



# The Leipzig Fur Industry as an Industrial District

Collective Action, Lead Firms and World Market Transformation (1870-1939)

Robrecht Declercq

Thesis submitted for assessment with a view to  
obtaining the degree of Doctor of History and Civilization  
of the European University Institute

Florence, 11.02. 2015



European University Institute

**Department of History and Civilization**

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# 1 Introduction: industrial districts and the outside world.

While it has been commonly held that both industrialisation and the emergence of modern capitalism favoured the rise of big business, regionally entrenched and decentralised modes of production have nonetheless persisted. The concept of the industrial district, which describes the spatial concentration of small to medium-sized firms and highly specialised businesses in a single sector, is one of the most well-known examples of such an alternative to big business and corporate development. The robustness of districts has been traditionally explained by a number of advantages that were generated through the proximity of firms: a predisposition towards cooperation, inter-firm networks, and the sharing of innovations or technological modifications. These factors mitigate the costs of decentralisation. A large number of historical studies have used the concept of the industrial district in order to revive ‘alternative’ worlds of industrialisation, to nuance the spread of corporate development, and to modify teleological accounts of modern capitalism. Most importantly, the emphasis on geographically defined industrial districts has revealed regional dynamism and economic variety beneath the level of national statistics.

Many bookshelves can be filled with examinations of the industrial district and regional economics. Why is another study about the industrial district necessary? This thesis is based on the observation that historical research into the phenomenon of industrial districts suffers from a remarkable lacuna: the link between the industrial district and the ‘outside world’ remains largely understudied. Historical studies have predominantly portrayed industrial districts as self-contained entities.<sup>1</sup> This tunnel vision stands in sharp contrast to the recent interest in contemporary globalisation and its impact upon regional economic entities. While many predicted the final decline of such alternative structures because of imminent global competition, this did not happen. Moreover, despite threats from globalisation, the idea that regions (rather than nation-states) are the dynamic units of economic development is surfacing ever more strongly.<sup>2</sup> Currently the capacity to adapt to global competition is seen as constitutive of modern industrial districts or, for that matter, of regional economies in general.

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<sup>1</sup> Jonathan Zeitlin, “Industrial Districts and Regional Clusters,” in *The Oxford Handbook of Business History*, ed. Geoffrey Jones and Jonathan Zeitlin (Oxford; New York: Oxford University Press, 2008), 234.

<sup>2</sup> Celia Applegate, “A Europe of Regions: Reflections on the Historiography of Sub-National Places in Modern Times,” *Peace Research Abstracts* 38, no. 3 (2001).

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However, industrial districts' ability to engage in global networks is anything but a recent phenomenon. Therefore, this thesis examines historical patterns of the adaptation of the industrial district to global competition and the framework in which industrial districts engaged in patterns of internationalisation.

The choice to study one such industrial district, the Leipzig fur industry concentrated in the region of Saxony, is almost self-evident. Saxony historically harboured many industrial districts and sectors that were governed by moderate-sized and highly specialised businesses. Saxon businesses were, on average, much smaller than in the Reich and the family firm was an important institution. Equally, the region's economy was surprisingly well oriented towards the world market. The small businesses in Saxony typically produced consumer goods and depended upon foreign imports and the export of finished products. However, the capacity of firms in the region to engage in global networks remains largely uninvestigated. How did industrial districts and decentralised business structures manage being part of an economy oriented towards the world market?

The fur industry concentrated in and around Leipzig formed an archetypal Saxon industrial district. The district's many small firms were specialised in an aspect of the production process, ranging from trade (wholesalers and brokers) to manufacture (dressing and dyeing). Moreover, the fur industry was arguably part of one of the most well integrated historical world markets. Furs connected Leipzig to hunters in subarctic frontiers and remote woodlands from whence this valuable commodity travelled via intermediaries to the city. In Leipzig, furs were manufactured and sold not only in Germany but also throughout Western Europe and across the Atlantic. The industrial district was therefore highly open (and vulnerable) to exogenous developments. Modifications to hunting laws, the exhaustion of resources, competition with other centres, and changing patterns of consumption in both Europe and America were felt in the district. Nevertheless, the many specialised small fur firms in Leipzig managed to survive for decades. These firms somehow had the capacity to adapt to global competition.

This introduction will set out the framework for my research on the industrial district in Leipzig. It will begin by exploring the concept of the industrial district and more precisely defining the research deficit in the historical literature. Additionally, I will explain the absence of research on industrial districts and the outside world through a discussion of the



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characteristics of the Saxon economy that will focus on its openness to the world market and its decentralised production system. After defining the research deficit in both theoretical and empirical terms, I will explore concepts that make the study of the external dimensions of the industrial district possible. I will thereby suggest a research framework based on including commodity chain analysis within industrial district theory.

### **1.1 Industrial districts as a capitalist and industrial alternative.**

#### ***1.1.1 The conceptual history of the industrial district (1922 – present).***

The economist Alfred Marshall was one of the first to wonder about the persistence of small firms in a world where the growth of big business seemed unstoppable. In 1922, he described the cost-saving benefits for firms located near external factors such as available labour, related industries, relevant knowledge, and exploitable resources. Marshall argued that these factors prevented the growth of “internal economies,” by which he meant the growth of a firm. In other words, he asserted that large-scale production could also be achieved by groups of small-sized and specialised firms that were concentrated in a given geographical area.<sup>3</sup> A high number of specialised firms contributed to various stages of the production process and thereby prevented its concentration in a single corporate firm. Marshall called these localised production structures ‘the industrial district.’<sup>4</sup>

The concept of the Marshallian industrial district (and by extension the link between location and firm behaviour) remained rather obscure for several decades because of the success of Chandlerian-inspired management literature. It re-appeared much later in post-war Italian economic sociology, where scholars put industrial districts at the centre of a post-Fordist economic growth model (the so-called ‘third Italy.’)<sup>5</sup> In the 1980s, Giacomo Becattini and others claimed that the post-war Italian economy saw the emergence of 60 to 100 industrial

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<sup>3</sup> Giacomo Becattini, “Italian Industrial Districts: Problems and Perspectives,” *International Studies of Management & Organization* 21, (no. 1 1991): 84.

<sup>4</sup> Giacomo Becattini, Marco Bellandi, and Lisa De Propris, “Critical Nodes and Contemporary Reflections on Industrial Districts: An Introduction,” in *A Handbook of Industrial Districts*, ed. Giacomo Becattini, Marco Bellandi, and Lisa De Propris (Cheltenham, UK; Northampton, MA: Edward Elgar, 2009), xvi.

<sup>5</sup> Bjorn T Asheim, “Industrial Districts: The Contributions of Marshall and Beyond,” in *The Oxford Handbook of Economic Geography*, ed. Gordon L Clark, Maryann P Feldman, and Meric S Gertler (Oxford; New York: Oxford University Press, 2000), 419

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districts, which became leading economic entities in a period when major Italian firms were declining.<sup>6</sup> This new research trend introduced a few novel elements into industrial district theory, such as the importance of artisans and a shared “attitude” to work.<sup>7</sup> Based on the Italian district, this research formed the canonical neo-Marshallian definition of the industrial district, which stressed the importance of external economies arising from the concentration of small to medium-sized business with characteristics derived specifically from Italian cases, such as the presence of artisans and an ‘industrial culture’ that gave a common identity to members of the district.<sup>8</sup>

Researchers who were dissatisfied with the conflation of the industrial district and the Italian context presented several new cases outside Italy. This expanded the research field and led to the development of new concepts to describe variations of business concentration, such as decentralised production systems and non-industrial districts. The variety exhibited in different regional case studies and dissatisfaction with the Italian-based neo-Marshallian research obviously put the consensus regarding the definition of the concept under pressure. I adhere to the definition advanced by Jonathan Zeitlin, who has returned elasticity to the notion and ousted some of the highly specific and context-bound elements of the concept. Zeitlin defined an industrial district as a “geographically localized productive system based on an extended division of labor between small and medium-sized firms specialized in distinct phases or complementary activities within a common industrial sector.”<sup>9</sup> Importantly, Zeitlin stresses that essential elements are variable (the degree of localization, the extent of inter-firm networks etc.), which means that diversity is inherent to his definition of the concept. This is an important point since the neo-Marshallian definition is quite rigorous in its claims that socio-cultural factors are the bedrock of the industrial district.

At first, Zeitlin’s definition of the industrial district does not seem to differ much from another popular concept that also deals with the phenomenon of business concentration, the

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<sup>6</sup> Becattini, “Italian Industrial Districts,” 83.

<sup>7</sup> Jean-Claude Daumas, “Dans la ‘boîte noire’ des districts industriels,” in *Les territoires de l’industrie en Europe, 1750-2000: entreprises, régulations et trajectoires : actes du colloque international de Besançon, 27, 28 et 29 octobre 2004*, ed. Jean-Claude Daumas, Pierre Lamard, and Laurent Tissot (Presses Univ. Franche-Comté, 2007), 15.

<sup>8</sup> Jean-Claude Daumas, “Territoire et Dynamique Industrielle: Des Configurations Historiquement Différenciées (France, XIXe - XXe Siècles),” in *Les banques et les mutations des entreprises. Le cas de Lille-Roubaix-Tourcoing aux XIXe et XXe siècles*, ed. Hubert Bonin and Jean-François Eck (Villeneuve d’Ascq: Septentrion, 2012), 76.

<sup>9</sup> Zeitlin, “Industrial Districts and Regional Clusters,” 222.

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‘cluster.’ Michael Porter has defined clusters as “a geographically proximate group of interconnected companies and associated institutions in a particular field, linked by commonalities and complementarities.”<sup>10</sup> Although both deal with competitive advantages derived from location and the proximity of similar firms or supporting industries, the ‘cluster’ encompasses a wider economic structure and stresses externalities that are much broader in scope to those typically considered in industrial district theory. Moreover, Porter’s cluster concept also allows for the presence of larger businesses that centralise production. The size distribution of the firm and decentralisation clearly differentiate both concepts. Therefore, industrial districts can be seen as a specific type of cluster.<sup>11</sup>

In addition, the industrial district stresses patterns of local cooperation whereas the cluster concept argues that cooperation is a possibility rather than a necessity.<sup>12</sup> Social relations actively direct economic behaviour and include tacit agreements, a sense of local belonging, the coordination of actions, joint investment, and cooperation.<sup>13</sup> Mechanisms for collective action can be steered from above by the government but are always based on social relations and institutions, such as historically developed group trust. Thus, an important feature of the industrial district is that firms do not simply profit from ‘passive location’ like they do in a cluster economy. Unlike cluster theory, industrial district theory is a research trend that shares basic assumptions with economic sociology.<sup>14</sup> Economic sociologists like Mark Granovetter have claimed that economic action is “embedded in social relations.”<sup>15</sup> Equally, industrial district theory evinces a type of economic behaviour that is embedded in geographically defined social boundaries.

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<sup>10</sup> Michael E Porter, “Locations, Clusters, and Company Strategy,” in *The Oxford Handbook of Economic Geography*, ed. Gordon L Clark, Maryann P Feldman, and Meric S Gertler (Oxford: Oxford University Press, 2000), 254.

<sup>11</sup> Michael Porter and Christian Ketels, “Clusters and Industrial Districts. Common Roots, Different Perspectives.,” in *A Handbook of Industrial Districts*, ed. Giacomo Becattini, Marco Bellandi, and Lisa De Propriis (Cheltenham, UK; Northampton, MA: Edward Elgar, 2009), 181. “Clusters are a much broader concept, encompassing many possible configuration of companies and institutions. Clusters encompass the configuration found in IDs, so that IDs are one type of a cluster.”

<sup>12</sup> Zeitlin, “Industrial Districts and Regional Clusters,” 226. However, the authors stress that cooperation is not a ‘natural feature’ of the ID and that mechanisms to resolve conflicts and institutions to foster cooperation are consciously created.

<sup>13</sup> Michael P Todaro and Stephen C Smith, *Economic Development* (Boston, Mass.: Addison-Wesley, 2012), 321.

<sup>14</sup> Richard Swedberg, *Principles of Economic Sociology* (Princeton, N.J.: Princeton University Press, 2003), xi.

<sup>15</sup> Mark Granovetter, “Economic Action and Social Structure: The Problem of Embeddedness,” *American Journal of Sociology* 91, no. 3 (November 1, 1985): 483.

### ***1.1.2 Contributions and shortcomings of the ID concept***

Taking this brief account of the industrial district concept's trajectory into consideration, it is now time to take a closer look at its contributions to historical research. Firstly, industrial districts have also been used to point to decentralised forms of production, like the varieties of capitalism that manifest in regional spaces. In this sense, the discussion about industrial districts is often merged with the debate surrounding the importance of economic regions.<sup>16</sup> Francesca Carnevali stated that this extensive literature has the common goal of "seeking to provide an alternative tale of industrialisation than that found in the broad sweep of national statistics."<sup>17</sup> She argued that regionalised and localised economic structures often contributed to national economic growth in ways that are often overlooked in aggregate studies. As such, the contribution of the industrial district lies in the scale of analysis used. The discovery of industrial districts and regionalised economic structures has led to their deployment in a variety of national economic contexts, most recently so in France. For instance, the city of Toulouse during the nineteenth century has been described as a centre of flexible and decentralised production where the many dynamic workshops "put into practice new techniques that were modest but well implemented."<sup>18</sup> Pierre Judet described the Arve valley, a region that was historically characterised by decentralised production, as an industrial district in the metal production sector.<sup>19</sup>

Across the Atlantic, Philip Scranton pointed to the importance of "specialty" production in the US' second industrial revolution. He looked at manufacturing units that focused on the production of custom-made nonstandard goods. The involvement of firms in speciality production had important consequences for the spatial dynamics of American business. Scranton argued that there was "no better location [for specialty production] than an urban

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<sup>16</sup> Swedberg, *Principles of Economic Sociology*, 65.

<sup>17</sup> Francesca Carnevali, "Crooks, Thieves, and Receivers: Transaction Costs in Nineteenth Century Industrial Birmingham," *Economic History Review* 57, no. 3 (2004): 534.

<sup>18</sup> Jean-Marc Oliver, "L'industrie dispersée dans la ville: le cas toulousain au fil du XIX<sup>ème</sup> siècle," in *Les territoires de l'industrie en Europe, 1750-2000: entreprises, régulations et trajectoires: actes du colloque international de Besançon, 27, 28 et 29 octobre 2004*, ed. Jean-Claude Daumas, Pierre Lamard, and Laurent Tissot (Presses Univ. Franche-Comté, 2007), 58.

<sup>19</sup> Pierre Judet, "La genèse du district industriel de la vallée de l'Arve: la construction sociale d'un territoire sur la longue durée (fin XVIII<sup>ème</sup> - début XX<sup>ème</sup> siècles)," in *Les territoires de l'industrie en Europe, 1750-2000: entreprises, régulations et trajectoires: actes du colloque international de Besançon, 27, 28 et 29 octobre 2004*, ed. Jean-Claude Daumas, Pierre Lamard, and Laurent Tissot (Presses Univ. Franche-Comté, 2007), 323-41.

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industrial district.”<sup>20</sup> With regard to industrialisation in England, John Wilson and Andrew Popp have established the importance of industrial districts and business clusters in processes of industrialisation and economic growth by assembling a variety of case studies ranging from the Lancashire textile industry to the Manchester industrial district. They also examined links between local manufacturing and banking in West Yorkshire. In doing so, they illustrated that industrialisation in Britain was a highly regionalised affair.

Secondly, the industrial district concept has been used to illustrate the continued persistence of small business and the alternative forms of production associated with them, despite corporate development and the expansion of mass production. The work of Charles Sabel and Jonathan Zeitlin is highly prominent in this research field. They have argued that moderate-sized firms and specialised business communities were often very innovative when it came to the alteration of production processes or in the development and exploitation of new technologies.<sup>21</sup> They called their methodology the “historical alternative approach.” Its point of departure is “the rejection of the narrow track models of industrialisation and economic development.”<sup>22</sup> Sabel and Zeitlin argued that mechanisation and industrialisation occurred much more incrementally than is commonly assumed and that business entities like industrial districts were often creative in finding hybrid forms of production.<sup>23</sup> Geographical clustering and collective action was key in developing flexible methods of industrial production.<sup>24</sup> Wilson and Popp also situated the success of the British industrial district in its capacity to adopt incremental changes: “the major force in shaping all major English industrial clusters was the progressive elaboration of their technological bases and capabilities.”<sup>25</sup> Due to this extensive literature, the view that industrial districts determined regionalised economic growth and that they formed alternatives to the realms of big business and mass production is now widely accepted.

