel manager in Belgrade and until his death in 1939, one of the leading figures of the Yugoslav Masonic lodge, see: *Narodno blagostanje*, XI, 35, Beograd, September 2nd, 1939, p.553.

¹⁸ "Zgrada hrvatske podružnice Wiener Bankverein na križanju Jurišićeve i Palmotićeve": Old Zagreb, <https://licegrada.hr/zgrada-hrvatske-podruznice-wiener-bankverein-na-krizanju-jurisceve-i-palmoticeve> (approached on September 15th 2020)

¹⁹ *AJ*, 151-10-17(18)

ask anyone to impress. He considered his success as a director as a natural duty of a man in that position. He never tried to cash in on his position in favour of vanity and ambition, because those qualities are completely foreign to him. He is intelligent and witty without vanity and envy... “.²⁰

As a long-term director and chairman of the Board of Directors, Hugo Weinberger, in addition to working on the Zagreb-Belgrade route for fourteen years, had a difficult task in 1928 to divide the work in this large Bank and at the same time coordinate the work of all departments, as well as the work of the Bank Directorate and later the branch offices. He was one of the best experts on economic conditions in almost all matters considering both national and world economy. He enjoyed the great trust of the Vienna Executive Board, which, without consulting him, did not make any important business decisions. The respect shown to him by the other directors and procurators of the Bank could almost be understood as the awe.²¹

To most employees, Weinberger was the highest instance that could be reached, given that the real owners, as foreign nationals, rarely showed up, and even less often interfered in the internal business organization and mutual personal relations in the Bank. Of course, for such selfless work, he was extremely well paid for the circumstances at the time. Precise data on his annual earnings were not available to us, but documents have been preserved that speak in detail about his retirement in 1932.²² They reflect not only the

²⁰ “Obaveštajna služba – novčarstvo”, *Narodno blagostanje*, V, 1, Beograd, January 1st, 1933, 13; there is not much preserved data about him. Based on the *Jewish Biographical Dictionary*, we came to the information that according to the title, he certainly graduated from the Faculty of Law and was one of the most prominent representatives of the Zagreb Jewish Community, see: Weinberger, Hugo: <https://zbl.lzmk.hr/?p=2718> (approached on September 15th, 2020)

²¹ AJ, 151-4-4, Director Hugo Weinberger’s file 1928 - 1932

²² AJ, 151-1-1, Minutes with item 4c from the session of the AJB Board of Directors, held on June 7th, 1935 in Belgrade

significant salary of a Bank director so far, but also another important moment, and that is the attitude of foreign owners towards its “retired” high-ranking official.

Namely, from January 1933, Weinberger received a monthly pension in the amount of 23 thousand dinars.²³ This amount of money was quite high at that time, especially if we keep in mind that the annual rewards of the members of the Management and Supervisory Boards then amounted to between 15 and 20 thousand dinars, and that the Bank’s shareholders, since 1930, renounced its dividends (5% per annum of the Bank’s net profit) in favour of the reserve fund to cover possible losses.²⁴ However, due to the worsening economic conditions in the country, as well as due to the reduction in the volume of the Bank’s business, there was a general reduction in the salaries of employees. For these reasons, the Executive Board made a decision

²³ Ibid; According to Art. 52 of the rules “Rules” of AJB, the Bank established as early as 1928 a special pension fund for its permanent employees in which it paid 2% of the Bank’s net annual profit.

²⁴ AJ, 151-1(2)-1(2) Minutes from the sessions of the Board of Directors of AJB, from 1931 to 1939. Due to the great importance that the distribution of net profit had for each bank, we quote in its entirety Art. 50 of the “Rules” of AJB, according to which: “Achieved net profit is divided in the following way: 1) at least 5% of net profit for the regular annual reserve fund until it reaches 10% of the basic principal, after which the Shareholders Assembly can allocate less than 5% of net profit to the reserve fund and, 2) of the remaining net profit not more than 5% of the paid principal in the name of dividends to shareholders, 3) of the remaining net profit of 10% on the Board of Directors in the name of royalties, 4) of the remaining 2% for the pension fund of social officials and clerks and 5) what is left of the net profit after the payment under the previous points is distributed among the shareholders as a super dividend if the Shareholders Assembly at the proposal of the Board of Directors does not decide that this surplus is used in whole or in part to strengthen the regular reserve fund that is, the reinforcement of an already existing special reserve fund, or for some other purpose. Dividends and super dividends shall be paid no later than two months after the conclusion of the Shareholders Assembly, and shall become obsolete within three years from the date of the respective meeting, in favor of the regular reserve fund.” Minutes from the meeting of the Managing Board of AJB, od 1931 - 1939

in 1935 to reduce Weinberger's pension to 8,000 dinars. And while the above amount was quite high, this new one was incomprehensibly low, especially if compared to the monthly salaries of active directors, which then averaged about 13 thousand dinars, with an additional annual reward of at least 7 thousand dinars.²⁵

As the old director could not easily come to terms with such an obvious degradation, the problem of his pension reached the Court, where, after several very painful hearings, both parties agreed that the pension should be reduced, but to 16 thousand dinars per month, with banning the Bank from requesting any new revision in the future. It seems that the agreement was made to the mutual satisfaction, because, on the one hand, the Bank's savings from this pension reduction, as well as the difference in taxes, amounted to a little over 100 thousand dinars a year,²⁶ and again, according to the press at the time, 'the impression that: "...Mr. Weinberger always gave to others to live. He is generous... He knows how to distinguish his own from the Bank's and kept the latter as a conscientious proxy. Today it is increasingly difficult for someone in his place. As much as his retirement is the loss for the Bank, so much it is the gain for him."²⁷ Although the archival sources available to us do not support the thesis that Weinberger resigned due to the economic crisis,²⁸ this can certainly be correlated with the fact that, after finishing his banking career, he worked as the director of Radio Zagreb for a while.²⁹

²⁵ AJ, 151-1-1, Report with item 4c from the session of the Board of Directors of AJB, held in Belgrade, June 7th, 1935. In the same year, the director of the Belgrade Office, Nikola Đorđević, retired, whose pension, according to the Minutes from the Board meeting of October 24th, 1938, amounted to 15,600 dinars per year, regardless of the fact that at one time as a director he received a monthly salary in the amount of 17,500 dinars.

²⁶ Ibid, Report with item 2d from the session of the AJB Management Board, held in Belgrade, December 10th, 1935.

²⁷ "Obaveštajna služba – novčarstvo", p.13.

²⁸ G. Feldman, *ibid*, p.224.

²⁹ *Jewish biographical lexicon: Weinberger, Hugo*: <https://zbl.lzmk.hr/?p=2718>

At the same time as one was leaving this small banking stage, another famous banker stepped on it. It was Edmond Goldschmidt, a Czech citizen, born in 1888 in Bucharest, where he finished high school, while he graduated from the Trade Academy in Vienna in 1907. He was appointed to a leading position in the *Société Générale de Belgique* as a young clerk, in 1911, first in its affiliation in Bulgaria, and later in Romania and Austria. He was the holder of many Romanian and Belgian decorations. In 1931, then already in the position of General Manager of *Banque Belge pour l'Étranger* and representative of its interests in Central Europe and the Balkans, at the age of 43, he was appointed instead of Georges Theunis as a representative or commissioner of Belgian capital and a member of the *AJB* Board. He lived in Vienna and was fluent in German, French, Czech and Romanian, and during his frequent stays in Yugoslavia he also learned Serbo-Croatian.³⁰

Until his appearance in this Bank, there was no function of general director. As a foreign national, Goldschmidt had to renew his residence permit every year. After the introduction of the new Regulation on the Employment of Foreign Nationals on March 29th, 1935, he was appointed to the position of general director, primarily in order to protect his right to permanent residence in Yugoslavia.³¹ Although the position of the general director was not foreseen by the “Rules” of the *AJB*, the exception made by his appointment did not change the previous internal organization of the Bank. In the conditions when, with the departure of Weinberger, the place of the Chairman of the Management Board remained vacant, this position enabled him to supervise and coordinate his work with the Bank’s longtime directors Mavro Kandel, David Hohner, Fran D. Faval and Juraj Pajanović. Goldschmidt did not have a salary, but received a

(approached on September 15th, 2020)

³⁰ AJ, 151-4-4, Files of general director Edmond Goldschmidt 1931-1940

³¹ *Službene novine Kraljevine Jugoslavije (Official Gazette of the Kingdom of Yugoslavia)*, no. 76, March 30th, 1935; AJ, 151-4-4

regular annual award for his work, in addition to approximately the same amount that he received in the name of royalties as a member of the Board of Directors (about 50 thousand dinars). A certain annual amount was also allocated to him as compensation for travel expenses (around 30 thousand dinars). It should not be forgotten that this was in fact Goldschmidt's fee, given that he received a fixed salary as director of the *Banque Belge pour l'Étranger*.³²

Goldschmidt really played a key role in the life of this Bank. During the Great Depression after it, he lived on the Zagreb-Belgrade route for five years, trying to improve the Bank's business, reduce previous losses and conclude new, more profitable deals. One of his greatest contributions was certainly the consolidation of the Bank's large claims in the period from 1934 to 1938. Thus, he proved in the best way his great professional knowledge and skill in running current affairs, which enabled a complete recovery of the Bank and a gradual but sure increase in employees' salaries, especially in the last years of his leadership (1937-1939).³³

With the arrival of the German representative G. Saal in the *AJB*, it quickly became clear to Goldschmidt that there would be no place for the two general directors of the Bank, so in May 1939 he resigned as a member of the Board of Directors. There is no doubt that the new German director treated Goldschmidt with great respect. So, at the suggestion of Board member Nikola Berković, who persuaded his superiors to keep Goldschmidt in the Bank as adviser and representative of Belgian capital, his departure was postponed until March 31st, 1940. Berković did this not only because of Goldschmidt's many services to the Bank, but also because Goldschmidt only needed a few months to cover the ten-year period of residence in the country required to obtain Yugoslav citizenship. However, in November 1940, Goldschmidt decided to leave Yugoslavia and move to Atlantic City (New Jersey), from where he

³² Ibid.

³³ V. Aleksić, *ibid*, 95-96; AJ, 151-2-2 and AJ, 151-4-4

was the legal representative of the Zagreb *AJB* until the beginning of the war. Some data indicate that he even managed to get some money that the Bank owed him in the name of severance pay.³⁴

The letter sent to him in March 1940 (when he left the bank) by all *AJB* employees speaks volumes about how much they respected his personality and appreciated his banking knowledge and experience:

“Dear Sir,

Your departure from our institution fills us with deep sorrow, because we are aware of all that you have done for our institution and for us. When you took over your functions in our Bank less than nine years ago, you found it in a difficult situation due to the circumstances at the time. Your dedicated work and tireless efforts are most to be thanked for the rehabilitation of the Bank and for enabling it to continue to operate successfully. You had a lot of understanding for our interests in every respect, you did everything in your power to make those measures as sensitive to us as possible. It should also be pointed out that you have met each of us who had the opportunity to come into personal contact with you always pleasant and with much benevolence. For all this, please accept the expressions of our heartfelt gratitude with our sincere wishes for every good in your life and further work.

Saying goodbye to you, we ask you, dear sir, to keep us in a good memory as we will have a lasting memory of your work in this institution.

Clerk men, clerk women and other employees of the *Allgemeiner Jugoslawischer Bankverein*.”³⁵

³⁴ It is interesting to note that in the file of Belgrade residents, most of those with the surname Goldschmidt had American citizenship, while the others had German, Austrian or Hungarian, see: Historical Archives of Belgrade (IAB), fund: Belgrade City Administration - residents file (digital repository).

³⁵ V. Aleksić, *ibid*, p. 97; AJ, 151-4-4

ABOUT BANKOCRACY

Bankocracy is a term that came into use with the emergence of large banks and their growing dominance in the financial capital market. It originated from the English word 'bank' and the ancient Greek word 'κράτος - kratos', which means power or rule. It refers precisely to the excessive power or influence of banks in creating public policies, while today it increasingly refers to the form of government in which financial institutions govern society. In the first volume of *Capital*, Karl Marx gives his view of the emergence of "modern bankocracy" through the creation of public debt, which in his opinion is the source of the international credit system, stock market gambling and modern taxation. "But further, apart from the class of lazy annuitants thus created, and from the improvised wealth of the financiers, middlemen between the government and the nation - as also apart from the tax-farmers, merchants, private manufacturers, to whom a good part of every national loan renders the service of a capital fallen from heaven - the national debt has given rise to joint-stock companies, to dealings in negotiable effects of all kinds, and to agiotage, in a word to stock-exchange gambling and the modern bankocracy".³⁶ In his book *Bankocracy*, the French historian and political scientist Éric Toussaint, relying on this Marxist setting, pointed out that the governments of the world's largest industrialized countries had dramatically increased their public debt to save private banks after the worst economic and financial

³⁶ K. Marx, *Capital, A Critique of Political Economy*, Volume 1, Book One: The Process of Production of Capital, pp.535-536.

collapse in 1930s. Thus, the payment of debts and the reduction of fiscal deficits everywhere became the perfect excuse for the application of austerity measures. Banks have found themselves at the center of modern capitalism because they generate the bulk of financial profits, have a huge influence on policy-making, and are key to financial markets.³⁷

In Serbia, the notion of bankocracy was introduced into the public discourse by the writer and MP Jovan Skerlić. In the years before the beginning of the First World War, he called the politicians of the ruling Radical Party *bancocrats* because through their membership in the management and supervisory boards they favored certain domestic shareholding banks in relation to others, and extracted very high fees for services, sightlessly getting rich..³⁸ That Skerlić did not exaggerate in the slightest is proven by the example of the failed *Privileged Export Bank*, which was saved from bankruptcy by his party colleague and former Minister of National Economy Milorad Drašković. He was “the only one able to secure the rehabilitation of the Bank with the help of his political connections. Before the war (World War I) there were very few opportunities to obtain a larger amount of deposits, so the most respected directors were those who were able to obtain loans from the bank at favorable interest rates so that they could expand their business. The banks

³⁷ He states that in the middle of the 19th century in Great Britain, then the dominant world financial and banking power, the assets of the financial sector represented less than 50% of GDP; the three then largest banks did not have more than 5% of total GDP. In 2012, the total assets of the financial sector accounted for more than 1000% of GDP, and the assets of the three largest banks in the UK were together worth 350% of GDP. Thus, the growth of the volume of balance sheets of these three banks compared to the country's GDP was: 5% in the mid-nineteenth century, 7% in the early twentieth century, 25% in the early 1950s, 75% in the late 1990s, reaching 350% in 2012, see: Toussaint, Éric, *Bankocracy*, (Melbourne: Resistance Books, 2015), pp.242-243.

³⁸ “Luka Čelović”, *Narodno blagostanje*, 29, Beograd, August 24th, 1929, p.477.

which developed were those that managed to get such favorable loans primarily from the National Bank, because its loans were long-term ones and with the lowest interest rate. Thus the Serbian banks were a mix of mutual loans.”³⁹

The very fact that we find this quote in the officially published document on the work of the *Privileged Export Bank*, speaks of the fact that in Serbian society even before the First World War, the participation of politicians in the work of banks was considered a special kind of privilege. Although some shareholders were dissatisfied with the fact that such banks generously lend to economic consortia whose boards included members of the boards of those same banks, the explanation of the President of the Association of Banks, Vlado T. Marković, went in the direction that, for example, *Export Bank* (whose member of Board of Directors was himself) “lends to individuals as well as various companies and consortia. For the latter, they give bigger and stronger guarantees and can absorb larger and stronger amounts of money, i.e. get larger loans, in order to be able to work at all.”⁴⁰ For all members of the management boards of domestic banks, including the *National Bank of Serbia* and later the Kingdom of Yugoslavia, the common place was that they owned a huge number of real estate and engaged in renting business, that they were members of the boards of various other banks, savings banks and industrial companies, that is, that they, as individuals, had concentrated political power. The persons who joined the boards of directors came from the same financial, banking and political milieu and were certainly in a privileged position, because the rules that applied to other loan users did not apply to them.⁴¹ Belonging to political parties (after 1918 it was the Radical

³⁹ V. Aleksić, “Connection between State and Shareholdings Banks in Serbia up to the Second World War – Case study of the *Export Bank a.d.* (Part one)”, *Bankarstvo*, Vol. 40, 9/10 2011, p.121.

⁴⁰ *Ibid.*

⁴¹ S. Jerković, *Narodna banka Kraljevina Srba, Hrvata i Slovenaca/*

and Democratic Party) was not something that was kept secret. “It is a specialty of our money, that post-war banks are divided by parties, in fact that they themselves play a certain role in politics itself, regularly through their own press.”⁴²

One of the greatest economists of the time, Nikola Stanarević, wrote that bankocracy in Yugoslav society acted in two ways. On the one hand, through State institutions, and with the help of politically influential people such as ministers, MPs and senior government officials in management boards, who performed very successfully tasks such as leasing goods, obtaining concessions, removing sequestration, deliveries and others, while on the other hand, with the help of such banks, which influenced the media, financed dailies and “bought consciences and put voters in a dependent position.”⁴³ The dependence of politicians on plutocracy was considered so great that the practice of intervention of ministers and MPs, as well as the nepotism reflected in the engagement of the closest relatives of government members in speeding up procedural procedures in various ministries, caused great damage to general interests and the State treasury, enabling corruption to spread unhindered.



At *AJB*, specially engaged lawyers played a major role in the business, in addition to significant fees. Their work was officially reflected in the legal representation of the bank before the state,

Jugoslavije 1918-1931. godine, (PhD dissertation), University of Belgrade, Faculty of Philosophy, 2018, pp.377-379

⁴² I. Belin, „Krizna naše privrede“, *Nova Evropa*, book VIII, 11 i 12, (1923), p.309.

⁴³ N. Stanarević, „Bankarska hronika“, *Bankarstvo*, no.8, Zagreb, 1924, p.398.

in resolving court disputes with the bank's debtors, as well as in informing about all changes in the Yugoslav legislation that would be of interest for the bank's operations. Unofficially, they had to be in personal relations with members of the government or the most important representatives of leading political parties, on who even the current affairs of the Bank often depended, such as obtaining a residence permit for foreign officials.

Its most important representatives were: Ivan Ribar (member of the Main Board of the Democratic Party, MP and member of the Bank's Management Board), Rafailo Finci (member of the Democratic Party, president of the Belgrade Jewish Community and shareholder of the Bank), Vasilije I. Jovanović (member of the Radical Party and the Bank's Board of Directors) as well as Pavle Mijatović (member of the Bank's Supervisory Board).⁴⁴ The legal representative of the Novi Sad branch was Pavlas Ignjat, at one time extremely politically active as the founder and vice-president of the Vojvodina Provincial Government and the founder of the Department for Vojvodina in the Ministry of Internal Affairs of the Kingdom.⁴⁵ Ivo Benković was a representative of the Ljubljana branch and a member of the Bank's Management Board, otherwise in close ties with Anton Korošec, the leader of the Slovene People's Party and a member of the Yugoslav government for several terms.⁴⁶

When the plan to establish the *Wiener Bankverein* branch in Belgrade was successfully implemented in 1921, all legal work was entrusted to lawyer Vasilije I. Jovanović. It was a time when the citizens of Serbia and the former provinces of the Habsburg monarchy accused each other of bringing the seeds of corruption into the new state. While in the western parts of the country corruption

⁴⁴ AJ, 151-6-6, Files of the lawyer of the AJB.

⁴⁵ *Ibid.*

⁴⁶ AJ, 151-4-4, Ivo Benković's correspondence with the Bank's Management Board, December 1940.

was identified with the ruling elite in Belgrade, the Radical Party, which dominated the political scene of the newly established Kingdom, understood democracy primarily as the rule of the people, as opposed to foreign authorities and foreign influences. For that Party, increasing economic contacts with foreign countries, along with an increasing number of foreigners in Belgrade, were a clear sign of growing corruption.⁴⁷ In that sense, the election of Jovanović as a high-ranking official of the Radical Party and a close associate of Nikola Pašić, was an extremely prudent move by the Bank. The fact that *Wiener Bankverein* then ‘paid’ for her return to the economic scene by approving a million-dollar loan to the Yugoslav government is very indicative, although we did not find details about it in the Bank’s archives in Belgrade.⁴⁸

That the situation on the political scene of Yugoslavia did not change much until 1928, was confirmed by the re-engagement of lawyer Jovanović, but this time for the job of liquidating the former branch. At the end of the same year, he submitted a report on the costs of representation, which included his fee. The amount was, for example, 86,880 dinars.⁴⁹ If we add to that the royalties, which he received as a member of the Management Board for the same business year, in the amount of 24,668 dinars, as well as the corresponding dividend which he also received as a shareholder at that time, his annual salary exceeded 100 thousand dinars. Compared to the director of the Bank (with the exception of Weinberger because he was also a member of the Management Board), this was not an ‘enormous’ amount of money that the

⁴⁷ K. Buchenau, “Korruptionimersten Jugoslawien (1918-1941). Eine Skizze zu Diskurs und Praxis”, *Südost-Forschungen*, 72 (2013), pp.98-132.

⁴⁸ F. Weber, *Vor dem großen Krach: Österreichs Banken in der Zwischenkriegszeit am Beispiel der Credit Anstalt für Handel und Gewerbe*, (Wien: Böhlau Verlag GmbH & Co, 2016), p.34.

⁴⁹ AJ, 151-6-6, Report on costs and fees of the lawyer Vasilije I. Jovanović for 1928 business year.

Belgrade Bazaar often buzzed about at the time when it came to lawyers' incomes in foreign offices. During 1928, for example, David Hohner, as the director of the Belgrade office, received 227,500 dinars (17,500 dinars per month, plus the 13th salary), and he also received a regular annual award of at least 15,000 dinars.⁵⁰ If we calculate 15% of the Bank's net profit (which ranged between 4.1 and 5.7 million dinars from 1928 to 1931) in the name of royalties and dividends, we will see that all Yugoslav representatives in the management, which were also shareholders, as well as other Bank officials (lawyers, directors and minor procurators) had quite large annual salaries. Thus, in 1929, from the net profit of the Bank, which amounted to 4.1 million dinars, a sum was set aside for the reserve fund in the amount of 205 thousand dinars; 194,750 dinars were allocated to shareholders in the name of dividends, and 370,025 dinars in the name of royalties to members of the Management Board. This meant that each member (there were 15 in total) received 24,668 dinars; only 66,604 dinars were allocated to the Bank's pension fund that year.⁵¹

If we now compare the income that employees in the *National Bank of the Kingdom of Yugoslavia* had in the same period, which ranged from 120 to 216 thousand dinars for directors, 33 to 65 thousand dinars for assistant directors, 14 thousand dinars for senior officials and up to 6 thousand dinars for other officials,⁵² we easily come to the conclusion that the rumor about inappropriate enrichment in foreign shareholding companies was a phrase that was obviously introduced for daily political purposes by the spokespersons of the later socialist-economic system.⁵³ What was true, but also a practice that was not the Yugoslav exclusivity of that time, was

⁵⁰ AJ. 151-90-115

⁵¹ Ibid

⁵² S. Jerković, *ibid*, p.418.

⁵³ S. Dimitrijević, *Strani kapital u privredi bivše Jugoslavije*, p.225.

at the same time membership in the management boards of a large number of shareholding companies. Thus, the Yugoslav representatives in the *AJB* were at the same time members of the management boards in several other banks and companies in the country, where they also received large sums in the name of royalties and dividends. With the permission of the Bank's Executive Board in Vienna, David Hohner was on the boards of seven other Yugoslav companies at the same time, as well as a member of the supervisory boards of three more. In addition to him, four of his colleagues from the Belgrade office were members of management and supervisory boards in at least a dozen companies in the country, whose interests they often represented in the Bank itself, for which they were especially rewarded.⁵⁴ Precisely because of that, the banks were the target of public criticism, and the National Bank was especially targeted. At the same time, its members were members of the management boards of private banks. Interesting enough, private banks were in favor of the policy of the Central Bank who tried to lower interest rates and provide more favorable loans. In most cases the users of these loans were precisely the members of the administrative and supervisory boards of private banks that also sat on the Board of the National Bank. For them, private banks were just the places from which they could obtain cheap money. One of the permanent criticisms related to credit policy, which lasted through the entire period between the two world wars, was that the National Bank did not approve loans directly to businessmen, but did so through private banks that actually charged for their intermediary services.⁵⁵

However, the general political and economic conditions in the country in the period from 1931 to 1935 inevitably brought with them a wave of changes. Thus, the Law on the National Bank of the

⁵⁴ V. Aleksić, *Banka i moć*, p.99; AJ, 151- 38-62

⁵⁵ S. Jerković, *ibid*, p.253.

Kingdom of Yugoslavia from 1931 brought changes in the perception of the qualifications of members of the management. As the Central Bank was then charged with taking care of money as a public service, its members began to be considered public servants. Consequently, unlike earlier times, much greater knowledge and professional qualifications began to be expected from them.⁵⁶ In the same period, due to the deteriorating operations of the *AJB*, there were significant changes in this Bank. According to the report from the session of the Board of Directors, which was held in the summer of 1935, it can be seen that, for the previous four years, the fees, annual rewards and salaries of officials were reduced by an average of 60%, and dividends were completely abolished.⁵⁷ After 1935, the situation gradually improved, but the amounts never reached those from the beginning of the Bank's existence. Thus, the monthly salary of the mentioned director David Hohner, in 1937 and 1938, amounted to 14,225 dinars (184,925 dinars per year) and the regular annual award was 15,000 dinars.⁵⁸

The very proclamation of the dictatorship in 1929 was presented to the public as a concrete engagement of King Alexander in destroying the previous source of corruption in Yugoslav society. It was pointed out that the new government of General Petar Živković was guided exclusively by the general national interest, which implied strict supervision of all officials and elimination of corruption problems in the very beginning. Already in the first few months, an anti-corruption law was passed in which the focus was mainly

⁵⁶ *Ibid.*

⁵⁷ *AJ*, 151-1-1, Report with item 4c from the session of the Board of Directors of the *AJB*, held in Belgrade, on June 7th, 1935. The annual award to the members of the Management Board amounted to between 15 and 20 thousand dinars until 1940

⁵⁸ *AJ*. 151-90-115, Comparative review of salaries of active employees of *AJB*, 1937 and 1938

on drastic punishments, including the death penalty.⁵⁹ The problem, however, was that even the new political nomenclature, led by King Alexander, did not allow high-ranking state officials to come under fire from the public. Thus, a large financial affair remained outside the reach of the Yugoslav public, which shook the oldest Serbian bank, *Beogradski kreditni zavod*, and almost led to bankruptcy, among others, a large number of Belgrade university professors who had significant savings in this Bank.⁶⁰ Nothing was known about the “silent” disintegration of the Matejić Consortium due to a debt of an incredible 93 million dinars, whose owner was actually an extended hand of the Prime Minister Vojislav Marinković and King Alexander himself.⁶¹ Instead, the State attacked the operations of provincial banks, petty speculators and banknote counterfeiters with all its might. *Politika* and other dailies were flooded with feuilletons about ‘scandalous’ embezzlement of small shareholding banks such as *Niška industrijska i trgovačka banka*, *Pančevačka kreditna banka* or *Kosovska kreditna banka*, whose board members received disproportionately large prison sentences, while the banks themselves ended up in bankruptcy liquidation, which led to the complete financial ruin of petty investors and savers.⁶²

We have seen that the second half of the 1930s was marked by the politics of Milan Stojadinović. In fact, it was a great ‘come back’ of this politician after he fell into the disfavor of King Alexander in 1926, which resulted in a ban on performing all state functions until the king’s death in 1934. It was about the fact that Stojadinović,

⁵⁹ K. Buchenau, *ibid*, p.98-132.

⁶⁰ V, Aleksić, “Connection between State and Private Shareholding Banks in Serbia up to the Second World War – Case Study of the Belgrade Crediting Institute“, *Bankarstvo*, Vol. 41, 5 (2012), Beograd, p. 72.

