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Bankers as Part of the Economic and Political Elite and the Role of Bankocracy – The Case of Allgemeiner Jugoslawischer Bankverein

Abstract: *Defining the banking elite and its role and importance within the economic and political elite was a process that lasted throughout the twentieth century. The paper gives a brief overview of this process in Europe, while on a very representative example of the Allgemeiner Jugoslawischer Banverein as a large bank of international financial capital, shows how this process went in the Kingdom of Yugoslavia and how important it was in modernizing Yugoslav society, especially given that it was the bankers who possessed the knowledge without which economic and financial development and the comprehensive progress of society were not possible. However, this process was accompanied by the strengthening of the bankocracy, whose political activities influenced the business policy of banks, often using them as a tool in party conflicts, but also enabling the unhindered spread of nepotism and corruption in pre-war Yugoslav society.*

Key words: Banking elite, Bankocracy, Kingdom of Yugoslavia, Allgemeiner Jugoslawischer Banverein, King Alexander Karađorđević, Ivan Ribar

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

¹Michael Hartmann, *The Sociology of Elites*, (New York: Routledge 2007), 4.

and the political elite. They believed that the political elite were 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 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 represented by large banking and industrial corporations, whose rise led not only to a new concen-

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: Žak Koenen-Iter, *Sociologija elita*, (Beograd: Clio, 2005), 132–133.

³ Drago Čengić, *Ekonomska elita: Vladar iz sjenke? Prilozi ekonomskoj sociologiji*, (Zagreb: Institut društvenih znanosti Ivo Pilar, 2016),

⁴ Čengić, *Ekonomska elita*, 20.

tration 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 Francqui, 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 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

⁵ Hartmann, *The Sociology of Elites*, 44.

⁶ Ginette 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), 317–335.

⁷ Dolores L. Avgustin, “The banker in German society, 1890–1930”, *Finance and financiers in European history, 1880–1960*, ed. Cassis, Youssef, (Cambridge University Press, 1992), 161–187.

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 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 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

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: Eigner, Falschlehner, Resch, *Geschichte der österreichischen Privatbanken*, (Wien: Springer, 2018), 29.

⁹ Eigner et al, *Geschichte der österreichischen Privatbanken*, 75.

¹⁰ Eigner et al, *Geschichte der österreichischen Privatbanken*, 74–75.

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 Dubravka 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 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

¹¹ Avgustin, "The banker in German society", 161–187.

¹² Dubravka Stojanović, „Ulje na vodi – Politika i društvo u modernoj istoriji Srbije”, *Srbija 1804–2004, Tri pogleda ili poziv na dijalog*, ed. Ristović, Dimić, Stojanović, (Beograd: Udruženje za društvenu istoriju, 2005), 115–149.

¹³ Stojanović, „Ulje na vodi – Politika i društvo u modernoj istoriji Srbije” 117.

¹⁴ Josip Jurčević, "Upravljačke elite u suvremenoj hrvatskoj povijesti", *Upravljačke elite i modernizacija*, ed. Ivan Rogić, Drago Čengić, (Zagreb: Institut društvenih znanosti Ivo Pilar, 2001), 81–95.

with that created in Yugoslav countries, as we cannot do that even within these countries themselves. What we can certainly do 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 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, as was the case with that elite formed in the *Allgemeiner Jugoslawischer Banverein*.¹⁶

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”.¹⁷ 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 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 capi-

¹⁵ In sociology, this method is known as a “snowball”, see: Robert Putnam, *The Comparative Study of Political Elites*, (New Jersey: Englewood Cliffs, N.J. Prentice-Hall, 1976).

¹⁶ Vesna Aleksić, *Banka i moć, Socijalno-finansijska istorija Opšte jugoslovenskog bankarskog društva 1928–1945*, (Beograd: Stubovi kulture, 2002), 87–91.

¹⁷ Karl Marx, *Capital, A Critique of Political Economy, Volume 1, Book One: The Process of Production of Capital*, 535–536 (Marks, Karl, *Kapital, Prvi tom*, Beograd: Prosveta, 1978, 665–666).

talism because they generate the bulk of financial profits, have a huge influence on policy-making, and are key to financial markets.¹⁸

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 ‘bankcocrats’ 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.¹⁹ 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 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.“²⁰

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.”²¹ For all members of the management boards of domestic banks, including the *National Bank of Serbia*

¹⁸He 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: Éric Toussaint, *Bankocracy*, (Melbourne: Resistance Books, 2015), 242–243.

¹⁹“Luka Čelović”, *Narodno blagostanje*, 29, Beograd, August 24th, 1929, 477.

²⁰Vesna 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), 106–122.

²¹Aleksić, “Connection between state and shareholdings banks in Serbia”, 106–122.

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.²² Belonging to political parties (after 1918 it was the Radical 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.“²³

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.“²⁴ 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 *Allgemeiner Jugoslawischer Banverein (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, 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. Jovanovic (member of the Radical Party and

²² Sonja Jerković, *Narodna banka Kraljevina Srba, Hrvata i Slovenaca/Jugoslavije 1918–1931. godine*, (doctoral dissertation), Univerzitet u Beogradu, Filozofski fakultet, Beograd, 2018, 377–379.