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<sup>20</sup> Philip Scranton, *Endless Novelty: Specialty Production and American Industrialization, 1865-1925* (Princeton, N.J.: Princeton University Press, 1997), 18–19.

<sup>21</sup> Charles Sabel and Jonathan Zeitlin, “Historical Alternatives to Mass Production: Politics, Markets and Technology in Nineteenth-Century Industrialization,” *Past & Present* 108, no. 1 (August 1, 1985): 143–144.

<sup>22</sup> Zeitlin, Jonathan, “The Historical Alternatives Approach,” in *The Oxford Handbook of Business History* (Oxford: Oxford University Press, 2007), 121.

<sup>23</sup> Charles F Sabel, Jonathan Zeitlin, *World of Possibilities: Flexibility and Mass Production in Western Industrialization* (Cambridge University Press, 1997), 31.

<sup>24</sup> Andrew Popp and John Wilson, “Districts, Networks and Clusters in England: An Introduction,” in *Industrial Clusters and Regional Business Networks in England, 1750-1970*, ed. John Wilson and Andrew Popp (Burlington, Vt.: Ashgate, 2003), 15.

<sup>25</sup> Andrew Popp and John Wilson, “Conclusion,” in *Industrial Clusters and Regional Business Networks in England, 1750-1970*, ed. John Wilson and Andrew Popp (Burlington, Vt.: Ashgate, 2003), 273.

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However, this thesis is devoted to an entirely different dimension of industrial districts. Whilst historical research on the industrial district has affected mainstream industrialisation historiography and challenged “the narrow paths of economic history,” a considerable caesura continues to exist. Overwhelmingly, industrial districts have been studied as closed internal circuits, supposedly based on local vitality alone and propelled solely by internal dynamism. To put it another way, the historical research on industrial district suffers from tunnel vision. Jonathan Zeitlin noted that “the self-contained character of the districts has been overstated even for earlier periods” and acknowledged that a research deficit exists in regards to “the district and the wider world.” He added that “indeed it would (...) no doubt prove illuminating to investigate more closely (...) local firms’ own attempts at internationalisation.”<sup>26</sup> In particular, transborder activities, the impact of globalisation and de-globalisation, and, more generally, the reactions and strategies triggered by these macroeconomic developments have been ignored. In France, where the history of industrial districts recently attracted much scholarly attention, historians largely came to the same conclusion. Jean-Claude Daumas suggested that there was a similar deficit “in connecting the local dynamics of the district to the global context.”<sup>27</sup> He stated that it would be better to cease studying districts in terms of industrialisation so as to “confront the history of the district with challenges coming from the outside,” by which he meant external market forces and global competition.<sup>28</sup> Patrick Fridenson noted that it is necessary “to get the ID out of the enclave” and “to question the relationship between the interior and the exterior dimension of the industrial district.”<sup>29</sup>

In contrast, the relationship between internationalisation and the dynamics of contemporary industrial districts constitutes a growing body of literature. Becattini noted that “the nature, intensity and scale of the increasingly global networks that IDs have to engage with for knowledge, goods/services and labour exchanges (...) underlies their capacity to reproduce themselves.”<sup>30</sup> In the light of contemporary economic globalisation, some have suggested the existence of a paradox: the local clustering of firms continues to be a defining feature of the modern world economy despite the spread of commercial activity due to economic

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<sup>26</sup> Zeitlin, “Industrial Districts and Regional Clusters,” 234.

<sup>27</sup> Jean-Claude Daumas, “Districts industriels: du concept à l’histoire: Les termes du débat,” *Revue économique* 58, no. 1 (2007): 142.

<sup>28</sup> *Ibid.*, 152.

<sup>29</sup> Patrick Fridenson, “Conclusion,” in *Les territoires de l’industrie en Europe, 1750-2000: entreprises, régulations et trajectoires: actes du colloque international de Besançon, 27, 28 et 29 octobre 2004*, [Conseil régional de Franche-Comté], ed. Jean-Claude Daumas, Pierre Lamard, and Laurent Tissot ([Besançon]: Presses universitaires de Franche-Comté, 2007), 428–429.

<sup>30</sup> Becattini, Bellandi, and De Propriis, “Critical Nodes,” xxi.

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globalisation.<sup>31</sup> Others have stressed that contemporary industrial districts can survive precisely by engaging in international activities. Such analysts warn about “over-embeddedness” or the danger of being “locked in.” In order to survive global competition, local production systems need “to tap into external markets and engage in translocal interaction.”<sup>32</sup>

Historical studies dealing with industrial districts have not neglected the bigger picture or the international economic dimension altogether. For instance, in their account of industrial districts in England, Popp and Wilson acknowledged that the wider macro-economic context also had an impact.<sup>33</sup> However, systematic analyses of industrial districts adjusting to macro-economic developments like globalisation or district firms’ participation in processes of internationalisation remain largely absent from historical research. Such an approach is additionally justified because of the bias of the aforementioned economists, sociologists, and geographers in regards to the contemporary “process of economic globalisation.” As it is assumed that globalisation constitutes an unprecedented phenomenon, the historical dimension remains mostly missing from the debate. Indeed, it has been acknowledged that similar, if less intensive, processes of global entanglement preceded contemporary globalisation. As O’Rourke and Williamson argued, few would dispute the fact that “the world-market was in 1913 extremely well integrated.”<sup>34</sup> Even if we are willing to accept the uniqueness of contemporary globalisation or the variations in the pace and volatility of globalisation in different epochs, industrial districts were never entirely self-sustaining entities. In other words, there is no reason to reject the premise that transborder activities and connections to the outside world have always been an integral dimension of industrial districts. Decentralised economic structures and small businesses have continued to exist not only when industrialisation and mass production transformed the economy but also whilst they endured dramatic shifts in the world market and suffered from exogenous shocks.

The lack of interest in the nexus between the industrial district and the outside world is quite surprising given that the role of businesses in worldwide economic integration today forms a

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<sup>31</sup> Allen J. Scott and Michael Storper, “Regions, Globalization, Development,” *Regional Studies* 41, no. sup1 (2007): 193.

<sup>32</sup> Harald Bathelt, “Cluster Relations in the Media Industry: Exploring the ‘Distanced Neighbour’ Paradox in Leipzig,” *Regional Studies* 39, no. 1 (2005): 110.

<sup>33</sup> Popp and Wilson, “Districts, Networks and Clusters,” 16.

<sup>34</sup> Kevin H. O’Rourke and Jeffrey Williamson, “When Did Globalisation Begin?” *European Review of Economic History* 6, no. 1 (April 1, 2002): 23.

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growing research field. Geoffrey Jones in particular has called for a more systematic understanding of businesses as agents in shaping the globalised world economy since 1850. Jones noted that “firms drove globalisation by creating trade flows, constructing marketing channels, building infrastructure and creating markets.”<sup>35</sup> In other words, the international activities of businesses increased “the mobilization of information, knowledge, technology as well as capital across boundaries.”<sup>36</sup> The obvious problem, however, is that such research tends to focus on the actions of big business in the form of multinational corporations.<sup>37</sup> Without denying that the spread of multinational enterprises qualitatively changed the structure of the world economy, the attempts of smaller firms at internationalisation both existed and contributed extensively to processes of international economic entanglement.<sup>38</sup> In addition, the multinational enterprise does not own the monopoly on transborder business activity. There is thus no reason to assume that small district firms remained on the sideline.

I believe that this statement will be clarified by introducing the case study of the Leipzig fur industry when considered as part of the open Saxon economy. The Saxon economy is particularly well suited to illustrate the lack of research on connections between industrial districts and the outside world. Most of its industries harboured characteristics that correspond to those of decentralised production systems, as is evinced by the high number of small to medium-sized businesses and highly specialised enterprises. Simultaneously, the economy of the region was strongly oriented to the world market. A description of Saxony’s economic landscape will exemplify the lacuna in the research regarding industrial districts and the outside world in a more concrete fashion.

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<sup>35</sup> Geoffrey Jones, “Globalization,” in *The Oxford Handbook of Business History*, ed. Geoffrey Jones and Jonathan Zeitlin (Oxford: Oxford Handbooks Online, 2008), 153.

<sup>36</sup> Mira Wilkins, “Chandler and Global Business History,” *Business History Review* 82 (2008): 259.

<sup>37</sup> Geoffrey Jones, “Business Enterprises and Global Worlds,” *Enterprise and Society* 3, no. 4 (December 1, 2002): 599–600; Alfred D. Chandler and Bruce Mazlish, “Introduction,” in *Leviathans: Multinational Corporations and the New Global History*, ed. Bruce Mazlish and Alfred D. Chandler (Cambridge University Press, 2005), 1–19. The latter in particular holds the view that the world economy was constructed by multinational enterprises and was later firmly in the hands of the multinational corporation.

<sup>38</sup> Niels Petersson, “Niels Petersson, Das Kaiserreich in Prozessen Ökonomischer Globalisierung, in: Sebastian Conrad Et.al., *Das Kaiserreich Transnational*. Göttingen 2006, 49-68,” in *Das Kaiserreich Transnational: Deutschland in Der Welt 1871-1914* (Göttingen: Vandenhoeck & Ruprecht, 2004), 59. He notes that transborder business activities could also be organised by intra-firm relationships through personal networks across space: “Underneath the level of the market presence of the large enterprise and the capital export of large banks, German merchants permanently residing abroad played a large role as well [in transborder activities]. They offered many smaller firms [in Germany] [who were otherwise] unable to afford foreign representation the opportunity to enter foreign markets and serve foreign customers.”



## 1.2 From theory to practice: Saxony and the world.

### 1.2.1 Saxony and regional exceptionalism

Anyone who studies German history will acknowledge that the region of Saxony is an almost inevitable example for those who point to regional developments that ran counter to social, economic, and political developments on the national level.<sup>39</sup> Many socio-economic developments made Saxony unique. First of all, Saxony was the most densely populated territory in Germany. The population increased from 1,178,802 inhabitants in 1815 to 2,556,244 in 1871. Secondly, Saxony was already an industrialised territory with the majority of the population working in industry or craft manufacture. Saxony was thus one of the first regions to industrialise, in contrast to Germany's belated industrialisation.<sup>40</sup> Kieseewetter argued that Saxony industrialised relatively early because it became dependent upon agricultural imports after the loss of territory to Prussia as a consequence of the Napoleonic wars.<sup>41</sup> Others have stressed that early industrialisation was related to what could be called forms of proto-industrialisation, based on dexterous artisans or labourers working in Saxon towns.<sup>42</sup>

However, in his seminal book *Industrial Constructions*, Gary Herrigel was one of the first to place emphasis on business structure rather than early industrialisation to define Saxony as an exceptional regional economy in Germany. Herrigel claimed that there were many vibrant worlds of moderate-sized business in Germany when mass production was increasingly becoming the norm. The persistence of such business structures was predominantly regionally clustered. Herrigel characterised these regions of Germany as “decentralized industrial orders,” which he described as being “composed of multitudes of highly specialised small- and medium sized producers and a host of extra-firm supporting institutions. Together, these actors have created (and in part were created by) a system of governance mechanisms that stimulate innovation, socialize risk, and foster adjustment, at both local and national levels, in

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<sup>39</sup> James Retallack, “Society and Politics in Saxony in the Nineteenth and Twentieth Centuries,” *Archiv Für Sozialgeschichte* 38 (1998): 396.

<sup>40</sup> Hans-Werner Hahn, *Die industrielle Revolution in Deutschland* (München: R. Oldenbourg, 1998), 29.

<sup>41</sup> Hubert Kieseewetter, “Bevölkerung, Erwerbstätige und Landwirtschaft im Königreich Sachsen 1815-1871,” in *Region und Industrialisierung*, ed. Sidney Pollard (Göttingen: Vandenhoeck & Ruprecht, 1980), 103.

<sup>42</sup> Karlheinz Blaschke, “Grundzüge sächsischer Geschichte zwischen der Reichsgründung und dem Ersten Weltkrieg,” in *Sachsen im Kaiserreich: Politik, Wirtschaft und Gesellschaft im Umbruch*, ed. Simone Lässig and Karl Heinrich Pohl (Weimar: Böhlau, 1997), 22.

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ways that do not resemble the governing principles of either markets or hierarchies.”<sup>43</sup> Herrigel advances a definition of the decentralised production order redolent of the industrial district. He portrayed the kingdom of Saxony as a “primary location of this pattern of productive organisation.”<sup>44</sup>

Herrigel rightly pointed to the fact that the firms in Saxony were on average much smaller in terms of the number of employees than in the Reich. Certainly, Saxony had many larger firms with over 50 employees (13.2% of the German national total). Nevertheless, these large firms employed only around 11.7% of the labour force. Conversely, middle-sized firms (with between 6 and 50 workers) “were present in percentages much above the Reich average.”<sup>45</sup> Indeed, not only was the average firm much smaller but also the industry of Saxony was remarkably diversified, possessing both heavy and light industry. The decentralised business structure encompassed many sectors domiciled in the region. Family-owned small businesses produced textiles, instruments, brushes, textiles, furs, books, toys, and garments, but the model also encompassed heavy industries like machine construction.<sup>46</sup> Unsurprisingly, the structure of the economy had spatial consequences. Whereas this decentralised form of production was to be found in sectors across the entire region, many of the entrepreneurs decided to settle in urban industrial districts. The book-printing industry and the fur industry in Leipzig are the most well known examples of industrial districts in Saxony.<sup>47</sup> The fur industry in Leipzig is proposed here as a case study of an industrial district that typified Saxony as an exceptional region. The fur industry not only typifies the Saxon economy from an organisational point of view, it also evinces the second precondition necessary for our research, namely openness to the world market.

Indeed, the fact that Saxony was strongly oriented towards the outside world added an extra dimension to its regional particularism. The Saxon economy was mainly composed of “consumer goods industries (...) that basically imported raw materials from abroad and

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<sup>43</sup> Gary Herrigel, *Industrial Constructions: The Sources of German Industrial Power*, Structural Analysis in the Social Sciences 9 (Cambridge; New York: Cambridge University Press, 1996), 1.

<sup>44</sup> *Ibid.*, 20. Along with other regions like Württemberg, Baden, the Bergland, the Siegerland, and the left bank of the Rhine.

<sup>45</sup> *Ibid.*, 45.

<sup>46</sup> Donald Warren, *The Red Kingdom of Saxony; Lobbying Grounds for Gustav Stresemann, 1901-1909*, (The Hague: M. Nijhoff, 1964), 2.

<sup>47</sup> Rainer Karlsch and Michael Schäfer, *Wirtschaftsgeschichte Sachsens im Industriezeitalter* (Leipzig: Edition Leipzig, 2006), 113–117; Thomas Keiderling, *Aufstieg und Niedergang der Buchstadt Leipzig* (Beucha: Sax-Verlag, 2012).