⁶¹ AJ, 65-1116(1128/1212/1238)-2100(2112/2196/2222)

⁶² *Politika*, June 5th, 1936, p.10; June 10th, 1936, p.12; July 25th, 1936, p.10.

while he was leading the Ministry of Finance, became enormously rich by speculating on war damage bonds, while making it known that the King himself received a commission, although he kept the profit exclusively for himself. According to another, very similar version, Stojadinović boasted among his political friends about cooperating with the King in business embezzlement, which cost him his resignation and “charitable” investment of money in the construction of the Student Home in Belgrade.⁶³

According to *AJB* board member Ivan Ribar, the King did not actually tolerate anyone else hoarding money on his behalf, but he personally did not consider it inappropriate to take commissions on transactions in which the State was interested, as long as he himself received a large share. It should of course be borne in mind that Ivan Ribar was one of the key political representatives in the *AJB*, as well as that he was a signatory of the decision on the “rationalization of personnel” in 1940, which carried out the arization of this Bank. Although there is no precise data on the commissions and fees he received in the period from 1928 to 1940, there is no doubt that they provided him and his family with a fairly comfortable life. As a well-known anti-fascist who lost his entire family during the war and as a high-ranking official in the new socialist Yugoslavia, in his books he extensively referred to the role he had in the political life of the Kingdom. At the same time, he tried rather unconvincingly to present himself as a poor legal representative of the Yugoslav communists, while on the other hand he completely concealed his economic ties and membership in the managements of shareholding companies, as well as the management of this Bank. Therefore, the following quote paradoxically gives a much clearer meaning to the term bankocrat in pre-war Yugoslav society, than any of Skerlić’s definitions: “... Once Lola, after returning from the camp (1937) and as a trainee lawyer in my office,

jokingly told me: Dad, you are left only as clients accused of acts under the law on state protection, according to these your office is strong, but without income, because you defend them for free. Indeed, that was the case(...) I had to spend my savings, to sell things and I was already in agreements to sell the house. My office was good and as such was valid in Belgrade, and when my house burned down with all things, even office, especially all the files(...), guardian lawyer Živanović had to state that I have barely a few old civil lawsuits in the course.”⁶⁴

Some contemporary authors still believe that the frequency of ties between politicians and bankers is highly correlated with many important characteristics of banks, but also the countries in which such banks are located. Thus, at the micro level, the banks which are politically connected are larger and more profitable than other banks despite those other banks being less indebted and doing business with much less risk. However, at the macro level, i.e. at the State level, this connection is negatively related to economic development. A study by Brown and Raddatz reveals that such a phenomenon has always been more prevalent where institutions are weaker and governments are more powerful and insufficiently accountable. In such countries, bank regulations tend to be pro-banking, while the entire banking system is much less developed compared to areas where such connectivity is greater.⁶⁵ In that sense, the case of pre-war Yugoslavia, but also its successor states, confirms this thesis in the best way.

⁶⁴ I. Ribar, *Iz moje politick esuradnje (1901 - 1963)*, (Zagreb: Naprijed, 1965), p.258.

⁶⁵ M. Braun, C. Raddatz, “Banking on Politics: When Former High-ranking Politicians Become Bank Directors”, *The World Bank Economic Review*, Volume 24, Issue 2, 2010, pp.234-279.

BANKING OFFICIALS AS CARRIERS OF SOCIAL DEVELOPMENT

As early as 1910, in The Kingdom of Serbia, as well as in the countries of the Austro-Hungarian Monarchy, one of the highest places on the social ladder was occupied by bank officials. With salaries up to four times higher than those of other private and state employees, with various monthly and annual allowances and other benefits, they really made up a special social elite.⁶⁶ When, after the First World War, the banking business was branched out and a large number of new banks were established, the number of employed banking officials in the Kingdom almost tripled. At that time, the opinion that the career of a bank clerk was one of the shortest ways to social promotion and material security was already ingrained. But, with the first banking crisis in the country, in the mid-1920s, when many banks stopped their work, and even more of them merged with each other, it turned out that such careers were no longer as promising as they used to be. However, working in some large and financially strong banks still provided a certain material security, and, depending on the position one held, a certain social reputation.⁶⁷

When, in the early spring of 1928, it became clear that a well-known Austrian bank, in cooperation with other European banks, intended

⁶⁶ M. Kolar - Dimitrijević, *Radni slojevi Zagreba od 1918 - 1931* (Zagreb: Institut za historiju radničkog pokreta hrvatske, 1973), p.38.

⁶⁷ V. Aleksić, *Banka i moć*, pp.100-120; AJ,151-92(101)-120(129) personal files of the AJB employees 1921 - 1945

to open a new, large bank with headquarters in Belgrade, numerous unemployed lawyers, bank clerks, retired officers, teachers, waiters, cleaners, telephone operators, craftsmen rushed to find an employment, including all those who sincerely nurtured the hope that in such a financial institution they could solve all their existential problems or at least improve their household budget.

But, the real drama took place in those days and within the Belgrade branch itself. Namely, some long-term Bank employees were fired because they did not obey the decision of the Directorate to move to lower positions with reduced salaries.⁶⁸ They were mostly older employees, who had been waiting for promotions for years, only to be fired in the end. That is why it was not surprising that fear and general uncertainty prevailed among the younger employees as well. The motives for this decision of the Bank's Management Board could be found in a presentation of the Management Board of the Association of Bank Officials in Belgrade, addressed to the Association of Reserve Officers and Warriors of the Kingdom, which states: "... it is not done due to the fact that they are redundant officials, nor is it a reduction due to reduced work, because the Directorate fills vacancies with officials from the Zagreb branch, which has a surplus in officials. The management of the Association is convinced that your intervention will not be lacking, especially since it is mostly about reserve officers and warriors, who have also membership in your Association."⁶⁹ Indeed, the intervention was not absent, but it bore fruit in only two cases.⁷⁰ However, the Vienna administration fired ten employees and replaced them with employees of the Zagreb branch with many years of banking

⁶⁸ *Ibid.*

⁶⁹ AJ, 151-95-123, Personal files of the clerk Žarko Krstić 1921 - 1928

⁷⁰ *Ibid*; Thanks to this intervention, the official Žarko Krstić, a reserve captain of the first class, managed to receive a severance pay in the amount of 160 thousand dinars when leaving the bank, while the other fired clerk, a retired captain, received 12 thousand dinars.

experience, who, due to the large number of officials and high-ranking officials in Zagreb, could not be allowed any further advancement in the service.⁷¹ Convinced that they would immediately have the opportunity to become department heads, procurators or proxies in Belgrade, with high salaries and other privileges that went along with it, these officials left faster than they came, disappointed and resigned, sure that the Management had deceived them and that it was actually one of the easiest ways to get rid of them. Thus, in the end, they themselves experienced a destiny, similar to the one experienced by the officials whose places they occupied.⁷²

On April 1st, 1928, 24 employees of the old branch moved to the newly established Belgrade office. Of this number, there were eight female employees who were between 19 and 43 years old. All of them were unmarried (except for one), and their salaries ranged from 1,400 dinars, as much as beginners received, to 3,900 dinars, as much as the oldest employee received in 1922. Only one of them had completed the trade academy, while the others were admitted, either with the completion of trade schools or with 4 to 6 grades of grammar school.⁷³

Among the sixteen employees who moved here in 1928, there were two directors, two procurators and two heads of departments, all in the Belgrade branch since its founding in 1921. These were also the oldest employees (between 31 and 45 years old) with the highest salaries in the bank. If we exclude the salaries of the director (17,500 dinars), the salaries of procurators were 7,200 dinars,

⁷¹ AJ. 151-90-115

⁷² Of the 11 officials who moved from Zagreb to Belgrade in 1928, only one remained; five of them left the service during that year, two by the beginning of 1930, two moved to the Novi Sad branch in 1929, and two managed to return to Zagreb, to higher positions. This does not include the Zagreb director Ladislav Scheiber, who was sent to Belgrade with a special task to coordinate the affairs of two branches, AJ, 151-92(101)-120(129).

⁷³ *Ibid.*

and the salaries of the heads of departments were between 5 and 6 thousand dinars. Only two other employees had salaries in the amount of 5 thousand dinars, and the reason was many years of work experience (9 and 14 years). This group also included all married employees, seven of them. Eight employees (between 21 and 26 years old) received salaries in the amount of 1,600 to 2,300 dinars, primarily because they were beginners or employees on probation, while the amount itself depended on their education. Compared to their colleagues, nine of them had graduated from academies, four graduated from the Faculty of Law, one graduated from the College of Commerce, and only two employees graduated from trade schools.⁷⁴ And, while for all employees the criterion for determining the amount of salary was the position in which the employee was, as well as his previous experience and education, only in one case it was noted that none of the above played a role, except for the fact that a certain clerk was the brother of a high-ranking Yugoslav official.

It was about Rafailo Alkalaj, admitted in 1926, aged 37, with a degree from the Trade Academy in Belgrade, who already in 1928, as an official of the bill of exchange department and correspondence, had a salary of 3,800 dinars. Outside of every bank practice, his leave was constantly extended due to his treatment, and then, in 1930, he resigned from the Bank at his own request. As the brother of the prominent Jewish champion and general secretary of the *State Mortgage Bank*, Aron Alkalaj, he received the amount of 10,070 dinars in the name of returning the paid contributions to the pension fund, which was also a precedent, because officials in higher positions and with longer terms did not receive such a thing. This case almost turned into a real scandal, when Aron Alkalaj himself, through the director Weinberger, asked that his brother be paid 12 monthly salaries, i.e. 22,800 dinars, instead

⁷⁴ Ibid.

of these maximum 6 monthly salaries. The Belgrade office rightly considered that meeting this request “would create a harmful precedent for the interest of our Bank, which would be used against us in the future”,⁷⁵ but with the insistence of Weinberger, who pointed out the importance and interest of the Bank towards the *State Mortgage Bank* and Aaron Alkalaj, this amount had to be paid.⁷⁶

The hope that they will be able to get a job in such an “elite” Bank has been fulfilled by a certain number of candidates. Thus, during 1928, 29 new male employees and 5 female employees started their work (as well as eight more employees hired during 1929).⁷⁷ Nineteen employees were hired with previous work experience, from a minimum of one to a maximum of 24 years. It is clear that they all transferred from other banks precisely because they expected much higher salaries here and the possibility of better promotion in the service.⁷⁸ But, in addition to hope, the recommendations or direct interventions of some members of the Management Board played a big role. It so happened that a newly hired employee with 10 years of experience has a salary of 6 thousand dinars, and that an employee with only one year less experience and the same education, receives only 3 thousand dinars.⁷⁹ It was actually a classic example of clientelism, which was encountered at every step in pre-war Yugoslavia. Thus, we have the example of a forty-one-year-old

⁷⁵ AJ, 151-92-120.

⁷⁶ Ibid.

⁷⁷ These were new employees in the Belgrade office, because the Zagreb office did not hire new workers in this period, it even reduced their number from year to year. Thus, in 1928, 99 workers were employed, in 1929 - 94, in 1930 - 86 and in 1931 - 70 employees. Even later, their number decreased, so that in 1935, 59 employees worked. Since 1937, their number has stabilized at 67 employees: AJ, 151-90-115.

⁷⁸ Ibid; This group included all married employees, thirteen of them, with two-member, three-member and even five-member families (except for one trainee and two pensioners).

⁷⁹ AJ, 151-100-128 i 151-95-123.

employee, Mihijlo Terzibašić, who worked from 1916 to 1919 at the *Imperial Ottoman Bank* in London, and from 1919 to 1926 as head of departments in various Belgrade banks, to be hired in 1928 with such great experience in *AJB* with a salary of 3 thousand dinars. Another official, forty-four-year-old Oskar Klimecki, a Czech with Yugoslav citizenship, was hired as a treasurer, with one year of service more than Terzibašić and a salary of 6,000 dinars, but also with excellent recommendations from Ivan Ribar, Vasilje I. Jovanović, Ilija Šumenković who was Minister and Representative in the Ministry of Foreign Affairs, Svetislav Predić who was a Director of the *Prometna Banka*, and Radovan Šumenković, Consul General in Vienna.⁸⁰

The criteria for determining the amount of the monthly salary differed a lot in relation to the one that was applied to old employees. This can be seen in the example of two clerks hired in 1928. They were very young, unmarried employees aged 20 and 22. A younger employee, a certain Klopfer Cleo Clementina, with previous two years of experience, was given a salary of 3,000 dinars, while another, Vukelic Nedeljka, with a year less experience and equal education, was awarded a salary of a thousand dinars.⁸¹ The newly hired Bank employees were, unlike their male counterparts, on average younger, and were between 20 and 27 years old.⁸²

⁸⁰ *Ibid.*

⁸¹ AJ, 151-95-123 i 151-100-128

⁸² AJ, 151-92(101)-120(129)

Table 12:**Gender structure of employees in the Belgrade *AJB* Office**

Period	Male	Female
1928 -1932	58	18
1932 -1935	25	10
1935 -1940	53	16

Source: AJ, 151-92(101)-120(129)

It must be admitted that the intention of the Bank to rejuvenate its staff and at the same time make it as professional as possible, has completely succeeded. Thus, more than half of the officials were between 20 and 30 years old and only eight were between 40 and 50 years old (Table 13). Seven new employees graduated from colleges or universities abroad, and only one in the country, fifteen - trade academies (three of them outside the Kingdom) four 8th grade high school, and seven in Graz, Zurich, Vienna and other European cities, once attended trade schools. With a few exceptions, they all knew German, an equal number of employees (nine each) knew two or three foreign languages, and four employees knew more than three foreign languages.⁸³

Newly recruited officials could be divided into at least two groups, depending on whether they immediately took certain positions or worked as ordinary civil servants.⁸⁴ The first group included three

⁸³ *Ibid*

⁸⁴ Exclusively from this group, bank officials were recruited, while no case was recorded in which a young employee, even if he had a much higher education than his bosses (which happened) took a managerial position within, say, two to three years. This was also the reason why many impatient and

proxies, one procurator, one head of department and one director. They had the greatest work experience, mostly from the same positions and transferred to *AJB*, and their salaries ranged between 7 and 11 thousand dinars, for proxies, 7 thousand dinars for department heads, 4,500 dinars for procurators, while the newly appointed director, otherwise a Belgian citizen, Chevalier Charles de Wouters received 17 thousand dinars and a supplement twice a year of 5 thousand dinars.⁸⁵ The second group consisted of better paid bank employees, 15 of them, with salaries of at least 3 thousand and at most 6 thousand dinars. Other employees were treated either as beginners (with a salary of 1,500 to 2 thousand dinars depending on the level of education) or as volunteers who were not considered permanent employees, so the first 6 months they did not receive a salary, to then receive monthly allowances in amounts from 800 to a thousand dinars. Two retired colonels as well as one retired teacher found their modest place in the Bank, with salaries between 1,600 and 1,800 dinars.⁸⁶

well-educated young employees, whose salaries ranged between only one thousand and two thousand dinars, left the bank after only a month, two, or a year or two: AJ,151-92(101)-120(129)

⁸⁵ He was one of the four foreign citizens who got a job at the Belgrade Institute in 1928. One of them, a Frenchman, Edmond Sokop Dezabranski, was hired with 24 years of work experience, to the position of head of correspondence with a salary of 10 thousand dinars: AJ, 151-99-127

⁸⁶ AJ,151-92(101)-120(129).

Table 13:
Age structure of employees of the Belgrade *AJB* Office

Age	1928 – 1932		1932 - 1935		1935 – 1940	
	Male	Female	Male	Female	Male	Female
Over 50	4	1	-	2	3	2
Over 40	12	5	6	3	14	1
Over 30	14	10	11	4	14	8
Over 20	28	2	8	1	22	5

Source: AJ, 151-92(101)-120(129)

Speaking of the salaries of employees, for easier monitoring, we will also mention the fact that the Yugoslav currency was very stable from 1925 until 1932, with very small oscillations. In the whole period, 100 current dinars (coins in circulation) were worth about 9.13 gold dinars, assuming that an ounce of pure gold had a constant value of \$ 20.6 at that time.⁸⁷ Also, the data presented above speak about the amounts of nominal salaries of employees, because it is the amount of money that workers received from the employer as compensation for their work in a certain period of time. However, the amount of food that a worker could buy with this nominal wage was in fact a real wage, which depended on the nominal wage and the level of commodity prices. Therefore, the same nominal earnings could represent different amounts of food. In order for the living standard of an employee to remain at the same level over the years, it was necessary (then as well as today) for nominal wages to grow, in proportion to the increase in food

prices.⁸⁸ As early as 1931, this was not the case in the Kingdom of Yugoslavia. The prices of rent, heating and food products grew faster than nominal wages, lowering the living standard of Yugoslav workers and officials from year to year.⁸⁹ Therefore, we considered that one of the safest ways to determine the social status of employed Bank officials of this institution is to consider their social origin, family circumstances, and in connection with housing conditions and the cost of living.⁹⁰

Out of 76 employees who passed through the Belgrade Institute Office from 1928 to 1932, seventeen employees were born in Belgrade, i.e. Zemun, and only five more came from large Yugoslav centers such as Ljubljana, Zagreb, Sarajevo and Novi Sad. If we exclude the fact that nine more employees were born abroad (of which three were Russian emigrants) and that six foreign nationals worked in this period, we come to the conclusion that more than half of the total employees (as many as 43) came from rural regions.⁹¹ These data are in line with previous research on the

⁸⁸ A. Dragičević, *Leksikon političke ekonomije II* (Zagreb: Informator, 1965), p.34.

⁸⁹ “Skupoća”, *Narodno blagostanje*, III, 44, 31. 10. 1931, p.693; M. Ž. Čalić, *Socijalna istorija Srbije 1815-1941, usporeni napredak u industrijalizaciji* (Beograd: Clio, 2004), pp.303-306.

⁹⁰ In further analyzes, we used a wealth of data provided by the personal files of employees of the Belgrade Office, on a sample of about 117 files of employees, who worked in the Bank for at least two and at most nineteen years, in the period from (1921) 1928 to 1940; We used the files of the employees in the branch in Novi Sad less, because they mostly only confirmed the picture already obtained by analyzing the files of the Belgrade Office: AJ, 151-92(101)-120(129). The personal files of the employees of the Zagreb Office were not available to us. Nevertheless, the mentioned book by Mira Kolar-Dimitrijević enabled us to occasionally make certain comparisons with employed officials in private firms in this city.

⁹¹ Based on a decision by the Ministry of Social Policy in 1924, Russian emigrants were treated in the Kingdom as domestic workers and did not need an employment permit: Kolar - Dimitrijević, Mira, *ibid*, p.68.

social mobility of the Yugoslav population. Thus, in the writings of Mijo Mirković, we come across the fact that in this period, about a million people moved to big cities, and that every tenth went to Belgrade.⁹² From 1932 to the beginning of 1940 (until the dismissal of Jewish officials), another 48 employees passed through the Belgrade Office. And among them, only a small number came from large cities. During this period, as many as ten foreign-born officials found jobs (of which only three were Russian emigrants), and on the other hand, not a single foreign citizen was hired (Table 14).⁹³

⁹² Mirković, Mijo, *Ekonomska struktura Jugoslavije 1918-1941*, (Zagreb: Nakladni zavod Hrvatske, 1952), p.7, p.11; According to the research of historian P. Marković, only 23% of the population of Belgrade was born in this city, so that the city achieved its expanded reproduction mainly by immigration, see: P. J. Marković, *Beograd i Evropa 1918 - 1941, Evropski uticaji na proces modernizacije Beograda* (Beograd: Savremena administracija, 1992), p.41; Kolar - Dimitrijević believes that due to the agrarian overcrowding in the Kingdom, there was a surplus of agrarian population, due to which there was a tendency of increased migration to Zagreb, as an important economic center. According to her analysis, the percentage of the autochthonous population of Zagreb varied between 25% and 30%, while almost half of the inhabitants of this city were immigrants from northern Croatia, see: M. Kolar - Dimitrijević, *ibid*, p.68.

⁹³ In the Zagreb AJB Office alone, in 1935, there were five foreign nationals: Arnould Robert, the Belgian consul in Zagreb and a procurator; Gutentag Alexander, a Polish Jew, a senior official; Peterst Hildegard, Austrian, correspondent clerk; Willy Zucker, an Austrian Jew, head of correspondence (his residence permit in the Kingdom of Yugoslavia was revoked in 1937) and a telephone operator. All but the first worked in the *Croatian branch*, and except for him, they had permanent residence permits. The great problems that the Bank had regarding the extension of the residence permit to Arnould Robert, in 1934-1936, explains why foreign nationals have not been accepted since then, see: AJ, 151-9-15.

Table 14:
The origin of the employees of the Belgrade *AJB* Office

REGION / CITY OF ORIGIN	PERIOD		
	1928-1932	1932-1935	1935-1940
Serbia (Rural regions)	17	9	14
Belgrade	11	7	13
Zemun	6	2	3
Vojvodina (Rural regions)	9	4	8
Novi Sad	1	1	2
Croatia (Rural regions)	12	8	8
Zagreb	1	-	1
Slovenia (Rural regions)	2	-	2
Ljubljana	2	1	1
Bosna and Hercegovina (Rural regions)	3	2	2
Sarajevo	1	-	2
Russian emigrants	3	1	6
Other foreign countries	9	-	7

Source: AJ,151-92(101)-120(129)

In this context, it is especially interesting to see where the Bank employees of the Belgrade Office graduated from schools, academies, faculties. From 1928 to 1932, until the great reduction of staff, almost a third of employees were educated abroad (28), and most of them in Austria, ten of them in Vienna. All officials, Russian emigrants, were educated in their country at one time, and the other fifteen school officials graduated from other major European

centers, such as Graz, Zurich or Brussels (Table 15).⁹⁴ After 1932, the situation changed significantly. New employees mostly finished school in the country (34). Thus, seventeen employees were educated in Belgrade, five in Zemun, four in Zagreb, three in Sarajevo, and one each in Ljubljana and Novi Sad. Only two employees were hired with completed trade schools in the rural regions of Serbia and Croatia. Fourteen of them, as many as were educated abroad in this period, graduated from trade schools and grammar schools, and only five employees graduated from academies, three of them in Vienna.⁹⁵

The official position of each Bank employee was based exclusively on the regulations of the Commercial Law and the Corporation Law of the Kingdom of Yugoslavia, as well as on the Rulebook on the Service of *AJB* Employees. His “belongings” were officially divided into three parts. What it looked like in practice in 1928 is best illustrated by the example of a senior official, such as Mihajlo Jocković. His belongings consisted of a salary in the amount of 1,500 dinars, rent of 750 dinars and a cost supplement in the amount of 3,750 dinars, which totaled 6,000 dinars. It was, therefore, the nominal salary of this employee, and like any other of his colleagues, he was entitled to a Christmas reward in the amount of one month’s income (the so-called 13th salary). At that time, the average salary in the bank was 5,790 dinars or 2,500 dinars more than the average salary of other private employees, including officials in the state administration of the Kingdom.⁹⁶

⁹⁴ AJ, 151-92 (101)-120(129). In the period between the two world wars, 8,000 officials worked in the Belgrade economy, of which 6,893 were men and 1,268 were women: T. Bogovac, *Stanovništvo Beograda 1918 - 1991* (Beograd: Bigz, 1991), p.87.

⁹⁵ AJ, 151-92(101)-120(129)

⁹⁶ AJ, 151-95-123; only five officials received between 13,000 and 17,500 dinars in 1928; thirteen between 5,000 and 7,200 dinars; from 3,000 to 4,500 - twelve; from 2,000 to 3,000 dinars - seven, and fifteen employees received between 1,000 and 1,800 dinars: AJ, 151-92(101)-120(129)

Table 15:
Educational structure of employees of the Belgrade *AJB* Office

LEVEL OF EDUCATION	Total number of employees	Educated abroad
1928 - 1932		
Faculty	13	8
Trade Academy with Grammer School	6	4
Trade Academy without Grammer School	30	6
Grammer School with Graduation	7	5
Six grades of grammar school	3	-
Four grades of grammar school	5	1
Trade School	12	4
1932 - 1935		
Faculty	8	4
Trade Academy with Grammar School	4	1
Trade Academy without Grammar School	12	2
Grammar School with Graduation	6	2
Four grades of Grammar School	1	1
Trade School	5	-
1935 - 1940		
Faculty	13	4
Trade Academy with Grammar School	4	1
Trade Academy without Grammar School	25	3
Grammar School with Graduation	12	2
Seven grades of Grammar School	2	1
Six grades of Grammar School	1	-
Four grades of Grammar School	1	-
Trade School	11	-

Source: AJ, 151-92(101)-120(129)

Table 15a:
Educational structure of 34 newly recruited officials in the period 1935-1940

LEVEL OF EDUCATION	<i>Total number of employees</i>	<i>Educated abroad</i>
Faculty	6	2
Trade Academy with Grammar School	1	-
Trade Academy without Grammar School	11	2
Grammar School with Graduation	6	-
Seven grades of Grammar School	2	1
Six grades of Grammar School	1	-
Trade School	7	-

Source: AJ, 151-92(101)-120(129)

However, due to the deterioration of the general economic situation, the Bank's Management Board decided, as early as the end of 1931, to make a significant reduction in staff for preventive reasons. Admittedly, it was done very discreetly and only in a few cases did it look like open dismissal. It was mostly a matter of not increasing the already low salaries of beginners, while extremely poor working conditions, along with insufficiently high salaries, also contributed to many, especially older, married employees, leaving the service on their own. Thus, the number of employees in the Belgrade Office dropped from 55 in 1929 to 49 in 1930, and already in 1931, only 35 employees worked here. The Zagreb Office also recorded a decrease in the number of employees from 94 in 1929, to 86 in 1930 and 70 in 1931.⁹⁷

⁹⁷ AJ,151-92(101)-120(129)

At the same time, there was a reduction in employees' salaries according to the following principle, as stated: "reduction of the total amount of all belongings of the Bank's employees will be carried out in such a way that the total monthly income will be up to 2,000 dinars remain unreduced per month, and those that exceed that amount will decrease as follows:

From 2,000 dinars to 4,000 dinars - by 10%

From 4,000 dinars to 6,000 dinars- by 15%

From 6,000 dinars to 8,000 dinars - by 20%

From 8,000 dinars and up - by 25%.⁹⁸

The average salary of employees at that time was 3,595 dinars, i.e. 2,200 dinars less than before.⁹⁹ It is interesting that, despite these reductions, *AJB* employees received 1,700 dinars more than most other bank employees in the Kingdom, and 1,000 dinars more than civil servants.¹⁰⁰ Thus, the average salary of officials in industry was 2,237 dinars, trade officials earned on average 1,180 dinars, while the average salary of most Yugoslav bank officials was 2,218 dinars per month. According to official statistics, officials in the state administration had the highest average salary, 2,593 dinars per month. Somewhat later, in the period 1934/35, only in Belgrade, 67 thousand employees had incomes below 900 dinars, 35 thousand - from 900 to 3 thousand and 18 thousand employees - over 3

⁹⁸ *Ibid*; The salary reduction came into force on January 1, 1932; so the director's salary dropped from 17,500 to 13,125 dinars, the deputy director earned 9,000 dinars, department heads, proxies and procurators earned between 4,463 and 6,000 dinars, senior officials and those with many years of work experience earned from 3,150 to 4,250 dinars, and fourteen employees had salaries ranging from 2,000 to 2,900 dinars, while the other six received between 1,200 and 1,800 dinars.

⁹⁹ Amounts of new salaries as well as average salaries for 1932 we calculated on the basis of payrolls for 1931: *AJ*, 151-90-115

¹⁰⁰ "Zarade privatnih nameštenika kod nas u svetlosti *Indeksa*", *Narodno blagostanje*, IV, 18, May 14th, 1932, p.311.

thousand dinars. At that time, the minimum required for the existence of a family of four in Belgrade was 2,200 dinars, while in most other Yugoslav cities, that minimum was around 1,700 dinars.¹⁰¹

This reduction in wages was in line with the significant decline in the cost of living in Yugoslavia, beginning in 1929. The amount of one “consumer basket” in 1928 was around 59 dinars a day, or 1,770 dinars a month. Already in 1931, due to the fall in the prices of basic groceries, it was necessary to set aside about 40 dinars, or 1,400 dinars a month, for the daily “consumer basket”.¹⁰² We should not ignore the fact that the bureaucratic job itself always required meticulousness and certain elegance. One modern men’s suit with a shirt, socks, shoes, a hat and a coat, cost the young employee

¹⁰¹ T. Bogovac, *ibid.*, p.106.

¹⁰² According to the statistics of Artur Benko Grado, editor of the Zagreb social-statistical magazine *Indeks* from 1929 to 1941, Kolar-Dimitrijević (*ibid.*, 291-297, 333) made tabular representations of the movement of prices of food products, prices of clothes, shoes and firewood for the city of Zagreb, stating the fact that Belgrade, in relation to Zagreb, was, in that period, somewhat more expensive, so that the maximum Zagreb prices were at the same time the average prices in Belgrade. Based on her analysis, we have compiled a table of food price trends for 1928 and 1931:

Types of food	Value in dinars	
	1928	1931
1 kg white bread	5.5	3.5 - 4.0
1 liter of milk	3.0 - 4.0	3.0 - 4.0
1 kg of pork	20 - 25	18 - 22
eggs (piece)	0.85 - 1.0	0.60 - 1.0
1 kg of sugar	14.5 - 15.5	13.0 - 13.5
1 kg of salt	2.0 - 3.5	2.5 - 3.0
1 kg of beans	4.0 - 8.0	3.0 - 8.0
1 kg of potatoes	1.5 - 2.0	1.5 - 2.0
1 kg of apples	2.0 - 8.0	2.0 - 4.0

much more than his three salaries, 3,424 dinars. If, in addition to much more diverse clothing, we add the much-needed cosmetic preparations, which the ladies in such institutions certainly used, the expenses of the employees had to be even higher. However, by 1931, the situation in the Yugoslav textile industry had significantly improved, which also affected the prices of the items listed above, for which 2,495 dinars had to be set aside at the time.¹⁰³ Also, every winter, the cost of living increased sharply due to the purchase of heating material. As early as 1931, Yugoslavia was the most expensive country in Europe in terms of fuel prices. Thus, a single official spent about 10% of his income on heating and electricity, and a family of four set aside 8% from their budget for the same.¹⁰⁴

Until the First World War, banks built the most luxury residential buildings in Zagreb, including the *Wiener Bankverein*. Its residential building was located in the very center of Zagreb and provided the employees of this institution with a solution to the housing problem.¹⁰⁵ The Belgrade Office did not even have its own office building until 1941, so the building for its employees was not even considered. Since most of the employees arrived in Belgrade from the side, they mostly lived in rented apartments in the city center.¹⁰⁶ The prices of these apartments then ranged from one thousand dinars to 1,200 dinars for the simplest, 2 thousand dinars for two-bedroom and up to 3 thousand dinars for three-bedroom and four-bedroom apartments.¹⁰⁷

¹⁰³ M. Kolar - Dimitrijević, *ibid*, p.315.