²³ Ivo Belin, „Križa naše privrede“, *Nova Evropa*, book VIII, 11 i 12, (1923), 305–311

²⁴ Nikola Stanarević, „Bankarska hronika“, *Bankarstvo*, no.8 (1924), 398.

the Bank's Board of Directors) as well as Pavle Mijatović (member of the Bank's Supervisory Board).²⁵ 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.²⁶ 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.²⁷

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 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.²⁸ 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.²⁹

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.³⁰ 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

²⁵ Archives of Yugoslavia (AJ), Opšte jugoslovensko bankarsko društvo a.d. 151, 6-6, Files of the lawyer of the *Allgemeiner Jugoslawischer Banverein (AJB)*.

²⁶ AJ, 151-6-6, Files of the lawyers of the *AJB*.

²⁷ AJ, 151-4-4, Ivo Benković's correspondence with the Bank's Management Board, December 1940.

²⁸ Klaus Buchenau, "Korruptionimersten Jugoslawien (1918–1941). Eine Skizze zu Diskurs und Praxis", *Südost-Forschungen*, 72 (2013), 98–132.

²⁹ Fritz Weber, *Vordemgroßen Krach: Österreichs Banken in der Zwischenkriegszeit am Beispiel der Credit Anstalt fuer Handel und Gewerbe*, (Wien: BoehlauVerlag GmbH & Co, 2016), 34.

³⁰ AJ, 151-6-6, Report on costs and fees of the lawyer Vasilije I. Jovanović for 1928 business year.

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 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.³¹ 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.³²

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,³³ 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.³⁴ What was true, but also a practice that was not the Yugoslav exclusivity of that time, was 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.³⁵ Precisely because of that, the banks were the target of public criticism, and the National Bank was especially

³¹ AJ, 151-90-115, Comparative review of salaries of active employees of *AJB*.

³² AJ, 151-90-115. Comparative review of salaries of active employees of *AJB*.

³³ Jerković, *Narodna banka Kraljevine Srba, Hrvata i Slovenaca/Jugoslavije 1918–1931*, 418.

³⁴ Sergije, Dimitrijević, *Strani kapital u privredi bivše Jugoslavije*, (Beograd: Nolit, 1958), 225.

³⁵ Aleksić, *Banka i moć*, 99.

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.³⁶

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 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.³⁷ 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.³⁸ 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.³⁹

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 on drastic punishments, including the death

³⁶ Jerković, *Narodna banka Kraljevina Srba, Hrvata i Slovenaca/Jugoslavije 1918–1931*, 253.

³⁷ Jerković, *Narodna banka Kraljevina Srba, Hrvata i Slovenaca/Jugoslavije 1918–1931*, 253.

³⁸ 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.

³⁹ AJ. 151-90-115, Comparative review of salaries of active employees of *AJB*, 1937 and 1938.

penalty.⁴⁰ 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.⁴¹ 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.⁴² 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.⁴³

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, 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.⁴⁴

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,

⁴⁰ Buchenau, “Korruptionimersten Jugoslawien (1918–1941). Eine Skizze zu Diskurs und Praxis”, 98–132.

⁴¹ Vesna 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), 56–73.

⁴² AJ, Ministarstvo trgovine i industrije KJ 65, 1116–2100 Files of the Matejić Consortium.

⁴³ *Politika*, June 5th, 1936, p.10; June 10th, 1936, p.12; July 25th, 1936, p.10.

⁴⁴ Buchenau, “Korruptionimersten Jugoslawien (1918–1941). Eine Skizze zu Diskurs und Praxis”, 98–132.

which carried out the arization of this Bank.⁴⁵ 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.“⁴⁶

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.⁴⁷ In that sense, the case of pre-war Yugoslavia, but also its successor states, confirms this thesis in the best way.

⁴⁵ Aleksić, *Banka i moć*, 87–91.

⁴⁶ Ivan Ribar, *Iz moje političke suradnje (1901–1963)*, (Zagreb: Naprijed, 1965), 258.

⁴⁷ Matias Braun, Claudio Raddatz, “Banking on Politics: When Former High-ranking Politicians Become Bank Directors”, *The World Bank Economic Review*, Volume 24, Issue 2, (2010), 234–279.

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Резиме

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Банкари као део економске и политичке елите и улога банократије – Случај *Allgemeiner Jugoslawischer Bankverein*

Дефинисање банкарске елите и њене улоге и значаја у оквиру економске и политичке елите био је процес који је трајао током читавог XX века. Рад даје кратак осврт на овај процес у Европи, док на веома репрезентативном примеру *Allgemeiner Jugoslawischer Bankverein* као велике банке међународног финансијског капитала, показује како је тај процес текао у Краљевини Југославији и колико је био важан у модернизацији југословенског друштва, посебно ако се има у виду да су управо банкарски били поседници знања без којег није био могућ привредни и финансијски развој и свеобухватни напредак друштва. Као модерна европска банка, била је значајан носилац модернизацијских процеса у привредном и социјалном животу Краљевине, која се између два светска рата налазила на размеђи између традиционалног и модерног света. Ова банка је имала свој посебни друштвени значај, доприносећи да се временом створи особени грађански слој банкара и банкарских чиновника, који су заузимали важно место на друштвеној лествици Краљевине Југославије. Међутим, уз овај процес упоредо је ишло и јачање банократије која је својим политичким деловањем утицала на пословну политику ондашњих банака често их користећи као оруђе у страначким сукобима али и омогућавајући несметано ширење непотизма и корупције у предратном југословенском друштву.

Кључне речи: банкарска елита, банократија, Краљевина Југославија, *Allgemeiner Jugoslawischer Banverein*, краљ Александар Карађорђевић, Иван Рибар