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exported manufactured goods to other regions in Germany and the whole world.”<sup>48</sup> Werner Bramke wrote that “industries based on consumer goods offered great opportunities on the world market” and claimed that “Saxony remained the number one German export region until the eve of the Second World War.”<sup>49</sup> Many world-famous products, from Rudolf Sack’s universal plough to the coffee filter, were launched from businesses domiciled in the triangle between Leipzig, Dresden, and Chemnitz.<sup>50</sup> Industrial districts in Saxony, the fur industry foremost among them, were international players. In terms of migration and mobility, openness applied as well. At the end of the nineteenth century, the region was a popular destination for German migrants as well as for international immigrants. Between 1871 and 1900, the regional migration surplus amounted to 229,880 persons.<sup>51</sup>

Remarkably, internationalisation occurred not despite the omnipresence of small firms but apparently because of it: “the Saxon entrepreneur was typically an owner or a partner in a textile, machine constructing, or any other small export-oriented manufacturing company that was not very large.”<sup>52</sup> However, the openness of the decentralised production order had a downside too: arguably, crises raged more intensively and had a deep impact upon economic stability.<sup>53</sup> Due to Saxony’s dependence on world trade, the region was often labelled with the rather unflattering description, “the storm centre of the trade cycle” (*Wetterwinkel der Konjunktur*).<sup>54</sup> Indeed, the negative consequences of economic crises and the First World War affected Saxony’s consumer and world market oriented economy much more deeply than it did other German regions.<sup>55</sup>

The lacuna concerning the industrial district and the outside world is thus replicated here in the description of the Saxon economy. Saxony was characterised as a decentralised mode of production but it was by no means locked in. Indeed, it seems that the many moderate-sized

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<sup>48</sup> Claus-Christian W. Szejnmann, *Nazism in Central Germany: The Brownshirts in “Red” Saxony* (New York: Berghahn Books, 1999), 6.

<sup>49</sup> Werner Bramke, “Einleitung,” in *Wirtschaft und Gesellschaft in Sachsen im 20. Jahrhundert*, ed. Werner Bramke (Leipzig: Leipziger Univ.-Verl., 1998), 19.

<sup>50</sup> Rita Müller, *Der Kaffeesatz im Löschpapier: sächsische Industrie-Geschichten* (Chemnitz: Chemnitzer Verl., 2006).

<sup>51</sup> Volker Hentschel, “Erwerbs- und Einkommensverhältnisse in Sachsen, Baden und Württemberg vor dem Ersten Weltkrieg (1890-1914),” *VSWG: Vierteljahrschrift für sozial- und Wirtschaftsgeschichte* 66, no. 1 (January 1, 1979): 29.

<sup>52</sup> Michael Schäfer, *Familienunternehmen und Unternehmerfamilien: zur Sozial- und Wirtschaftsgeschichte der sächsischen Unternehmer, 1850-1940* (München: C.H.Beck, 2007), 11.

<sup>53</sup> Bramke, “Einleitung,” 19.

<sup>54</sup> Szejnmann, *Nazism in Central Germany*, 6.

<sup>55</sup> Schäfer, *Familienunternehmen und Unternehmerfamilien*, 32.

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firms not only formed alternative worlds to corporate development and mass production but also gave the Saxon economy the status of the most internationally oriented region of the Reich. Nonetheless, the historical structure of the Saxon economy in relation to its openness remains surprisingly understudied. It is precisely the interplay between decentralised production and the region's status as the storm centre of the trade cycle that will be questioned in this thesis. Why was one of the most decentralised regions (from a business point of view) also a leading actor on the world market? This main question can be split in two main subquestions. Firstly, how did firms in the region participate in processes of internationalisation? Secondly, how did the vibrant communities of small businesses persist despite being part of the "storm centre of the trade cycle"? In other words, I question how businesses in structures like the industrial district dealt with exogenous pressures.

In the questions set out above, regional decentralisation and world market orientation gives rise to an intuitive assumption of incompatibility. However, this assumption might be the wrong way of looking at the problem. As suggested above, the decentralised business structure was perhaps not inimical to an orientation to the world market. Would it not make sense to ask the question in another way: how did the integration of the region in the global economy shape business structures in Saxony? Given that industries depended upon import and export trade, it makes sense to claim that firms in Saxony were proficient organisers of transborder trade. So why should the regional decentralised business structure not dovetail with its relative openness? Reversing the question means we see how district firms organised and constructed governance mechanisms in order to deal with being part of an open economy. In other words, the hypothesis is that linkages between the industrial district and the outside world have to be studied in the very characteristics of the industrial district itself. To put it differently, the external economic context is not external *per se* but constitutes one of the variables that determined processes and features typical of a district.

Indeed, the integration of the industrial district in the wider context entails a different reading of firm behaviour in local networks and collective actions, like patterns of local collaboration, appropriation of new technologies, and the sharing of innovations. In what ways could these aspects be advantageous in an open economy, if indeed they were? There are certain indications that support my hypothesis. Michael Schäfer, one of the experts on Saxon economic history, argued that the strong family ties woven into the management of the smaller Saxon business were decisive in the willingness to protect the firm in times of crisis.

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Traditionally, such ties are seen as a handicap to organisational development.<sup>56</sup> In addition, Stephen Gross has stressed the importance of regional associations and umbrella institutions for small business operating in an international context: “small firms facing challenges abroad and at home (...) turned to local umbrella institutions (the Leipzig Trade Fairs) that coordinated the interest of firms within a given sector or region.”<sup>57</sup> Indeed, this is part of the hypothesis that I will employ here: several local coordination mechanisms and institutions, which account for the industrial districts’ productive competitiveness, also gave district firms the ability to deal with challenges abroad and to participate in processes of internationalisation. I claim that this also encompassed other elements of the industrial district, like sharing and local collaboration.

Having established this claim, it is necessary to establish a framework in order to examine collaboration at the local level (i.e. the industrial district) in interaction with the global level. As mentioned above, industrial district literature offers no framework to study the linkages between the industrial district and the outside world. In the next section, I will construct a framework by placing commodity chain analysis into the theory of industrial districts. In order to synthesise notions of commodity chain analysis with industrial district theory, it will be necessary to examine more closely a few concepts employed in the former theory. While both traditions utilise a network-oriented view on economic organisation, the synchronisation of both concepts is not a straightforward task.

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<sup>56</sup> Ibid., 204.

<sup>57</sup> Stephen Gross, “Selling Germany in South-Eastern Europe: Economic Uncertainty, Commercial Information and the Leipzig Trade Fair 1920-40,” *Contemporary European History* 21, no. 1 (2012): 29.

### **1.3 Squaring the circle: Linking collective action into a commodity centred perspective.**

#### ***1.3.1 The industrial district in the commodity chain.***

One problem in creating a framework that enables me to study the industrial district and the outside world is that external relations in industrial district theory remain relatively under-theorised. While industrial district theory takes a Granovetterian approach to economic embeddedness as a place-bound phenomenon, it has little to say about external relations, global networks, and the overarching market in which the local system is embedded. Since industrial districts are usually formed at the sectoral level (in our case the fur trade), it makes sense to suggest the commodity chain as the appropriate scale for examining the external relationships of the industrial district. Combining industrial district theory with a global network approach such as the commodity chain is not a straightforward enterprise, largely because industrial districts are geographically ‘locked-in.’ Nonetheless, an attempt will be made to join commodity chain analysis to industrial district theory by proposing that the former be used as a conceptual tool.

Before advancing this proposal, let us start with exploring the fundamentals of commodity chain theory. There are three main concepts that apply the ‘chain’ metaphor to the organisation of global production. All of them are concerned with the organisational dynamics of international trade. Wallerstein and Hopkins first coined the concept of the “commodity chain” and defined it as “a network of labor and production processes whose end result is a finished commodity.”<sup>58</sup> The term ‘commodity chain’ was applied within a framework of world-system analysis, which structured the world economy in the terms of core and periphery. In 1994, Gereffi constructed a nuanced, expanded, and more ‘workable’ version of Wallerstein’s commodity chain. Gereffi defined global commodity chains (GCC) as “inter-organisational networks clustered around one commodity or product, linking households, enterprises, and states to one another within the world economy (...) these networks are

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<sup>58</sup> Terence K. Hopkins and Immanuel Wallerstein, “Commodity Chains in the World-Economy Prior to 1800,” *Review (Fernand Braudel Center)* 10, no. 1 (July 1, 1986): 159.

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situationally specific, socially constructed, and locally integrated, underscoring the social embeddedness of economic organisation.”<sup>59</sup>

The more nuanced global commodity chain allows us to analyse differences in access to markets and resources by making a distinction between producer-driven and buyer-driven chains. In the latter, large trading companies play a controlling role while in the former, such a part is assigned to large manufacturing corporations.<sup>60</sup> Although Gereffi acknowledges the importance of many social contexts in the chain, in practice the GCC focussed on contemporary large firms to set the terms of trade in a chain. A third variant are the so-called global value chains (GVC), an extension of Porter’s concept of the value chain that usually applies to the internal organisation of firms. The GVC draws on transaction cost theory and describes activities that are “transactional linkages connecting firms in a global chain.”<sup>61</sup> As such, GVC theory emphasises inter-firm networks as the defining feature of global production. The nature of global economic organisation is accordingly described as “recurrent transactions” between individual firms. Differences in chains are explained by variations in inter-firm networks that can range on a continuum from arm’s length transactions to hierarchies.<sup>62</sup> Global value chains thus sketched out a landscape of global production defined by networks between economic actors interlocked across geographic space. The nature of the networks between these firms determined the type of chain.

Two problems arise from linking industrial district theory to any of the chains mentioned above. The first is of an epistemological nature, since both theories seem difficult to reconcile in terms of networks. In essence, commodity chain concepts have claimed that global networks mattered in the organisation of the world economy but at the same time rendered local production systems like the industrial district abstract, despite Gereffi’s claims regarding

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<sup>59</sup> Gary Gereffi, Miguel Korzeniewicz, and Roberto Korzeniewicz, “Introduction: Global Commodity Chains,” in *Commodity Chains and Global Capitalism*, ed. Gary Gereffi and Miguel Korzeniewicz (Westport, 1994), 2.

<sup>60</sup> *Ibid.*, 7.

<sup>61</sup> Kenneth A. Reinert et al., *The Princeton Encyclopedia of the World Economy*. (Princeton University Press, 2010), 180.

<sup>62</sup> Gary Gereffi, John Humphrey, and Timothy Sturgeon, “The Governance of Global Value Chains,” *Review of International Political Economy* 12, no. 1 (2005): 84. The closest relationship to hierarchy are the so-called ‘captive value chains’ in which small suppliers are transactionally dependent upon much larger buyers. Right between markets and hierarchies are the ‘relational value chains,’ which are characterised by complex interactions between buyers and sellers. Thirdly, modular value chains are the closest to vertical disintegration: they involve the suppliers in productions that are specific and highly customised. Suppliers have considerable responsibility for competencies surrounding processing technology.

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“social embeddedness of economic organisation.”<sup>63</sup> Proponents of industrial district theory or regional business entrenchment have done the opposite. This research trend is based on the Granovetterian notion that economic activity is embedded in social networks that are bound to place. However, the external relations of such district structures have scarcely been theorised. Both concepts are therefore difficult to reconcile. In global value chains, for instance, economic organisation is synonymous with the networks between firms across geographic space. However, it says little about processes of local collaboration in terms of global networks. This means that we can only examine separate firms of the district and not its collective action. It seems remarkably difficult to reconcile the ‘place-bound’ networks of the industrial district with the ‘place-less’ global networks elaborated upon by commodity chain perspectives. Jennifer Bair was the first to diagnose the tension between the “embedded network approach (...) and the network-based analysis of economic organization in (...) the global chains literature.”<sup>64</sup>

The second problem is connected to the former and involves the problem of agency, since chain perspectives impose a rather deterministic approach to firm behaviour. From the definition of ‘chains’ given above, the nature of inter-firm networks determines the position of the firm within the commodity chain. However, many critics have emphasised that commodity chain perspectives should pay attention to agency and contingency as well as to the historical and socio-institutional specificity of each commodity chain.<sup>65</sup> Individual firms create independent international operations and follow strategies running counter to the mechanisms of the commodity chain. As Ian Hunter has thoughtfully noted, “in differing cultures and societies, institutional arrangements and societal norms engender different forms of commercial activity, support different labor processes, and inspire different managerial responses. In short, the commodity chain is not separate from the actors that constitute the chain, and these actors retain agency to determine the shape and characteristics of the chain.”<sup>66</sup>

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<sup>63</sup> John Humphrey and Hubert Schmitz, “How Does Insertion in Global Value Chains Affect Upgrading in Industrial Clusters?,” *Regional Studies* 36, no. 9 (2002): 1019.

<sup>64</sup> Jennifer Bair, “Analysing Global Economic Organization: Embedded Networks and Global Chains Compared,” *Economy and Society* 37, no. 3 (2008): 340.

<sup>65</sup> Reinert et al., *The Princeton Encyclopedia of the World Economy.*, 180.

<sup>66</sup> Ian Hunter, “Commodity Chains and Networks in Emerging Markets: New Zealand, 1880-1910,” *Business History Review*. 79, no. 2 (2005): 278.



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Attempts to combine commodity chain analysis with embedded forms of business largely fail to resolve the aforementioned problems. A solution to the first challenge, opposing types of networks, was proposed whilst advancing the concept of inter-firm networks of global value chains based on the spatially clustered forms of economic activity.<sup>67</sup> Humphrey and Schmitz argued that the scope of local business activity in entities like industrial districts was determined by opportunities offered by global firms and how they governed the chain. Another solution was proposed by examining “lead firms” in the district as mediators or “gatekeepers” of changes in the global value chain.<sup>68</sup> Here, it is argued that several district firms emerge as “lead firms” in the district, heading processes of transformation and organising transborder activities in times of increased competition. Leading firms in the district were seen as gate-openers to foreign markets and as pioneers in adjusting the district to global competition.

However, neither contribution is useful for me since they still obscure the dynamics of local interaction. In the first proposal, the restricted range of activities in the district imposed by global firms offers no way out of agency problem. The second proposal that identifies “local lead firms” as gatekeepers of the district is certainly more compelling in terms of agency. I accept the argument that there is a difference between district firms in the extent to which they participate in transborder activities. However, as this approach only highlights local lead firms, it is highly problematic for my claims because “the district as a system” is reduced to the “individual strategies of few firms through which the local system can open its structure.”<sup>69</sup> Local lead firms are undoubtedly important but such a perspective does not give us what we need, namely reconciliation between local social cohesion and global economic organisation. The actions and strategies of local lead firms can only be a part of the story. Indeed, Zeitlin, a much-cited author in the “local lead firms” approach, did describe the emergence of large lead firms in the district as just one of the *possible outcomes* in the context of increased global competition. According to Zeitlin, an equally important outcome was “more continuous and more formalized collaboration among economic actors.”<sup>70</sup> In other words, paying attention to lead firms is important but I should also factor local collaboration

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<sup>67</sup> Humphrey and Schmitz, “How Does Insertion,” 1020.

<sup>68</sup> Jinn-Yuh, Lin, Le-Xin Hsu, “The Leader Firms and the Evolution of an Industrial District: A Case Study of Hosiery District in Taiwan,” *European Planning Studies* 19, no. 6 (2011): 1021–41; Maria Chiarvesio, Eleonora di Maria, and Stefano Micelli, “Global Value Chains and Open Networks: The Case of Italian Industrial Districts,” *European Planning Studies* 18, no. 3 (2010): 333–50.

<sup>69</sup> Chiarvesio, di Maria, and Micelli, “Global Value Chains,” 334.

<sup>70</sup> Zeitlin, “Industrial Districts and Regional Clusters,” 231.

and collective action into the external relations of the district. However, now we are back to square one. How does local collective action fit into the commodity chain?

### ***1.3.2 The commodity chain as a conceptual tool.***

Even though we should be aware that commodity chain theory and industrial district theory have differences that are difficult to reconcile, such a combination is not impossible. A possible reconciliation lies in the usage of commodity chains as a conceptual tool. Steven Topik has mentioned that “historians can use it [commodity chains] as a conceptual tool for understanding the complicated business of global trade rather than as a normative theory capable of generating refutable hypotheses.”<sup>71</sup> Topik underscored the importance of approaching commodity chains as concrete social relations between historical actors.<sup>72</sup> In other words, commodity chains or “commodity centred views” are “conceptual tools” that focus on various actors in the chain rather than the “organisational driver of the chain” or the governance of the chain. Topik’s flexibility in his use of the commodity chain resolves a number of problems mentioned above. Most importantly, agency is restored since looking at the impact of local transformations upon the organisation of international trade are central to his analysis: “Topik shows how changing patterns of popular consumption in foreign markets, as well as particular characteristics of the locations in which production takes place shape the geography of international production and trade networks.”<sup>73</sup> Importantly, commodity chains as a perspective or a tool “are attentive to the influences of the global on the local and vice versa.”<sup>74</sup> The commodity chain perspective and its interactive view on the local and the global allow us to examine the industrial district and the outside world.