¹⁰⁴ *Ibid*, p.320,

¹⁰⁵ AJ, 151-5-5

¹⁰⁶ *Ibid*. From the list of officials and their addresses, it can be seen that 90% of employees lived on the stretch from Slavija to Kalemegdan. In 1929, twelve of them had telephones.

¹⁰⁷ From the personal file of the procurator (later deputy director) Željko Polak, it can be seen that in 1930, on his return from Zagreb to the Belgrade office,

According to all available data, we see that the real earnings of bank officials were quite low. According to the statistics of the mentioned Arthur Benko Grado, the monthly needs of a bank clerk for food, apartment, clothes, heating and lighting were estimated at 2,450 dinars in 1931, which also meant that his real salary was 90.50 dinars per month. At the same time, the monthly expenses of the employee with a family of four amounted to 4,500 dinars. His real monthly salary was even lower, 49.29 dinars.¹⁰⁸ Perhaps it is much clearer now why the careers of most banking officials were no longer a path to social promotion and material security. Over time, in fact, such careers have become the privilege of only select senior officials and officials who made up only 8% of all employed bank employees in the Kingdom.¹⁰⁹

In the end, we can't help but look at the dynamics of the Bank's 'internal life'. If you look at the data on the marital status of employees, one can easily come to a superficial conclusion about the great 'commitment' to work in this institution. Namely, out of about 110 employees, as many as passed through the Belgrade office from 1928 (1921) to 1940, 35.7% of employees started their families. At the same time, about 40% of male employees were unmarried, but a much more drastic case was with their female colleagues, where 74% was unmarried (Table 16).¹¹⁰ It is self-evident that married female employees were very rarely accepted here,

he asked for a salary of 7,200 dinars, another thousand dinars of rent, emphasizing that a decent apartment for rent in Belgrade costs 2,000 dinars, that is, that apartments are on average 500 dinars more expensive than in Zagreb: AJ, 151-97-125.

¹⁰⁸ "Zarade privatnih nameštenika kod nas u svetlosti *Indeksa*", *Narodno blagostanje*, IV, 18, May 14th, 1932, p.311.

¹⁰⁹ *Ibid.*

¹¹⁰ Of the 13 AJB officials and senior officials who worked continuously from 1928 to 1940, there were seven unmarried, including three department heads, Assistant Director Željko Polak and Director David Hohner: AJ,151-92(101)-120(129)

but in fact the Serbian Civil Code of 1844 was still in force in the Kingdom of Yugoslavia, according to which women lost their general legal capacity by marriage. Even if they were allowed to work, women needed their husband's approval for the legal affairs to be valid.¹¹¹ What must be emphasized is that in this Bank there was no written rule that married women should not be hired, unlike, say, the *Jugoslavische Unionbank*, which in its "Official Pragmatics for Permanent Officials" in the last paragraph of Article 3, clearly emphasized: "Female clerks are equal in rights and duties with male ones, but a married female clerk cannot be a permanent definitive clerk. If a permanent female clerk marries, this fact is considered a voluntary resignation."¹¹² At that time, however, it was very popular to employ a larger number of girls and young women, since they represented cheaper labor in Yugoslav banks. This phenomenon, in particular, took off during the coming banking crisis, when a huge percentage of men lost their jobs. However, according to all previous analyzes, we cannot say that this was the case in *AJB* as well. In fact, women and men were fired equally, although others more, because they were more numerous.¹¹³ Thus, of the seven female clerks who were hired from 1928 to 1931, only one remained in the bank after 1931. Five of them were fired, either due to excessive use of sick leave or for "unknown reasons", and one young female official of the information department (now more simply called "counter services") was fired due to rude behavior towards clients.¹¹⁴

¹¹¹ M. Draškić, O. Popović-Obradović, „Položaj žene prema srpskom građanskom zakoniku“, *Srbija u modernizacijskim procesima u 19. i 20. veku 2* (Beograd: Institut za noviju istoriju Srbije, 1998), p.15.

¹¹² *Službena pragmatika za stalne činovnike Jugoslovenske udružene banke d.d.*, Zagreb, 1936, p.4.

¹¹³ M. Gorković, „Ženska radna snaga u našoj privredi“, *Narodno blagostanje*, VII, 26, 22. 6. 1935, pp.403-407; R. Vučetić, „Žene u gradu, Između privatnog i osvajanja mesta u javnom životu (1918-1941)“, *Privatni život kod Srba u dvadesetom veku*, ed. Ristović Milan (Beograd: Clio, 2007), p.135.

¹¹⁴ *AJ*,151-92(101)-120(129)

Table 16:
Marital and family status of employees of the Belgrade Office¹¹⁵

PERIOD	Marital and family status	Women	Men
1928 - 1932	Unmarried	13	34
	Married	5	24
	Without children	3	8
	With one child	2	11
	With two children	-	1
	With three children	-	3
	With seven children	-	1
1932 - 1935	Unmarried	8	15
	Married	2	10
	Without children	1	-
	With one child	1	6
	With two children	-	2
1935 - 1940	Unmarried	17	28
	Married	6	20
	Without children	4	8
	With one child	2	7
	With two children	-	4
	With six children	-	1

Source: AJ, 151-92(101)-120(129)

¹¹⁵ During this period, an average of 4.6 children were born in working-class families; in the families of craftsmen and small traders 2.9 children; in the families of lower and middle employees 2.5 children and in the families of rich industrialists, bankers and rentiers 1.3 children, see: T. Bogovac, *ibid*, p.87.

The Austrian-German banking organization, which was applied in business, was successfully used in the personal policy of the Bank. Every official had to unconditionally adhere to the decisions of the Directorate and fulfill his obligations correctly and as soon as possible. Given the Bank's extensive business, serious foreign creditors and large domestic customers, mistakes were not tolerated. The eight-hour working hours almost did not exist, because often, due to the abundance of unfinished work, they stayed for several hours longer, and they also worked on Saturdays from 8 am to 2 pm.¹¹⁶

In terms of Article 35 of the "Rules of *AJB*", which were accepted at the founding meeting of shareholders in February 1928, the Rulebook on the service of employees of this bank was established, which in the opinion of the Association of Bank Officials of the Kingdom of Yugoslavia was one of the strictest such rules in the country.¹¹⁷ The reason probably lies in the fact that the legal regulations of the Kingdom, which referred to "employees" in banks and insurance companies, were much more favorable, but they did not find their application in the Rules of this Bank.¹¹⁸ According to their assessment, it mostly speaks "only about the duties of employees, while their only right is - to a monthly salary(...) In almost every other line of the Rulebook, the word employee is obliged or has a duty" is found.¹¹⁹ That such an assessment is not excessive can be seen from the very provisions of this Rulebook. Thus, paragraph 6 states: "If the employee is absent due to illness, he is obliged to be examined by an official doctor",¹²⁰ while paragraph 8 states:

¹¹⁶ *AJ*, 151-5-5

¹¹⁷ *Glasnik bankarskih, osiguravajućih, trgovačkih i industrijskih službenika*, Zagreb, no. 10, September 11th, 1940

¹¹⁸ *Službene novine Kraljevine Jugoslavije/Official Gazette of the Kingdom of KY, Zakon o radnjama/ Corporation Law*, no. 62, September 11th, 1931

¹¹⁹ See footnote 117

¹²⁰ *Ibid*: According to paragraph 15 of the "Rulebook on the Service of *AJB* Employees", the Bank covered all costs of statutory insurance against illness

“The duration and schedule of working hours is determined by the Directorate. Every employee is obliged to perform the service on holidays, if necessary “. ¹²¹ In this sense, paragraph 11 is particularly interesting, stating: “Every employee has to obtain the consent of the Directorate before entering into marriage. This consent may be withheld only if his income is not enough high to cover the expenses of the eligible household” ¹²² while under paragraph 19, all bank employees were subject exclusively to the disciplinary authority of the Directorate.

According to the same Rulebook, the Directorate also determined the schedule and duration of annual leave, but until 1932, such data were not preserved. That year, a new circular was forwarded to all employees with the following, very interesting content: “Meeting the wishes of the bureaucracy, the Directorate is inclined to approve longer absences than in previous years, namely: fourteen days to trainees and clerks with official hours in the institution up to three years, three weeks to all other officials with longer working hours and four weeks to chiefs, but the Bank reserves

for its employees. At the time of the illness, there was no reduction in salaries, but a possible control of the sick official could be performed by another bank official or the bank doctor.

¹²¹ Ibid: Paragraph that talks about occasional work during the holidays, gets a different meaning if we keep in mind the fact that during the Kingdom there was no uniform calendar, so Catholics during the year celebrated 61, and Orthodox 62 “which state, which church holidays ... According to statistics, in areas where Catholics and Orthodox are mixed, all residents celebrate both holidays, so that the number of holidays is 70: that is, over a whole fifth of the year ... (hence) the national economy loses over one billion dinars, counting only 13 days in which no work is done today, which, however, would be saved by unifying the calendar “Izjednačenje kalendara”: *Narodno blagostanje*, II, 41, June 11th, 1930, p.632.

¹²² This paragraph has never really been applied. Of the 9 AJB employees who married from 1936 to 1941, no one was denied a license, regardless of their otherwise very modest salaries: AJ,151-92(101)-120(129)

the right to shorten the absences appropriately, or to change the order of absences, if the interest of the service so requires. The leave will have to be distributed so that all of it will be used by mid-September at the latest.¹²³ According to this circular, the most numerous departments of the treasury and the bill of exchange had to be organized in such a way that at the beginning and end of each month, they were in full capacity.¹²⁴

Officials were also obliged to keep as a business secret all business relations of the Bank and all data and facts that they would find out during the service. Officials who no longer worked in the bank were also obliged to keep this secret.¹²⁵ In fact, it was not only that valuable data on the Bank's business policy did not reach its competitors, but also that the real amounts of business profits did not reach the representatives of the Yugoslav authorities in connection with the collected annual taxes. Precisely for such sensitive reasons, persons suitable for the position of head of bookkeeping and cashier were carefully selected and had to enjoy the great trust of the Directorate, and at the same time they had to be very skilled in this job. Because, if the trust, on which every business relationship was based in part, was called into question, the consequences that would result from it could be extremely difficult, especially in such conditions, where trust was usually based on a certain amount of money given as a reward for silence. Someone once said that manipulating money usually makes a person self-sufficient and selfish. The following two examples support this thesis.

When in 1931, after a full ten years of work in *AJB* and a total work experience of 24 years, the already mentioned Mihajlo Jocković was preparing to retire, it turned out that he, as the head of the treasury, with a salary of 6 thousand dinars, should receive pension

¹²³ *AJ*, 151-90-115, circular no. 39, April 12th, 1932

¹²⁴ *Ibid.*

¹²⁵ *Ibid.*, paragraph 3 of the "Rulebook on the service of *AJB* employees".

in the amount of only 1,600 dinars per month, or 19,200 dinars per year. Even if he decided to withdraw the entire previously paid amount from the Bank's pension fund, it would not exceed 60 thousand dinars. This knowledge had a devastating effect on the old employee, especially because he knew that some employees with much less work experience, when leaving rather than retiring, received much more, such as clerk Slavko Bjelić, who was leaving the Bank at the same time, so he received 50 thousand dinars as a gift from the Bank only for travel expenses.¹²⁶ The threats he sent in great anger to the Directorate of the Belgrade office, as well as the entire correspondence in this personal file, more than in any other, reveals the true relations between "employer and employee" and again points to the negligent attitude of the Administration towards its retired employees. "Will you, please, all the amounts withheld(...) approve for payment so that I would not be forced to file a lawsuit and disgrace the Bank because of your fault. As for the bonus, remuneration or whatever people in the Bank call it, I talked about it with general director Mr. Weinberger the year before last and he chose to write it down in his little notebook(...) promising that I would be satisfied in everything and that high promise I have not had the good fortune to see realized(...). I think that I should get at least 260,000 dinars and that the respected Directorate will realize that this is a small amount, but my wish is to liquidate all those relations and mind my own business, even with damage, because 10 years of threshing empty straw was enough - since only privileged newcomers from Zagreb profited in that Bank since 1928 when they arrived, and I lost 10 years of the best for work exposed to constant recoil and hassle. If I had happily joined the National Bank 10 years ago as my older colleagues, I would have been the head of a branch, to say the least, on the contrary, today I was

¹²⁶ AJ, 151-95-123; Slavka Bjelić was transferred in 1929 from the Zagreb branch to the Belgrade branch as the head of the correspondence department, with a salary of 8,000 dinars, but after only two years he left the Bank and moved to Italy: AJ, 151-92-120.

thrown into the street with 1,600 dinars waiting for an approval of my bonus that was supposed to be paid to me instantly thus without my claim. This is truly unworthy of one 'Grossbank'."¹²⁷ The fact that a compromise solution was found by March 1932 and that 150 thousand dinars were paid to Mr. Jocković instead of 60 thousand, clearly indicates the Bank's desire to, contrary to the case of the director Weinberger, this problem would have not been discussed in front of the eyes of the Yugoslav public, as it would only reinforce the bad reputation the Bank gained in 1928 due to its personnel policy.¹²⁸

Certainly, under the strong impression of what happened to Mihajlo Jocković, with whom he started working in this Bank in 1921, the head of bookkeeping, Dušan Krkić, decided, two years later, to take care of his future retirement days. He, thanks to his position, from 1934 onwards, and in the period from 1935 to 1937 more and more, "through the account of the sospes, and at the expense of the account of foreign exchange, alterations and destruction of original marks" or fictional items in the list of daily cash transactions, over which he had exclusive control, "transferred" the amount of 880 thousand dinars to his current account and to his cash register.¹²⁹ Krkić's great professionalism, but also the huge trust that he enjoyed, as one of the hardened Bank officials, explain why no one noticed anything suspicious in it until the summer of 1937, except perhaps his younger colleague in the same department, Haim Vidman. However, frightened to learn that his boss was stealing the Bank in which he worked, he only dared to report this case to the Directorate after a full year. An internal investigation was launched, for which a minus of 370 thousand dinars was established at the time, led by lawyer Pavle Mijatović, and for a full month neither the General Manager Goldschmidt, nor the

¹²⁷ AJ, 151-95-123

¹²⁸ *Ibid.*

¹²⁹ AJ, 151-91-119

Zagreb Office, nor the Administration in Vienna knew anything about this. There was, in fact, a great hope that this was only an administrative error, especially since Krkić himself defended himself with ‘forgetfulness’. He even managed to obtain the convictions of two very reputable Belgrade doctors, who confirmed that “frequent kidney attacks in this patient cause mental disorders such as distraction and forgetfulness.”¹³⁰ However, as the amount of embezzled money grew, so did all hope that it was all just an unfortunate coincidence. The established deficit of 880 thousand dinars had to be reported to the then President of the Management Board and Director of *Société Générale*, Paul Ramlot, who, in agreement with other members of the Management Board, decided to end everything “peacefully”. In fact, any report of this case to the competent Yugoslav authorities would entail an unwanted review of the Bank’s entire business, which did not suit the interests of the owners, while again, the news of embezzlement of such a large amount of money would create a bad reputation among Yugoslav and foreign business circles. That is how the whole case was covered up. Krkić was forced to resign and return all the embezzled money. It turned out that he invested most of the money in the shares of the Zlatovo Mines Ltd. (1032 pieces) and Novo Brdo Mines Ltd. (1766 pieces) and of the rest, in the amount of 775 thousand dinars, which was in his current account, he did not spend a dinar.¹³¹ He lost the right to a pension, with the money returned to him being paid into the Bank’s pension fund in the amount of only 36,480 dinars (excluding annual interest). However, based on the minutes from the session of the Board of Directors of the Bank, held in October 1938, under the item of expenses of the Directorate, as “additional severance pay to a retired official for the peaceful settlement of a dispute”, the real amount of 67 thousand dinars was hidden a high-ranking bank official was awarded as compensation for his silence.¹³²

¹³⁰ Ibid.

¹³¹ Ibid.

¹³² AJ, 151-2-2; It seems that three years later the Yugoslav public heard

These two, very illustrative examples, at the same time give an explanation, why in the Bank until 1940, no more cases of retirement of employees were recorded. In fact, in addition to directors Weinberger and Dorđević, Jocković was the last retired employee in 1931. The funds that have been paid into the Bank's Pension Fund over the years have not remained unused. The new, German owners fully used them in the summer of 1940, in order to peacefully "rationalize" the Bank's staff.



If we keep in mind that an extremely large number of officials (over 100) passed through the Belgrade *AJB* Office in the period from 1928 to 1940, and that again, the largest number of employees during one year were sixty, as well as that barely thirteen officials worked continuously, the social structure of this Bank could be, only at first glance, clearly defined. However, there was a large stratification within the group of Bank clerks, caused primarily by huge ranges of their nominal salaries, the amount of which depended more on work experience and recommendations than the level of education, while gender also played a significant role. National and social background, marital status and housing conditions, certainly made this differentiation among employees even greater. On the other hand, regardless of the high level of education (13% with a University degree, 40% with completed academies, of which at least 20% with already completed 8 grades of high school, as well as 20% of employees with a high school diploma) and good knowledge (in 90% of cases) one, and in a slightly lower percentage two or

something about this case. Correspondence on that occasion between lawyers P. Mijatović and Dušan Krkić, indicates that Krkić "gave an honorable word about this case that he would never say anything to anyone": *AJ*, 151-91-119

three foreign languages (which was certainly a consequence of the training of officials abroad) - were not recorded in a significant number of major promotions, nor did working in this Bank represent a springboard for further career advancement. In the Belgrade and Zagreb offices, as well as the Novi Sad branch, there were old officials in managerial positions, who yet worked in the branches, and the fact that they were mostly Jews should not be ignored. Thus, we come to the conclusion that a much larger number of employees tried, and only a smaller one managed to find their place in this Bank. Judging by the personal files of the employees, the interpersonal relations were very bad. Mutual reports and accusations of poorly done work, suspicions and even subterfuge, were relatively common. In terms of ethnic composition, it was a real Yugoslav Bank, which did not mean that there were any major conflicts on national or religious grounds. There was a certain intolerance only towards the "newcomers" from the Zagreb Office, but even that was of a temporary nature. The attitude towards women employed in the Bank, at least when it came to their earnings, was not satisfactory. They received their first salary increase after 1928 only in the middle of 1938 (some not even then) and their salaries were, on average, in the period from 1931 to 1940, 20% lower than the salaries of their male colleagues. As we could see, it was more a feature of the time in which they lived, than a feature of the Bank's personal policy itself.

Viewed from the perspective, it was a Bank with a financially strong background, with very reputable foreign bankers and Yugoslav economic and political representatives in the Administration and Directorate, with extensive business at home and abroad, with a very representative building in the center of Zagreb and elegantly dressed janitors and doormen in the 'Austrian manner' of dark blue suits, hats and gloves, as well as with a very young and ambitious cadre. In a word, it was a *Grossbank*.



ECONOMIC POLICY
OF THE THIRD REICH
IN YUGOSLAVIA



THE ROLE OF HERMANN JOSEF ABS IN THE DECONSTRUCTION OF THE ALLGEMEINER JUGOSLAWISCHER BANKVEREIN

The *AJB*, although only declaratively a Yugoslav bank, often went through similar temptations and changes as the State in which it was located. We have seen that the dominance of large international capital in the Yugoslav economy was gradually replaced by German capital, infiltrating all the pores of the economic life of the Kingdom. Already in 1938, the German share in the total invested foreign capital increased to 6.77% (compared to 0.88% in 1934), which brought the Reich in third place as a creditor of Yugoslavia, just behind France and England. The abolition of the Yugoslav clearing business with France, Belgium and Switzerland, in the same year, certainly strengthened Germany's trade position.¹ Already with the outbreak of the Second World War, on September 1st, 1939, this area, as well as the entire Southeast, gained increased importance in German economic and political plans. According to their analyzes, Yugoslavia has been the leading copper country in

¹ Ž. Avramovski, "Sukobi interesa Velike Britanije i Nemačke na Balkanu uoči Drugog svetskog rata", *Istorija XX veka*, Zbornik radova II, Institut društvenih nauka, Odeljenje za istorijske nauke, Beograd, 1961, p.22; J. Marjanović, "Ekonomska politika nemačkih nacističkih okupatora u Jugoslaviji 1941 - 1945 (S posebnim osvrtom na nemačku ekonomsku politiku u Srbiji i Banatu)", *Jugoslovenski istorijski časopis*, 4, Beograd, 1963, pp.74-75; M. Kolar-Dimitrijević, *Strani kapital i Banovina Hrvatska 1939 - 1941*: *Povjesni prilozi*, Zbornik radova PP, Institut za suvremenu povjest, 9 (1), Zagreb, 1990, p.177.

Europe for 30 years, and its importance as a raw material area and an important supplier of ores to Germany, important for conducting the war (lead, copper, bauxite, chromium and antimony) overshadowed the importance of its agricultural exports and the imports of German industrial products. The Third Reich preferred to exploit the economic wealth of this country by buying raw materials and processing them in its home area, so only where it could not otherwise achieve its goal, it engaged its capital and its people. Also, it was envisaged that in the near future, when the plans for the *Grosswirtschaftsraum* (Great Economic Space) were to be realized, the importance of the Southeast as a supplier of mining raw materials would decrease and its value as a supplier of cereals and foodstuffs would increase. Under the guise of “economic cooperation and economic complementarity”, the Nazis actually saw in Yugoslavia (as well as in the entire Southeast) a “supplementary economic area” (*Erganzungswirtschaftsraum*) that produced what was necessary to supplement the economy of the *Großraum*.² “Southeast Europe, inhabited by non-Germans and economically underdeveloped, was to remain a *complementary economic appendage* of the Reich, without any independence and as a subordinate area of lower rank. The economy of the Southeast would develop only in accordance with German needs and as a European colonial part. To achieve this, the Nazis did not envisage the use of force in 1940.”³

² A. Mitrović, “Treći Rajh i italijanska privredna konkurencija u Jugoslaviji na početku Drugog svetskog rata (1. IX 1939 - 6. IV 1941)”, *Zbornik Filozofskog fakulteta*, XIV-1, Beograd, 1979, p.418; *ibid*, “Erganzungswirtschaft; The Theory of an integrated economic area of the Third Reich and Southeast Europe (1933-1941)” *The Third Reich and Yugoslavia 1933 - 1945*, (Belgrade: Institute for Contemporary History, 1977), p.39.

³ A. Mitrović, “Nacistička ideja velikog privrednog prostora i jugoistočna Evropa (1940)”, *Zbornik Filozofskog fakulteta*, knjiga XI-1, Beograd, 1970, pp.728-729, p.732.

Precisely for these reasons, economic-scientific and at the same time political agencies and societies, such as the already mentioned Central European Economic Council (*Mitteleuropasche Wirtschaftstag* - MWT), as well as the Society for Southeast Europe (*Sudosteuroopa - Gesellschaft* - SOEG) played a significant role in promoting the German economic championship in the area of the countries of Southeast Europe. The first was part of the legacy of the Weimar period and depicted the continuity of German interests in the Southeast. Its goal was to work on diminishing the influence of Western European countries and the United States in the Southeast, as well as work on providing the German economy with a raw material base in that area. SOEG was founded in February 1940, as a new type of organization with the task of building, maintaining and strengthening relations with the countries of Southeast Europe as well as to nurture relations within the country with all government officials, various bodies, institutes, societies and other institutions that were in relation to the countries of the Southeast or have dealt with the economic and cultural relations of those countries. Also, it performed all the tasks delegated by the Minister of Economy of the Reich or other state and party instances, which indicates the great susceptibility of this company to the state administration. SOEG's leading figures were at the same time prominent figures in German political life, unlike the MWT, which was run by representatives of large private capital, backed by the interests of the companies or banks they represented.⁴

Through these specialized economic agencies, German banks also operated in the Southeast. Thus, at the beginning of September 1940, MWT established a board of trustees in Vienna, headed by the director of *Deutsche Bank*, Hermann Josef Abs, who was especially committed to providing this largest German banking concern

⁴ More on German scientific and economic agencies for the Southeast see: M. Ristović, *Nemački "Novi poredak" i Jugoistočna Evropa*, pp.115-147.

with a leading role in the economic relations of the Third Reich with occupied as well as allied countries, in the field of banking. He was especially engaged in the intertwining of the capital of the countries of Southeast Europe and the Reich, believing that Germany, as a lender, would secure markets for the placement of surplus industrial products by deliberately borrowing from raw material-producing countries and tying them with loans. He was a supporter of issuing commodity loans to these countries, which would be paid off with goods, so that the debtor countries could increase their export capacity by spending such loans and thus enable the repayment of interest and debt settlement. His dedication and commitment went so far that, as Deputy Chairman of *Creditanstalt* (the centre through which *Deutsche Bank* operated in Yugoslavia), he personally controlled every business report of the Directorate or the minutes of the meetings of the Management and Supervisory Boards.⁵ The leading German banking concern, thanks in large part to H. J. Abs, achieved its contribution to building the economic and even political dominance of Germany in the European Southeast, long before the direct military intervention.

A similar business policy in the takeover of *AJB*, *Deutsche Bank* applied when it took over *Banca Comerciale Romana* in Romania, once also in the sphere of interest of the *Société Générale de Belgique*, precisely because of its extensive business and influence in the Romanian oil industry. Thanks to *Deutsche Bank*, the Reich Ministry of Economy came into possession of the shares of the two largest Romanian oil companies, Colombia and Concordia Oil. Bulgaria, again, was the only country in this area in which *Deutsche Bank* had, thanks to a merger with another Berlin bank, *Discontogesellschaft*, since 1929 its “daughter bank”, *Kreditbank* in

⁵ L. Gall, *Der Bankier: Hermann Josef Abs, Eine Biographie*, (München: Verlag C. H. Beck, 2004), p.58; E. Czichon, *Die Bank und die Macht, Hermann Josef Abs, die Deutsche Bank und die Politik*, (Köln: PapyRossa, 1995), 275; Milan Ristović, *ibid*, p.233.

Sofia. It is interesting that the German bank was the undisputed possessor of financial influence and profit here until 1942, when *Dresdner Bank*, through the *Bulgarian Commercial Bank*, and at the intervention of the political leadership of the Reich, tried to get some of the spoils itself. In Hungary, due to its own well-developed banking system, and in Greece due to the 1934 Law banning the establishment of foreign banks, the German financial system failed to strengthen until 1941/1942.⁶

Within the Nazi rearrangement of Europe on the principles of the “new order”, which has been based to a large extent on the application of forced political and economic means, such as “market regulations”, “forced cartelization” and “intertwining of capital”, the leading German industrial groups and banks also made their contribution.⁷ However, already from the example of the overtaking of the *AJB* (as previously in the case of the *Société Générale*) in could be clearly seen that the *Deutsche Bank*, under the veil of “general economic interest and policy” with the undoubtedly concrete contribution to the building of German economic and political dominance, had in fact supported its own interests, often at the detriment of other German banking and industrial groups.

The plan of H.J. Abs and *Creditanstalt's* director, Josef Joham, was that after raising the share capital of this Yugoslav bank (from 60 to 100 million dinars)⁸ as well as after acquiring a majority stake in *Landesbank für Bosnien und Herzegovina* and merging *Jugoslawische Unionbank*, they would create a strong financial

⁶ L. Gall, *Der Bankier*, 486; *OMGUS - Ermittlungengegen die Deutsche Bank*, 265-267; M. Ristović, *ibid*, pp.232-234

⁷ A. Mitrović, *Nacistička ideja velikog privrednog prostora i jugoistočna Evropa (1940)*, p.718.

⁸ AJ, 151-2-2: Minutes from the meeting of the Management Board of the *AJB*, December 2nd, 1940; already at the end of 1940, overall assets of the Bank amounted to 1,674.218,290 dinars, see also: *OMGUS - Ermittlungengegen die Deutsche Bank*, p.236.

centre in Yugoslavia, which would enable the great domination of *Deutsche Bank* over foreign financial capital in the Kingdom.⁹ However, such “massive financial strength” could not be tolerated by competing German banks, and above all by *Dresdner Bank*. With the support of *Commerzbank* and the *Reichs-Kredit-Gesellschaft (RKG)*, it intervened in the Reich Ministry of Economy in the middle of 1940, demanding her share in *AJB*, at least at the cost of *Creditanstalt* giving up its position as the majority shareholder, which H.J. Abs absolutely objected. According to research by the German historian Czichon, “a lively struggle for quotas and influence began at that time, until Abs, to all three had to approve part of the shares taken over by the *Société Générale de Belgique*(...), although he still managed to keep the leadership in the Bank itself.”¹⁰ This author further states that *Dresdner Bank* then received 12.5% of the share capital, which was the amount equal to the independent share of *Deutsche Bank*, while the share of *Creditanstalt* was 51%, and *Böhmische Union Bank* 4%. He also states that *Commerzbank* and *RKG* each received a 6.25% stake in the share capital of this Yugoslav bank.¹¹ After that, *Deutsche Bank* bought a part of the Belgian shares that were already owned by *Creditanstalt*, and then sold them to other banks and on that occasion, for its services, earned 104 thousand RM on this transaction alone.¹²

The presented data do not completely agree with the data provided by the *AJB* documents. Namely, according to the lists of deposited shares for the XII Ordinary Shareholders’ Meeting, held on October 9th, 1940, as well as for the Extraordinary Meeting, held two months later (December 2nd, 1940) and on the basis of

⁹ E. Czichon, *ibid*, p.276.