Indeed, many historians seeking to map the interaction between the local and the global have embraced the commodity chain as a conceptual device. David de Vries, for instance, employed a commodity chain perspective on the diamond industry, a sector attached to

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<sup>71</sup> Jennifer Bair, “Global Commodity Chains: Genealogy and Review,” in *Frontiers of Commodity Chain Research*, ed. Jennifer Bair (Stanford, Calif: Stanford University Press, 2009), 17.

<sup>72</sup> Steven Topik, Carlos Marichal, and Zephyr Frank, “Commodity Chains in Theory and in Latin American History,” in *From Silver to Cocaine: Latin American Commodity Chains and the Building of the World Economy, 1500–2000*, ed. Steven Topik, Carlos Marichal, and Frank Zephyr (Duke University Press, 2006), 14.

<sup>73</sup> Bair, “Global Commodity Chains,” 17.

<sup>74</sup> Jerry H. Bentley, “Regional Histories, Global Processes, Cross-Cultural Interactions,” in *Interactions: Transregional Perspectives on World History*, ed. Jerry H. Bentley, Renate Bridenthal, and Anand A. Yang (Honolulu, University of Hawaii Press, 2005), 7.

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localities much in the same way as the fur trade. For de Vries, commodity chains involve the “need to interlace international linkages with local and state specifics and examine the extent to which the interactions between them have been formative and mutually influential.”<sup>75</sup> Another advantage of the historical approach is that it studies commodity chains as processes of entanglement. According to Beckert, the usefulness of commodity history lies in the fact that “transnational economic ties produced by a commodity bring political, economic and even cultural networks in the centre of attention.”<sup>76</sup> Such a transnational perspective on local communities has recently also been advanced by labour historians “to extend the frontiers of labour history to a empirical comparison of conditions of production and labour control at the different nodes of a transnational commodity chain.”<sup>77</sup>

Secondly, the emphasis on the entanglement between the local and the global, which such perspectives have in common, resolves some of the theoretical issues raised above as well as practical ones. It follows from this perspective that every commodity chain is unique in the sense that they are rooted in varying social contexts. Therefore world markets or global commodity chains are social constructions too. According to Kenneth Pommeranz, “the market structures that are basic to our world were not natural or inevitable, always latent and waiting to be “opened up”, rather markets are, for better or worse, socially constructed and socially embedded.”<sup>78</sup> Just like every individual industrial district has its own particularities, every commodity chain develops its own logic.<sup>79</sup> This flexibility and variety brings us back to a central premise employed by both the chain and industrial district perspectives, namely that “economic activities are coordinated through non-market relationships.”<sup>80</sup> In other words, just as the economic action in the district is socially situated, commodity chains contain the basic premise that “all economic action is socially embedded” as well.

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<sup>75</sup> David De Vries, *Diamonds and War: State, Capital, and Labor in British-Ruled Palestine* (New York: Berghahn Books, 2010), 3.

<sup>76</sup> Sven Beckert, “Das Reich der Baumwolle. Eine globale Geschichte,” in *Das Kaiserreich Transnational: Deutschland in Der Welt 1871-1914*, ed. Sebastian Conrad and Jürgen Osterhammel (Göttingen: Vandenhoeck & Ruprecht, 2004), 295.

<sup>77</sup> Frank Meyer, “Expanding the Frontiers of Labour History: Kjartan Flogstad’s Synthesis of Local, Global and Environmental History,” *International Review of Social History* 54 (2009): 109.

<sup>78</sup> Kenneth Pommeranz and Steven Topik, *The World That Trade Created: Society, Culture, and the World Economy, 1400 to the Present* (New York: M.E. Sharpe, 2006), x.

<sup>79</sup> Steven C Topik and Allen Wells, “Warenketten in einer globalen Wirtschaft,” in *1870-1945: Weltmärkte und Weltkriege*, ed. Emily S Rosenberg (München: Beck, 2012), 684.

<sup>80</sup> Humphrey and Schmitz, “How Does Insertion,” 1019.

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Of course, a view that the economic system runs on “noneconomic” bases is far from new and can be traced back to as early as Polanyi, who noted that “man’s economy as a rule is submerged in his social relations.”<sup>81</sup> Both commodity chain analysis and industrial district theory are indebted to this view but they have situated the existence of social relations in different spheres, in global networks on the one hand and local networks on the other. However, the view that both local embeddedness and world markets are socially constructed offers the potential to research the interaction between those levels. This allows us to think about “world markets” as social constructions, forged by global and local actors. Following Dejung and Petterson, it is precisely the local and global interactions define global markets, the rules of which are “constructed by public and private, local, national and global actors.”<sup>82</sup> Accordingly, social action shapes markets and economic relations at different levels: local, national, and global. This view has two implications. Local collective action can have a bearing on the outside world, shaping the rules, norms, and practices of the world market. Equally, the structure of the world market can deeply affect local communities. In other words, processes of local embedded interaction were constitutive to the world market and the industrial district was not invulnerable to exogenous developments. This social perspective on world markets best reflects a combination of micro and macro level analysis on the problem of economic organisation and scale. In constructing such a framework, this thesis is indebted to those “commodity centred views” that have provoked a growing body of literature on the history of economic globalisation and capitalism.

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<sup>81</sup> Karl Polanyi, *The Great Transformation: The Political and Economic Origins of Our Time* (Boston, MA: Beacon Press, 2008), 48.

<sup>82</sup> Christof Dejung and Niels P Petersson, “Introduction: Power, Institutions, and Global Markets - Actors, Mechanisms and Foundations of Worldwide Economic Integration, 1850-1930,” in *The Foundations of Worldwide Economic Integration: Power, Institutions, and Global Markets, 1850-1930*, ed. Christof Dejung and Niels P Petersson (Cambridge: Cambridge University Press, 2013), 7.

#### **1.4 The industrial fur district in Leipzig and the outside world (1870-1939): collective action, lead firms, and world market transformation.**

I have proposed the Leipzig fur industry as the subject of this research because it nicely represents the dualism between decentralised production and openness to the world market that was sketched out in the theoretical framework and was one of the central characteristics of Saxony's economy. The Leipzig industry was a typically Saxon system of industrial production based in small and medium sized enterprises. Specialisation among the many small and medium sized firms of the fur industry, which numbered around 1,000 in 1925, was the norm. Steffen Held characterised the industrial district as a symbiotic concentration of wholesale merchants, factories for dressing and dyeing skins, and fur tailors in small to medium-sized workshops.<sup>83</sup> Trading houses were domiciled in the inner city, in the Brühl and Nikolaistrasse, whereas industry was located on the outskirts of the city and in adjacent towns. The Leipzig fur industry took the form of an industrial district during the long nineteenth century and it was the most dynamic in the years leading to the First World War and in the 1920s. Its demise began after the economic and financial crisis of 1930-31.

Importantly, the industrial district of the Leipzig fur industry emerged while being part of a highly globalised trade. The fur trade was responsible for the largest frontier expansion in world history since demand for furs pushed traders and explorers into the Siberian frontiers and the woodlands of North America.<sup>84</sup> By the end of the nineteenth century, the fur trade was still internationally oriented, involving peripheral subarctic regions, new areas of production in Central Asia and South America, and emerging marketplaces and manufacturing centres in North America, Great Britain, and continental Europe. Consumers of furs were to be found virtually everywhere on both sides of the Atlantic. Just when the fur industry emerged in Leipzig, the international fur trade was undergoing rapid transformation. Due to intensive hunting and growing demand, resources became scarcer, which pushed price levels upwards.<sup>85</sup> Furthermore, fur garments were no longer exclusively destined for the upper classes but came into the reach of an ever-increasing range of customers. Consequently,

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<sup>83</sup> Steffen Held, "Juden in der Leipziger Rauchwarenwirtschaft," in *Leipzigs Wirtschaft in Vergangenheit Und Gegenwart: Akteure, Handlungsspielräume, Wirkungen (1400-2011)*, ed. Susanne Scholz (Leipzig: Leipziger Universitätsverlag, 2012), 269.

<sup>84</sup> Timothy Brook, *Vermeer's Hat: The Seventeenth Century and the Dawn of the Global World* (New York: Bloomsbury Press : Distributed to the trade by Macmillan (this bit is probably unnecessary), 2008), 44.

<sup>85</sup> John F Richards, *The Unending Frontier an Environmental History of the Early Modern World* (Berkeley: University of California Press, 2003).

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global competition over resources intensified. Fur companies entered frontier zones and new markets surfaced, especially in North America.<sup>86</sup> The transformation of the international trade in the nineteenth century, particularly the increase in consumption, undoubtedly offered opportunities but heightened global competition was potentially threatening. Nevertheless, the fur industry in Leipzig somehow dealt with changing international patterns and managed to operate on a highly volatile world market.

I would like to discuss the chronology of the case study more closely, which stretches from 1870 to the 1930s. There are some good reasons behind the choice of these dates. Many would argue that international business operations and therefore exogenous challenges became less relevant in the interwar period. Nevertheless, it is argued here that the Leipzig fur industry did not simply retreat from the world market after the First World War. Firstly, the periodisation that places the end of the so-called first phase of economic globalisation at the outbreak of war in 1914 has been questioned. Geoffrey Jones, for instance, has argued that this periodisation is outdated from the perspective of business history: “business historians have demonstrated that business enterprises were often more robust than an aggregative view of markets would suggest. During the 1920s, there were still many new multinational investments. (...)”<sup>87</sup> Jones instead proposes that the Great Depression marked the “meltdown” of the international trade system. While the claim is not universally accepted, a growing body of scholars support it. For example, Robert Boyce mentions that “the outbreak of the war in 1914 brought a collapse of the international states system but only a hiatus in global economic relations. In economic terms the 1920s bore a much closer resemblance to the pre-war period than is commonly assumed (...) by the second half of the 1920s, world trade and financial flows were greater than before the war and increasing at twice the rate of national growth.”<sup>88</sup> Others pointed out that protectionism, common in the political economy between the wars, had already surfaced well before World War I.<sup>89</sup>

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<sup>86</sup> Jürgen Osterhammel, *Die Verwandlung der Welt: eine Geschichte des 19. Jahrhunderts* (München: Beck, 2009), 555.

<sup>87</sup> Jones, “Globalization,” 148.

<sup>88</sup> Robert W. D Boyce, *The Great Interwar Crisis and the Collapse of Globalization* (Basingstoke: Palgrave Macmillan, 2009), 425.

<sup>89</sup> Topik and Wells, “Warenketten in einer globalen Wirtschaft,” 592. Although world trade expanded between 1870 and 1914, stagnated in the 1920s, and finally declined in the 1930s, these seven decades were marked by clashes between ‘agriculturalism’ and industrialism, protectionism and free trade, and state and private interests. As such, historians are now connecting the interwar era with the pre-war period of globalisation.

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Secondly, it is arguable that even Germany, which was comparatively more disengaged from international trade after the war, oriented itself back towards on the world market in this period.<sup>90</sup> By 1929, the total export of the German economy reached 95 % of the 1913 levels and its share of world trade was 11.6% (it had been 14.3% in 1913).<sup>91</sup> Explanations point to the deliberate strategies of firms and politicians that were intended to re-integrate the German economy into world trade.<sup>92</sup> German corporations managed to re-enter the world market through participation in international cartels.<sup>93</sup> As with during the Kaiserreich, a call for attention to smaller actors seems to be in order. Saxony remained the most world-market oriented region of Germany until the beginning of the Second World War. Equally, the First World War was but an interlude for the Leipzig fur industry: it only declined in the 1930s. Furthermore, the unstable period since the First World War is all the more interesting from the point of view of studying exogenous challenges that interfered with the dynamics of the industrial district. I also incorporate the 1930s in order to examine the demise of the industrial district.

It is in regards to the industrial district of the Leipzig fur industry between 1870 and 1939 that I pose my central research question: why did a business structure characterised by a plethora of small businesses become so successful while participating in a volatile world market? This main question has been split in two major subquestions that form the core of the thesis. Firstly, how do economic agents of the industrial district deal with exogenous challenges? Secondly, how do firms of the district participate in processes of internationalisation? In following a commodity perspective on the industrial district, I will employ an actor-oriented approach to processes of collective action, the behaviour of individual firms in the district, and how such patterns interacted with the structure of the world market. Local developments will still form the main thread of the narrative but will be connected to broader macro-economic developments produced by international linkages of the commodity chain. Employing a commodity perspective means examining the world that is brought together by

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<sup>90</sup> Volker R. Berghahn, "German Big Business and the Quest for a European Economic Empire in the Twentieth Century," in *Quest for Economic Empire: The European Strategies of German Big Business in the Twentieth Century*, ed. Volker R. Berghahn (Berghahn Books, 1996), 15.

<sup>91</sup> Hans-Ulrich Wehler, *Deutsche Gesellschaftsgeschichte 4, Vom Beginn des Ersten Weltkriegs bis zur Gründung der beiden deutschen Staaten 1914 - 1949*. (München: Beck, 2003), 263.

<sup>92</sup> Willi A Boelcke, *Deutschland als Welthandelsmacht: 1930-1945* (Stuttgart: W. Kohlhammer, 1994), 14.

<sup>93</sup> Harm G Schröter, "Europe in the Strategies of Germany's Electrical Engineering and Chemical Trusts, 1919-1929," in *Quest for Economic Empire: The European Strategies of German Big Business in the Twentieth Century*, ed. Volker R. Berghahn (Berghahn Books, 1996), 52-53. Schröter has demonstrated how electrical and chemical companies (AEG, IG Farben, Siemens-Schuckert) forged cartels, most notably with European firms, while pursuing global aims.

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the commodity of furs, the main actors that held it together (lead firms, governments, economic institutions, and market conventions), and how these institutions interacted with the local business system.

It is my central hypothesis that responses to external challenges (most particularly collective action and interfirm collaboration) were inherent characteristics of the industrial district. Collective action and interfirm collaboration will thus be central to the analysis. As Carnevali argued, collective action formed a “strategic choice” and was not simply a natural by-product of firm-interconnectivity in the industrial district.<sup>94</sup> I underline once more the central premise that local collaboration does not necessarily follow from the concept of the district. Mechanisms and forms of cooperation were actively and intentionally constructed and remodelled. It thereby follows that collective and creative action was also potentially developed towards exogenous challenges. Such an intentional view on collective action is stressed in economic sociology. Herrigel noted that “joint creative action” of economic actors takes place in various social contexts “confronted with global pressures” in order to modify inherited organisational forms and governance mechanisms.<sup>95</sup> Joint creative action against global pressures arises because actors collectively define, understand, and resolve challenges in a common environment.<sup>96</sup>

In order to reconstruct the abilities of local collective action, the thesis will employ a broad sweep on collective action in the industrial district. Besides focusing on inter-firm networks in the fur industry, it will integrate networks with other local stakeholders from related industries or services that were arguably embedded in the local structure or somehow connected to the fur industry. As such, collective action encompasses many actors gathered around the local fur industry, like financial institutions, university scientists, political stakeholders, and related industries. Indeed, local banking is often identified as an important agent of local business systems.<sup>97</sup> The connection of district firms to such stakeholders and associated economic agents was also connected to the growing complexity of global markets, which increasingly depended upon knowledge, scientific development, the availability of financial resources, and

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<sup>94</sup> Carnevali, ““Crooks, Thieves, and Receivers”” 535.

<sup>95</sup> Gary Herrigel, *Manufacturing Possibilities: Creative Action and Industrial Recomposition in the United States, Germany, and Japan* (Oxford; New York: Oxford University Press, 2010), 2.

<sup>96</sup> *Ibid.*, 7.

<sup>97</sup> Hubert Bonin and Jean-François Eck, “La Problématique de L’adaptabilité Du Banquier,” in *Les Banques et Les Mutations des Entreprises. Le Cas de Lille-Roubaix-Tourcoing Aux XIXe et XXe Siècles*, ed. Hubert Bonin and Jean-François Eck (Villeneuve d’Ascq: septentrion, 2012), 15. The criterion is whether such actors collectively defined challenges from abroad and derived a sense of belonging to the industrial district.



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the standardisation of payment traffic. As such, I hope to encompass the full complexity of local dynamics and interactions with global developments. The forms of collaboration will be exhibited via typical inter-firm cooperation, whether formal or informal. In addition, collective action also entails the creation of new economic institutions, the conversion of old institutions, and inter-personal networks. Nevertheless, while stressing the importance of collective action, I also continue to pay attention to the behaviour of individual firms and the heuristic potential of the so-called lead firm as a pioneer of new projects and global relations.

In studying the links between district and the outside world, I will also employ a broad view that does not neglect the potential role of lead firms as gatekeepers of transnational links. The broad view will demonstrate that the forms of translocal links produced by the business community were wider than the canonical form of individual firms' creation of multinational branches. Important translocal links to the outside world were created on different levels, not just within the firm through the practice of multinational branching, but also on the level of individuals, like transnational entrepreneurship, mobility and business travel, international business networks and partnerships, as well as larger economic institutions housed in the district, such as trade fairs or the annual meetings of international trade associations.<sup>98</sup>

The broad view on local collective action as well as on patterns of internationalisation had an impact on the source material I selected for this thesis. In the local archives of Leipzig, I have not only looked at the material from Leipzig fur firms but also information from other economic stakeholders, especially the local banks. The source material of other economic actors often gave more information on the activities of the fur industry than the few sources bequeathed by the fur firms themselves. In addition, the archives of the local administration and the regional government in Dresden were consulted. It was not my aim to reconstruct a complete image of the Leipzig district and every participant. Processes of collective action formed the criterion in selecting material. Moreover, it was impossible to gather comparable information on each business. The concept of the lead firm was a guideline in representing material on individual firms. These were not only the most visible in foreign trade: lead firms often 'led' in processes of collective action. Therefore if some firms receive more attention than others, it is because of the role they played in both local and international activities.

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<sup>98</sup> Harald Bathelt and Peng-Fei Li, "Global Cluster Networks - Foreign Direct Investment Flows from Canada to China," *Journal of Economic Geography* 14 (2014): 47.

Through the lens of lead firms, I hope to gain insight into processes of collaboration and collective action.

### **1.5 Ambitions and pitfalls.**

On a final note, I should address a number of potential pitfalls that one can come across while examining the relationship of the district and the outside world. Firstly, it would be dangerous to present industrial districts as entities that exhibit a high degree of social homogeneity and harmony. There is already a long-standing critique on research into the social structure of the industrial district.<sup>99</sup> To avoid uncritically painting a picture wherein actors cooperated willingly in order to overcome internal and exogenous challenges, a critical stance vis-à-vis the nature of collaborative networks and attention to potential conflicts is required. Somewhat related to this is the problem of performance and collective action. Business history is generally more interested in success than failure.<sup>100</sup> Similarly, research into industrial districts runs the danger of overstating the dynamism and flexibility of the district. However, success is not the ultimate yardstick by which dynamism in the industrial district can be measured. In fact, declining districts and regions can develop the same mechanisms for sharing and collaboration as successful ones.<sup>101</sup> The analysis will be aware of the failure and ineffectiveness of joint efforts in order to enhance our understanding of the interaction between the local and the global.

The second obvious pitfall in my research design is that every collective action initiative in the district is read in the light of exogenous change. Certainly, it is not my aim to explain all collective action and local modifications from the point of view of external developments. In fact, industrial district processes are conditioned by multilayered developments and always need to be situated in local, national, and global contexts. The fact of the matter is that the last category has been hitherto omitted. The intent of this work is precisely aimed to highlight the interaction of local business systems with the outside world. Nevertheless, I do not downplay

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<sup>99</sup> Jonathan Zeitlin, "Productive Alternatives: Flexibility, Governance, and Strategic Choice in Industrial History," in *Business History Around the World* (Cambridge: Cambridge University Press, 2003), 75.

<sup>100</sup> Roman Rossfeld and Ingo Köhler, "Bausteine des Misserfolgs. Zur Strukturierung eines Forschungsfeldes," in *Pleitiers und Bankrotteure: Geschichte des Ökonomischen Scheiterns vom 18. bis 20. Jahrhundert*, ed. Ingo Köhler (Frankfurt ; New York: Campus Verlag, 2012), 10.

<sup>101</sup> Zeitlin, "Industrial Districts and Regional Clusters," 222.

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the important and often unique character of local developments. Rather, the thesis hopes to contribute to the literature by pointing to the transregional and even global dimensions of local action, the international impact of small business, and exogenous factors that play a much larger role in the emergence and dynamism of industrial districts and regional business systems than has been previously assumed.

It is this regional dimension of processes of world market integration that needs further elaboration. The fact that Saxony was at the forefront of processes of globalisation adds an important dimension to historical globalisation debates, which are largely biased towards examining the national context in interaction with the global. Sebastian Conrad argued that globalisation profoundly restructured national politics and societal processes in Wilhelminian Germany.<sup>102</sup> The same goes for businesses and economic actors. Cornelius Torp described how “the challenges of globalisation” caused major cleavages in Germany’s economic policy, thereby exacerbating internal struggles.<sup>103</sup> The fact that regions like Saxony were at the forefront of processes of globalisation seems to be the missing link in this new research. However, proponents of the globalisation perspective are not unaware of this. Conrad, for one, added that it would be useful to add localities and regions to the “nation and globalisation” debate by examining “how globalisation not only caused the restructuring of the nation, but also left its traces at the level of the local, and indeed was simultaneously shaped by local developments (...).”<sup>104</sup> The thesis hopes to increase our understanding of regional insertion into processes of globalisation.

The question of the role of small businesses and local dynamism is still highly relevant in these times of economic globalisation. To begin with, many have periodically predicted the end of small business. While it has been argued that globalisation initiates the demise of such structures like the industrial district, the regional economy is back on the political and economic agenda. Especially in the European Union, regions are increasingly seen as decisive to the political future and dynamic powerhouses of economic growth. One of the main ideas is that regions, local entities, and smaller businesses should be armed against the “challenges of global competition” and that they should be “stimulated to pursue international trade.” In

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<sup>102</sup> Sebastian Conrad, *Globalisation and the nation in imperial Germany* (Cambridge; New York: Cambridge University Press, 2010), 2–3.

<sup>103</sup> Cornelius Torp, *Die Herausforderung der Globalisierung: Wirtschaft und Politik in Deutschland 1860-1914* (Vandenhoeck & Ruprecht, 2005), 21.

<sup>104</sup> Conrad, *Globalisation*, 397.

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2008, the EU introduced to the Small Business Act, which aimed to stimulate the growth of SMEs (Small and Medium-Sized Enterprises). It was noted that “SMEs in our society have become even more important (...) as key players in the wellbeing of local and regional communities (...) in a globally changing landscape characterised by continuous structural changes and enhanced competitive pressures.”<sup>105</sup> One of the key points of the act is that regional governments and the EU present themselves as partners in the stimulation of foreign trade and in signalling opportunities on foreign growth markets.<sup>106</sup> For instance, in the context of the Small Business Act, the Saxon government recently introduced a policy designed to stimulate the foreign trade of its SMEs.<sup>107</sup> Whereas contemporary supranational states carve out a growing role for themselves in protecting and stimulating regionally based small firms in global competition, this story hopes to examine how such functions historically grew from below and how small firms have historically been vibrant and active in processes of internationalisation. I hope that the thesis can contribute to our knowledge of regional dynamism by learning from the historical trajectories of industrial districts’ adaptation to the pressures of global competition.

### 1.6 Structure of the thesis.

Rather than following a chronological “rise and fall” narrative that follows the Leipzig fur industry from its rapid emergence in the second half of the nineteenth century to its demise after World War II, the chapters of the thesis are divided into three large parts that centre on several patterns of collaboration that surfaced because of exogenous pressures. Such a structure also ekes out some of the foreign operations of the firms of the industrial district. Part I, ‘The International Roots of the Leipzig Fur Industry (1850-1914)’ with two main chapters, employs a transnational perspective to look at the emergence of the Leipzig fur industry as an industrial district in period from 1850 until World War I. Central to the analysis is the question of why the district emerged whilst being part of a changing world market in furs and how regional openness shaped the emergence of the fur industry. Chapter 2 largely focuses on endogenous and exogenous factors that determined the emergence of the Leipzig fur industry and also on internationalisation strategies pursued by fur firms in the district that

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<sup>105</sup> *A Small Business Act for Europe* (Brussels, 2008), 2.

<sup>106</sup> *Ibid.*, 17.

<sup>107</sup> *Aussenwirtschaftsförderung für Unternehmen mit Sitz im Freistaat Sachsen* (Dresden: Staatsministerium für Wirtschaft, Arbeit und Verkehr, 2011).

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allowed the integration of the district in the world market of furs. Chapter 3 more closely examines the patterns of internationalisation of the industrial district in a case study dealing with the conquest of the Brussels sales market by Leipzig firms. In particular, the importance of transnational entrepreneurship in constructing links to new foreign sales market as an alternative to traditional transborder business organisation of the multinational is highlighted.

The three chapters of part II, 'Lost Markets and New Products 1903-1939,' are devoted to district dynamics of a completely different nature. These chapters examine how Leipzig firms reacted to structural resource shortages and world market disruptions. It deals with the sourcing of new resources required because of exogenous pressures on the supply of raw materials to the district. They have one major theme in common: all these chapters highlight the importance of collective action on the one hand and links between the fur district and scientific research on the other hand. The association between the fur industry and scientific research allowed for one of the most profound innovations in the modern fur industry, that of fur farming. The experimental niche of fur farming offered a series of tremendous opportunities to the local business system in overcoming problems connected to international resource markets. Chapter 4 highlights a peculiar case of fur farming in the German empire, that of sheep farming in the German colony of South West Africa and the role of the Leipzig fur industry in this colonial project. Chapter 5 discusses the impact of World War I upon the industrial district. The chapter focuses on processes of resource substitution as well as problems of business organisation in times of war in order to acquire a better understanding of the district in the period between the wars. Chapter 6, the last chapter of this part, looks at the introduction of new production paradigms and then focuses on the debut of modern fur farming inside Germany in the 1920s. The links between farming and the agricultural sciences with the industrial district are also considered.

Part III, 'the Golden but Turbulent Twenties,' examines the industrial district in a time when the global trade in furs had undergone some major modifications. The interaction between the Leipzig fur industry and the changing post-war world market features prominently in this part. The three chapters highlight several aspects of the way in which the fur industry in Leipzig managed these exogenous challenges. Chapter 7 examines the impact of world market restructuring in the early 1920s upon individual businesses in the district. It delves into the problem of local lead firms, investigating whether several emerging lead firms disturbed firm balance in the business community and to what extent they contributed to the restoration of

## Introduction

international links. Chapters 8 and 9 then look at how patterns of collective action allowed for the renewal of links between the Leipzig business community and the outside world. Chapter 8 discusses interfirm cooperation in the creation of new market institutions that re-established the position of Leipzig as an international centre of the fur industry. Chapter 9 discusses the dynamism of interfirm cooperation in the construction of an international trade exhibition, the IPA in 1930, which was designed as an international promotion campaign for the Leipzig fur industry. The thesis ends with an analytical conclusion, preceded by an epilogue that discusses the decline of the industrial district in the 1930s and places emphasis on continuing, if eroding, patterns of collaboration in the Leipzig fur industry in times of economic turmoil and political upheaval.

**PART I:**  
**The International Roots**  
**of the Leipzig Fur Industry**  
**(1850- 1914).**





## **2 The Birth of an Industrial District. Local Entrenchment and World Market Orientations (1850-1914).**

### **2.1 Introduction.**

In the introduction, I located a tension in the economic structure of Saxony in the perplexing combination of business embeddedness and its orientation towards foreign markets. This ‘missing link’ in the history of the region as well as in industrial district theory is analysed here in one of its most active and successful industrial districts. As mentioned before, the Leipzig industrial district emerged while being dependent upon one of the most historical world markets. In the mid-1920s, city official Walter Leiske called it one of the most valuable industries of the city. At this point, the luxury fur industry employed 3.2% of the Leipzig workforce and one out of four garment businesses in the city was occupied with fur manufacture.<sup>108</sup> Along with London and New York, Leipzig had developed into one of the largest markets in the world trade of furs. The fur district had thus emerged as one of the main sectors in the urban economy during the long nineteenth century. How and why could such a structure emerge in this strongly globalised industry? This chapter sets itself the task of finding the underlying causes as well as the characteristics of the development of Leipzig as a fur hub.

Firstly, a number of endogenous factors will be explored, such as the presence of human capital, the process of industrialisation, and the importance of pre-existing economic institutions. All of these facilitated the growth of Leipzig fur industry. To begin with, the role of the guilds in Leipzig, which persisted well after the introduction of freedom of commerce in 1861, will be examined. Guilds were comparatively strong in Saxony and connected to processes of early industrialisation.<sup>109</sup> How did the craft tradition influence the process of industrialisation in the Leipzig fur industry? Did they facilitate or decelerate the formation of

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<sup>108</sup> Hans Rückert, *Leipziger Wirtschaft in Zahlen: Sammlung der Statistik aus dem Leipziger Wirtschafts-Handbuch* (Leipzig: Industrie- und Handelskammer Leipzig, 1930), 806.

<sup>109</sup> Abigail Green, *Fatherlands: State-Building and Nationhood in Nineteenth-Century Germany* (Cambridge, UK; New York: Cambridge University Press, 2001), 31.

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an industrial district? Secondly, the role of the Leipzig trade fairs was just as important in the development of the fur hub. The Leipzig trade fairs made the city one of the major centres of early modern trade: the terrestrial fur trade featured prominently in them.<sup>110</sup> How did the fairs and the commercial functions of the city influence the formation of the fur industry as an industrial district? Thirdly, the chapter also devotes attention to inter-firm networks, collective bodies like the trade associations, and the associations with the other economic agents in the district, foremost financial institutions.

The fur industry in Leipzig represented a typically Saxon industry: it was a consumer goods industry that was dependent on foreign markets for both the import of the required raw materials and for the sales of the end product. Therefore, it is almost impossible to conceive of the Leipzig fur industry emerging without taking into account major changes in world trade and processes of economic globalisation that characterised international economic organisation in the nineteenth century. The second part of the chapter analyses the position of Leipzig more closely within the structures of world trade. The historical analysis of the commodity chain in furs is aimed at reaching a deeper understanding of the local development of the fur district. The local characteristics sketched out above, like industrialisation and local networks between economic actors, will be studied by looking at their interplay with exogenous developments, such as economic globalisation and the expansion of the international fur trade. Attention will be devoted to how local networks contributed to linking the industrial district to the outside world. In particular, the symbiosis between local finance in Leipzig and the fur industry will be shown to have been instrumental to processes of internationalisation. Finally, in sketching the developments in the global commodity chains, the chapter considers the broad variety of ways by which an industrial district forges links to the outside world. Aside from multinational branching and local umbrella institutions like the fairs, I will pay particular attention to personal mobility in the formation of translocal links.

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<sup>110</sup> Hartmut Zwahr, "Die Messe in ihrem Gestaltwandel," in *Leipzigs Messen 1497-1997: Gestaltwandel, Umbrüche, Neubeginn*, ed. Hartmut Zwahr, Thomas Topfstedt, and Günter Bentele (Köln: Böhlau, 1999), 24.