¹⁰ *Ibid*, p.275.

¹¹ *Ibid*. Identical data we find also in: L. Gall et.al., *Die Deutsche Bank, 1870-1995* (München: Beck, 1995), p.382.

¹² G. Feldman, *Austrian Banks in the Period of National Socialism*, p.236.

documents of the Bank's Management, there are no traces of change of participation of major shareholders. *Creditanstalt* was then the holder of 89% of the share capital, and with a share of 4% of *Böhmische Union Bank*, it was, therefore, still the holder of 93% of the share capital of this Bank.¹³ At the first following Meeting of Shareholders, which was held only on February 28th, 1942, based on the list of deposited shares as well as the list of members of the Management Board, no changes are still visible.¹⁴ The first traces of this new distribution of share capital can be found in the list of members of the Bank's Board of Directors, which was submitted to the German economic and financial yearbook *Compass* on March 12th, 1942.¹⁵ In this list, the following are listed as members of the Bank's Management Board: President Franz Neuhausen - General Plenipotentiary for the Economy of Serbia (with permanent residence in Zemun); Vice President Josef Joham - Member of the Management Board of *Creditanstalt* from Vienna; H. J. Abs - Deputy President of *Creditanstalt* and Member of the Management Board of *Deutsche Bank Berlin*; Nikola Berković - President of the *Landesbank für Bosnien und Herzegovina* from Sarajevo;¹⁶ Ludwig Fritscher - Member of the Management Board of *Creditanstalt* from Vienna; Emil Müller - Director of *Basler Handelsbank* from Basel;¹⁷ Hans Pilder - Director of *Dresdner Bank* in Berlin; August

¹³ AJ, 151-2-2, The lists of deposited shares for the XII regular Meeting of Shareholders on October 10th, 1940 and the Extraordinary Meeting of Shareholders, on December 2nd, 1940

¹⁴ AJ, 151-3-3, List of deposited shares for the XIII Meeting of Shareholders on February 2nd, 1942

¹⁵ These data published in *Compass – Financielles Jahrbuch 1944, Kroatien - Serbien*, Wien 1944, are identical to the data in the *Report on the operations of the Bankverein – Belgrade* in 1941 presented to the XIV Meeting of the Shareholders only on July 29th, 1942: AJ, 151-9-15

¹⁶ Except for Berković, all other Yugoslav representatives in the Management (Vasilije I. Jovanović, Ivan Ribar and Ivo Benković) left the Bank during 1941, see: AJ, 151- 3-3

¹⁷ This Swiss bank its diminished its share as of 1941 amounting to 3.18% of the

Rohdewald - Member of the Management Board of *RKG* from Berlin; Guido Schmidt - General Manager of the Reichswerke Aktiengesellschaft für Berg - & Huttenbetriebe Hermann Göring from Berlin; Jakobus Soengen - Plenipotentiary for the *Serbian National Bank* and Director of the *Reichsbank* (with permanent residence in Belgrade);¹⁸ Dragan Tomljenović - General Representative of the German Chemical Concern IG Farbenindustrie in Serbia and Director of Juganil a.d. from Belgrade and Tanasije D. Zdravković - wholesaler from Belgrade. At the same time, the following members of Supervisory Board were mentioned: Pavle Mijatović, president – in the long period the lawyer of the *AJB*; Kurt von Asbot - director of *Böhmische Union Bank* from Prague, Jovan Krsmanović - wholesaler and Bora Popović - lawyer from Belgrade and Josef Wirt - senior inspector of *Creditanstalt* from Vienna.¹⁹

There is no doubt that the negotiations on the division of participation in the *AJB* began in 1940, but it is obvious that they were not completed then. H. J. Abs's desire to create a strong financial centre in Yugoslavia for his country, but also for his Bank, was strong enough, as was his influence on the relevant German circles, which only partly explains the ultimate success of these negotiations.²⁰ We must look for other, equally important reasons in the changes that have taken place in this area since the spring of 1941, and which strongly influenced the further fate of the Kingdom, and thus the fate of the *AJB*, which then became a rare Yugoslav financial institution resistant to espionage of the banks from South Eastern Europe, often under strong English or French influence.²¹

shareholding principal: AJ, 151-3-3

¹⁸ J. Soengen was appointed a member of the Management Board of the Bank at the end of 1940: AJ, 151-2-2

¹⁹ AJ, 151-9-15

²⁰ By the beginning of 1942, *Deutsche Bank* had finally succeeded to enlarge its share in the shareholding capital of the *Creditanstalt* to 36%, see: G. Feldman, *ibid*, p.113.

²¹ *Nemačka obaveštajna služba u staroj Jugoslaviji*, p.159.

However, not only banks and other institutions in Yugoslavia were under pro-Western influence, but also, as would be seen in a while, a good part of the State's military establishment. Namely, the government of Cvetković-Maček, in agreement with the deputy prince Paul Karadorđević, decided to, after lengthy negotiations agree to join the Triple Alliance, which was concluded in Berlin in September 1940 by Germany, Japan and Italy, and which, by the beginning of March. In 1941, was joined by Hungary, Romania, Slovakia and Bulgaria. In the preparations for the war with the Soviet Union, a neutral Yugoslavia was of great importance to Germany, with all its economic resources necessary for waging the war. According to some sources, that was the reason for their firm promises not to endanger Yugoslav sovereignty and territorial integrity, along with a couple of unofficial promises that Germany and Italy would not demand military assistance, nor would they use its territory to transport war material.²² It turned out that after the German occupation of France, the British expected such an outcome of the situation in Yugoslavia, so they tried to strengthen their stronghold in the part of the pro-Western Yugoslav army through their intelligence channels, as early as the summer of 1940. These activities bore fruit, which proved almost immediately after Yugoslavia's accession to the Triple Alliance, when air officers led by General Borivoje Mirković, on the night between March 26th and 27th, 1941, staged a coup d'état and appointed General Dušan Simović to head the government, and for the vice president, academician Slobodan Jovanović. The next day, with the significant support of the Communist Party of Yugoslavia, mass anti-fascist demonstrations were held in all major Yugoslav cities, after which it became clear that Yugoslavia would definitely not be part of the Triple Alliance.²³

²² A. N. Dragnich, *The First Yugoslavia: Search for a Viable Political System*, (Stanford: Hoover Institution Press, 1983), p.133; Branko Petranović, *Istorija Jugoslavije 1918 - 1941, Book one*, (Beograd: Nolit, 1988), p.213.

²³ A. N. Dragnich, *ibid*, p.134.

Thus, unplanned, after the March military coup, the Third Reich decided on an armed attack, which followed on April 6th, 1941, and which, as one of the consequences, had the territorial fragmentation of Yugoslavia. On the basis of Hitler's directive known as the Provisional Guidelines for the Partition of Yugoslavia, on April 12th, 1941, Gorenjska, Lower Styria and the Slovenian part of Carinthia were annexed to the Third Reich; Bačka, Baranja, Međumurje and Prekomurje to Hungary; Macedonia was annexed to Bulgaria with the eastern part of old Serbia; and in Croatia, which then included Slavonia, Srem and Bosnia and Herzegovina, the Independent State of Croatia was created. Italy, as the leading German ally, got the southern part of Slovenia with Ljubljana, Dalmatia, Montenegro, Sandžak, the western part of old Serbia and the western part of southern Serbia. Banat, the area of the Bor Mine and the Trepča mine with its surroundings, as well as the rest of Serbia, fell under German military rule.²⁴

However, only with this division, all the advantages of the hitherto covert exploitation of Yugoslavia's economic opportunities surfaced, while preserving its external features, its neutrality and sovereignty. Namely, the Germans quickly realized that this division brought them not only a change of position, but also problems with further successful regulation and organized use of economic resources for their own needs. F. Neuhausen himself considered that "...the break-up of the Yugoslav state has negative consequences(...) because Yugoslavia represents politically and economically, a unit that must not be touched. Otherwise(...) there will be no peace, and the economy seeks uniqueness as a precondition for

²⁴ More on German policy in occupied Yugoslavia: K.H. Schlarp, *Wirtschaft und Besatzung in Serbien 1941 - 1944. Ein Beitrag zur nationalsozialistischen Wirtschaftspolitik in Südosteuropa*, Stuttgart, 1986, p.340; Sundhaussen, Holm *Wirtschaftsgeschichte Kroatiens im nationalsozialistischen Grossraum 1941 - 1945. Das Scheitern einer Ausbeutungsstrategie*, (Stuttgart Franz Steiner, 1986), p.164.

its work.”²⁵ It is certain that this division also violated H. J. Abs’s previous conception of the creation of a “single financial centre” in Yugoslavia. It is believed that the reason for his then delay in negotiations with interested German banks about participation in *AJB* was precisely that, in the new conditions, he primarily organized *Deutsche Bank’s* business policy as successfully as possible.²⁶

After the division of Yugoslav territory was definitively confirmed at a meeting of German and Italian foreign ministers Joachim von Ribbentrop and Galeazzo Ciano on April 22nd, 1941, representatives of *Creditanstalt* (Josef Joham) and *Dresdner Bank* (Josef von Paich) hurried to seceded Croatia to secure their interests. However, the report on the work of *Creditanstalt* for the business year 1941, which was submitted to the relevant State and economic representatives of the Reich for inspection on May 4th, 1942, indicates the possibility that due to the division of Yugoslavia, it was the first to differentiate interests among other German economic organizations and banks, with the participation of one large Italian bank.²⁷ Thus, in addition to the President of the Bank, Franz Hasslacher and Deputy President H. J. Abs, as well as Alfred Eschler - Director of the Reich Ministry of Economy and Member of the Management Board of Vereinigten Industrie-Unternehmungen A.G. from Berlin, as members of the Presidency in the business year 1941 appear, among others: Alberto D’Agostino - General Manager of the *Banca Nazionale del Lavoro* from Rome; Max Ilgner - Member of the Management Board of I.G. Farbenindustrie, Vice President of MWT and Chairman of the Committee for the Southeast - RGI from Berlin; Walter Rafelsberger - SS-Oberfirer, Vice President of SOEG, Member of the *Sparkasse*

²⁵ G. Feldman, *ibid*, 241; M. Ristović, *ibid*, pp.174 -175.

²⁶ H. James, *The Deutsche Bank and the Nazi Economic War*, p.135.

²⁷ AJ, 151-7-10, Report of the Presidency and the Management of *Creditanstalt* on the operations of the Bank for business year 1941, May 4th, 1942

Directorate and Head of the Planning Staff at the Reich Ministry of Armaments and War Production and August Rohdewald - Member of the Board of the RKG.²⁸

At the meeting of *Creditanstalt* representatives with the leaders of the newly formed government of the Independent State of Croatia (NDH) in Maribor on May 9th, 1941, which was also attended by the director of the Reich Ministry of Economy, Joachim Rill, it was decided to divide *AJB* into two independent banks.²⁹ This decision actually meant that there was only one German bank in Croatia, as well as in Serbia, and in both cases the management would be organized by *Creditanstalt*, while other large German banks were allowed to participate as minority shareholders. That *Creditanstalt* continued to play a major role in deciding the fate of the former Yugoslav Bank can be seen in the figures who participated in this division. In addition to the newly appointed Plenipotentiary for Economy in Serbia, Franz Neuhausen and H.J. Abs, the President of *Creditanstalt*, Franz Hasslacher, Commercial Advisor for the Wood Industry of the Reich, Chairman of the National Committee for Croatia (*Landerausschuss Kroatien*) and a member of the Southeast Committee (*Sudostausschuss der RGI*) and Walter Rafelsberger, a member of the Board of the same Bank, otherwise a state adviser to the Reich Protectorate for the Czech Republic and Moravia played a major role in determining the amount of future share capital of the Bank.³⁰ These important representatives of German economic and political life decided, at a meeting in

²⁸ In the Presidency of the Bank, besides four mentioned persons, there were another fourteen German and Austrian economic and political representatives. Among four members of the Management of the *Creditanstalt* two of them were in the Management of the *AJB* ever since 1939/40: L. Fritscher and J. Joham: *AJ*, 151-7-10

²⁹ *AJ*, 151-19-37; G. Feldman, *ibid*, p.241; E. Czichon, *ibid*, p.275.

³⁰ *AJ*, 151-7-10, report in the work of the *Creditanstalt* for the business year 1941; M. Ristović, *ibid*, p.124, p.143, p.145.

Carinthia, on May 23rd, 1941, that the newly founded *Bankverein A.G. - Belgrade*, would keep the entire capital of the former Yugoslav Bank, in the amount of 100 million dinars, while for *Bankverein für Kroatien AG* based in Zagreb new funds were provided by *Deutsche Bank* and *Creditanstalt*. With the “support” of the *Croatian State Bank*, the share capital quickly reached the amount of HRK 125 million (RM 6,300,000).³¹ However, the fact that this division of the *AJB* was a pure formality is shown by the fact that H. J. Abs, Josef Joham, Nikola Berković and Ludwig Fritscher were at the same time in the Management Board of both the Belgrade and Zagreb *Bankverein*. At the meeting of the Board of Directors of *Bankverein AG* in Belgrade, held on October 21st, 1941, F. Neuhausen was appointed president of this Belgrade affiliation, while the other member of the Board, Jacobus Soengen was at the same time appointed Plenipotentiary Chief of the Military Administration for the Southeast at the *Serbian National Bank*.³²

The *Bankverein für Kroatien (BK)* was assigned the task of establishing its branch network after defining the borders of the new NDH. The Ljubljana branch was supposed to remain under its auspices, but the formal handover of this branch was delayed by the representatives of the Italian authorities on whose territory it was located. As the approval did not reach the founding Assembly of *BK* on March 30th, 1942, the Ljubljana branch ended up in Italian hands, while in 1942 *BK* opened its branch in Zemun.³³ The Croats could not dispute the fact that the main shareholders of this bank

³¹ *Elimination of German Resources for War: Hearings before a Subcommittee of the Committee on Military Affairs, Parts 1-3, United States Congress, Senate. Committee on Military Affairs, U.S. Government Printing Office, (Germany: 1945), p.764.*

³² AJ, 151-7-10

³³ AJ, 151-19-37, Report of BK, May 28th, 1942; Minutes from the Meeting of the Management Board of BK, held on October 21st, 1941; IAB, TSB, IV/69, Announcement of the establishment of BK affiliation in Zemun, 1942.

were Germans, but nevertheless insisted on the participation of the *Landesbank für Bosnien und Herzegovina*, as well as on the fact that two thirds of the members of the Board were Croatian state and business representatives: Josip Kovačić - Head of the Subdivision for Accounting and Economy at the Ministry of the Interior of the Independent State of Croatia, Ivan Koek - Member of the Supervisory Board of the *First Croatian Savings Bank*, Rector of the Economic and Commercial College in Zagreb Eugen Sladović, Lawyer Milorad Stražinski, doctor Zvonimir Sušić, as well as industrialists Dagobert Müller von Thomaühl and Ivan Kovač.³⁴ Abs and Joham thought that this could be bypassed, promising that the Management Board would respect Croatian interests with the additional appointment of Nikola Berković as the President of the Management Board, while Joham would be the Vice President. Since it was most important for them to maintain the majority that *Creditanstalt* had, i.e. to ensure that the *Deutsche Bank group - Creditanstalt, Deutsche Bank* and *Böhmische Union-Bank* - hold three quarters of the shares in this Bank, they eventually accepted the entry of Croatian representatives in the Management. Thus, in the final arrangement, *Creditanstalt* owned 55% of the shares (representatives Josef Joham and Ludwig Fritscher, who was replaced by Georg Tengler in May of the same year), *Deutsche Bank* 15% (representative H.J. Abs), *Böhmische Union-Bank* (Walter Pohle), *RKG* (August Rohdewald), *Commerzbank* (Eugen Bandel) 10% each and *Landesbank für Bosnien und Herzegovina* 0.8% of the capital (Nikola Berković),³⁵ while the distribution of share capital in the Belgrade *Bankverein* at that time was, as we have seen, the same as before disintegration of Yugoslavia.³⁶

³⁴ AJ, 151-19-37, Report on the work of the Management BK for business year 1941, June 15th, 1942 and *Compass - Financielles Jahrbuch 1942, Kroatien - Serbien*, Wien 1942, p.49.

³⁵ AJ, 151-19-37, Report of the Management of the BK on business year 1941 for I Shareholders Assembly, June 15th, 1942

³⁶ AJ, 151-3-3, List of deposited shares for XIII Shareholders Meeting held on

It is noticeable that another large German concern, *Dresdner Bank*, did not participate in *BK*. The reason, among other things, should be sought in the German economic plans in the Independent State of Croatia, in which, due to the transition of this area to the Italian zone of influence, the major task was the exploitation of its agriculture and raw materials. According to the chairman of *Creditanstalt*, Franz Hasslacher, who was also the chairman of the *National Committee for Croatia*, the NDH had to remain an agricultural country in principle, which is why its industry could not be built from the point of view of autarchic tendencies, but it had to be limited to indigenous industry, processors and raw material purification plants.³⁷

In Serbia, *Dresdner Bank* only managed to get a share in the share capital of *Bankverein* in Belgrade in March 1942, in the amount of 12.86%, as much as *Deutsche Bank* had, while *RKG* and *Commerzbank* received 6.42% each. The share of *Böhmische Union-Bank* remained the same 4%, *Creditanstalt* had 52.78%, *Landesbank für Bosnien und Herzegovina* 0.30%, and *Basler Handelsbank* 3.18% of the Bank's share capital.³⁸ *Bankverein* in Belgrade was left without its branch in Novi Sad, which was turned

February 28th, 1942; *OMGUS - Ermittlungen gegen die Deutsche Bank*, 236. It is interesting that on May 4th, the same day when the Meeting of the Presidency of the *Creditanstalt* was held in Vienna, the first Meeting of the Management of *Bankverein* – Beograd was also held with the participation of: president F. Neuhausen, vice president J. Joham and members: H. J. Abs, J. Soengen, H. Pilder, E. Bandel and D. Tomljenović (absent: N. Berković, L. Fritscher, E. Müller, A. Rohdewald, G. Schmidt i T. Zdravković), see also: AJ, 151-7-10, report of the Presidency and the Management of the *Creditanstalt* on the work of the Bank for business year 1941, May 4th. 1942

³⁷ M. Ristović, *ibid.*, p.208.

³⁸ AJ, 151-3-3, List of deposited shares for XIV Shareholders Meeting, July 29th, 1942. The preservation of formal continuity of *Bankverein* with former *AJB*, could be clearly seen from the number of Meetings, unlike *BK* which had its constitutive Assembly: AJ, 151-19-37

into a branch of the Budapest branch of *Creditanstalt* (which was in line with the division of Yugoslav territory).³⁹ The Belgrade affiliation received some kind of compensation on September 30th, 1941, when it was enabled to merge the Belgrade branch of the *Jugoslawische Unionbank* and take over all its previous operations.⁴⁰

Thus, the “lively struggle over quotas and influence” apparently ended with the victory of *Deutsche Bank*. Together with its net share in the Croatian affiliation, as well as the share of *Creditanstalt*, *Böhmische Union-Bank* and *Landesbank für Bosnien und Herzegovina*, it held 80% of the share capital while in the Belgrade affiliation it owned 70% by the same principle, compared to *Dresdner Bank*, which together with the other two German banks had only a 25.7% share in the share capital. By skilful banking policy, H.J. Abs has managed to maintain the dominant position of *Deutsche Bank*, connect the two most important financial centres in this area (which by their power could change monetary and financial processes and affect the local economy), thus making a personal contribution to the Reich’s efforts to establish a combination of economic and political power. In the period from 1939 to 1945 he became the most powerful commercial banker of the Third Reich, who, in addition to his membership in the management of *Deutsche Bank*, was in the management of 44 other largest German companies, while thereby he never officially became a member of the Nazi Party.⁴¹

³⁹ AJ, 151-3-3, Minutes from the meeting of the Management Board of the *Bankverein* - Beograd, held on October 21st, 1941.

⁴⁰ AJ, 151-23-41

⁴¹ *Elimination of German Resources for War*, p.p.767-768. He was arrested in January 1946 on suspicion of war crimes, but was released after only three months after the intervention of the British government, despite a detailed report that will be published later. He was not allowed to play any role in German banking or industry until 1948, when, despite his reputation as one

THE POSITION OF BANKVEREIN IN GERMAN MILITARY AND ECONOMIC SYSTEM

After the German military units that took part in the April war were withdrawn from Serbia at the end of May 1941, new crew units were brought in, while the remaining military forces in Banat were composed of domestic Volksdeutscher. These crew units were placed under the command of a specially trained “Higher Command for Special Use 65”. In the meantime, on April 20, 1941, Hitler appointed Aviation General Helmuth Förster as the military commander of Serbia, whose staff consisted of two parts: the Military and the Administrative Staff.⁴² A special body, the Headquarters of

of Nazi Germany’s most powerful businessmen, he was acquitted of all charges before the Hamburg denazification court. Then, almost overnight, he became the “financial ambassador” of the Federal Republic of Germany, representing the government in numerous international organizations and conferences. As a personal adviser to Chancellor Konrad Adenauer, he contributed to solving numerous financial problems that resulted from the war defeat and national renewal. He is credited with much of the merit for reorganizing and revitalizing German banking and industry, as well as re-establishing German creditworthiness, which has established him as a leading archer in turning West Germany into an “economic miracle.” He died in 1994 in Baden Soden at the age of 93. More details from his rich post-war business biography can be found in a confidential 1961 report by the US Central Intelligence Agency (CIA):

https://www.cia.gov/library/readingroom/docs/ABS,%20HERMANN%20J._0045.pdf (approached on October 7th 2020)

⁴² As early as the beginning of June, Förster was replaced in this position by Artillery General Ludwig von Schröder, who soon died in a plane crash, and was replaced by Air Force General Heinrich Danckelmann, see: J.

the General Plenipotentiary for the Economy of Serbia, headed by Franz Neuhausen, was formed on the same day as Felix Benzler, Plenipotentiary of the Minister of Foreign Affairs Joachim von Ribbentrop, was appointed on April 28, 1941.⁴³ According to historian B. Petranović, the way in which Germany sought to secure a stronger position in Serbia was reflected in the establishment of a branched and strict bureaucratic “military-administrative-economic” control composed of seven “sluggish” military-political and economic centres of German power in Serbia, as they were called in Berlin, because of the parallel tracks of performing functions in which “competencies intertwined and collided - often contradicting the measures of one centre in relation to another.”⁴⁴

In order to mitigate the negative consequences of the disintegration of the single economic space of Yugoslavia and to create a basis for further economic exploitation, the representatives of the Third Reich already at the Vienna Conference, on April 22, 1941, obtained from their allies the right to exploit natural resources in almost all regions of former Yugoslavia. In Serbia, as the most important Yugoslav province for the German economy, it was of great importance to occupy vital economic facilities, collect war spoil and create conditions for unhindered economic exploitation through German military, economic and financial institutions.⁴⁵

Tomasevich, *ibid*, 66; see also: Z. Janjetović, “The Exploitation of Economy and Manpower in the Territory of Yugoslavia during the Second World War. Historiographical Overview – Results and Pending Research”, *Südost-Forschungen*, Volume 77: Issue 1, Regensburg, 2019, pp.253-271.

⁴³ J. Tomasevich, *ibid*, 68; V. Đurić, “Ko su bili nemački vojnoupravni komandanti Srbije 1941 - 1944 godine”, *Vojno-istorijski glasnik*, 3/1996, Beograd, 1996, pp.161 -162

⁴⁴ B. Petranović, *Srbija u Drugom svetskom ratu 1939 - 1945* (Beograd: Vojnoizdavački i novinski centar, 1992), p.114.

⁴⁵ H. Sundhaussen, *ibid*, p.160; D. Aleksić, “Prve mere nemačke privredne politike u Srbiji 1941. godine”, *Istorija XX veka, časopis Instituta za savremenu istoriju*, XIII-1, Beograd, 1995, p.89.

Already during the April war, the Germans confiscated all stocks of raw materials and fuel, vehicles, gold, foreign currency and consumer goods in Serbian warehouses. Economic facilities of military importance and reserves of raw materials were immediately made available to the offices of the plenipotentiaries for the Four-Year Plan of the German economy, whose headquarters for Serbia were located in Zemun, in the building of the former Yugoslav Air Force Command. After the annexation of Zemun to the Independent State of Croatia, the headquarters was moved to the building of the Ministry of Construction of the Kingdom, in Nemanjina Street, and was also known by the abbreviated name GBW (Generalbevollmächtigter für die Wirtschaft in Serbien).⁴⁶

The regulation of certain financial issues, primarily those related to the regulation of foreign exchange payments, between the territory of the Reich and the occupied Yugoslav territory, began immediately after the entry of German troops into Belgrade, on April 13, 1941. Already in May, the Order on the opening of the *Reichskreditkasse* (Reich Credit Fund) was passed, which began with the release of German occupation money (*Reichskreditkassenscheine*), which as a means of payment was equal in value to the domestic currency, at a parity of 100 dinars for 5 RM.⁴⁷ The German authorities did not take into account its purchasing power and the influence on the purchasing power of the domestic currency of the occupied area, until the end of 1943. Formally, it was worth as much as RM, but it was not interchangeable for RM. It

⁴⁶ M. Živanović, “O nekim merama i metodama nemačke privredne politike za vreme okupacije Beograda i Srbije u Drugom svetskom ratu (1941 - 1944)”, *Istorijski časopis*, XII-XIII, 1961/1962, Beograd, 1963, p.396.

⁴⁷ This money was issued exclusively by the *Reichskreditkasse*. However, starting from July 1, 1942, the *Serbian National Bank* was obliged to change the German occupation money for Serbian dinars at its cash registers and in that way to equate it in the monetary-legal sense with the currency it issued, see: D. Gnjatović, *Ekonomija Srbije, Privredni sistem, struktura i rast nacionalne ekonomije* (Beograd: MU, 2007), p.141.

was possible to print it in unlimited quantities for the purpose of financing the occupation costs. Although the *Reichskreditkasse* was not introduced in the Independent State of Croatia and part of Slovenia, German military units put its banknotes into circulation as a replacement for the RM. At the end of April 1941, the Minister of Finance of the Independent State of Croatia declared them a valid means of payment, at a parity of 20 dinars for 1 RM.⁴⁸

After the end of the war, the German authorities, in accordance with the division of Yugoslav territory, made a decision on May 10, 1941, on the liquidation of the *National Bank of the Kingdom of Yugoslavia* and the formation of the *Srpska novčana banka* (*Serbian Monetary Bank*), which, by the Decree of the Military Commander of Serbia in the same month was renamed *Srpska narodna banka* (*Serbian National Bank*) as well as *Hrvatska državna banka* (*Croatian State Bank*). The money of the former National Bank was withdrawn and replaced with new banknotes.⁴⁹ In the

⁴⁸ At the same time, it was explicitly forbidden to use this money as a means of payment on the territory of the Third Reich. Also, in order to protect their own national currency from devaluation, the German authorities strictly forbade the circulation of the RM issued by the *Reichsbank* in the occupied territories, in addition to this occupation money. M. Živanović, *ibid*, 393; N. Živković, *Ratna šteta koju je Nemačka učinila Jugoslaviji u Drugom svetskom ratu*, (Beograd: ISI, 1975), p.446.

⁴⁹ This decision was made at a meeting of high German economic and political representatives at the *Reichsbank* in Berlin, see: N. Živković, *ibid*, 446; Immediately before the outbreak of World War II, the majority of the gold and foreign exchange reserves of the *National Bank of Yugoslavia* were deposited abroad and were not available to the occupying authorities. It was at the disposal of the management of the *National Bank* in exile, which in 1944 in London, with the expert assistance of the *Bank of England*, issued new banknotes in denominations of 1000, 500, 100, 25, 10 and 5 dinars to replace the occupation banknotes after liberation. As the monarch was on the face of the banknotes, they could not be put into circulation as a legal tender after the liberation of the country and the decision to abolish the monarchy, see: D. Gnjatović, *Ekonomija Srbije*, p.137.