## 2.2 Industry and Trade: The Local Tenets of the Fur District in Leipzig.

### 2.2.1 *From artisans to industrialists.*

Fur manufacturing already constituted an essential part of the crafts industry in Leipzig in the Middle Ages. However, fur crafting in Leipzig was not unusually large in comparison with other German cities. In 1555, Leipzig had 45 master furriers. However, Breslau (107 masters in 1536) and Augsburg (92 masters in 1499) had a much larger fur sector. Breslau was an important marketplace for trade with the east whereas Leipzig belonged to the smaller cities (only 1745 inhabitants in 1529) of the Holy Roman Empire. Despite this, Leipzig fur workshops were comparatively large. Guild statutes in 1449 permitted masters to employ as many as four journeymen and two apprentices. This changed in 1598 when a statute reduced the earlier stipulation down to three journeymen and one apprentice.<sup>111</sup> In subsequent centuries, little changed in terms of either the size or the distribution of the fur craft in Leipzig. In 1800, the number of masters had barely increased to 64 furriers: however, this was still 20 more than 250 years previously.<sup>112</sup>

Even before freedom of commerce was introduced in 1861, patterns of early industrialisation at the beginning of the nineteenth century had ramifications for Saxon guilds. Several guilds lost members and relevance, although others remained robust for an extended period of time. Fur crafting was one of the Saxon guilds that remained stable. There was even a noticeable increase. Between 1849 and 1861, just before the introduction of the freedom of commerce, the number of masters increased only slightly but there was a significant rise in the number of journeymen and apprentices working in the Saxon fur industry.<sup>113</sup> According to Erika Rowald, growth in fur crafting generally took place in commercial centres of trading, like Leipzig and Breslau.<sup>114</sup> In 1849, the fur industry in Leipzig numbered around 97 fur workshops, employing about 197 workers. In 1850, a strike in the British fur industry served as an important impetus to the development of the fur dyeing and dressing industries as more

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<sup>111</sup> Wiswe Mechthild, "Kürschner," ed. Reinhold Reith, *Lexikon des alten Handwerks: vom Spätmittelalter bis ins 20. Jahrhundert* (München: C.H. Beck, 1990), 138.

<sup>112</sup> Walter Fellmann, *Der Leipziger Brühl: Geschichte und Geschichten des Rauchwarenhandels*. (Leipzig: VEB Fachbuchverl., 1989), 43.

<sup>113</sup> Hubert Kiesewetter, *Industrialisierung und Landwirtschaft: Sachsens Stellung im regionalen Industrialisierungsprozess Deutschlands im 19. Jahrhundert* (Köln: Böhlau, 1988), 377.

<sup>114</sup> Erika Rowald, *Die deutsche Rauchwarenveredelung, eine Lohnindustrie, Inaugural-Dissertation. Erika Rowald,...* (Iena: Universitäts-Buchdruckerei, G. Nauenhahn, 1932), 8.

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skins from the London market arrived in Leipzig and its environs. Nevertheless, growth in the fur industry was gradual. In 1861, the number of fur workshops reached 100 in Leipzig and its immediate surroundings while the number of journeymen and apprentices reached roughly 329.<sup>115</sup> These figures indicate that the growth of fur manufacturing in Leipzig was at first situated in the growth of traditional furrier workshops.

	Masters	Journeymen and apprentices
1849	643	477
1861	682	693

**Table 2-1: Furrier Artisans (1849-1861)**

In 1861, the introduction of the freedom of enterprise and the final abolition of guild privileges reinforced the formation of the industrial district as craftsmen and traders throughout Germany went to Leipzig to set up dressing, dyeing, and fur trading companies.<sup>116</sup> The freedom to establish new businesses gave an impetus to the industrialisation of fur manufacture. However, the role of artisans did not decline in this new phase of growth. The entrepreneurs who renewed fur manufacturing were often craftsmen coming from other cities to set up business in Leipzig. A firm founded by Theodor Thorer, a furrier from Görlitz who came immediately after the introduction of free enterprise, would become one of the leading firms of the district. Thorer constructed a factory in the early 1880s in Lindenau, on the outskirts of Leipzig. It immediately turned into one of the most successful factories: in 1883, the Thorer factory was a source of employment for more than 100 workers.<sup>117</sup> In 1847, Friedrich Erler, an apprentice from Frankfurt am Main, established a workshop in Leipzig. Later, he experimented with modern dyeing techniques in collaboration with the chemist Adolf Stieglitz. Together they founded the dyeing company ‘Adolf Stieglitz & Co’ in Plagwitz in 1876 and it was placed under the supervision of the chemist.<sup>118</sup> The Stieglitz firm

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<sup>115</sup> Friedrich König, “Das Zurichten und Färben der Pelze,” *Angewandte Chemie* 27, no. 72–75 (September 18, 1914): 5.

<sup>116</sup> Volker Rodekamp and Stadtgeschichtliches Museum Leipzig, *Leipzig, Stadt der Wa(h)ren Wunder: 500 Jahre Reichsmesseprivileg*. (Leipziger Messe-Verlag, 1997), 39.

<sup>117</sup> Walter Fellmann, “Schlaufüchse und Blaufüchse vom Brühl,” in *Leipzigs Messen: 1497-1997: Gestaltwandel - Umbrüche - Neubeginn*, ed. Berit Bass, Annett Hietzke, and Hartmut Zwahr (Köln: Böhlau Verlag, 1999), 444.

<sup>118</sup> Der Rauchwarenveredler, Beiblatt zum Rauchwarenmarkt, 3. Jg. 23., 6.05.1933. p.1., „Adolf Stieglitz“.

moved to Leipzig-Lindenau a few years later and remained closely connected with Erler well into the 1930s.<sup>119</sup>

### ***2.2.2 Industrialisation and the growth of the industrial district.***

While the expansion of local fur manufacturing remained fixed in the realm of artisanship, industrialisation drastically changed the production process and introduced wage labour on a large scale into the fur industry. In contrast to other sectors in Saxony, the industrialisation of the fur industry occurred relatively late, in the 1870s and 1880s. In part, this is accounted for by the robustness of crafting. Equally, the industrialisation of the fur industry was somewhat delayed because it was strongly linked to shifts in production connected to the second industrial revolution, such as synthetic dyeing.

In order to fully understand its impact, let us explore the ramifications of industrialisation on the production process. The fur production process consisted of two successive procedures, known technically as dressing and dyeing. Both dressing and dyeing can include a variety of practices but generally boil down to the following. Fur dressing, the first stage, involves the careful cleaning of fat and any remaining flesh from the skin and, crucially, treating the skins with a series of chemicals that softens and preserves them. Basic preservatives were most often applied to raw furs before their introduction into the fur market, although this was usually insufficient or unsystematic. Further preservation was thus required. A large variety of preservation methods existed. They differed in the composition of the preservative (the ratio between salt and chemicals), which depended on the procedures developed in the dressing plants. Preservation was accomplished by turning the skins in tubs containing the substance for a couple of hours. Treatment with chemical substances was introduced much later. A pre-industrial method of preserving the skins with perspired salt was generally known as the ‘Leipzig dressing’ method.<sup>120</sup> From the beginning of the nineteenth century, this part of the process was industrialised: the manually performed turning was replaced by tons driven by steam engines.<sup>121</sup> Later, preservatives and treatment solutions were also systematically improved by utilising advances in applied chemistry.

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<sup>119</sup> StA-L, Dresdner Bank in Leipzig 21018, nr. 296, Kreditakten (Otto Erler), Entwurf. Leipzig 1935. An die Herrn Gläubiger der Firma Otto Erler, Leipzig.

<sup>120</sup> Klaus Hunger, *Industrial Dyes: Chemistry, Properties, Applications* (Weinheim: Wiley-VCH, 2003), 446.

<sup>121</sup> Mechthild, “Lexikon des alten Handwerks,” 137.

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Fur dyeing, the next stage of production, involves the application of colorants. The application of dyes can differ significantly depending on the quality of the material. When the quality of the natural fur is excellent, only minor adjustments like blending and “reinforcing” are required. For furs of substandard quality, the process can also entail complete over-dyeing. In other words, dyeing could be used to evenly spread the fur’s ‘natural’ colour but often it entailed the imitation of colourations. Fur dyes are usually applied in a dye bath.<sup>122</sup> Fur dyers finalise the production process by giving the dyed skins a sawdust treatment in order to eliminate unwanted residue. The development of synthetic dyeing rendered the time-consuming process of applying natural dyes obsolete and constituted a watershed in the history of fur dyeing. It also enhanced the potential for “imitating” prime fur colorations. A German chemist named Hugo Erdmann received one of the first patents for the process of hair and feather dyeing in 1888: the patented process involved soaking the skins in a para-phenylene-diamine solution followed by oxidation either in the open air or through the application of an oxidising agent.<sup>123</sup> Like in dressing, the composure and ratios of the chemical substance and the duration of oxidisation were often kept secret.



**Picture 1 A fur dressing workshop in Leipzig, 1920-1940 (Stadtarchiv, BA 1977 3272)**

The first ‘factories’ in Leipzig to industrialise the production process were established from the 1870s onwards. Industrial production defined fur manufacturing in Saxony relatively late.

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<sup>122</sup> Hunger, *Industrial Dyes*, 448–449.

<sup>123</sup> William E Austin, *Principles and Practice of Fur Dressing and Fur Dyeing* (New York: Van Nostrand, 1922), 156; Georg Lockemann, “Erdmann Hugo,” *Neue Deutsche Biographie* (Berlin: Dittel-Falck, 1959).

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By 1875, Leipzig had 10 fur factories that employed 259 employees. The first fully independent dyeing factories, four in total, were also in place by this time. At first, these enterprises employed no more than 40 persons. Industrialisation therefore continued to co-exist with manufacturing workshops. Indeed, after freedom of commerce was enacted, the number of workshops exploded, swelling to 125 enterprises employing over 553 workers.<sup>124</sup> In sum, when industrialisation kicked in, manufacturing in fur workshops still represented a much larger proportion of the industrial district than the new factories

This slow transition from traditional to modern manufacturing was not unusual in Saxony. Before 1848, the proportion of artisans in Saxony was much higher than the rest of Germany. However, traditional manufacturing was in decisive decline after 1865.<sup>125</sup> In the transition phase of fur manufacturing, the furrier remained an important part in the formation of the industrial district. Artisans continued to lead small workshops whilst others maintained themselves as tailors. The latter turned factory dressed and dyed furs into custom garments. Such finishing activities thus also had a prominent position within the district. The artisans and furrier workshops continued to occupy an important position in Leipzig, adding to the specialisation and division of labour typical of an industrial district.

Together with the presence of highly qualified and independent artisans, industrial production stimulated the emergence of the Leipzig fur industry as an industrial district. The timing of the expansion runs parallel to that of industrialisation. The industrial census of 1882 confirms the existence of 788 fur factories in Saxony, employing 2,150 workers. The fur industry expanded rapidly during thereafter. The formation of the district should also be put in its proper geographical dimension. The fur factories in Saxony were clearly concentrated in Leipzig and its environs, an area that contained precisely 212 firms and 1,381 workers.<sup>126</sup> Furthermore, many fur factories were domiciled in towns that bordered Leipzig, like Schkeuditz, Ötzsch, Markleeberg, Markranstädt, and Plagwitz. The Leipzig fur industry was arguably a Saxon phenomenon: it emerged within the region of Saxony, with Leipzig functioning as the undisputed epicentre. In turn, Saxony formed the core of the German fur industry.

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<sup>124</sup> König, "Das Zurichten und Färben der Pelze," 5.

<sup>125</sup> Green, *Fatherlands*, 31.

<sup>126</sup> Only seven years earlier, the number of fur workers in Leipzig had not reached 1,000.

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The different geographical scales, local, regional and national, are represented in the 1882 census as follows. About 16.1% of German fur workers were employed in Saxony and the number of factories represented 11.1% of the Reich's total. In turn, the labour force in the Leipzig fur industry represented 64 % of Saxony's fur industry and roughly 10% of the German fur industry in its totality.<sup>127</sup> Later, levels of concentration in Saxony continued to expand. The Saxon fur industry grew at a more rapid pace than the Reich's average, a fact that contributed to the regional concentration of the German fur industry. In 1907, despite a decrease in factories to 742, the fur industry in Saxony now represented 15.7% of the Reich's total (5,070 companies). Furthermore, 4,643 labourers worked in Saxony's fur industry, which was about 25.5% of the Reich's 18,232 labourers.<sup>128</sup> In the census year 1907, 36% or 272 of Saxon fur factories were domiciled in Leipzig and 40% of the Saxon labourers in the fur industry were Leipzig fur workers (against 64% in 1882). Still, one out of ten German fur workers worked in Leipzig. Leipzig had expanded its status as both the Saxon and national fur capital, although manufacturing was now more pronouncedly a Saxon phenomenon.

	Leipzig	Saxony	Reich
1882	1,381	2,150	13,345
1907	1,857	4,643	18,232
1925	5,881	11,170	30,002

**Table 2-2: Fur Workers in Germany (1882-1925)**

The First World War was but a small interlude in the growth of the industrial district. In fact, by the mid-1920s, the fur industry in Saxony reached its zenith. The peak of the Saxon fur industry is illustrated by the following figures: 1,091 fur factories employed over 11,170 workers, including 5,520 female workers. This figure could even expand to 18,397 workers (8,160 male, 10,237 female) during the peak of the fur season, since approximately 7,000 workers were part of a seasonal labour force.<sup>129</sup> According to the 1925 census, the German fur industry was as large as 5,166 firms, employing 30,002 non-seasonal fur workers in total.<sup>130</sup> 37% of all German fur workers were concentrated in Saxony (against 25.5% in 1907). Leipzig was still the epicentre of the Saxon fur industry with 519 fur companies employing 5,881

<sup>127</sup> König, "Das Zurichten und Färben der Pelze," 2.

<sup>128</sup> Erich Benndorf, *Weltwirtschaftliche beziehungen der sächsischen industrie*, (Jena: G. Fischer, 1917), 293. See Tabelle 147.

<sup>129</sup> Statistisches Jahrbuch für den Freistaat Sachsen, Jg 1924/1926., p. 98.

<sup>130</sup> Statistisches Jahrbuch für das Deutsche Reich 1928, p. 107. Die Gewerblichen Betriebe (örtliche Betriebseinheiten) im Deutschen Reich nach Gewerbegruppen.



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labourers (2,865 male and 3,016 female workers). The Leipzig labour pool thus represented roughly 20% of Germany's fur workers and 52% of Saxony's. The fur industry in Saxony and Leipzig would never be larger than during the mid-1920s.

	Leipzig	Saxony	Reich
1882	212	788	4907
1907	272	742	5070
1925	519	1091	5166

Table 2-3: Number of fur firms in Germany

The size distribution of the firms represents a more thorny issue. At first glance, the figures tend to reveal an increase in scale. Between 1882 and 1907, the number of workers increased more rapidly than the number of manufacturing plants. Still, the number of production units that employed more than 50 labourers only represented 2.5% of the total number of firms in 1907. However, the number of labourers working in firms with more than 50 labourers had climbed to 42.9%, indicating the scale increase in Saxony. Moreover, this percentage is far above the Reich's average: only 15% of the workers were employed in factories with over 50 labourers whereas 52.8% of the fur workers worked in small workshops. This contrasts significantly with a figure of 17.7% in Saxony. A fur factory in Saxony tended to be larger on average (105 workers) than one outside Saxony (101 workers).<sup>131</sup>

These figures run contrary to the image of Saxony as a region characterised by a decentralised mode of production where firms were on average much smaller than in the Reich.<sup>132</sup> However, the reason for this difference has to be sought within the structure of the fur industry itself. Most importantly, Saxony was the industrial powerhouse of the German fur industry. Saxony developed as the centre for fur production whereas business activity in such production across the Reich tended to focus on specialised functions like tailoring or retailing manufactured furs from Leipzig. Every city in the Reich had at least a few fur shops, small workshops, or retailers. Industrial concentration, on the other hand, only took place in Saxony. This is a plausible explanation for the difference in size distribution of the firms.

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<sup>131</sup> Benndorf, *Weltwirtschaftliche beziehungen der sächsischen industrie*, 292.

<sup>132</sup> Herrigel, *Industrial Constructions*, 45.

## The Birth of an Industrial District

Even though firms were larger than the Reich's average, moreover, the fur industry in and around Leipzig still corresponds to the features of an industrial district. Firstly, firms were highly specialised. Besides industrial production, there was a place for related activities like fur tailoring, brokerage, and trading. Secondly, the discrepancy with national figures does not mean that big business was the norm in the Saxon fur industry. In the mid-1920s, at the apex of the Saxon fur industry, the overwhelming majority of firms were extremely small. To begin with, 309 firms (28%) employed no workers other than the owner of the workshop (see figure X). In addition, about 313 firms (29%) employed 1 to 3 labourers. In all likelihood, these units represented the segment of artisanal production at the very end of the production chain, which had been transformed into an integral part of the industrial district. Moreover a large part of the labour force worked in small to medium-sized enterprises. The largest group, consisting of 3,479 workers (31%), were employed in middle-sized firms that had between 11 and 50 employees.<sup>133</sup> 26% of the labourers worked for companies that employed between 51 and 200 workers. There was little big business. Only 6 fur firms employed more than 200 workers but these firms provided work for 20% of the workforce.

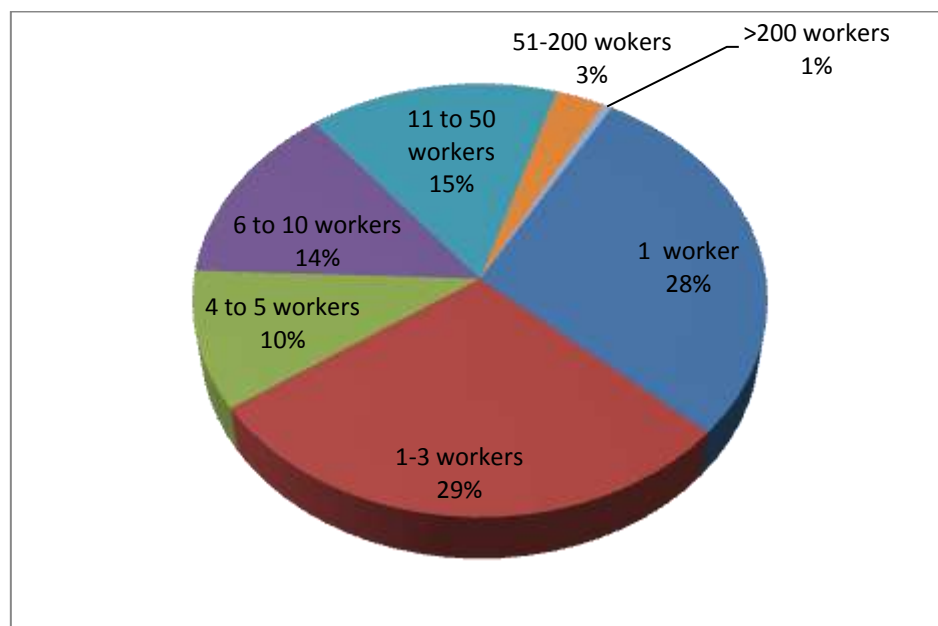


Figure 2-1: The number of fur firms Fur firms in Saxony according to size in 1925 (1091 firms)<sup>134</sup>

<sup>133</sup> Statistisches Jahrbuch für den Freistaat Sachsen, 47. Ausgabe. 1927/1928. Herausgegeben vom Sächsischen Statistisches Landesamt. V. Gewerbe und Industrie. Die Gewerblichen Betriebe und Ihr Personal nach der gewerblichen Betriebszahlung vom 16. Juni 1925, gegliedert nach technischen (Betriebs)Einheiten. pp. 148-149.  
<sup>134</sup> Ibidem.

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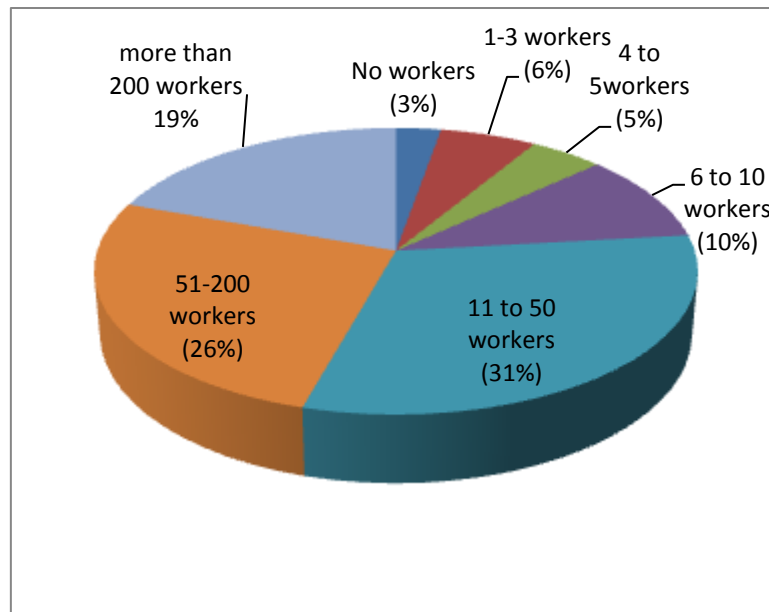


Figure 2-2: Size of the companies in the Saxon fur industry according to the number of workers (11170 in 1925)

In addition, the size distribution of the firms in Leipzig resembled Saxon patterns in general, even though medium-sized fur businesses developed much earlier in Leipzig than in the Saxon hinterland.<sup>135</sup> In 1925, 141 Leipzig companies employed no one other than the firm owner but the large majority of the firms that did employ wage labour made use of no more than 50 labourers. On top of the size distribution pyramid, 19 fur factories firms had between 51 and 200 workers. Two of the six factories in Saxony that employed over 200 labourers were situated in Leipzig. From these figures, it is clear that small to medium-sized businesses were the norm: statistics reveal the industrial district-like character of the Saxon fur industry.

### 2.2.3 *Turning merchants into businessmen (1830-1914).*

It is impossible to examine the emergence of the industrial district without looking at another important field of business specialisation, fur trading. In order to understand the trade as an integral part of the district, we need to examine the history of Leipzig as a commercial centre, which is almost synonymous with the history of the Leipzig trade fairs. The major fair was held on Easter (*Ostermesse*) and a smaller one took place in the autumn (*Michaelismesse*). The Leipzig trade fairs have a venerable history that dates back as early as 1190, when count Otto von Meissen officially ratified the existence of the annual fairs. Stimulated by official

<sup>135</sup> Sächs. HStA, Wirtschaftsministerium 11168, nr. 793, f. 66. Drucksache Nr. 367/1929. Dr. Rothe. Der Rat der Stadt Leipzig.

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recognition, the importance of the Leipzig fairs soon transcended the locality. By the end of the 15<sup>th</sup> century, the Holy Roman Emperor Maximilian I granted the Leipzig trade fairs imperial status, which confirmed Leipzig as a trade centre of transregional importance. As a result, numerous foreign merchants settled in the city.<sup>136</sup>

The Leipzig trade fairs were not only important for the local economic fabric: they also created early transregional connections that firmly placed the city in overland trade routes. The same was true for fur trading at the fairs. Merchants specialised in furs connected the Leipzig trade fair to the system of fur procurement in Russia. The Russian system had its roots in subarctic frontiers where Russian hunters or natives typically hunted in the huge areas around their settlements, the so-called *skupsciki*. Local middlemen bought the furs that were stockpiled in these settlements, transported them to smaller trade centres, and fetched the isolated hunters foodstuffs and other basic equipment in return. From these local markets, barrels and packages of fur travelled to busier markets, like Irkutsk, Irbit, and Nizhnii Novgorod.<sup>137</sup> From the beginning of the eighteenth century, the Nizhnii fairs became an indispensable commercial event in Russia, with sales worth around 150-200 million rubles on average.<sup>138</sup> The Nizhnii fairs attracted averagely 1.5 million visitors during the summer.<sup>139</sup> European traders, notably Germans, were welcome guests there every summer. The Irbit fairs, east of the Urals, were smaller, making around 25-40 million rubles in sales: they were strongly focused on select commodities like tea and furs.<sup>140</sup>

Jewish middlemen played a leading role in connecting the fur trade in Russian fairs to those in Leipzig.<sup>141</sup> In particular, the Jews of Brody, part of the Austrian empire after the division of

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<sup>136</sup> Susanne Schötz, "Handel, Handwerk und Gewerbe in Leipzig (1250-1650)," in *Leipzigs Wirtschaft in Vergangenheit und Gegenwart: Akteure, Handlungsspielräume, Wirkungen (1400 - 2011)* (Leipzig: Leipziger Univ.-Verl., 2012), 31; Helmut Neuhaus, "Die Begründung der Leipziger Messe und das Heilige Römische Reich Deutscher Nation in den Jahren 1497/1507," in *Leipzigs Messen 1497-1997: Gestaltwandel, Umbrüche, Neubeginn*, ed. Hartmut Zwahr, Thomas Topfstedt, and Günter Bentele (Köln: Böhlau, 1999), 54.

<sup>137</sup> Basile Kerblay, "Chasseurs et marchands de fourrures en Russie au début du XXe siècle," *Cahiers du Monde Russe* 19 (1978): 356.

<sup>138</sup> Gérard Gayot, "La Main Invisible Qui Guidait Les Marchands Aux Foires de Leipzig: Enquête Sur Un Haut Lieu de La Réalisation Des Bénéfices, 1750-1830," *Revue D'histoire Moderne et Contemporaine (1954-)* 48, no. 2/3 (April 1, 2001): 72.

<sup>139</sup> Catherine Evtuhov, "Nizhnii Novgorod in the Nineteenth Century: Portrait of a City," in *The Cambridge History of Russia 1689-1917*, ed. Dominic Lieven, vol. II (Cambridge: Cambridge University Press, 2006), 268–269. Until 1816 the fairs were in fact held in the small town of Markajew near Nishnii Novgorod until it was destroyed in a great fire. After 1816, the fairs moved to the centre of Nishnii itself.

<sup>140</sup> Arcadius Kahan, *Russian Economic History: The Nineteenth Century* (Chicago: University of Chicago Press, 1989), 36.

<sup>141</sup> V. Heyse, G. P. Rjabow, and N. J. Bashaikin, *Deutsche und Russen im Gouvernement Nishnij Nowgorod: Geschichte und Gegenwart* (Waxmann Verlag, 1995), 64.

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Poland in 1772, were important as fur importers to Leipzig.<sup>142</sup> In 1779, the Austrians turned Brody into a ‘free trade city’ by lowering customs significantly.<sup>143</sup> Jewish merchants of Austrian, Russian, and Polish origin bought furs in Russia and Poland and transported them via Brody to the fairs in Leipzig. Authorities in Leipzig realised the importance of Jewish middlemen, especially in regards to the fur trade, and therefore relaxed the rather strict regulations that governed the movement of Jews in Saxony, although only moderately. In 1747, for instance, the city council allowed for the settlement of Polish and Russian Jews without paying taxes “in recognition of their contribution toward the import of raw materials for the hide and fur industries.”<sup>144</sup> The city council also granted Jews the status of “fair brokers,” an official permit that legalised their stay in Leipzig during the fairs.<sup>145</sup>

How did the Leipzig trade fair influence the creation of the industrial district? The answer has to be sought, somewhat paradoxically, in the relative decline of the fairs. During the long nineteenth century, the fur trade woven around the annual fairs declined due to the cost-lowering impact of railroad transport and steamboat shipping. In fact, Leipzig was integrated into modern railroad networks relatively early. The first train connection on German soil was constructed in Saxony (between Dresden and Leipzig) in 1839.<sup>146</sup> The transportation revolution cleared the path for a permanent supply of commodities as well as persons (merchants, labourers and entrepreneurs) to Leipzig: this made trading on a permanent basis possible and thereby rendered trading at the fairs superfluous. City officials in Leipzig were well aware of the decline of the Leipzig trade fairs as a market for a wide variety of commodities. The function of the fairs was finally changed in 1895 when fair officials turned the “purely commercial” trade fair (*Warenmesse*) into an exhibition fair (*Mustermesse*), where

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<sup>142</sup> Börries Kuzmany, “La Ville de Brody Au Cours Du Long XIXe Siècle. L’histoire D’une Contre-Performance?,” *Discussions* 5 (2010). The author who devoted research to the city of Brody mentions that the Brody had a number of “partner cities” of which Leipzig was the most important. The city of Brody functioned as a turntable for the commerce in the following oriental commodities: wax, honey, flax, hemp, furs and tallow.

<sup>143</sup> Manfred Unger, *Judaica Lipsiensia: zur Geschichte der Juden in Leipzig* (Leipzig: Edition Leipzig, 1994), 271.

<sup>144</sup> Michael Berenbaum and Fred Skolnik, eds., “Fur Trade and Industry,” *Encyclopedia Judaica* (Detroit: Macmillan Reference USA, 2007), 313.

<sup>145</sup> Josef Reinhold, “Vom Messmakler zum etablierten Kaufmann,” in *Leipzigs Messen 1497-1997: Gestaltwandel, Umbrüche, Neubeginn*, ed. Hartmut Zwahr, Thomas Topfstedt, and Günter Bentele (Köln: Böhlau, 1999), 431.

<sup>146</sup> Ralf Roth, *Das Jahrhundert der Eisenbahn: die Herrschaft über Raum und Zeit 1800-1914* (Ostfildern: Thorbecke, 2005), 64–65.

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business sectors showcased product samples and developments rather than sold them. Information sharing and networking became the central activities undertaken at the fairs.<sup>147</sup>

The participation of the fur trade in the fairs followed the tides of change. In particular, furriers in Leipzig managed to adapt to the new fair system. They organised a ‘novelty exhibition’ that focused on fashion developments and showcased new garment models. However, due to a wide variety in the quality and types of raw furs, many fur traders held the exhibition of samples to be of limited value.<sup>148</sup> Did the fur fairs lose their commercial value entirely? The renowned Saxon economist Erich Benndorf estimated that the trade in furs at the eastern fairs still represented roughly one third of the sales turnover of the Leipzig fur business before World War I. Whereas the *Michaelismesse* in the autumn lost international relevance (it was almost exclusively visited by German buyers), merchants from abroad continued to visit the city during the Easter fairs.<sup>149</sup> However, the bulk of trade was now performed outside the Leipzig trade fairs.

Nevertheless, the changing function of trade fairs did not lead to a decline in commercial fur trading in Leipzig *per se*. Rather, it stimulated the emergence of permanent fur businesses in Leipzig. In particular, the settlement of Jewish middlemen in Leipzig as domiciled businessmen fortified the process of business formation in the fur industry. The settlement of Jewish fur traders in the Brühl was part of a lengthy process that was only partially initiated by the decline of the trade fairs. Until around 1830, Saxon laws curtailed Jewish business and property rights. Leipzig therefore only had 22 Jewish inhabitants in 1785 but that number had grown to 76 in 1834. A change in Saxon laws in the mid 1830s facilitated the settlement Jewish business. Marcus Harmelin, a supplier from Brody, founded one of the first prominent Jewish companies in Leipzig in 1830. The Felsenstein brothers also established themselves as one of the first Jewish merchant houses in Leipzig. The arrival of Harmelin and the Felsensteins in the Brühl preceded many more traders who linked the fur business in Leipzig to the outside world.<sup>150</sup> Many traders originated from Brody, the Galician city that served as

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<sup>147</sup> Hartmut Zwahr, “Die Messe in Ihrem Gestaltwandel,” in *Leipzigs Messen 1497-1997: Gestaltwandel-Umbrüche-Neubeginn*, ed. Hartmut Zwahr, vol. 1 (Köln/Weimar/Wien/Böhlau: Böhlau Verlag, 1999), 24–25. The modernisation of the fairs was completed in 1916 when the city council established an official council that administered the interests of the various economic sectors exhibiting at the fair halls. The institutionalization of “*selbstverwaltete Mustermesse*” aimed to sharpen the competitiveness of the fairs in Leipzig with German domestic fairs and international events alike after the First World War.

<sup>148</sup> Fellmann, “Schlaufüchse und Blaufüchse vom Brühl,” 439.

<sup>149</sup> Benndorf, *Weltwirtschaftliche beziehungen der sächsischen industrie*, 288.

<sup>150</sup> Reinhold, “Vom Messmakler zum etablierten Kaufmann,” 433.