Independent State of Croatia, the exchange rate of 1 old dinar for 1 kuna was applied, and according to the agreement with the competent German financial representatives, the parity of the kuna was determined: 20 kuna for 1 RM. In Serbia, 1 Yugoslav dinar was also replaced by 1 Serbian dinar, and the parity remained the same, 100 dinars for 5 RM.⁵⁰ The decree on exchange rates determined the parity of the Serbian dinar against gold, RM and the US dollar. The value of the Serbian dinar was equal to the value of 17,921 milligrams of pure gold, while 50 Serbian dinars corresponded to one US dollar.⁵¹

According to the mentioned Decree, the *Serbian National Bank* should have been formed as a public institution in the legal form of a shareholding company. However, the planned founding capital of 100 million Serbian dinars was not registered for the entire duration of the occupation. Therefore, the General Assembly of Shareholders could not be constituted, and neither the Management Board nor the Supervisory Board of the Bank was formed until the end of the occupation. Thus, the Bank was *de facto* managed only by the German commissioner, otherwise the director of the *Reichsbank* and a member of the Management Board of *Bankverein*, Jacobus Soengen.⁵² He was appointed to this position by the General Plenipotentiary for the Economy of Serbia F. Neuhausen, who also appointed Governor Milan Radosavljević, a

⁵⁰ The discrepancy between the value of the kuna and the Serbian dinar in relation to the RM will be a significant problem for harmonizing the work of the Zagreb and Belgrade *Bankverein*, see: AJ, 151-19-37, BK work schedule, submitted to Director Saal on February 22, 1942. However, already during 1942. a new parity was determined - 20 dinars for 1 RM.

⁵¹ AJ, 151-26-49: *List uredaba Vojnog zapovednika za Srbiju, br. 7, 31. maj 1941: Naredba o srpskoj novčaničnoj banci; Uredba o srpskom novcu; Uredba o kursevima.*

⁵² Archives of the National Bank of Serbia (ANB), Fund Serbian National Bank no. 5, File No 261: Opšte jugoslovensko bankarsko društvo, from 1941 to 1944.

proved German friend, former Governor of the *National Bank of the Kingdom of Yugoslavia* and a close associate of former Prime Minister Milan Stojadinović.⁵³ Mirko Kosić, a university professor and former pro-fascist MP, was appointed vice-governor.⁵⁴

Both central banks had to fully harmonize their operations with German interests, especially in terms of credit operations and foreign payment operations. Foreign exchange operations were conducted almost exclusively through the central German clearing, which was set up to systematically exploit the occupied countries. The clearing claim was considered a foreign currency claim, so payments in the occupied countries were made by local central bank to domestic creditors, regardless of whether on the clearing account any coverage from payments made on the basis of imports was made.⁵⁵ In addition, there was no practical possibility of using the “foreign exchange” thus created to import goods needed by the population. Thus, clearing, which until the war meant offsetting debts and receivables in payment transactions between countries, i.e. paying for imports through exports, became a tool for free exploitation of natural and material resources found on the territory of the

⁵³ Radosavljević was once proposed as the strongest candidate for the President of the Management Board of AJB by the Belgian representatives of that Bank, see *Österreichische Banken und Sparkassen im Nationalsozialismus*, pp.435-236.

⁵⁴ U.S. Army Service Forces, *Civil Affairs Handbook, Yugoslavia, Section 5, Money and Banking*, M-355-5, (Washington: 1944), p.104: <https://www.loc.gov/resource/dcmsiabooks.eliminationofnaz00unit/?sp=36&st=text&r=0.055,1.106,0.902,0.855,0> (approached on October 10th, 2020)

⁵⁵ Central banks in the occupied countries received an order from Berlin to print without cover as many local occupation banknotes as were necessary to pay the suppliers immediately. In this way, Germany forced the occupied states to finance all its war expenses, from the purchase of factories and mines, to the exploitation of railways and roads, the import of raw materials and food, as well as the maintenance of occupation troops and the bureaucracy. By debiting their clearing accounts in Berlin, the occupying authorities actually legalized the state robbery, see: D. Gnjatović, *ibid*, p.130.

occupied countries during the war. Everything that Germany and its allies took over in the occupied countries was duly recorded as a debt in the RM on the account of the central clearing in Berlin, with the promise that the debt would be repaid immediately after the final victory of the Third Reich.⁵⁶

Pursuant to the Decree on Foreign Exchange, on June 10th, 1941, as well as GBW regulations, officially only the *Serbian National Bank* was responsible for foreign exchange operations on the territory of the military commander and all payment transactions went through it, i.e. through the mentioned central clearing in Berlin.⁵⁷ However, there were “certain” statements that were not recorded in the Decree itself, and which were indicated by the documents of the *Bankverein* in Belgrade. This Bank, although officially a Serbian bank at the time, considering that the newly established Ministry of National Economy of Serbia had *de jure* jurisdiction over it, could, with the approval of the *Serbian National Bank*, also deal with foreign exchange operations through clearing.⁵⁸ It is clear that these approvals were a mere formality, as control over the entire foreign exchange business was held by GBW and F. Neuhausen, *Reichskreditkasse*, the Credit Protection Command and J. Soengen, the authorized head of the military administration

⁵⁶ After the capitulation, Germany owed 20 billion RM on clearing accounts to countries that were under its occupation during the war, of which 1.2 billion RM was owed to Serbia: Živković, Nikola, *ibid*, p.452; Pevac, Nenad, “Centralni kliring kao sredstvo za finansiranje rata u Nemačkoj”, *Narodno bankarstvo*, br. 3-4, 1945, 41-45

⁵⁷ D. Gnjatović, *ibid*, 138; N. Živković, *ibid*, p.453.

⁵⁸ Archives of the National Bank (ANB), Fund Serbian National Bank no. 5, File No 261; AJ, 151-9-15; It was only in March 1942 that *Bankverein* reported the change of its name to the competent Ministry of National Economy of Serbia. In the documents we see how the Bank practically directed the work of the Ministry itself, giving it instructions on how to make a new registration in accordance with the wishes of the German economic and military administration in Serbia.

for Southeast at *Srpska narodna banka* and at the same time a member of the Management Board of the Belgrade affiliate. Thanks to the huge influence of these personalities, the work of *Bankverien* and its business policy was controlled exclusively by the members of the Management Board, which enabled it to have an almost autonomous status in the country. The export of goods from the territory of the Independent State of Croatia to Germany also took place through clearing, and in addition to the *Croatian State Bank*, the *Bankverein für Kroatien* played a significant role from mid-1942.⁵⁹

What was the first business year of *Bankverien* in occupied Serbia and how much it was in line with the measures of German “economic policy” in this area, shows the report from the session of the Bank’s Management Board on the business year 1941, which states, among other things: “Balance sheet amount increased without the account of bill of exchange guarantees, while adding the amount of the balance sheet of the *Udružena banka*, (*Jugoslawische Unionbank* - note aut.) Belgrade branch, to 972,679,423.11 dinars, i.e. by 140.3% compared to 588,173,358 dinars - stated for the entire Bank for 1940 - from which headquarters Belgrade amounted to 404,802,236.62(...) On the assets side, cash increased from 44,387,971.77 dinars at the end of 1940 to 538,869,092.36 dinars at the end of 1941. The money that entered the Bank due to the liquidation of many companies still could not find a suitable application in the economy.”⁶⁰ The same report further states that

⁵⁹ Ibid

⁶⁰ AJ, 151-3-3, Report of the Board of Directors on business year 1941 from May 4th, 1942 - Net business profit for 1941 amounted to 3,386,589 dinars. About a dozen companies with German capital or under commissary administration received a notification from the Bank between July 7th and July 9th, 1941, that their freely available receivables on current accounts were accrued until further notice at 2% gross per year (which meant a decrease of 4% until then). Among them were: Printing and Publishing Company *Vreme* a.d. - Belgrade, *Zorka* a.d. - Belgrade headquarters; *Jugomontan* a.d. - Belgrade; The first

during 1941, 31.39%, of the total amount of loans were granted to “foodstuffs, including trade in cereals and agricultural products”, followed by 21.33% to textiles, leather and clothing industry (including trade in raw materials of this industry) and 12.82% to the mining and smelting industry, which means that more than half of the total credit funds (65.5%) financed only these three industries (see Table no. 17).⁶¹ At that time, all industrial plants in Serbia were included in 29 large companies, whose majority shareholders were Germans, or organized a commissary administration in them. Their work was treated as a war need, and most of the production was intended exclusively for the needs of the German army and administration, as well as for export to the Reich or allied countries.⁶²

However, the German war failure in front of Moscow, at the end of 1941, which marked the end of Blitzkrieg, conditioned the reorientation of the short-term program of engaging the Reich’s war economy into a long-term one, with an increase in production, especially in the raw material area of the Southeast. In the case of Serbia, this primarily meant the establishment of a system of strict centralization in all major sectors of the economy. At the beginning of 1942, F. Neuhausen was already preparing planned economic management based on the organization of economic management in Germany. An aggravating circumstance when drafting such a plan was the fact that Serbian industry owned only a part, and a much smaller one, of the industry of the former Yugoslav state. At the same time, it was a supplementary industry, which was separated from its organic parts by the disintegration of the country (in some branches more, and in some less) and thus incapacitated to

Serbian beer factory Đ. Weifert a.d. - Belgrade and many others.

⁶¹ *Ibid*; ANB, Fund Serbian National Bank no. 5, File No 261

⁶² M. Živanović, *ibid*, p.396; N. Živković, *ibid*, pp.290-291; B. Petranović, *ibid*, p.475.

prolong the continuity of its work.⁶³ In order to enable continuity, GBW connected many industries with related German companies, and to this end, in Serbia itself, from the end of 1941 and especially during 1942, 37 new shareholding companies were established, of which 27 with absolute German capital. These companies deposited their share capital exclusively with *Bankverein*, whose members of the Management Board were very often in the management boards of such companies, controlling their money and goods turnover, on the basis of which they decided on further granting of loans.⁶⁴

Already on the basis of the report for the business year 1942, the sum of the balance sheet was increased by 701,538,867 dinars, i.e. from 972,679,423 dinars in 1941, to 1,674,218,290 dinars in 1942.⁶⁵ There was a further increase due to the new decrees of the military-administrative commander of Serbia, from May 16 and June 15, 1942, on the basis of which the owners of all domestic and foreign securities, including securities of the former Yugoslav State, were obliged to deposit them as a deposit with a tax administration

⁶³ M. Ristović, *ibid*, p.210; D. Aleksić, “Industrija Srbije i njene perspektive (Elaborat Ministarstva narodne privrede Srpske vlade o stanju industrije u Srbiji 1942. godine)”, *Istorija XX veka, časopis Instituta za savremenu istoriju*, VIII, 1-2, Beograd, 1990, p.203.

⁶⁴ AJ, 151-15-30, Report of the Directorate of *Bankverein* 1941-1943. Based on the decision of the Commission for Trade and Industry of the NKOJ, Cab. No. 119/44, November 15th, 1944, about 30 delegates were appointed for the firms, which were under the management or control of the *Bankverein*. Among other things, they were companies: Centrala za šećer, maslo, pivo, špiritus, kvasac i glycerin - Beograd; Dunavsko brodogradilište a.d; Balkan Ugalj a.d; Feniks čelik, Šuler – Blekman; AEG Srpsko električno a.d; Transportno Jugo-Istok a.d; Hemofarma ad for representation of the German chemical-pharmaceutical industry; Balkania a.d. for the export and import of foodstuffs; Jugoistočno tekstilno a.d; Srpsko Simens Električno a.d, all from Belgrade as well as Fabrika kože a.d from Niš.

⁶⁵ ANB, Fund Serbian National Bank no. 5, File No 261; AJ, 151-3-3, Report of *Bankverein* for the business year 1942

or Bank in Belgrade by July 31 of the same year at the latest.⁶⁶ Thus, securities of 34 most important Serbian companies were found in *Bankverein's* hoards, among which were: Sartid - srpsko akcionarsko rudarsko i topioničarsko društvo, Beograd; Jugoasbest - Boris Čepigo i Adrian Haug, Beograd; Srpsko Simens Električno a.d, Beograd; Parna pivara I. Bajloni i sinovi a.d; Moster tvornica laka i boje d.d, Zagreb, affiliation Beograd; Juta i konoplja a.d, Beograd; Srpsko a.d. za industriju piva, slada, leda, Beograd; Elvogas prodaja elektrotehničkog materijala, Beograd; Noris trgovina elektrotehničkog pribora, Beograd; Ivan F. Švarc - trgovina mašina i radio aparata, Beograd; Dunav a.d. za promet mašina, motornih vozila i tehničkog materijala, Beograd; Zorka - prvo jugoslovensko društvo za hemijsku industriju a.d, Beograd; A.D. Dynamit Nobel, Beograd; Rude i Kopovi a.d (former A.D. za eksploataciju ugljenih majdana); Trepča Mines Limited, bureau in Belgrade; Francusko društvo Borskih rudnika (Kupferbergwerke Bor) bureau in Belgrade; Podunavsko akcionarsko društvo ugljena, headquarters in Belgrade and others.

⁶⁷ It should be noted that the Germans had already secured their dominant share in these companies, so they were only conditionally Serbian companies. Through clearing, the produced goods were exported mostly to the Reich, but, as we have already pointed out, very rarely, according to this principle, German goods of appropriate counter-value were imported into Serbia.

One of the main functions of the Bank was certainly to finance the harvest and export and import of food, with the fact that “servicing” the needs of the mining industry in that process was a huge problem. Vienna’s Südosteuropäische Getreidehandels Gesellschaft, whose main shareholder was *Creditanstalt*, successfully organized

⁶⁶ ANB, Fund Serbian National Bank no. 5, File No 261; AJ, 151-9-15

⁶⁷ AJ, 151-15-31; Among private owners of securities deposited in this Bank we found the securities owned by Velimir Bajkić, former member of the Management of journal *Narodno blagostanje*.

not only the delivery of wheat, oats, fruits and sunflowers to Germany and Italy, but also played, through its holding company in Serbia Cereal-Export AG Pančevo-Belgrade, an important role in supplying military units and labour in German-administered mines. This trade increased by as much as 221.7% between 1942 and 1943, because in the case of the company Cereal-Export AG, most of the loans granted through *Bankverein* were guaranteed by *Creditanstalt*.⁶⁸ However, according to M. Ristović, “the real state of clearing exchange was such that in the Southeast it was thought among the allies and economic partners that ‘throwing grain into the Danube brought almost equal benefit, rather than delivering it to Germany’, which openly expressed distrust in the full settlement of their clearing requirements.”⁶⁹ The following table clearly indicates the changes in the bank’s credit policy in the first two years of occupation.

What particularly interested the German economic and political representatives in Serbia were its mines, rich in strategically important raw materials, copper and lead-zinc ore. According to a report from 1943, there were 65 mines in Serbia during the war with about 13,000 workers.⁷⁰ All the most important Serbian mines were under German rule. In fact, the Group for Mining and Metallurgy was formed within GBW, which was the main organizer of work on the exploitation of mineral resources in Serbia.

⁶⁸ AJ, 151-3-3, *Bankverein* report for business year 1944; according to the available documents of the Bank, it can be seen that it largely participated in financing the harvest in Serbia. In a debate at the Board meeting on May 15, 1943, J. Soengen stated that with the maximum high prices for the purchase of seeds for a new sowing, approximately 11.6 billion available dinars would be needed. After all the calculations, for the entire financing of these agricultural works, the bank set aside a “preliminary” amount of 500-600 million dinars, which represented 37.36% of the total invested credit funds in 1943.

⁶⁹ M. Ristović, *ibid*, p.340.

⁷⁰ B. Petranović, *ibid*, p.477.

Table 17:
Percentage of loans granted, by industry, for 1941 and 1942

BANKVEREIN	1941	1942
Mining and Smelting	12.82%	45.06%
Food Products, Grain and Agricultural Products	31.59%	36.23%
Metal Processing and Trade	9.74%	3.95%
Textiles, Leather, Clothing, including trade with Raw Materials	21.33%	3.58%
Chemicals	3.79%	2.16%
Banking and Credit Institutes	2.49%	1.76%
Woodworking and Forest Products	3.04%	1.31%
Electrical Industry	5.14%	0.61%
Storage and Transport	1.98%	0.47%
Other	8.28%	4.87%

Source: AJ, 151-3-3, Report for business year 1942, submitted to the XV Meeting of Shareholders, June 21st, 1943

Based on the aforementioned report of the Directorate from 1943, it can be seen that in 1941, 44.41% of the total number of loans were those granted to mining and agriculture, and in 1942 they accounted for 81.29% of the total number. Thus, the increase in the mining and smelting industry amounted to a large 32.24%. The largest five mining companies in Serbia, including Bor and Trepča, received loans in the amount of 522 million dinars in 1942, of which 354 million dinars were paid to the Bor Mine alone.⁷¹ F. Neuhausen personally was the head of the Bor Mine Company, which, due to

⁷¹ AJ, 151-21-39.

the great needs of the war industry, gained a very important place in German economic plans for Serbia in 1940. H. J. Abs, who represented the interests of *Deutsche Bank* there, was also on the Supervisory and Financial Board of this Company.⁷² It is understandable that *Bankverein*, as the only German banking affiliation in Serbia, had to have a share in financing the works on the reconstruction and further construction of this mine, which covered, according to their calculations, 22% of the total copper consumption in the Reich industry.⁷³

However, as the Yugoslav army mined part of the Bor facilities during the April war, members of the Bor consortium (Preußag, Mansfeld and Sudost-Montania GmbH - a member of the Abs Board) demanded that part of the costs of rebuilding the mine be borne by Nedić's government.⁷⁴ Further implementation of the program for the construction of new plants also required new financial investments. At the beginning of 1943, *Deutsche Bank* approved a loan of 25 million RM (500 million dinars), and a little earlier, in the name of war damage, the Serbian government paid the amount of 400 million dinars or 20 million RM through the *Serbian National Bank*.⁷⁵ At the same time, a loan approved to the Bor Company in the amount of 400 million dinars was recorded in *Bankverein*.⁷⁶ In the Minutes from the meeting of the Management Board, held on May 17th, 1943, F. Neuhausen pointed out that the guarantor of this loan was the *Serbian National Bank*, which "due to this transfer we must not give *Bankverein* any worries at any

⁷² M. Ristović, *ibid*, p.245.

⁷³ Ž. Avramovski, *Treći Rajh i Borski rudnik* (Bor: Muzej rudarstva i metalurgije, 1975), p.152; G. Feldman states that this mine covered even 40% of German war needs for copper: S. Feldman, *ibid*, p.243.

⁷⁴ Ž. Avramovski, *ibid*, p.151.

⁷⁵ *Ibid*, p.113, p.192.

⁷⁶ AJ, 151-3-3, Minutes from the meeting of the *Bankverein* management, held on May 17th, 1943 in Belgrade.

cost”, since it was a war-compensation claim.⁷⁷ As the amount of the Bank loan completely coincides with the amount of the paid war damage, it is clear why so far, in the documents of the *Serbian National Bank*, no evidence could be found on the transfer of this amount to the Bor Mine account.⁷⁸ In fact, the money was forwarded to the *Bankverein*, which, in the form of its loan, “financed” further works in Bor with this amount. The report for the business year 1942 itself shows (see table no. 17) how out of the total value of granted loans, “as much as” 45.06% was given by the Bank to the mining and smelting industry.⁷⁹ However, there are no data on other *Bankverein* loans to the Bor Company, if any. Yet, the Bank continued to receive very high loans from the *Serbian National Bank*: in 1943, it enjoyed a “regular redemption loan” of 215 million dinars, a “seasonal loan” of 314,500,000 dinars and a “guarantee loan” of 25,170,000 dinars, and in 1944, a “regular redemption loan” of 100 million dinars. On June 3rd, 1944, it received a loan of 500 million dinars from the *State Mortgage Bank*.⁸⁰ Thus, the total value of loans obtained from the Serbian State, converted into the RM, amounted to 57.8 million. For the Bor Company, the Bank also provided payment through clearing of imported parts (for drills) and payment of workers’ salaries to Bulgarians employed in this mine.⁸¹ According to the same principle, it paid salaries to members of the Russian Volunteer Corps, under the command of Skorodumov, and after the agreement they concluded with the GBW on the protection of economic facilities in Serbia and Banat, in 1942.⁸²

⁷⁷ *Ibid*

⁷⁸ ANB, Fund Serbian National Bank no. 5, File No 261; Ž. Avramovski, *ibid*, p.151-152.

⁷⁹ AJ, 151-3-3, net profit in 1942 amounted to 4,437,456 dinars.

⁸⁰ AJ, 151-24-45, Report of *Bankverein* on received loans, in the file “Kredit Hipotekarne banke 1944”.

⁸¹ AJ, 151-15-39 and 151- 21-39

⁸² AJ, 151-22-40, Lists of members of the Russian Volunteer Corps who were

Further branching of the Belgrade affiliate business followed in mid-1943, after more than a year and a half of negotiations on taking over the business of the Belgrade branch of *Prager Creditbank*, conducted in Prague.⁸³ Most likely, the disputed issues were the shares of the largest pre-war sugar factory in Serbia - Crvenka and Parne pivare in Jagodina, which were under the full domination of the Czech capital until the war, and which director G. Saal in a report on the negotiations in 1942, assessed as the main business interest in taking over this branch.⁸⁴ In October of the same year, the Bank took over the operations of the branch of the *Zadružna gospodarska banka*, Ljubljana (*Kreditanstalt für Handel und Industrie*), thus gaining significant control over the Serbian economy.⁸⁵

At a time when *Deutsche Bank* could be quite convinced that through *Bankverein* it had secured the position of the “financial backbone” of the German occupation system in Serbia, enabling the simultaneous functioning of economic depletion measures in this area and thus confirming the great success of the military and economic occupation, new problems emerged. The seemingly

paid monthly salaries through accounts in BD, 1942 - 1944

⁸³ AJ, 151-3-3, Report on the work of the Management Board of *Bankverein*, for the business year 1943, submitted to the XVI Meeting of Shareholders, on July 15th, 1944.

⁸⁴ AJ, 151-23-42, after the disintegration of Czechoslovakia, *Prager Creditbank* came under the influence of the *Böhmische Union-Bank*, which was dominated by *Deutsche Bank*.

⁸⁵ AJ, 151-23-43; copy of the advertisement of the Belgrade Commercial Court, November 24th, 1943 see: AJ, 65-1127- 2111; The circumstances under which Zagreb’s BK operated were much less dramatic. The difference is primarily reflected in the fact that it did not lend to such large companies as *Bankverein* in Belgrade, while in September 1944 J. Joham described the situation with its liquidity as “favorable”, although it should be borne in mind that Croatia at that time industrially was a relatively underdeveloped country with agriculture and forestry requiring significant improvements, see: G. Feldman, *ibid*, p.246.

innocuous effort of *Dresdner Bank* and its director Hans Pilder to take over the Belgrade branch of *Jugoslawische Bank - Zagreb* on behalf of *Bankverein* in 1942 together with the Vienna *Länderbank*, turned into the creation of a new German banking affiliate in Serbia called *Südbank AG*.⁸⁶ From a letter from J. Soengen to the director of *Creditanstalt*, J. Joham, it can be seen that the decision to establish this bank was made in the Reich Ministry of Economy and that the director of the same Ministry, Joachim Rill, who once decided on the division of the *AJB*.⁸⁷ What is quite certain is that this new German affiliation, which was founded in the summer of 1943 with a capital of 12 million dinars, did not succeed in developing financial and economic affairs in the area of occupied Serbia, nor did it jeopardize the importance of *Bankverein* in the German military-economic occupation system. The reasons should be sought primarily in the increasingly unfavourable circumstances on the German military, political and economic scene during 1944, which inevitably reflected on the situation in Serbia. After the founding of *Südbank*, Hans Pilder left the Management Board of *Bankverein* and sold to *Creditanstalt* the shareholding that *Dresdner Bank* had in this bank. However, it remains unclear for now, which is why President F. Neuhausen and Board Member J. Soengen joined this Bank by the end of 1943.⁸⁸ Certainly, this “departure” had to be at least to some extent connected with the affair that erupted at that time in the heights of German occupation administrations in Serbia, when all long-term corruption and

⁸⁶ AJ, 151-9-15, Business Report of the Directorate, December 31st, 1942; *German Penetration of Corporate Holdings in Serbia* (Washington: United States Foreign Economic Administration, War Department, 1944), 7; *Elimination of German Resources for War*, 804

⁸⁷ AJ, 151-9-15, Letter of J. Soengen to Director Josef Joham in Vienna, April, 12th, 1944

⁸⁸ AJ, 151-3-3; With item 1 from the session of the *Bankverein* Management, held on April 17th, 1944

illegal activities of one of the “five kings of Serbia”, F. Neuhausen, were revealed. He was then already in the position of chief of military administration in occupied Serbia in the headquarters of the Military Commander for the Southeast in Belgrade.⁸⁹ He was arrested in May 1944 and a detailed investigation was conducted against him, while a month later his main assistant, Georg Saal, was removed from the Bank’s Directorate.⁹⁰

Namely, Belgrade, as well as other Serbian cities, were heavily bombed by the Allies during Orthodox Easter (April 16th, and 17th, 1944), which caused great panic and mass abandonment of cities, especially Belgrade. In addition to serious material damage, these bombings completely paralyzed economic life for several days, causing the loss of electricity as well as water and food. It seems that, from that moment, *Bankverien* did not manage to normalize its business, so in anticipation of the situation calming down, it was

⁸⁹ *Nemačka obavestajna služba u okupiranoj Jugoslaviji* (Beograd: Državni sekretarijat za unutrašnje poslove, book III, 1963), pp.370-371; C. R. Browning, “Konačno rešenje u Srbiji - Judenlager na Sajmištu - Studija slučaja”, *Zbornik Jevrejskog istorijskog muzeja*, no. 6, Beograd, 1992, p.410.

⁹⁰ According to N. Živković, Neuhausen was arrested in May 1944 on suspicion of involvement in the preparation of assassination of Hitler. After the investigation in Munich, thanks to the great influence of H. Göring, he was confined to a place in Tyrol, with the intention of being tried only after the end of the war. However, he was soon released, after which he settled in Vienna; According to J. Tomasevich, who refers to the testimony of the German special envoy for Serbia, Hermann Neubacher, Neuhausen was not only too powerful but also extremely corrupt, gaining enormous wealth during his service in Belgrade. Following repeated complaints by the Supreme Commander for Southeast Europe and Neubacher, and in agreement with von Ribbentrop and Himmler, Neuhausen was arrested in late August 1944. According to his post-war statement to Yugoslav authorities, he allegedly spent five months in a concentration camp and the rest of the time in captivity in Vienna. There, in 1946, American units arrested him and extradited him to the Yugoslav authorities. He was sentenced to 20 years in prison, but, under still unclear circumstances, was released after only 8 years: N. Živković, *ibid*, p.10; J. Tomasevich, *ibid*, pp.76-77.

open for only two hours a day for more than a month, and without the knowledge and approval of the German authorities and management, it stopped issuing new loans and raising cash above 50 thousand dinars. To make the problem even bigger, Director Sehn left, leaving his sick and rather disoriented colleague Saal, who was replaced and returned to Vienna for these very reasons.⁹¹

According to the published Report on the work of the Management Board, the XVI Meeting of Shareholders of Bankverein was to be held on July 15, 1944. However, the bad military-political and economic conditions in Serbia made any further work of the bank impossible. Since the Serbian state went completely bankrupt, the necessary loans from the *Serbian National Bank* no longer arrived. Deutsche Bank itself had no interest in continuing to financially dominate the completely depleted country, while the looted Jewish property had already been largely transferred to Vienna and Berlin.⁹²

For a total of three and a half years, Serbia paid the occupation costs in the amount of a staggering 32,910 million dinars. According to information provided by the Yugoslav Acting Minister of Finance shortly after the liberation of Belgrade in 1944, Serbia paid the following occupation expenses during the war: “4,300 million dinars for billeting German troops; 368 million dinars to exchange German requisition scrip; 80 million dinars to compensate the Volksdeutsche for war damage; 6,200 million dinars for labour services to repair communications; and 22,300 million dinars for general expenditures. The total sum of these payments came to 33,248 million dinars, roughly 338 million dinars or 1 percent more than the figure quoted above.”⁹³ It must be borne in mind here that the purchasing power of the dinar fell as the war progressed, so it is

⁹¹ AJ, 151-3-3, Report of the Management Board, July 10th, 1944

⁹² ANB, Fund Serbian National Bank no. 5, File No 261; E. Czichon, *ibid*, p.276.

⁹³ J. Tomasevich, *ibid*, pp.667-668.

of great importance that, according to F. Neuhausen, the costs of occupation imposed on Serbia had risen to the astounding level of about 40 percent of current national income by the beginning of 1944.⁹⁴

Of course, from the German point of view, the possibilities of Serbia as a “supplementary economic space” were by no means completely exhausted, especially in agriculture, mining and even industry, but(...) labour discipline and economic order often could not be strengthened to achieve all preconditions for complete exhaustion of existing work potentials.”⁹⁵ What has always been crucial for conducting a successful financial and economic policy: “authority, trust and responsibility” was constantly lacking or simply did not fit into the German military-economic concept in Serbia. Awareness of the serious economic importance of this area grew at the same rate at which, with the Allied progress on all fronts since the summer of 1944, the Grosswirtschaftsraum of the Reich was shrinking. Serbia, as a large granary and one of the important sources of raw materials and fuel, has not been available to them since the fall of 1944.

⁹⁴ Ibid.

⁹⁵ M. Ristović, *ibid*, p.343.

THE ROLE OF BAKVEREIN IN THE ARIZATION OF JEWISH PROPERTY

It seems that during the entire period of the Third Reich, there was a continuous radicalization of the Nazi policy towards the Jews. At a time when decrees were passed (1933) removing Jewish civil servants (including judges), along with university lecturers, with severe restrictions on Jewish lawyers and doctors, it was believed that the limits of Nazi intolerance had already been reached. At that time, a very significant number of eminent academic and intellectual refugees, led by Albert Einstein, arrived in the West from Nazi Germany, who left an indelible mark on the further development of Western democracies. It was simply unbelievable that the Nazi regime, instead of trying to “exploit”, would actually expel many of its greatest minds and most important scientists. The United States and other Western democracies have benefited immensely from their presence and work. Many prominent non-Jewish opponents of Nazism and other fascist regimes in Central Europe, such as Bertold Brecht, Thomas Mann, Arthur Toscanini, Bela Bartok, and Enrico Fermi, also found their harborage in those countries.⁹⁶

However, the decisive turning point in the history of German and then European Jews under Nazi rule was certainly Crystal Night - Kristallnacht (November 1938). As a result of the assassination of a 17-year-old Polish Jew on the third secretary of the German

⁹⁶ H. Rubinstein, et. al., *The Jews in the Modern World: A History since 1750*, (Oxford University Press, 2002), p.213.

embassy in Paris, Ernst von Rath, thousands of Jewish synagogues and companies that remained intact until then were destroyed and burned, while over 20,000 Jews were arrested and about a hundred killed. The Nazis imposed a “collective fine” of one billion marks (about \$ 200 million or £ 40 million) on the entire Jewish community and accelerated the process of arization of Jewish businesses, which began as part of a Four-Year Plan to expand the German economy. Thus, between April 1938 and April 1939, the number of Jewish companies in Germany decreased from 40,000 to about 15,000, while most of the others were under serious threat. Crystal Night started such a big wave of emigration that it is believed that the Jewish population of Germany and Austria would have completely emigrated until 1942-1943 if the war did not break out.⁹⁷

The conquest of most of Eastern Europe signaled a fundamental change in Nazi policy toward Jews. Namely, Nazi ideologues considered Eastern European Jews (including the five million Jews who lived in the Soviet Union) especially disgusting because of their alleged orthodox tradition or pro-Marxist activities. Although the Nazis did not systematically kill Jews until the invasion of the Soviet Union in June 1941, they have since made very methodical efforts to completely wipe out their presence. According to the American historian Gregg Rickman, after these efforts were realized on an incredibly large scale by October 1943, Heinrich Himmler, speaking before SS officers in Poznan, was able to say with a lot of confidence: “We took all the wealth they had.”⁹⁸ And it really was like that. All bank accounts, insurance policies, money from pension funds, jewelry, real estate, from houses to office buildings, factories, shops and workshops, furniture, where everything from clothes, shoes, glasses and plates to works of art,

⁹⁷ *Ibid*, pp.213-215.

⁹⁸ G.J. Rickman, *Conquest And Redemption: A History of Jewish Assets from the Holocaust*, (New Jersey: Transaction Publisher, 2007), p.9.

wine, books all the way to the collection of postage stamps and post-cards from the trip were neatly listed, evaluated and redistributed. Even the tooth gold of the camp inmates was melted down and given to the Nazi dental service for use. It turned out there was much more gold than the prescribed five-year reserves, so Rickman states that, in October 1942, as the culmination of this morbid state economic policy, it was decided to redirect the tooth gold and melt it into gold bars.⁹⁹

In short, everything that was Jewish became German. But in order to fully understand the scope and scale of this extremely efficient state-directed robbery, it is necessary to distinguish the key method used in it. It was in fact a policy of 'alienating' Jewish property by special regulations, orders and/or decrees. This type of robbery proved to be the most effective on a very wide scale, first in Germany itself, and then in all those European countries that the Nazis entered. These official state documents were passed primarily with the aim of depriving Jews of their civil rights and property, thus automatically separating them from other non-Jewish citizens, and eventually eliminating them completely.¹⁰⁰

Thus, in every territory where the Nazi administration began its work, even before the establishment of the local Quisling administration, the Nuremberg Laws were introduced. In occupied Serbia, this meant that Jews, according to a special order of April 19, 1941, first had to report to the German authorities.¹⁰¹ The next move was the adoption of the Decree on the temporary operation

⁹⁹ *Ibid*, pp.9-10.

¹⁰⁰ More on the modes of alienation of Jewish property see: *The Plunder of Jewish Property during the Holocaust*, Confronting European History, ed. Beker, Avi (London: Palgrave Macmillan, 2001)

¹⁰¹ Out of 12.000 Jews, living in Belgrade until 1941, until June 12th, 1941, there were 9,145 who enrolled, see: *Zločini fašističkih okupatora i njihovih pomagača protiv Jevreja u Jugoslaviji* (Beograd: Savez Jevrejskih opština FNRJ, 1952).

of banking and money circulation (May 31, 1941), which initially prohibited its Serbian population from disposing of deposits and savings deposits in money institutions handed over before April 18, 1941, as well as opening a treasury without the presence of German foreign exchange protection authorities in Serbia. In addition, the Jews were especially obliged to report all the property they had at their disposal, and their shops and companies were immediately placed under a certain, mostly Volksdeutscher commissioner's administration.¹⁰² With the new decree (July 22, 1941) all their property was confiscated, which put the Jews in a situation where, apart from banning the use of their bank deposits and vaults, they no longer disposed of their real estate.¹⁰³ General jurisdiction over Jewish property was given to the special *Guardianship of Jewish Property* at the GBW. Competence over Jewish personal property and valuables was transferred to the German operative group Sipo-SD. During 1941 and 1942, this group organized the evacuation of the most valuable Jewish movable property (art, valuable books and jewelry) from Serbia to Germany.¹⁰⁴

As early as June 21, 1941, *Bankverein*, on Neuhausen's order, asked Serbian banks for lists of all Jewish clients and their property (securities and life insurance policies).¹⁰⁵ In parallel with this business, the *Guardianship of Jewish Property* began the sale of Jewish shops and companies, mainly to German economic and military representatives in Serbia and the Volksdeutscher. The

¹⁰² AJ, 151-26-49

¹⁰³ *Ibid*; In the meantime, the Regulation from May 31st, 1941 had been repealed: J. Romano, L. Kadelburg, "The Third Reich: initiator, organizer and executant of anti-Jewish measures and genocide in Yugoslavia", *The Third Reich and Yugoslavia 1933 - 1945*, (Belgrade: Institute for Contemporary History, 1977), p.674.

¹⁰⁴ V. Aleksić, *Banka i moć*, p.135.

¹⁰⁵ AJ, 151-26-49

collected money, as well as money from the collection of previous claims of Jewish debtors, was poured into the *Bankverein* on special accounts of the General Commissioner for the Serbian Economy, and deposited by *SD (Sicherheitsdienst-Gestapo)*, *Devizenpolizei*, various other German institutions, Jewish property commissariats and domestic banks. Namely, the basis of the claims for these assets was the appropriate value of sold goods, companies and real estate, realized investment books and various current accounts with *Bankverein* and other banks, then realized previously seized gold, other valuables and previously seized securities. At the same time, the entire business on this basis was conducted separately for individual companies, under the management of separate commissioners, but in the name of the real Jewish owners and through their separate current accounts in this Bank. After the sale, i.e. realization or 'arization' (considering that one sub-account was marked *Arisierungserlöse*), 'pure' assets of the company came to the collective account of the General Plenipotentiary for Economy in Serbia, under the code *GBW*.¹⁰⁶ According to the research of the senior advisor of the former *National Bank of Kingdom of Yugoslavia*, M. Ugričić, a similar process took place with joint or private property of another nature. Thus, the Commissariat for the Management of Jewish Houses (*Kommissarische Verwaltung der jüdischen Haus- und Grundbesitzes*) paid rent and sold property and transferred money from its own current account to the account of the General Commissioner for the Economy of Serbia under the designation *Liquidationserlöse* or *Arisierungserlöse*.¹⁰⁷

¹⁰⁶ AJ, 151-16-32, Documentation related to the seizure of Jewish property in *Bankverein*, 1942–1944; It is especially important to emphasize that neither in this nor in any later report of the Bank's Management, the seized Jewish funds were mentioned as such.

¹⁰⁷ M. Ugričić, *Novac u Jugoslaviji za vreme Drugog svetskog rata, s naročitim osvrtom na metode finansiranja okupacije* (Beograd: Jugoslovenski pregled, 2000), p.116.

In the meantime, in the period from August to December 1941, the Nazis killed almost all Jewish men over the age of 14 in mass shootings. Those who tried to escape from Belgrade were arrested by agents of the Special Police, and in the interior by the Serbian Gendarmerie. Misdemeanor judges in the service of the Quisling authorities sanctioned a small number of attempts by Jewish women and children to avoid wearing yellow ribbons. As for the Nazis, with a new order, on December 8, 1941, they invited all the remaining Jews 'regardless of gender' to come to the so-called *Judenreferat*. From there, in the first few days alone, more than five thousand women and children were taken through Belgrade to the Concentration Camp at Sajmište.¹⁰⁸

The pace and dynamics of the introduction of all discriminatory measures was once further improved in Austria. It was there that a pattern was created according to which economic booty, dominated by Jewish wealth, was exported to Germany from the conquered territories. In some occupied countries, the publication and implementation of certain racial ordinances was left to puppet governments or new allies. Such a case happened in Serbia in the summer of 1942, after the Reich Security Office in Berlin recognized the Gestapo and its Serbian allies for a radical and efficient solution to the Jewish question. According to them, at that time, Serbia was the only country in which the Jewish problem was completely resolved. At that time, the rest of the Jewish real estate was made available to the Serbian state.¹⁰⁹

¹⁰⁸ O. Manojlović-Pintar, "Prostori selektovanih memorija: Staro sajmište u Beogradu i sećanje na Drugi svetski rat", *Kultura sjećanja: 1941, Povijesni lomovi i svladavanje prošlosti*, eds. S. Bosto et.al. (Zagreb: Disput 2008), pp.95-97.

¹⁰⁹ J. Romano, L. Kadelburg, *ibid*, p.674; By September 1942, the Commissariat of Jewish Real Estate had managed to sell 133 properties in the total amount of 147 million dinars, although the real value of those properties was over ten billion dinars, see: *Zločini fašističkih okupatora*, p.49.

On August 28, 1942, the government of Milan Nedić passed the Decree on the Belonging of the Property of Jews in Serbia without any compensation, as a cover for “compensating the Germans for war damages”.¹¹⁰ From that moment on, the Serbian authorities alone and without the intervention of the Nazis carried out the arization of Jewish property, primarily by transferring it to State property, while transferring the right of disposal and administration over it to the *State Mortgage Bank*. This Bank then took over 1223 Jewish properties, 443 of which it managed to sell for nothing to Nedić’s associates and sympathizers at provisional auctions. In the Bank books, the received money appeared in favor of a current account called “Administrative Headquarters of Jewish Property - Realestate”.¹¹¹ At the expense of that account, Germany was still paid war damages (allegedly done during the April war). As the Nazis were not satisfied with the amounts of money obtained from the sale of Jewish real estate (because they knew their real value in advance), they owed Nedić’s government an additional 360 million dinars.¹¹² By the fall of 1944, Serbia had paid at least 200 million dinars from Jewish goods to the Nazis in the

¹¹⁰ *Službene novine/Official Gazette*, no. 69, August 28th, 1942, see: O. Milosavljević, *Potisnuta istina - kolaboracija u Srbiji 1941-1944* (Beograd: Helsinški odbor za ljudska prava u Srbiji, 2006), pp.66-69.

¹¹¹ AJ, 151-24-45, File: Report of Jewish debts - State Mortgage Bank, 1942, 1944; This Bank managed to sell the house in Skenderbegova street no. 6, owned by Hajim Bararon, one of *Bankverein*’s debtors. However, although it was obligatory, it did not inform the *Bankverein* about that sale, which is why the German affiliation had to intervene, demanding that it be paid the precisely specified amount of 531,249 dinars, to which it then added an interest of 9.5%.

¹¹² On the basis of previous research, it can be established that from such sold Jewish real estate, until December 15th, 1943, one billion dinars were received, of which 600 million were allocated to the *Department of Military Administration* for the purpose of regulating war reparations to the Volksdeutscher in Banat, and the rest was used for the reconstruction of the Bor mine, etc., see: N. Živković, *ibid*, p.446.

form of compensation.¹¹³

One, somewhat paradoxical situation occurred in those months regarding the arization of Jewish movable property. Namely, even though there were no more Serbian Jews, a huge amount of money and other valuables in their possession were still in blocked accounts and in the vaults of Serbian banks. Here, too, the Nazis acted according to an already fully coordinated system. In December 1942, they issued an order that all credit institutions in Serbia must hand over all Jewish bank claims and deposits to the *Bankverein* as soon as possible.¹¹⁴ According to M. Ugričić's estimates, in addition to other Serbian banks, the *National Bank of Kingdom of Yugoslavia in liquidation* as well as the *Serbian National Bank* had a special share in this action. They approved Jewish 'old', and new claims created during the occupation to the *Bankverein* giro account in favor of the account of the General Commissioner for the Economy in Serbia. This transfer was made by the *National Bank* gradually from December 1942 until 1944, according to the types of claims and the dynamics of their determination, i.e. 'liquidation'. The fact that even remittances from prisoner-of-war camps were transferred to the *Bankverein*, if the users or senders were Jews, speaks of how comprehensive the operation was. Thus, during less than two years, the *National Bank* transferred over 18 million (18,487,868.00) dinars to the accounts of *Bankverein*.¹¹⁵

Based on the table above, we can see that the special accounts of the General Plenipotentiary for Economy in Serbia, which were opened in *Bankverein* for these purposes, bore special marks. Thus the *Treuhänder Zentralverwaltung* (I) was opened at the expense of the Administration, which supervised the commissioners and

¹¹³ M. Ugričić, *ibid*, p.117.

¹¹⁴ AJ 151-26-49, Order of the General Plenipotentiary for Economy in Serbia on the surrender of Jewish bank claims and deposits with credit institutions on the territory of the military commander in Serbia no. 17/94486, December 15th, 1942

¹¹⁵ M. Ugričić, *ibid*, pp.114–117.

Table 18:
Special accounts of the General Plenipotentiary for the Economy in Serbia in *Bankverein*, to which Jewish “claims” in Serbian dinars were paid:

Name of the account	Turnover on the receivables side	Virman from those accounts in favor of other central accounts	Central account in favour of virman
I Treuhänder Zentralverwaltung	8,555,000	3,000,000	V
II Sperrkonto	122,213,000	73,000,000	V
III Sicherheiten	31,347,000	20,000,000	IV and V
IVa Liquidationserlöse*	139,093,000		most of it was transferred to the State Croatian Bank for the needs of the German administration
IVb Liquidationserlöse**	274,183,000	92,000,000	V
V Arisierungserlöse	568,625,000	70,132,805.30	unused balance as at March 31 st , 1945
Total	1,144,016,000	258,132,805.30	
(after deduction of the sum from column 3)	258,133,000		
Total	885,883,000		

Source: M. Ugričić, *Novac u Jugoslaviji za vreme Drugog svetskog rata*, p.117.

* According to an old claim found with *Bankverein*, April 17th, 1941

** According to a new claim made after April 17th, 1941

other trustees; *Sperrkonto* (II) was a temporary account on which confiscated Jewish property was concentrated; *Sicherheiten* (III) was a temporary interim account in connection with the seizures carried out, on which cases were kept, which were in the course of work at various commissariats and the *Volksgroup*; *Liquidationserlöse* (IV) and *Arisierungserlöse* (V) were accounts to which the General Commissioner for Economy in Serbia transferred various amounts and read balances from other transitory accounts, but direct deposits were also made here. Jewelry, gold coins and other valuables looted from Serbian Jews have also been in the *Bankverein's* vault since December 1942, as evidenced by the files of confiscated Jewish property formed by the Bank's officials themselves.¹¹⁶

After the handover, it turned out that until 1940, Jewish capital participated in almost all Serbian private banks and savings banks in the total amount of 18,281,745 dinars or 4.1%. With 50% and more of the share capital, it participated in: *Beogradska trgovačka štedionica* (99,94%), *Metropol Banka* (66,33%), *Kolonijalna banka* (64,10%) and *Merkur Banka* (50%) from Belgrade.¹¹⁷ The Jewish share capital invested in the *Privileged Agrarian Bank*, in the total amount of 5,285,500 dinars, was not included here, as well as the value of the Jewish shares of the *National Bank of the Kingdom of Yugoslavia*, in the amount of 1,743,000 dinars.¹¹⁸

¹¹⁶ AJ, 151-16(17)-32(33), These files (which were formed "in progress" while receiving information from other banks) have not been completely preserved. As they are arranged alphabetically, according to our free estimate, about half of the total number is missing; for example, out of 61 shareholders of the *Privileged Agrarian Bank*, the files of the 31st Jewish shareholder are missing; *Bankverein's* vault in which Jewish property was kept, was located in the Bank's branch on Terazije street no. 2.

¹¹⁷ AJ, 151-18-34, Correspondence of the Banking Supervision Directorate and *Bankverein*, May 12-18, 1943

¹¹⁸ *Ibid*; We calculated the value of Jewish share capital in both banks on the basis of the prescribed "various shares seized from Jews" found in "Storage

Unfortunately, *Bankverein* officials did not make similar calculations for Jewish share capital in industrial and commercial companies. Based on shares owned by Jews found in the “storage” of the Chief of the Military Administration of the Military Commander for the Southeast (Neuhausen) as well as files of confiscated Jewish property made on the basis of reports from other banks, the confiscated share capital of Jews in industry, trade and mining in Serbia was about 17,090,053 dinars.¹¹⁹

One of the good reasons to doubt the small share capital of Jews in the Serbian economy is the statement of one of the shareholders of the Beočin Cement Factory, Aleksandar Ungar, which he gave to the representatives of the new authorities after the war in 1945: “Since we found out that the Jews in Belgrade were gradually being exterminated, we somehow got away(...) [and] through intermediaries came into contact with the Gestapo organ, Dr. Henschel. He told us that we would get a pass from the Gestapo to leave Novi Sad, if we sell them the joint shares of mine and Julius John, found in the vault in Beočin, which were worth around 5 million dinars at the time. We had no other choice: either be shot with the others or hand over our property. That is why we signed a contract with a Gestapo representative in front of witnesses with *Bankverein*, to whom we sold shares worth 5,000 dinars, for the price of 500 dinars per piece, and in addition we had to agree to keep that money in a banned account in *Bankverein*, which can still be seen in books. When we did that, the Gestapo did not give us a pass, but they told us that we could disappear from Belgrade.”¹²⁰

of the Military Commander for Southeast - Head of Military Administration of the GBW Group “ in 1945. According to these data, the total value of the seized Jewish shares in the banks amounted to 15,189.710 dinars, that is, by 3,092.044 dinars less than in the *Bankverein* report. The deficit that appeared most likely arose due to the withdrawal of money from this “storage” between 1943 and 1945.

¹¹⁹ AJ, 151-18-34

¹²⁰ Minutes of the hearing of Alexander Ungar on October 9th, 1945; *Zločini*

We found the confirmation of this statement in the ‘storage’ itself, where the shares of the Beočin Cement Factory are stated to have been transferred from the so-called *Allgemeine depot* account, where the name of the real owner was not written. However, neither the number of shares nor their value coincides with the stated statement, so 205 shares in the nominal value of 1500 dinars were recorded in the ‘storage’, which means that their total value was only 307,500 dinars.¹²¹

While the comparative analysis of the mentioned two sources established that the recorded Jewish shares occasionally did not match their number or their nominal value, the confiscated bills of exchange found that some were missing in the ‘storage’, while the total value of preserved bills amounted to 77,010,322 dinars. The value of ninety seized investment books (which is also not the final number) amounted to 5,793,476 dinars, and there is a complete lack of data on life insurance policies that had very high amounts and there were more than bills of exchange and investment books combined.¹²² It is interesting that no jewelry, gold coins and other

fašističkih okupatora, p.47.

¹²¹ AJ, 151-16-32: From the same *Allgemeine depot* account, only the shares of the company Prva bosanska asfaltna industrija d.d. from Sarajevo (100 per nom. 750 dinars) and Croatia Portland Cement Factory d.d. from Zagreb (320 per nom. 200 dinars) have been transferred to the “storage“. There have also been cases where the data provided by these two sources completely match. For example, in the file of the confiscated property of Josif Amodaj (from Jevremova street no. 29 in Belgrade), the *Francusko-srpska banka* informs, on December 14, 1942, the Bankverein that the Jew in question owns 338 shares with them, at a nominal value of 1000 dinars each; the same information should be found in the “storage“. The letter from the *Francusko-srpska banka* further states that they expect the Bankverein to pay them compensation for the “due custody of the upper securities until the end of this year, as well as for the costs of violent burglary of the safe deposit box”.

¹²² *Ibid*; The high degree of German “business meticulousness” during the seizure of Jewish property can be seen especially in the seizure of investment books, whose values used to be less than 100 dinars (23 or only 13 dinars).

valuables robbed from Serbian Jews were found in the “hoard”, the existence of which has been mentioned several times so far by the file of confiscated Jewish property. Thus, there was a special procedure for banks in the area of Banat, when taking over such values from Jewish safes (always violently robbed in the presence of a special German commission). These banks submitted items of higher value for evaluation to the *Pančevačka pučka banka* (*Pancevo Volksbank*), which would then forward them to the *Bankverein*, while items of lower value were sold to members of the Reich at the GBW premises.¹²³ Part of the looted Jewish property, especially gold and other works of art and valuables, which had been concentrated in the *Bankverein* vault since January 1943, was transferred to Berlin in June of the same year by the newly appointed German Commissioner for Jewish Property in Belgrade, Adolf Mostbeck.¹²⁴ A much larger part was transported to Vienna and placed in the vault of *Creditanstalt*. However, when the *Reichsbank* office in Vienna refused to take over and execute their portion, it was done by the prestigious Viennese auction house *Dorotheum*, which then sold most of it at auctions. One piece of jewelry and other valuables was sold for dollars or Swiss francs, while *Dorotheum* collected 390,189.80 RM at its own auction. It is important to emphasize that all the income was put on the account of the Chief of the Military Administration of the Military Commander for the Southeast in Belgrade.¹²⁵

Summarizing the above facts, one can follow with much more ‘understanding’ the report of the *Bankverein* management for the business year 1943, which states that the sum of the balance sheet increased by 333,000 dinars, or from 1,674,000 dinars (in 1942) to 2,007,300 dinars. Even higher growth was recorded among the

¹²³ AJ, 151-16-32; *Zločini fašističkih okupatora*, p.51.

¹²⁴ AJ, Reparaciona komisija pri vladi FNRJ (54) f. 513, Evidence of the robbery of Jewish property from Bankverein in Belgrade, no. 15640, April 22nd, 1948

¹²⁵ G. Feldman, *ibid*, p.242.

Bank's debtors, by as much as 158.60% (in 1942, or by another 37.77% in 1943). So from 398,336,909 dinars to 1,030,108,159 dinars in 1942 and another 389,000,000 dinars in 1943. While in 1942 the savings deposits were reduced from 39,131,145 dinars to 24,030,214 dinars, in 1943 they were increased by 352%, i.e. to 108,600,000 dinars. The report further emphasizes that the increase in business can be seen from the turnover, which rose from 22,404,000 dinars to 47,065,000 dinars or 110%, and that since the founding of *AJB (Bankverein)* net profit has never been higher than in 1943: 11,207,701 dinars (or 224,154.02 US dollars at the time).¹²⁶

If the amount of damage caused by the robbery of Jewish property in the occupied part of Serbia through *Deutsche Bank*, i.e. through its affiliation in Belgrade, could be expressed in monetary terms, then in the opinion of Serbian banking experts it would be approximately 885,883,000 Serbian dinars (see table no.17). Or calculated at the occupation rate of the former 50 Serbian dinars for 1 US dollar: 17,717,660 dollars. Most of the looted Jewish property was taken to Berlin and Vienna, while smaller parts of Jewish capital were transferred during 1944 or spent for payment to business and private creditors, or usurped by the German military and political representatives in Serbia.¹²⁷ There is no doubt that in this way, a typically financial institution successfully contributed to the establishment of a combination of military and economic occupation by the Third Reich. With its work, it not only enabled the functioning of all measures of economic exhaustion of this area, but at the same time, using specific political mechanisms, it carried out

¹²⁶ AJ, 151-3-3, Report from the session of the *Bankverein* Management Board on the business year 1943, held on April 27th, 1944. Some comparisons with the report on the business year 1942 are necessary, primarily because part of the work on the seizure of Jewish property entered the balance sheet for the business year 1942, and part for business year 1943.

¹²⁷ M. Ugričić, *ibid*, pp.114–117.

an organized seizure of the entire Jewish capital. It was actually a real example of a successfully conducted racist experiment in the banking of occupied Serbia.

As far as the Independent State of Croatia (NDH) is concerned, it very zealously copied this German experiment, with the difference that the looted Jewish property was mostly divided among Ustasha officials, enriching themselves enormously in that way. As early as April 19th, 1941, this puppet government passed the Law on Racial Ethnicity and the Protection of Aryan Blood and honor of the Croatian People, which was in fact the logical result of the Ustasha model of governing on the principle of “one leader and one people ruling in the State.”¹²⁸ From the aspect of NDH legislation, at the core of this law was the fact that “Jews are excluded from all public and self-governing services and their private law activity in the economic field is restricted, and marriage between Jews and Aryans is prohibited to remove their harmful influence on the Croatian national community”.¹²⁹ Croatian Jews were immediately required to raise certain funds as soon as possible as proof of their loyalty to the new State. Thus, the total value of assets collected by the contribution, until October 1941, amounted to 106,533,029.67 kuna. If that amount of money were translated into gold, then (according to the calculation that a gram of 14-carat gold was 100 kuna) it would amount to 1,065,339 kg of gold.¹³⁰

¹²⁸ *The legal provision on the property of persons evicted from the territory of the Independent State of Croatia* was passed on August 7th, 1941. According to that provision, the State Directorate for Reconstruction was obliged to immediately initiate proceedings in which the movable and immovable property of evicted persons was declared the property of NDH, see: N. Kisić-Kolanović, “Podržavljenje imovine Židova u NDH”, *Časopis za suvremenu povijest*, 30 Zagreb, (1998), 3, p.429.

¹²⁹ *Ibid*, p.430.

¹³⁰ *Ibid*, p.451: The value of collected assets ranged in the following amounts: cash: 38,002.113.52 kuna; gold, jewelry and gold coins: 48,554.086.65 kuna; currency and foreign currency: 19,729,859.50 kuna; furniture: 155,370

As early as June 5, 1941, the enactment of the Legal Provision on the Mandatory Registration of the Property of Jews and Jewish Enterprises followed. Jews were forced to report all their assets to the Ministry of National Economic Reconstruction within 20 days, which easily indicates that the government wanted to “protect” the national interests of the economy, which until the war was mainly in the hands of Jewish entrepreneurs and merchants. This is also indicated by the statement of the Minister of Justice of the Independent State of Croatia, Mirko Puk, that the mentioned Provision is in fact only “the return of confiscated property to the Croatian people”.¹³¹ In that sense, on August 27th, of the same year, the Decree of the State Directorate for Economic Renewal was passed, which determined Croatian managers over residential buildings and properties, as well as special commissioners over shops and companies of Jews. Paragraph 6 of the same Provision ordered the Jews to hand over to this Ministry all securities, investment books, life insurance policies (which they had to transfer to the State) as well as valuables, precious metals, carpets, art objects, etc. One part of the valuables was donated to the Germans, while the larger part was deposited with the *Croatian State Bank* and later melted down, and gold coins with Pavelić’s face were made from the gold thus obtained, which were also donated to German representatives in Croatia.¹³² According to available sources, there is no similar participation of the *Bankverein für Kroatien*, perhaps because in the Independent State of Croatia, the legal provision on the nationalization of Jewish property was passed only at the end of 1942, when it was sold.¹³³

Assets renamed to the state property included movable property,

kuna; securities: 92,500 kuna.

¹³¹ *Ibid*, p.432.

¹³² N. Živković, *ibid*, 476; *Zločini fašističkih okupatora*, pp.111 - 113.

¹³³ *Narodne novine, Službeni list Nezavisne države Hrvatske, (Official Gazette of the Independent State of Croatia)* 246, Zagreb, October 30th, 1942

valuables, real estate, industrial and commercial enterprises and securities (shares, bonds, lottery tickets, insurance policies and investment books). According to the estimates of the then Minister of Finance, Vladimir Kořak, the State came into possession of Jewish real estate and trade shops worth five to six billion pre-war dinars (or between 5 and 6 million US dollars). It is assumed that various valuables worth three to four million were renamed to state property, as well as other movable property worth five to six million. This means that the total value of the assets remained to the state property ranged between 13 and 16 million pre-war dinars (i.e. 260 and 320 thousand dollars at the time).

The planned transformation of the Croatian economy, despite the liberation of the country from Jewish economic domination, did not take place, and the reason lies in the fact that large quantities of Jewish gold and silver ended up in private pockets, given that the seizure of valuables was carried out spontaneously by various state bodies. Thus, in addition to the Ustasha police, even the commanders of the Jasenovac camp took Jews on their own, and handed over the keys of their houses and apartments to the city authorities only after they were completely robbed.¹³⁴ It also turned out that real estate and companies were handed over to Ustasha officials at 50% below the real value. Nationalization also included securities, i.e. shares of domestic credit institutions, companies, but also foreign credit and insurance institutions. Data from the Croatian Office for Nationalized Property show that until September 1943, shares worth 241,586,559.28 kuna were nationalized, 459,444 shares of domestic companies were sold through the Office and “Hrvatski radiše”, while 39,059 shares were donated. It is interesting that the Italian insurance companies refused to submit a list of Jewish insurance policies to Croatian institutions. According to Kisić-Kolanović, the leader of the Italian fascist mission in Zagreb, Eugenio Coselschi warned as early as in June 1941 that the Croatian government

¹³⁴ N. Kisić-Kolanović, *ibid*, p.444.

wanted to “hit the Jews in the pocket” by trying to free Croatia from Jewish economic domination.¹³⁵

It is possible that some of the money and other valuables were taken from Serbia, Croatia and other parts of the former Yugoslavia ended up in a special train along with gold, jewelry and art objects worth hundreds of millions of dollars, which German Interior Minister Heinrich Himmler in late 1944 sent to the vaults of Swiss banks. Throughout the war, neutral Switzerland was, in fact, a harborage for Nazi bank accounts and safes, which most often contained valuables looted from European Jews.¹³⁶ In addition, for Swiss banks, transactions on behalf of the *Reichsbank* as well as on behalf of certain Nazi officials were among the most lucrative deals. Thus, even the fees from the sale of Hitler’s *Mein Kampf* were deposited in a bank account in Switzerland. Towards the end of the war, when other neutral states largely refused to buy gold directly from Germany, Switzerland continued this highly profitable trade, more than aware that the gold came mainly from two sources - the gold reserves of the central banks of the occupied countries and the gold taken from the Jews. Also, today there is evidence to suggest that money from various Jewish accounts in Swiss banks ended up in the form of “capital flight” in America’s financial institutions. Due to non-compliance with the foreign exchange clause, the US Ministry of Finance blocked and froze those accounts in the total value of 14 million dollars in the summer of 1941.¹³⁷ The rest probably went to Uruguay, maybe Brazil and Argentina. The only problem is that the banks there throughout the last century were not willing to admit it, and the situation was no better in European banks led by *Deutsche Bank*.¹³⁸

¹³⁵ *Ibid*, p.433.

¹³⁶ S. Wolfe, *The Politics of Reparations and Apologies* (Wien: Springer, 2014), pp.137-138.

¹³⁷ J. Schapiro, *Inside a class action: The Holocaust and the Swiss banks* (University of Wisconsin Press, 2003), pp.115-118.

¹³⁸ H. James, *ibid*, pp.94-97.

LIFE OF BANKING OFFICIALS IN OCCUPIED BELGRADE

The dismissal of the Jewish personnel of the *AJB*, carried out in the summer of 1940, was completely in line with the basic postulates of the National Socialist ideology of the Third Reich. Ever since their arrival at the Bank in 1938, the representatives of the German capital have tried to create appropriate conditions for the upcoming action by infiltrating their people. Thus, in addition to the director of the Yugoslav-German Chamber of Commerce in Belgrade, the Austrian Georg Saal, in October 1938 the secretary of the same chamber, Vjekoslav Alojz Filipović, came to the Bank; also, Saal's secretary, German Ema Obradović (later Neuhausen's personal secretary) arrived as three other *Volksdeutscher* who, along with five full-time members of the German national minority in the Bank since the mid-1930s, provided a strong enough support for the Reich.¹³⁹

Opposite this group of nine *Volksdeutscher* clerks, along with the director Saal, stood until August 1940, a group of fourteen Jewish clerks and department heads, with director Hochner and deputy director Polak, with whom, according to professional strength and influence on the Bank's business policy, the mentioned group of *Volksdeutscher* could not compare.¹⁴⁰ However, the change in the balance of power in European patronage institutes (takeover and

¹³⁹ AJ, 151-92(100)-120(128), Personal files of the employees of the *Bankverein* Beograd.

¹⁴⁰ *Ibid.*

purchase of shares by *Creditanstalt* and *Deutsche Bank*) created the conditions for the mass expulsion of all employed Jews from the *AJB*. In this way, the established personal image during all thirteen years of the Bank's existence changed almost overnight. During 1940, a large number of Jewish officials were expelled, and on their places except for Serbs (seven), Volksdeutscher (six), then Russian emigrants (four) and, to a lesser extent, Croats and Slovenes (two each) were employed. Due to the multiplied jobs, the need for new employees was constantly growing, in each of the Bank's departments. Thus, an official with perfect knowledge of German and Serbian and stenography was required for the secretariat; the correspondence department was looking for a 'female workforce', also with knowledge of the language, as well as three interns, who according to the job description resembled today's typists, and the same professional profile was required in book-keeping, balance account, cash and liquidation. At the same time, in addition to young people, for all the listed departments, employees with many years of experience working in banks in appropriate jobs were also sought, with also the obligatory knowledge of the German language.¹⁴¹

However, new people were often hired without sufficient professional knowledge and qualifications, and in general, the Bank started a spontaneous process of bringing in "fresh and cheaper labor" without a specially designed plan, but with obligatory political and ideological suitability. For this reason, in September 1940, in Zagreb's *Glasnik bankarskih, osiguravajućih, trgovačkih i industriskih službenika* a sharp critique of such a personal policy of the *AJB* appeared: "Those employees, who are looking forward to the dismissal of the Jews, should know that they will not do better. Today or tomorrow, when there is a sharper economic or banking crisis, they will end on the street like Jews, even if they were

the purest ‘Aryan’ blood, because the laws of capitalist production have nothing to do with sentiment, but are solely based of striving to get as much profit as possible.”¹⁴²

The April war of 1941 brought new, great changes in the work of the entire banking sector, and thus *Bankverein*. The human losses due to the bombing of Belgrade were enormous and the material destruction was great. The damage was estimated at around 6 billion dinars (120 million dollars).¹⁴³ At the same time, the water supply, electricity and sewage networks were largely destroyed or disabled, which almost paralyzed the normal life of the city in the coming months. The chronic shortage of electricity would continue in the coming years, so consumption will not exceed 60% of the pre-war period, which reduced the revenues of the Tram and Lighting Directorate by about 50% compared to the period before the war.¹⁴⁴ According to the estimates of the city authorities, by the end of May 1941, about 100,000 of its inhabitants had not yet returned to the city. One of the key reasons was certainly the large reduction in the housing stock of Belgrade. According to the data of the city authorities, which conducted a census and assessment of the damage caused by the bombing in May 1941, almost 50% of the city’s housing stock was more or less damaged.¹⁴⁵ This situation was additionally burdened by members of the occupying force

¹⁴² *Glasnik bankarskih, osiguravajućih, trgovačkih i industriskih službenika no. 10*, September 11th, 1940

¹⁴³ V. Glišić, „Zločini nacista i kvislinga u Beogradu 1941-1944“, *Godišnjak grada Beograda*, book XVI, 1969, pp.47-48.

¹⁴⁴ Restrictions were a daily occurrence, as was the restriction on household consumption. In December 1943, the German authorities ordered that the consumption of both thermal and lighting electricity be reduced by 50% compared to September 1941. Zec, Dejan N, *Svakodnevni život u okupiranom Beogradu (1941-1944)*, PhD Dissertation, (University of Belgrade, Faculty of Philosophy, 2019), p.78.

¹⁴⁵ *Ibid*, p.82.

- German officers, members of the administrative and bureaucratic apparatus and members of the Todt Organization. We saw that the German occupation authorities confiscated Jewish real estate and accommodated their people wherever possible. However, as that was not enough, on some occasions they were placed in other private houses and apartments, if they would assess that they were comfortable enough. Those who lost their homes in the bombing had to pay up to 1,600 dinars a month for simple rooms without a bathroom, which at the time represented more than half of the average employee's salary.¹⁴⁶ In addition, the issue of nutrition and food supply was one of the most difficult problems facing the inhabitants of the Serbian capital. It turned out that the Yugoslav State very recklessly exported surplus grain in the years just before the start of the war, while stocks made by the State itself either perished in the April war or were immediately confiscated by the occupiers and delivered to Germany, while a small part managed to be preserved by Yugoslav soldiers and peasants. For the Germans, the nutrition of the local population, apart from that which worked in production, was a very low priority. According to some estimates, until the spring of 1943, weekly meals for the inhabitants of Belgrade were limited to 24 grams of bread or 1,470 grams of flour, 125 grams of meat, 80 grams of fat, 30 milliliters of oil and 150 grams of sugar.¹⁴⁷

Due to the new circumstances, the *Bankverein* Directorate had to recreate a relatively tidy personal image from the beginning of the same year, because as many as twelve employees did not return to work, five of them without any explanation. Three clerks,

¹⁴⁶ „Špekulacija sa stanovima“, *Srpski narod*, no. 4, June 26th, 1942, p.11.

¹⁴⁷ Five categories of workers received additional meals, depending on the nature of the work. For example, pit miners, in the group of the heaviest workers, received an additional 4,050 grams of flour, 600 grams of meat, 160 grams of fat and oil and 70 grams of sugar per week. These meals were not always regular, but the workers who produced for the Germans always had priority, J. Tomasevich, *ibid*, p.709.

as reserve officers and participants in the war, were taken into German captivity, although the Bank still considered them permanently employed, so it allocated salaries to members of their families. Two employees were transferred to the former Zagreb office in June and August, one employee went to the Novi Sad branch, and two employees went to work in Germany and Hungary.¹⁴⁸

The session of the Bank's Management Board, on October 20, 1941, which formalized the division of the *AJB*, made, among other things, the decision for the *Bankverein* in Belgrade to take over all operations of the *Jugoslawische Unionbank* branch, together with the building located at Kralja Petra Street no. 21 (although some documents state that it was purchased) as well as twenty branch employees (and seven servers). Thanks to this business arrangement, the bank finally got its building and managed to increase the number of employees to a record 120, of which 85 employees and 35 janitors, cleaners, telephone operators, ie burners, craftsmen and drivers.¹⁴⁹

The personal files of newly hired employees indicate that those employees were working in *Jugoslawische Unionbank* for a long time (average age of fifteen men as well as five women was 37). Comparing with the employees of *Bankverein*, we come to the conclusion that before the war there were no big differences between the officials of these two banks on all important issues we considered (origin, nationality and religion, salary, marital status and education). Thus, there were only five married male and three married female employees in the branch. They mostly came from Vojvodina, to a lesser extent from Croatia, Serbia and Bosnia and Herzegovina, and four employees were born abroad (including

¹⁴⁸ AJ, 151-92(100)-120(128), Personal files of the employees of the *Bankverein Beograd*.

¹⁴⁹ AJ-151-5-5, Minutes from the Meeting of the Management, October 21st, 1941. At the same Meeting, Austrian Ludwig Sehn was appointed director of the Bank.

two Russian emigrants).¹⁵⁰ More than half of the employees were of the Orthodox faith, two Catholics and one Evangelical. Twelve employees graduated from trade academies, three high schools with graduation and trade schools, and two employees graduated from colleges. The average salary for men was 2,948 dinars (excluding the salary of director Gojko Đermanović)¹⁵¹ and for women, 2,550 dinars.¹⁵²

The downside of such a personal policy would be shown in the first years of the war. In fact, over 160 employees passed through it in less than four years, almost as many as through the Belgrade Institute during thirteen years of work.¹⁵³ However, looking at the national structure of all *Bankverein* employees, it is clear where German bankers sought and found support in the implementation of their business policy. Thus, while Serbs in that period accounted for 38.12% of all employees, Volksdeutscher (13.70%) with Croats (13.12%), Russian emigrants (10%) and Slovenes (6.25%) accounted for 43% of the total the number of all recruited officials.¹⁵⁴

¹⁵⁰ One of them, Count Aleksije I Uvarov, was only formally admitted, given that he was in captivity in Italy. The salary was raised by his mother, Countess Jelisaveta Uvarova, until July 1942, when she herself went to Italy: AJ, 151-23-41; Digital repository of the HAB, Aleksije Uvarov: https://www.digitalni.arhiv-beograda.org/show_document.php?id=309847 (approached on October 25th, 2020)

¹⁵¹ Gojko Đermanović was born in 1893 in Varaždin. He was a descendant of a respectable family from Croatia. He finished high school with graduation and the Vocational Commercial School (knowledge of Serbian and German). He was the secretary of the *Ujedinjena banka* and the procurator of *Bosanska banka*, and after its merger with *Jugoslavische Unionbank* he became the director. After informing the Management Board of *Bankverein* in detail about all the affairs of the *Jugoslavische Unionbank*, he received a decision on the termination of his appointment in May 1943, AJ, 151-23-41

¹⁵² Ibid.

¹⁵³ AJ, 151-92(100)-120(128), Personal files of the employees of the *Bankverein* Beograd.

¹⁵⁴ Ibid; From the middle of 1941 and during 1942, 20,000 Volksdeutscher

How it all actually looked in practice can be seen from the following analysis. Forty-seven-year-old Kurt Đurković was the head of the Bank's secretariat, which employed five employees (one man and four women), and declared himself a Yugoslav until the war, and since then a Serb of the Catholic faith. He was admitted on September 1st, 1921 as a senior procurator, with a degree in the Export Academy in Vienna and knowledge of two foreign languages. In 1930, he left the Bank receiving a severance pay of 145,800 dinars. The new, German Management, hired him again in October 1940, and appointed him deputy director in March 1944. It is an interesting fact that, after the liberation of Belgrade, in October of the same year, the socialist government kept him in the Bank until its liquidation.¹⁵⁵

There were three employees in the correspondence department, and the boss was also forty-seven-year-old Emil Leopold, a Volksdeutscher, who after graduating from the Commercial Academy in Pančevo, gained rich banking experience working at *Pester Ungarische Commerzialbank* in Budapest from 1912 to 1925. and the *Jugoslavische Unionbank* from 1926 to 1931. He was admitted to the *AJB* in 1940, and three years later he was appointed procurator. He was fired by representatives of the socialist government in October 1944.¹⁵⁶

immigrated to Belgrade, while before the beginning of the Second World War, there were 11,000 of them in the entire territory of the Belgrade City Administration. Their arrival was encouraged by significant privileges in supply, employment and other concessions, see: T. Bogovac, *Stanovništvo Beograda 1918 - 1991*, p.119.

¹⁵⁵ Kurt Đurković was born in 1893 in Austria; his salary was 6,700 dinars and the records show that the Bank paid for his accommodation in Belgrade, see: AJ, 151-93-121; Digital Repository of the HAB, Kurt Đurković: https://www.digitalni.arhiv-beograda.org/show_document_scan.php?id=962162&page=1&fs=1 (approached on October 25th 2020)

¹⁵⁶ Emil Leopold was born in 1893 in Kovin; his starting salary was 3,500 dinars, to increase significantly in the following years: in 1942 to 5,800, and a year

At the head of the bookkeeping department, with seven male and four female employees, was another representative of the German national minority, 45-year-old Anton Eger, who had graduated from the Trade Academy in Zemun and knew Serbian and German. He was admitted on September 1st, 1923, with nine years of banking experience and a salary of 5,000 dinars. As a long-term balance account clerk, Eger was very unpopular among his colleagues (due to frequent subpoenas), but also in the Directorate, considering that despite all the conditions he fulfilled, he did not advance in his career until the arrival of German representatives. In fact, it was only after the departure of the Jews, in 1940, that he was appointed head of the department, and two years later, in June 1942, the Directorate transferred him to the Zemun branch of the *Bankverein für Kroatien*.¹⁵⁷

The balance account department had eleven employees (three women and eight men) and was led by thirty-eight-year-old Dragutin (Karlo) Novotni, a Croat by nationality. He once finished 4 grades of high school and the Royal Trade Academy in Zemun. With a full 6 years of banking experience, he was admitted to the Bank in September 1927, and with the permission of the Management he also worked part-time for Rogaške lokalne železnice a.d. Belgrade. At the beginning of 1942, when he changed his name to Karlo, the Bank fired him at his own request, granting him a severance pay in the amount of 43,905 dinars, which according to its Rules it could not do if he resigned. In the same month, Novotni started working in the Zemun branch of the *Bankverein für Kroatien*.¹⁵⁸

later to 7,000 dinars, see, AJ, 151-96-124; Digital Repository of the HAB, Leopold Emil: https://www.digitalni.arhiv-beograda.org/show_document.php?id=81012 (approached on October 25th 2020)

¹⁵⁷ Anton Eger was born in 1895 in Zemun; due to the general reduction, his salary was reduced to 4,650 dinars in 1932, and only in 1938 it was increased to 4,850 dinars, and after the arrival of German representatives, to 6,000 dinars, see, AJ, 151-93-121

¹⁵⁸ Dragutin Karlo Novotni, was born in 1902 in Zemun; his starting salary was

The treasury department at that time had four male employees and two female employees. Their boss was forty-nine-year-old Ljubomir Celegin, with the highest income of 7,500 dinars per month. After graduating in law in Vienna and Zagreb in 1916, he worked for a time as a lawyer, then as secretary of the General Directorate of Direct Taxes in the Ministry of Finance and as administrative secretary and deputy head in the General Secretariat of the same Ministry, on currency regulation projects. On the recommendation of Velimir Bajkić, he was appointed on September 1st, 1921, as the head of the bill of exchange department and liquidation. He especially enjoyed the great reputation and trust of the German representatives, as evidenced by a letter from the Bank sent to the Land Defense Inspection of the Ministry of the Army and Navy of the Kingdom of Yugoslavia, in which it begs that Celegin be released from military service because, among other things, 'he was intrusted with handling other people's property whose value reaches several million dinars'. From the beginning of the war, he declared himself a Serb of the Catholic faith, which was a common occurrence among Croatian bank employees at the time. He was appointed deputy director in March 1944. When, on January 17th, 1945, the representatives of the socialist government constituted the Supreme Commission for Withdrawal and Exchange of Money, one of the four members of this commission was Ljubomir Celegin.¹⁵⁹ Nevertheless, he waited for more than three years for confirmation of his twenty-three-year service, so that the *National Bank of the Federal People's Republic of Yugoslavia* would finally, on behalf of Bankverein in liquidation, issue a document confirming that Celegin was not the owner of the Bank's shares and that 50 shares which, at the time of his appointment as

1,800 dinars, see, AJ, 151-97-125

¹⁵⁹ M. Mitrović, "Obnova privrede u Srbiji 1944 - 1946 godine (Prilog izučavanju)": *Tokovi revolucije, Zbornik istorijskih radova Instituta za istoriju radničkog pokreta Srbije*, XV - IXVII, Beograd, 1982-83, p.95.

Deputy Director, were recorded as bail, were in fact the property of *Creditanstalt*, given that according to the Bank's statute, upon such appointments, the deposit of shares was mandatory.¹⁶⁰

At the same time, the head of the bill of exchange department was his peer, Volksdeutscher Antun Schabetz. He was admitted to the Bank in October 1937, with the previous 17 years of banking experience, completed 4 grades of high school and the Trade Academy in Graz, having knowledge of Serbian, French, English and German. After the "allied" bombing of Belgrade, in the spring of 1944, he stopped appearing at work. In addition to him, another male clerk and two female clerks worked in this department.¹⁶¹ Forty-three-year-old Radovan Milosavljević was the head of the Bank's foreign exchange department. He graduated from the Trade Academy in France, and has been in the Bank since August 1, 1921, as the head of the same department. He was also a member of the Supervisory Board of the company Astra d.d. for the chemical industry in Belgrade. The associates in this department consisted of three male and three female employees.¹⁶²

The last, the eighth department of the Bank - archive-depot, consisted of two employees and Aleksandar Lujanski as the manager. He had completed 4 grades of civic school and 3 grades of evening trade school, but also he had knowledge of Serbian, German, Hungarian and Romanian. He was admitted in February 1923, he was a Serb by nationality and worked in a Bank until its official liquidation, in June 1945.¹⁶³

¹⁶⁰ Ljubomir Celegin was born in 1891 in Omiš; AJ, 151-93-121

¹⁶¹ Antun Schabetz was born in 1891, in Kranj; his salary was 3,800 dinars, see, AJ, 151-99-127; Digital Repository of the HAB, Anton Šabec: https://www.digitalni.arhiv-eograda.org/show_document.php?id=748909 (approached on October, 25th 2020)

¹⁶² Radovan Milosavljević was born in 1897 in Šabac; his salary was between 6,500 and 9,500 dinars. AJ, 151-96-124

¹⁶³ Aleksandar Lujanski was born in 1898 in Pančevo; his salary was between

In addition to Lujanski and Milosavljević, the only Serbian representative among the Bank's ten senior officials was the deputy director, forty-one-year-old Aleksandar Nikolajević. He attended the Institute of High Trade in Antwerp and graduated from the Faculty of Economics in Brussels, after which he was admitted to the *Banque Belge pour l'Etranger* in the same city. After a year of work, in April 1928, he was transferred to the Belgrade *AJB*. In addition to Serbian, he knew French, English and German very well. Already in 1930, he was elected procurator, and in 1932, a senior procurator with the right to first signatory. He was also a member of the Management Board of the Gold Mine Slišane a.d. and the Prvi akcionarski mlin in Belgrade, as well as a member of the Supervisory Board of the Jugoslovensko društvo guma Englebert a.d. He was married to the daughter of the famous Serbian industrialist and decades-old governor of the *National Bank of Yugoslavia*, George Weifert, and was publicly criticized at a meeting of the Bank's management in February 1940 for violating the provisions of the Ordinance on the Service of State Employees. However, immediately after the arization of the Bank, he was appointed deputy director with a salary of 9 thousand dinars, and in July 1941 a member of the Bank's Management Board (with a bonus of 12 thousand dinars), which leads to the conclusion that he played an important role in the Bank. However, on January 9th, 1942, he was suddenly arrested and, after questioning, sent to the Banjica Concentration Camp, where he remained until March 14, 1942, when the Gestapo took him over and most likely took him to Germany.¹⁶⁴ He was formally fired by representatives of the socialist government in February 1945.¹⁶⁵

2,200 and 3,450 dinars, see, AJ, 151-96-124

¹⁶⁴ IAB/HAB, Uprava grada Beograda (UGB), Banjički logor, book IV, serial no. 3718.

¹⁶⁵ AJ, 151-97-125; Nikolajević managed to survive the war and settle with his wife in Paris, where he died in 1974, see: Digital Repository of the HAB,

Of the total number of officials, 44% came from Croatia, Slovenia, Zemun and Pančevo (all of them were Catholics, of which ten were members of the German minority) and 40% from Serbia (all Orthodox, six from Belgrade), while in this period seven Russian emigrants also worked. The average age for women was 29 years, and for men 31 years. All the men who held the positions of senior officials or department heads were married, and in contrast, only two of their female colleagues (out of 23) were married. That nothing has changed in the position of Bank female clerks with the arrival of new owners is also shown by the differences in their average incomes compared to men. Thus, those female employees who worked for ten or more years received an average of 2,884 dinars, while their male colleagues (with approximate work experience and education) received 4,247 dinars, and compared to young male colleagues with a maximum of four years of service, they received only 359 dinars more (the average salary of this group of male employees was 2,525 dinars).¹⁶⁶ Viewed from this angle, younger female employees were in a better position, because with less experience and easier professional jobs, they received 769 dinars less than their older female colleagues, or 2,115 dinars. In total, women received an average of 2,498 dinars, and men 3,543 dinars, while the average income of newly hired employees was 1,340 dinars per month (2,200 was the highest, and 800 dinars the lowest salary).¹⁶⁷

In order to provide secure funds for the Pension Fund of Bank Employees, it was decided to purchase from the Commissariat for

Aleksandar Nikolajević: https://www.digitalni.arhiv-beograda.org/show_document_scan.php?id=184545; Geneanet, Aleksander Sasha Nikolaevich: <https://gw.geneanet.org/cybergenes?lang=en&pz=francois+xavier&nz=thio-llier&p=aleksandar+sacha&n=nikolajevic+diti+nicolaievitch> (approached on October 25th 2020)

¹⁶⁶ When calculating the average salary, we excluded the salary of director Georg Saal, which amounted to 25 thousand dinars. see: AJ, 151-90-115

¹⁶⁷ *Ibid.*

Jewish Real Estate a residential house in Cara Lazara Street no. 15, for 7,760,000 dinars.¹⁶⁸ At the same session, a decision was made to increase the salaries of all employees by 20%, which meant an annual increase in expenses of 620 thousand dinars for the Bank.¹⁶⁹ Immediately before this decision was made, thirteen employees were fired from the Bank, who were hired in due time instead of the fired Jewish employees. According to the Directorate, it was a mostly young and insufficiently professional staff, while documents indicate that more than half of the fired staff were women, who in the meantime got married (eight of them).¹⁷⁰ However, a little later, this dismissal of “female staff” will prove to be an extremely bad assessment of the Bank’s Directorate, considering that due to frequent visits to “compulsory work”, its male staff was insufficient for the unhindered performance of Bank operations.

Namely, back in December 1941, the Serbian government, under pressure from the Nazis, passed the Order on Compulsory Labor and Restriction of Freedom of Employment, where in point 4 it specified “... that all citizens aged 17 to 45, regardless of whether are unemployed, employed or self-employed, may be invited to work in certain plants and industries (compulsory labor)”.¹⁷¹ That these obligations also applied to the employees of *Bankverein* is indicated by a list of forty-one male employees with the indicated

¹⁶⁸ At the same time, the Commissariat for Jewish Real Estate assigned a Jewish villa for accommodation to Director G. Saal and his wife, see: AJ, 151-5-5

¹⁶⁹ AJ, 151-3-3, Minutes from the session of the Management Board, held in Vienna on May 4th, 1942. This decision was in accordance with the Order of the Commissariat for Prices and Wages in Serbia, according to which the minimum official salary of 2,000 dinars and 20% allowance was determined, see: *Službene novine/ Official Gazette*, Beograd, March 24th, 1942

¹⁷⁰ AJ, 151-92(100)-120(128), Personal files of the employees of the *Bankverein* Beograd

¹⁷¹ *Službene novine/Official Gazette*, Beograd, January 1st, 1942

age, made during 1942.¹⁷² As the competencies of various German instances intertwined on the issue of the exploitation of the Serbian labor force, GBW, as one of them, protected, conditionally speaking, the employees of the Bank from compulsory work during 1942. But, when Hitler's order on September 30th, 1942, put the Serbian military commander in charge of taking all measures to provide the necessary labor force, determine working hours and wages,¹⁷³ the first cases of workers leaving for forced labor appeared in *Bankverein*. Thus, the official Nikola Kostić was deprived of his work card due to non-response, Branislav Patrnović was sent to work in the German company Wiegand and Schneider, and the same happened to another bank employee, Milan Stričević. In these, as well as in many other similar situations, the Bank tried and mostly managed to release its employees from such obligations after some time.¹⁷⁴

However, in order to avoid further inconveniences, in August 1943, the *Bankverein* Directorate submitted, most likely to the Feldkomandatura 599 in Belgrade, an exhaustive report on all 65 employed male employees and support staff.¹⁷⁵ It divided all officials into several groups: the first consisted of five foreign nationals; second, officials who only formally considered themselves employed, given that three were in captivity, one in the NDH armed forces and one in the German armed forces (SS "Prinz Eugen"); the third group consisted of four Volksdeutscher (one of whom was a minor); the fourth group included fourteen officials who were above the established upper age limit of forty-five years; the next, fifth group, consisted of eight officials declared incapable

¹⁷² AJ, 151-9-15

¹⁷³ M. Ristović, *ibid*, p.264,

¹⁷⁴ AJ, 151-9-15

¹⁷⁵ *Ibid*; From the copy of the report on the Bank's male employees, it is not clear to whom this report was addressed, but judging by the content, it could have been either Feldkomandantura 599 or GBW.

of work (the oldest was 45 and the youngest 33); five employees were classified in the sixth group, for which the Bank managed to provide certificates of current incapacity for work (from three to six months) and in the same group there were seven employees who had already done a one-month 'kuluk' and were released from work for a further three to six months, provided that after the expiration of this period they had to report to the competent services; the last, seventh group, consisted of three employees (two of them were 38 and one of them was 28 years old) who were permanently relieved of their duties by the Field Command 599, at the request of the Bank. According to the same report, *Bankverein* made available its two young employees, 20-year-old Patrnović and 21-year-old Mirko Klajić, who at one time complained to the Directorate about his difficult financial situation and starvation. On the margins of his appeal, Lj. Celegin noted that "the official must not address the Directorate in such a form" and suggested that he be fired. Instead, Bank representatives sent him to forced labor.¹⁷⁶ Also, the Bank stated the list of thirteen of its workers who were already on compulsory work. Among them were eight officials between the ages of 27 and 38, as well as five servers, the oldest of whom was 43 years old.¹⁷⁷ Five workers were made available directly to the Todt Organization, and the other seven were working at the Bor Mine.¹⁷⁸ At the time of this report, some had

¹⁷⁶ AJ, 151-95-123

¹⁷⁷ AJ, 151-9-15; Among those 13 employees, there were also the workers overtaken from Belgrade branch of the *Jugoslawische Unionbank* as well as one of three clerks overtaken from Ljubljana branch of the *Kreditanstalt für Handel und Industrie*.

¹⁷⁸ *Ibid*; Both the mines and the Todt Organization (OT) worked indiscriminately for both clerks and servants; OT, named after the Nazi engineer Fritz Todt, was not an organization of the German Nazi Party, but a state body, more precisely a construction unit whose war task was to control the work of construction organizations within the army, aviation and navy (including equipment); see more about this organization in Serbia: Ž. Avramovski, *Istočna*

been at work for four and some for six months.¹⁷⁹

Difficult conditions under which people lived and worked in Serbian mines and factories at that time also affected the work performance of employees after their return from forced labor. Many took leave to recover physically, others took sick leave, and there were cases where they did not return to work at the Bank. Judging by personal files, physical exhaustion due to working under difficult conditions was characteristic of the Bank itself, where no working hours were known from the beginning of the war, while extremely low salaries could not cover even the minimum subsistence in occupied Belgrade. Thus, in the summer of 1943, due to galloping inflation, a kilogram of wheat bread reached the price of 450 dinars, corn - 350 dinars, fat - 2000 dinars. A meter of cubic firewood cost 5,000 dinars, and the meat was divided into 200 grams per week.¹⁸⁰ For these reasons, as early as the second half of 1943, many employees who had their families left their jobs and went inland.

Srbija u ratu i revoluciji 1941 - 1945, Zbornik nemačkih dokumenata o eksploataciji nalazišta ruda i uglja (Zaječar: 1989), p.587.

¹⁷⁹ AJ, 151-9-15

¹⁸⁰ T. Bogovac, *ibid*, p.122; The price of meat in the fall of 1941 was 50-55 dinars per kilogram, and in the winter of 1943/44, at that price a kilogram of onions was sold (which in the fall of 1941 cost 10 dinars); a kilogram of potatoes amounted to 10 dinars in the fall of 1941, and in the winter of 1943/44. years its price was 100 dinars; the price of a kilogram of beans jumped from 20 to 160 dinars and a kilogram of apples from about 40-60 dinars to about 100 dinars. According to the analysis of the Commissariat for Prices and Wages, the average employee's salary covered only 40% of the food needs of a family of four, if everything was bought at administered prices. If, on the other hand, it was procured at real market prices, one average salary was not enough for even 10% of the required groceries. The average salaries of civil servants in occupied Serbia ranged between 2,000 and 3,000 dinars, while the wages of skilled workers ranged between 100 and 150 dinars, see: M. Milenković, T. Milenković, *Zapošljavanje u Srbiji: Od začetaka do oslobođenja zemlje 1944* (Beograd: Republički zavod za tržište rada, 2002), p.278.

Precisely for these reasons, the Bank's Directorate made a "new" personal move in 1943, hiring seven very young, unmarried employees, whose average age was 20 years. Only one employee was originally from Croatia, while the others were born in Serbia, i.e. Belgrade. They received an average salary of 1,900 dinars, which was below the guaranteed minimum. Due to the chronic lack of professional staff, aiming to somehow raise the professional level of employees, the Bank unofficially began to take over the employees of the *Prager Creditbank* branch in Belgrade in the second half of 1943, who according to the agreement were to move to *Bankverein* in January 1944. These were mostly employees who had twenty or more years of experience, 39 years old on average, provided the Bank with more secure support, and the average salary of 3,900 dinars for male employees and 3,300 for female employees, was supposed to ensure their safe stay in the Bank. Of the four newly hired employees, two were born abroad (one Czech) and two in Serbia and Belgrade, respectively. Of the eighteen employees, eight were Czech nationals, seven were born abroad and three each came from Croatia, Bosnia and Herzegovina and Serbia. Here, too, one official was only formally considered employed, given that he had been in captivity since the April war. Also, support staff (ten of them) arrived with the employees of this branch.¹⁸¹

Similar to the personal circumstances from the beginning of 1941, and the beginning of 1944, it seemed that a certain balance was finally established in the Bank's departments, both in terms of the number of employees and in terms of appropriate education and work experience. But the new April bombing, this time the Allied bombing, will permanently disrupt the situation created by "hard work". Namely, from April to the beginning of August 1944, 41 out of a total of 91 employees left the Bank.¹⁸² All employees of

¹⁸¹ AJ, 151-23-42

¹⁸² AJ, 151-90-115; The problem of food appeared in an even sharper form after

Russian origin, as well as the largest number of Volksdeutscher employees in the bank, went “to work” in Germany during this period. As the sessions of the Management Board in Belgrade could not be convened at that time (because the largest number of members could not come to Serbia), nor could the Directorate continue to organize its meetings, after both directors left the Bank (Saal in June and Sehn in August), its work was completely blocked.¹⁸³ In September 1944, in the midst of war operations around Belgrade, *Bankverein*, after a full sixteen years of existence, ceased to operate.

the new bombings in Belgrade, since the markets were completely deserted due to the fear of the peasants of new bombings, see: T. Bogovac, *ibid*, p. 126.



EPILOGUE

The great Soviet military offensive in the summer of 1944 brought the Red Army almost to the very front of Warsaw, which posed a real threat to Berlin itself. This forced Hitler to concentrate the bulk of the German armored divisions north of the Carpathians, leaving only two panzer divisions south of this line. By the end of August, the armistice was signed by Romania, and soon the Red Army entered Sofia. As a result of the Bulgarian coup d'état, in September 1944, the monarcho-fascist regime in Bulgaria was overthrown and replaced by the government of the Patriotic Front, which immediately declared war on Germany. As early as the beginning of October, the Red Army, together with three Bulgarian armies, found itself under the command of Marshal Fyodor Tolbuhin on the Yugoslav-Bulgarian border. Tolbuhin, together with the supreme commander of the Yugoslav partisans, Marshal Josip Broz Tito, coordinated the preparatory operations for the liberation of this part of Yugoslav territory. To that end, Tito arrived in Romania on September 21, from where he flew to Moscow, where he personally met with Joseph Stalin. At this meeting, an agreement was reached on the participation of Bulgarian troops in operations that will be conducted jointly on Yugoslav territory. As early as October 14, a synchronized attack by the Red Army and the People's Liberation Army of Yugoslavia on Belgrade began, which was finally liberated six days later.¹

¹ C. Wilmot, *The Struggle for Europe* (Westport: Greenwood Press, 1952), pp.438-440.

Immediately after the liberation of Belgrade on October 20, 1944, the Executive People's Liberation Committee for the City of Belgrade seized all the assets of *Bankverein* and appointed the Bank clerk Draško Puškarević as his delegate, i.e. compulsory manager.² A month later (November 21st, 1944), the presidency of the Anti-Fascist Council of the People's Liberation of Yugoslavia (AVNOJ) made a decision on transferring all enemy belongings to the state property, state supervision over the property of the absent persons and the sequestration over the property that the occupying authorities forcibly alienated.³ Although this decision gave jurisdiction over the confiscated property to the newly established State Administration of People's Property, in the first months after the liberation there was great confusion about the manner of sequestration and jurisdiction over the sequestered property. Therefore, the Commission for Trade and Industry of the National Committee for the Liberation of Yugoslavia (NKOJ) has repeatedly tried to explain to the Commissioner of Internal Affairs that the issue of enemy property management is an economic issue and as such falls within the competence of the economic departments of the NKOJ and the economic departments of the federal units. Therefore, "all national liberation authorities must submit their reports on the appropriation of enemy property to the State Administration of People's Property and ask it for all necessary instructions. The question of whether any property was affected by the Decision of November 21st, 1944 could only be decided by the State Administration of People's Property. All previous actions

² AJ, 151-37-61, Documents on the liquidation of the *Bankverein*, 1944 - 1945. Digital Repository of the HAB, Draško Puškarević: https://www.digitalni.arhiv-beograda.org/show_document.php?id=745974 (approached on October 29th 2020)

³ *Konfiskacija neprijateljekse imovine*, Odluka AVNOJ-a od 21. novembra 1944, *Službeni list FNRJ (Official Gazette of FNRJ)*, no. 2, 1945, no. 39, 1945

considering taking some property into custody, appointing a guardian for it or safeguarding it, in general, have to be undertaken by the lower People's Liberation Authorities, i.e. Committees that can be very useful auxiliary bodies of the State Administration of People's Property but could not be entrusted with any decision-making function on these issues."⁴

After detailed security investigations, the remaining 53 employees returned to the *Bankverein*. It turned out that more than half of the employees in the former German affiliation had a close or distant relative in the partisans. Thus, Ivan Vuletin, head of one of the Bank's departments and proxy, was the son of Olga Nazor, the sister of the famous Croatian poet Vladimir Nazor, then president of the National Anti-Fascist Council of the People's Liberation of Croatia (the highest people's authority in Croatia during World War II).⁵ On the other hand, Deputy Director Radovan Milosavljević was reported by one of his colleagues that during the war he was in close relations with Dragomir Dragi Jovanović, the head of the special police, in whose car, during the April bombing in 1944, he "... saved his life, running away to nearby villages in Belgrade", while several remaining Volksdeutscher were "automatically" fired.⁶ In late November, representatives of the new socialist government mobilized fourteen clerks between the ages of 27 and 32 and sent them to the Srem Front, ignoring the fact

⁴ AJ, Privredni savet vlade FNRJ (40)-136-321

⁵ AJ, 151-100-128, Ivan Vuletin was born in 1905 in Pazin in Istria and he works in *Bankverein* since 1940: Digital Repository of the HAB, Ivan Vuletin: https://www.digitalni.arhiv-beograda.org/show_document_scan.php?id=217006&page=1&fs=1 (approached on October 29th 2020)

⁶ AJ, 151-96-124; According to personal records, Franz Leo Hörmann, who was one of Bank employees, was arrested in January 1944 by D. Jovanović's special police (under unknown charges), who sent him to the German Mathausen concentration camp after being interrogated. Representatives of the new government failed to establish Milosavljević's connection with the Hörmann case. AJ, 151-94-122.

that most of them had just returned from forced labor.⁷ As a gesture of goodwill, the Bank kept them on payrolls, showing that it still considered them its employees.⁸

Although the State Administration of People's Property was established already on December 1st, 1944, due to the lack of professional staff (it had only an assistant secretary, one volunteer associate, two typists and a janitor), it organized its work extremely slowly. Only in the middle of January 1945, the Management got the director Branko Zlatarić and formed special departments in order to make things easier. The fact that the one entire department within the Administration dealt exclusively with the affairs of the *Bankverein* speaks volumes about how important this Bank was for the new socialist authorities.⁹ At that time, the Liquidation Committee of the *Bankverein* was formed, which was given the authority to present and sign on behalf of the Bank, determine the financial state of the Bank (as of May 31, 1945) and complete all work that began before this Committee took office, as well as prevent the creation of new business arrangements.¹⁰ In that sense, the fact that the Nazis did not manage to take the documentation of this Bank with them, nor to destroy it, was of great importance.¹¹ The Liquidation Committee of the *Bankverein* was also authorized to transfer to the newly established

⁷ The Srem front was of great importance for the German army, because it was the only way to protect the drawing of its Army Group E through Sarajevo and Slavonski Brod to Pannonia. For the Allies, this front was important as "the left wing of the penetration of the Third Ukrainian Front of the Red Army into southwestern Hungary." During December 1944, a major offensive was undertaken by Yugoslav and Soviet forces to break through the front, see: LJ. Pajović et.al., *Sremski front 1944-1945* (Beograd: Beogradski izdavačko-grafički zavod, 1979), pp.16-18.

⁸ AJ, 151-92(100)-120(128)

⁹ AJ, 40-136-321

¹⁰ *Ibid.*

¹¹ AS, Ministarstvo finansija DFJ, (G233) - 608, File *Bankverein* no. 515

State Industrial Bank a.d. transfer all active and passive affairs of the Bank that occurred after November 1st, 1944, as well as after the completion of the liquidation balance and determination of the Bank's net assets, submit its report to the Minister of Finance, who made the final decision on liquidation of this bank. Also, until August 15th, 1946, the liquidation board transferred all the cash, realized from the confiscated and sequestered property, which was kept with *Bankverein*, to the account that the State Administration of People's Property had with the *State Mortgage Bank* in Belgrade.¹²

The sequestration of foreign property forcibly alienated by the occupying authorities created the conditions for general nationalization in the country's economy. This, in addition to agrarian reform, was one of the most effective measures of deprivation and restriction of property rights that were brought to Yugoslavia after the Second World War.¹³ Namely, with the Laws of December 5th, 1946 and April 28th, 1948, all domestic and foreign private companies in forty-two branches of the economy, not counting agriculture, were transferred to state property.¹⁴ In that way, the system of property relations of unlimited private property was broken, and in the private sector, practically only craft workshops of service activities with a small number of workers and catering shops remained. To the owners of companies and banks nationalized under the laws of 1946 and 1948, the state promised to subsequently regulate the procedure for determining compensation. However, as regulations for determining compensation were never passed, the measure of nationalization of companies was actually legalized state robbery.¹⁵

¹² Ibid.

¹³ D. Gnjatović, *Ekonomija Srbije*, p.156.

¹⁴ Zakon o nacionalizaciji privatnih privrednih preduzeća, *Službeni list FNRJ (Official Gazette of FPRY)*, no. 98, 1946

¹⁵ D. Gnjatović, *ibid*, p.156.

As before the Second World War, one third of the capital invested in the Kingdom of Yugoslavia was of foreign origin, the interests of foreign capitalists were particularly hard hit by nationalization. Despite the fact that a significant portion of the foreign participation covered by these regulations related to enemy states, the dissatisfaction of allied and neutral Western countries was quite great. Therefore, the DFY/FPRY government started signing a series of individual bilateral agreements on the compensation of foreigners whose property was nationalized. Thus, in a relatively short time, from 1948 to 1960, Yugoslavia paid over \$ 100 million in compensation for the nationalized property of Argentina, Belgium, Czechoslovakia, Greece, Denmark, France, the Netherlands, Norway, the United States, Switzerland, Sweden, Turkey and Great Britain. D. Gnjatović points out that for the country, which in the same period allocated between 30 and 60 million dollars a year from the budget to pay interest on foreign debt, compensation for foreigners whose property was nationalized was a huge burden. And yet, the federal state has borne this burden and thus opened one of the two locked locks in the vaults of foreign financial capital.”¹⁶ In June 1946, a special decree was passed on the issuance and registration of shares, on the basis of which porters could come into possession of their shares.¹⁷

A couple of months later, when in the domestic and foreign public there was no reason to maintain the image of the Central Bank as a shareholding company, given that international financial institutions recognized the continuity of the *National Bank of Yugoslavia*, the process of unblocking the gold reserves of Yugoslavia, deposited abroad at the eve of the Second World War, began. According to the above mentioned special decree, the State was supposed to pay the shareholders at the nominal value of the

¹⁶ *Ibid*, p.157.

¹⁷ *Službeni list FNRJ (Official Gazette of FPRY)*, no. 50, June 2nd, 1946; AS, G233 - 608, File *Bankverein* no. 515

shares, but despite the mass response of the population to report the shares in their possession, there was no redemption. It took a full three years (until the end of 1949) to classify the shares into those that were eligible for payment and conversion for redemption and those that were not. However, when the number and value of shares that needed to be bought were finally determined, the State changed its mind. It was decided that “for reasons of principle and other important reasons, the compensation based on the purchase of shares of the *National Bank* will not be paid” and the share capital was appropriated by the State.¹⁸

A few years later, *Bankverein* in Belgrade and its “sister bank” in Zagreb found themselves as affiliates of *Deutsche Bank* in the investigation of the US Military Administration for Germany, i.e. a special department of this Administration that researched the financial and economic exploitation of the Third Reich.¹⁹ Also, the District People’s Court in Zagreb declared the *Bankverein für Kroatien* an enemy bank, because it “supported fascist-Ustasha companies with loans, thus creating conditions for further strengthening of the German war potential.”²⁰ In October 1945, the same court indicted H. J. Abs, Josef Joham and all other members of the Board in absentia for crimes against the people and the State, declaring them economic occupiers who “used the country’s economic potential and thus harmed the Croatian people.”²¹ Marking Abs as the main creator of such a negative financial policy of the bank, the Court sentenced him in absentia to ten years in prison, confiscation of property and deprivation from all political rights.²²

¹⁸ D. Gnjatović, *ibid.*, p.163-164.

¹⁹ *OMGUS - Ermittlungen gegen die Deutsche Bank*, pp.234-237; AJ, 40-136-321

²⁰ E. Czichon, Eberhard, *Die Bank und die Macht*, p. 276.

²¹ *Ibid.*

²² *Ibid.*

A similar indictment has never been filed in Belgrade, although the Liquidation Committee of this Bank submitted to the State Commission for Determining the Crimes of the Occupiers and Their Helpers extensive evidence, about which, unfortunately, we know nothing today.²³ And what fate the Bank had is best illustrated by a letter from the Service for the Liquidation of Old Foreign Currency Claims of the *National Bank of the Federal People's Republic of Yugoslavia*, which shows that *Bankverein* did not close its operations until 1958 and maybe later.²⁴ Thus, in the end, the conclusion inevitably arises that even under the new socio-political circumstances, part of the *AJB* continued, at least for some time, to exist and work, showing once again in its history that large and powerful banks have strong internal mechanisms that allow them to function regardless of all political and economic changes, and as such do not disappear overnight. At the same time it was true for its former patronage institutions, from the *Austrian Creditanstalt*, through the *Belgian Société Générale* all the way to *Deutsche Bank*, as well as for all key actors in this historical financial and political saga of the first half of the 20th century.

²³ AJ, 40-136-321, in September 1948, the Economic Institute of the Economic Council of the FPRY government seized by reverse a certain amount of un-inventoried material of the *Bankverein* Inquiry Commission from the State Commission for Determining the Crimes of the Occupiers and Their Helpers, which had been used in the trial against F. Neuhausen a year earlier. After that, every trace of this material is lost.

²⁴ AJ, 40-136-321; Letter from the Service for the Liquidation of Old Foreign Currency Claims of the *National Bank of the Federal People's Republic of Yugoslavia* to the Personnel Directorate of the *National Bank*, July 3rd, 1958; The *National Bank* handed over the *Bankverein's* documentation to the Archives of Yugoslavia for permanent storage only in 1966, see: AJ – Inventory of *Opšte jugoslovenskog bankarskog društva a.d.*, 2003, XV

CONCLUSION





During the 19th century, with the concentration of large bank capital, strong European shareholding banks became increasingly associated with various industries, from mining and construction to the food, processing and wood industries. This “new type” of banking was at that time a link between financial affairs and politics, because the affairs and interests of such banks were partly the interests of national economies. When they began to combine their financial interests with the State’s economic and political aspirations, they came to the situation of gaining not only enormous economic power, but also a significant role in the foreign policy of their countries. Thus, on the eve of the First World War, through banking capital, which was more than necessary for the economic and social development of the former Ottoman provinces in the Balkans, powerful European states influenced their domestic policy and thus included them in their spheres of interest.

However, the “tectonic” political changes caused by the events of 1917-1918, in addition to their long-term economic causes, also led to major processes of economic disintegration and reintegration in Yugoslavia and Central Europe. At the same time, these were partly qualitative changes, because it was a matter of transforming the former liberal industrial capitalism into monopoly capitalism, whose main feature was the merging of industrial and banking capital into financial capital. Due to the vacuum of the market created by political borders, the industry expanded faster than

its own accumulation of capital allowed, so in order to meet the needs on the part of consumers who were previously supplied from neighboring Austro-Hungarian countries, it had to reach for other people's capital. And it was banks like the *Allgemeiner Jugoslawischer Bankverein* that supplied Yugoslav industry with money, creating banking-industrial concerns that were a typical form of capital concentration. In contrast, the uneven economic, social and political development of the Yugoslav state, as well as related regional disagreements, have created disharmony in the field of economy, banking and legislation, refracting in full light throughout the history of this Bank.

In the former Yugoslav historiography, a wrong conclusion was often made about the strength of foreign capital in the Kingdom of Yugoslavia, only on the basis of data on the amount of directly invested capital in certain banking institutions or industrial companies. Separate analyzes of the operations of large banking institutions have not been done, although they provide an opportunity to discover a completely new, financial and social dimension of the interwar history of the Kingdom. Thus, the presented history of this Bank reveals the real methods of the penetration of foreign capital, which often gave companies under its control a relatively small principal and disproportionately large loans, all in order to avoid foreign exchange regulations and pay taxes. In fact, the real impact of large international capital was much stronger than could be deduced only from the above data on the amount of share capital. This is one of the most important reasons for individual studies of the history of large shareholding banks in the Kingdom of Yugoslavia, and especially those with majority foreign capital. Such capital influenced not only the Yugoslav financial market but also penetrated the industry. Its development in all agrarian countries, even in Yugoslavia, depended on the import of machines, technical equipment and raw materials, which is why it was necessary

to allocate significant material resources. Due to the lack of domestic capital, foreign investment was necessary. However, as a rule, foreign capital, by taking profit from the country in the form of dividends, entrepreneurial profit and interest on loans, prevented the creation of investment capital in the Kingdom itself. Industrial concerns, which consisted of several industrial companies, depended on the foreign capital under whose auspices they were. In this way, through economic influence, political influence and even pressure were often exerted.

The personal union between banking and industrial capital was also reflected in the fact that the directors of such banks were also members of the boards of directors of numerous companies, and yet the most prominent Yugoslav industrialists were on the boards of large banking institutions. Thus, at the same time, a great personal concentration of position and power was created in the hands of a small number of economic and political representatives of the country in which the bank was located, as well as in the hands of foreigners, who thus gained significant financial, political and social influence in the Yugoslav state. Representing an integral part of the small urban social class in the Kingdom, this banking layer of the economic elite, “just a drop in the ocean of uneducated people”, was inextricably linked with Western European capital and its representatives. Its importance in the modernization of Yugoslav society was not negligible, especially if we keep in mind that the bankers were the possessors of knowledge without which economic and financial development and comprehensive progress of society were not possible.

In fact, the *Allgemeiner Jugoslawischer Bankverein*, as a modern European bank, was a significant carrier of modernization processes in the economic and social life of the Kingdom, which was at the crossroads between the traditional and modern worlds between the two world wars. It was characterized by great

inequality in the society which was economically disintegrated, nationally heterogeneous, religiously closed and politically polarized. In such circumstances, this large Bank, with its close and wide contact with the life of the country in which it operated, was able to expand, above all, modern tendencies in the field of banking and transactions. Extremely important personalities of European banking in its Management also enabled the quick and successful building of the reputation of prominent international bank, almost unavoidable when it comes to placing large European capital in the Yugoslav economy.

This Bank also had its own special social significance, contributing to the creation over time of a special bourgeois class of bankers and bank clerks, who occupied an important place on the social ladder of the Kingdom of Yugoslavia, joining at the same time two of the three social groups, which between the two world wars were considered “promoters” of the modernization of Yugoslav society. As a specific institution, the Bank had its own uniqueness with always clearly defined rules of conduct and operations. In most cases, the individualism of the bank clerk was not suppressed. However, the bank clerk was not in a position to work completely freely. Thus, in fact, the role of the clerk as the main promoter of the modernity of a banking institution, but also of the society as a whole, is presented in the best way. In a country dominated by the ignorance and incompetence of officials, where the political key was the main path to social promotion, the staff of the *Allgemeiner Jugoslawischer Bankverein* was to serve as an example of a proper preoccupation of an institution with its own business, rather than politics. It was able to spread the European business spirit and culture, making its significant contribution to approaching the Western European civilization standards of a predominantly agrarian country, as was the Kingdom of Yugoslavia. At the same time, operating in the Kingdom, it was itself subject to the

political, economic and social influence of the environment, especially through domestic clients, but also the employed bank officials themselves. Its great importance was reflected in the long-term intertwining of various social influences and cultures, which led to it being considered a “multinational” or “international” bank.

What also gives special importance and historical weight of this Bank is the emergence of new, German owners of its share capital, which led the research to its specific transition from economic to political history. The fact that all large industrial companies in Yugoslavia were part of banking concerns with dominant international capital (Czech, French, Belgian, British, etc.) imposed on the large German banks the difficult task of choosing “domestic” banks in the Kingdom to connect them with relevant enterprises, while at the same time weakening and then eliminating the largely represented Jewish capital (domestic and international) in the Yugoslav economy. The selection of the *Allgemeiner Jugoslawischer Bankverein* for the realization of such plans, regardless of the strength of the performance, will show, especially in the war years, a very precise German plan and thoughtful tactics. The Bank, which until 1939 was the main channel for financing domestic and foreign Jewish industrial and commercial companies, with the new owners would get a clear political designation within the framework of German war and economic plans, which would lead to multiple magnification of its historical significance.

With the successful realization of the National Socialist racist categorization of employees, almost ideal conditions were created for the *Allgemeiner Jugoslawischer Bankverein* to become the main German economic and financial instrument for securing the economic and then political positions of the Third Reich in Yugoslavia. At the same time, the key interests of the leading German banks as “masters of the financial bloodstream of the German economy” intertwined in it, which sought to divide

Southeast Europe into zones of influence, financing projects important for the war economy, influencing monetary developments and crediting exclusively German war production.

Although during the Second World War this Bank was divided into two “sister banks”, its role as well as its Management, did not differ in the occupied parts of Yugoslavia. In addition to the organized seizure of the entire capital of Serbian Jews, about which very little or almost nothing was known until the beginning of the 21st century, its work enabled the functioning of all measures of economic exhaustion of the country, thus contributing to the successful establishment of military and economic occupation by the Third Reich. Contrary to the declarative advocacy of a certain “modernization” of industry and banking in the countries of Southeast Europe, in German war practice, exclusively brutal “deindustrialization” was conducted, which was more than nicely seen in the example of this Bank. Taking bank officials to forced labor, unsettled personnel and business policy, conflicts in the Management and the Directorate, certain “misunderstandings” between the German military and economic administration in Serbia, do not only indicate a huge difference in the historical significance of the Bank in the war period compared to its twelve years of work before the war, but also on much broader historical phenomena, such as the real effects of German war economic policy in Yugoslavia, the dependence of that policy on certain individuals in charge of its implementation, and ultimately certain disagreements between the political and economic leadership of the Reich.

The first post-war years and the attitude of the socialist government towards such a Bank indicate the enormous importance of European economic and financial ties and capital in the former *Allgemeiner Jugoslawischer Bankverein*, perhaps more than all its previous history. Thus, under the name *Bankverein in liquidation*,

regardless of its place in the German war economic policy in Serbia, it continued to exist and work in the third state-political system in its history, i.e. in the new Democratic Federal Yugoslavia.

On the example of the history of the *Allgemeiner Jugoslawischer Bankverein*, it can be clearly seen that the Bank as an institution of a special type and function, within the banking system of a country, largely depended on the progress of its economy, social status and institutional development. Its business policy sought to respond to the economic, social and even political needs of the State in which it was located, only if those needs were in line with the interests of its rightful owners abroad. Otherwise, all connections and channels created in the leading economic and political circles of Yugoslavia, as well as the entire administrative bureaucracy, could easily be made available to the home country of the rightful owners, and ultimately the same Bank could become a disintegrating factor of the economy, society, and even, in a way, the policies of the host country. With its final extinction, in the middle of the 20th century, an important segment of the pre-war and war Yugoslav history of banking, as well as its politics and society as a whole, went into complete oblivion.



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Analiza bilansa an appendix to the Narodno blagostanje

Bankarstvo

Compass - Kroatien - Serbien

Glasnik bankarskih, osiguravajućih, trgovačkih i industrijskih službenika KJ

Industrijska komora

Industrijska odbrana

Jugoslovenski kompas

Letopis Matice Srpske

L'Illustration

Narodne novine

Narodno blagostanje

Narodno bankarstvo

Nova Evropa

Politika

Privredni adresar Kraljevine Jugoslavije

Srpski narod

Statistički godišnjak

Šumska internacionala

XX vek

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СIP - Каталогизација у публикацији
Народна библиотека Србије, Београд

338:336.71(497.1)"1918/1945"
33(497.1)"1918/1945"(091)
94:336.717(497.1)"1941/1945"
347.232(=411.16)(497.1)"1941/1945"

ALEKSIĆ, Vesna, 1970-

**From Affiliation to Nazification : the Political
Destiny of a "Grossbank" in Yugoslavia : 1918-1945 /**
Vesna S. Aleksić ; [translation Dragana Gnjatović]. - Bel-
grade : The Institute of Economic Sciences, 2021 (Belgrade
: Donat Graf). - 463 str. : table ; 24 cm

"Publication was made possible by the Ministry of Educa-
tion, Science and Technological Development of the Repub-
lic of Serbia"--> Kolofon. - Tiraž 200. - About the Author:
str. 463. - Napomene i bibliografske reference uz tekst. -
Bibliografija: str. 413-440. - Registar.

ISBN 978-86-89465-60-0

а) Банкарство -- Југославија -- 1918-1945 б) Јевреји
-- Банкарски капитал -- Конфискација -- 1941-1945 в)
Југославија -- Економска историја -- 1918-1945

COBISS.SR-ID 33370633



ISBN 978-86-89465-60-0



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