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East-West trade junction. Fein Nachmann (1842) and Saul Finkelstein (1857) ranked amongst the most prominent Jewish traders from Brody.<sup>151</sup> Clearly, the number of permanent mercantile establishments was on the rise both in Russia and Germany, decreasing the need for annually organised trade fairs.<sup>152</sup>

The full emancipation of Jews, which came in the wake of Saxony's integration into the North German confederation, triggered the arrival of a new cohort of Jewish entrepreneurs who mostly originated outside the tradition of the fairs.<sup>153</sup> The Jewish community grew from 713 members in 1858 to 6,171 in 1900.<sup>154</sup> A third wave of Jewish immigrants after World War I gave Leipzig Jewish community its strongest ever presence. In 1925, 12,594 persons belonged to the Jewish community in Leipzig (1.8% of the urban population.)<sup>155</sup> Many of the second wave Jewish migrants were already businessmen who had established firms abroad or elsewhere in Germany before opening branches on the Brühl. Most noteworthy was the successful Moscow-based business of Chaim Eitingon (1857-1932). Eitingon opened a branch in Leipzig in 1893. Many of these newcomers could be categorised as transnational entrepreneurs that forged connections with the outside world. Between 1904 and 1917, for instance, Chaim Eitingon occasionally resided in Moscow, close to his business connections.<sup>156</sup> The Eitingon family would become one of the largest and most important fur trading businesses in the interwar period. The family as organiser of transborder activities also typified the Ariowitsch firm, established by Julius Ariowitsch in 1871 and one of the most prominent firms in Leipzig. Julius Ariowitsch's father Mordechai preferred to stay in Russia: he died while visiting the Nizhnii Novgorod fair of 1878.<sup>157</sup> Having analysed the waves of Jewish immigration, the importance of outsiders and migrants in the creation of the industrial district has to be emphasised. The significance of migrants was pronounced in the trading sector. Outsiders contributed to the growth of the Leipzig fur industry in manufacturing as well. International mobility was thus an important aspect of the formation of the industrial

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<sup>151</sup> Wilhelm Harmelin, "Die Juden in Der Leipziger Rauchwarenwirtschaft," *Juden in Sachsen* 2, no. Februar (2009): 273–282.

<sup>152</sup> Kahan, *Russian Economic History*, 36. Nevertheless, economic loss was limited since the fur trade business was established in precisely those cities that organised trade fairs relevant to the fur trade, like Leipzig and Irbitz.

<sup>153</sup> James Richard Farr, *Saxony in German History: Culture, Society, and Politics, 1830-1933* (Ann Arbor: University of Michigan Press, 2000), 104.

<sup>154</sup> *Ibid.*, 117.

<sup>155</sup> Kerstin Plowinski, "Die jüdische Gemeinde Leipzigs auf dem Höhepunkt ihrer Existenz. Zur Berufs und Sozialstruktur um das Jahr 1925," in *Judaica Lipsiensia: zur Geschichte der Juden in Leipzig*, ed. Manfred Unger (Leipzig: Edition Leipzig, 1994), 79.

<sup>156</sup> "Eitingon, Chaim (1857-1932) - Rauchwarenhändler Und Stifter," accessed October 13, 2012, [http://www.leipzig-lexikon.de/biogramm/Eitingon\\_Chaim.htm](http://www.leipzig-lexikon.de/biogramm/Eitingon_Chaim.htm).

<sup>157</sup> Unger, *Judaica Lipsiensia*, 269.

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district. The transborder connections forged by these immigrants, who often continued to lead transnational lives themselves, will be discussed later: their mobility contributed significantly to the formation of the fur business in Leipzig.

Finally, I should note the occupational structure of the Jewish population in Leipzig. Jewish migrants in Leipzig mainly contributed to the fur industry as traders and entrepreneurs whereas comparatively few of the Jewish migrants were employed as fur workers. This seems to divert from occupational patterns in the fur industry elsewhere. In both European and American fur centres, Jewish immigrants tended to be more active in sweatshops and in the manual labour workforce than in Germany. For instance, in 1912, 7,000 of the 10,000 fur workers in the USA (predominantly in New York) were of Jewish descent.<sup>158</sup> In Germany, Jewish settlers were mostly self-employed since German administrative policy clearly favoured the settlement of more well-to-do migrants. According to Nancy Green, German migration authorities employed a more ‘utilitarian’ policy that focussed on the economic surplus the Jewish migrant could produce. The result was that relatively few Jewish craft workers settled in the Reich.<sup>159</sup> Merchants therefore represented the majority of Jewish settlers in Saxony.<sup>160</sup> The policy determined the supply of entrepreneurs to the Leipzig fur business. In 1925, of the 4,693 Jews in Leipzig with a gainful occupation, 805 worked on the Brühl. Thus, almost one out of four Jews worked in the Leipzig fur business. Of the 805 Jews associated with the Brühl, 396 were independent merchants and 268 worked as white collar workers in one of the many trading houses. Conversely, only 79 Jews worked as furriers and even fewer, 62, as labourers in the fur industry.<sup>161</sup> The absence of Jewish fur workers in the Leipzig fur industry marked a major difference between Leipzig and other international fur centres: these tended to be more strongly characterised by an “all-round presence” of sweatshop workers and a Jewish proletariat next to successful entrepreneurs.

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<sup>158</sup> Berenbaum and Skolnik, “Fur Trade and Industry,” 2007, 314.

<sup>159</sup> Nancy L. Green and Patrick Altman, “Introduction,” in *Jewish Workers in the Modern Diaspora*, ed. Nancy L. Green and Patrick Altman (Berkeley: University of California Press, 1998), 10–11. Green estimates the number of working class Jews in imperial Germany to be around 20,000 to 30,000, which was fairly small in comparison with Great Britain and France.

<sup>160</sup> Solvejg Höppner, “Ostjude ist jeder, der nach mir kommt...,” in *Wirtschaft und Gesellschaft in Sachsen im 20. Jahrhundert* (Leipzig: Leipziger Universitätsverlag, 1998), 347.

<sup>161</sup> Plowinski, “Die jüdische Gemeinde Leipzigs auf dem Höhepunkt ihrer Existenz. Zur Berufs und Sozialstruktur um das Jahr 1925,” 81.



## **2.3 Patterns of local cooperation: specialisation, trade associations, and bank-firm relationships.**

### ***2.3.1 The symbiosis between manufacturing and international trade.***

With the commercial function of the trade fair in decline, a permanently settled fur trade ascended. A body of merchants settled permanently in the city and organised the supply of furs at roughly the same time as when industrialisation triggered the formation of highly specialised production units in Leipzig. It is my belief that the development of trading and industry mutually reinforced one another. At the very least, the fact that the fur trade expanded simultaneously with the growth of fur manufacturing holds true. At the beginning of the nineteenth century, Leipzig housed only 30 wholesale fur traders in total. By 1907, Saxony had about 350 fur trading firms employing 1,243 persons in addition to the many new factories that had emerged in Leipzig and environs. The number of Saxon fur trading firms represented 35% of the Reich's total and the number of employees represented 42% of all workers active in the Reich's fur trading activities. The group of entrepreneurs active in fur commerce was multifaceted not only in terms of ethnicity. The spectrum of entrepreneurs ranged from small traders to commissioners and brokers who worked on behalf of foreign trading companies. According to the contemporary trader Wilhelm Harmelin, a minority of these firms (roughly 30 to 50) were classified as leading fur trade companies.

It is hard to ascertain precisely how many of them belonged to the city of Leipzig. However, it is clear that the Brühl was the undisputable heart of the Saxon fur trade. Based on research in Leipzig's address book, it can be concluded that Leipzig had about 794 fur traders in the city by 1930.<sup>162</sup> Of the 794 fur traders active in the trading district, it was estimated that at least 460 of them were of Jewish origin. Unlike the processing industry, the commercial segment of the fur district was not widely dispersed in and around Leipzig, but centralised on the Brühl and in the adjacent Nikolaistrasse in downtown Leipzig.<sup>163</sup> The Brühl was transformed into the billboard for the German fur industry, much like the Sentier was for the Parisian fashion industry. The fur trading houses, most of which were constructed between 1860 and 1914, even evinced a distinct architectural style. The so-called '*Pelzkontorhaus*'

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<sup>162</sup> Wilhelm Harmelin, "Juden in Der Leipziger Rauchwarenwirtschaft," *Tradition* 11 (1966): 267.

<sup>163</sup> *Ibid.*, 261.

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typified the Brühl and the Nikolaistrasse in Leipzig: unfortunately only a few have survived the tides of history into the present day.<sup>164</sup> Fur merchant houses could be recognised by their rich decoration and their large exhibition spaces. Fur merchant houses were connected to a common inner courtyard where deliveries were accepted.



Picture 2: The Brühl in Leipzig (Stadtarchiv Leipzig, BA 1977 761. s.d.)

There are strong indications that fur trading and fur manufacturing reinforced each other as the central components of the fur district. Steffen Held characterised the Leipzig fur industry as “a symbiosis between wholesale trading, the dressing and dyeing of skins in factories, and also small furrier businesses, primarily involved with fur tailoring.”<sup>165</sup> Two elements of the symbiosis should be emphasised. Firstly, fur trading arguably influenced the emergence of the

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<sup>164</sup> Jens Schubert, “Die Pelzgewerbehäuser in Der Leipziger Innenstadt” (Magisterarbeit, Leipziger Universität, 2003), 61.

<sup>165</sup> Held, “Juden in Der Leipziger Rauchwarenwirtschaft,” 269.

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fur cluster since it provided the raw material to be processed in these production units. In fact, trading necessarily involved links to the wider world. Fur traders forged connections with resource producing areas and discovered foreign sales markets. The following numbers reveal the foreign dimension of the Leipzig fur trade. The joint trade volume of the Leipzig fur industry amounted to 100 million marks in 1908: according to Benndorf, around 75 to 80% of that figure was earned from the turnover of foreign commerce.<sup>166</sup>

Secondly, the fur trade was not only beneficial because of the connections it constructed to the outside world. Many fur trade companies built partnerships with existing fur factories or established manufacturing units by themselves in order to expand the profits made by fur trading. As a result, few fur factories in Leipzig operated independently from commerce.<sup>167</sup> They accepted work on behalf of other companies or depended upon the import of raw furs from larger enterprises specialised in commerce. For instance, in 1883, the trade firm Theodor Thorer opened a dyeing factory (Thorer & Co) in Leipzig-Lindenau, specialised in the industrial dyeing of karakul and Astrakhan sheepskins.<sup>168</sup> Despite this horizontal integration, the Thorer family chiefly focused on the trading affairs of their business in North America, Central Asia, and Russia. The Thorer family therefore granted the factory a significant degree of autonomy. After 1925, a kinsman from the renowned Leipzig machine construction company Rudolf H Sack KG was appointed as the manager of the fur dyeing Thorer & Co. factory.<sup>169</sup> The factory ranked as one of the largest in Leipzig since it employed 500-600 workers (the number of labourers could fluctuate depending on seasonal activities). The trade firm itself, strongly in the hands of the Thorer family, employed 80 labourers and white-collar workers.<sup>170</sup>

A similar division of labour applied to Friedrich Erler & Co. As mentioned above, the partnership with the chemist Adolf Stieglitz in the 1870s led to the construction of a fur dyeing factory. Stieglitz developed not only synthetic dyeing procedures but was also appointed manager of Erler's factory, first in Plagwitz and later in Leipzig-Lindenau.<sup>171</sup> Although the Stieglitz firm retained its connection to the Erler firm well into the 1930s, it was

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<sup>166</sup> Benndorf, *Weltwirtschaftliche beziehungen der sächsischen industrie*, 288.

<sup>167</sup> *Die Vollendung des Mittellandkanals* (Martime Press, 2014), 275.

<sup>168</sup> Firma Thorer und Hollender, *350 Jahre Thorer* (Frankfurt am Main, 1962), 31.

<sup>169</sup> Schäfer, *Familienunternehmen und Unternehmerfamilien*, 96.

<sup>170</sup> *Theodor Thorer, Thorer & Co., Leipzig* (Berlin [SW 68, Alexandrinenstr. 134]: Adolf Ecksteins Verl., 1929), 2.

<sup>171</sup> Der Rauchwarenveredler, Beiblatt zum Rauchwarenmarkt, 3. Jg. 23., 6.05.1933. p.1. „Adolf Stieglitz“.

not exclusively a part of it. Indeed, the Erler firm had transformed from a fur workshop into a wholesale trading business. Similar collaborative structures between trading and manufacturing emerged between the trading firm Friedrich Maerz in the Brühl and the dyeing factory of Adolf Arnold AG. Links were created the other way around as well. Walter AG in Markranstädt, one of the largest fur dyeing factories and the only German fur company that was listed on the stock exchange, had a semi-independent trading division in the city centre of Leipzig.<sup>172</sup> Ferdinand Salm, a medium-sized Jewish trading firm, owned a factory of about 100-110 workers in Wahren, which, like Walter AG in Markrandstädt, illustrates the connection of international trading with Leipzig's industrial hinterland and the wider Saxon region.<sup>173</sup> In sum, the fur industry was compartmentalised along the lines of vertical specialised activities and they were not integrated in one overarching business but operated semi-independently from one another. Cooperation was an essential characteristic of intra-firm networks.

### ***2.3.2 The social structure of the cluster: interest groups and trade associations.***

In the wake of the formation of the industrial district, trade associations in Leipzig followed suit. These associations served as forums to regulate conflicts in the district, not only between firms themselves but also between capital and labour. Firms also used trade associations to lobby the public authorities. Associations developed as forums that tried to keep adverse developments in the district at bay and regulate intra-firm competition. While examining trade associations of the fur industry, I hope to present proof that Leipzig was not only the commercial and industrial epicentre of the German fur business but was also the 'capital' of the German fur industry from an organisational perspective. It will be shown that all of the major national associations established headquarters in Saxony's commercial centre, even if they were not strongly associated with the region. The timing of their emergence also illustrates the rapid formation of the district and reveals elements of the business structure. Remarkably, none of these organisations succeeded in representing firms across specialised activities, despite the fact that partnerships between firms often cut across such specialisations. Instead, trade associations followed the vertical division of labour that characterised the fur district. Every segment of the industry was represented by a separate

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<sup>172</sup> Schubert, "Die Pelzgewerbehäuser in Der Leipziger Innenstadt," 13.

<sup>173</sup> StA-L, Deutsche Bank, Filiale Leipzig 21017, nr. 496, f. 15, Leipzig, den 20.05.1924.

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trade association: furriers, retailers, the trading houses, and finally the dressing and dyeing companies.

The Leipzig Fur Guild (*Kürschnerinnung zu Leipzig*) ranked as one of the oldest because it represented the old guild established in 1425.<sup>174</sup> Around 1900, it represented the interests of about 40 artisans, who employed 75 journeymen and 60 apprentices.<sup>175</sup> It was perhaps not the most dynamic trade association of the district. The loss of their monopoly on production in the early 1860s, industrialisation, and the emergence of modern consumption patterns further jeopardised the independence of artisans.<sup>176</sup> Like most heirs to the old guild organisations after freedom of enterprise, the furrier guild was predominantly occupied with a rearguard fight against the dismantlement of corporatism in Germany and the preservation of the venerable handwork tradition. In 1906, for instance, the furrier-guild set up a campaign against sales in department stores and bargain sales organised by fur traders that put downward pressure on craft-produced fur garments.<sup>177</sup> Yet, as we have seen, artisanship maintained its appeal and formed an integral part of the fur district. The guild still issued regulations on apprenticeship and journeymen for its members and provided certificates for craft careers. Nevertheless, the guild had lost its monopoly on the organisation of handicraft work. A competing organisation, the Union of Independent Furriers in Leipzig (*Verein selbständige Kürschner von Leipzig und Umgebung*), was established in 1912.<sup>178</sup> 260 Leipzig furriers were members of this organisation. In addition, a significant number of furriers did not belong to any of these associations.

The Leipzig Fur Guild was part of the national Union of German Furriers (*Verein Deutscher Kürschner*), which unified the diverse guild associations in Germany that protected craft traditions after the liberalisation of commerce in Prussia and other German states.<sup>179</sup> In the mid-1890s, the association consisted of about 500 members across Germany.<sup>180</sup> Leipzig also maintained a leading position within the national craft organisation. In 1922, the headquarters of the national association was placed in Leipzig and prominent Leipzig furriers, such as

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<sup>174</sup> StA-L, Gewerbekammer Leipzig 20201, nr. 3822, f. 177. Der Jubeltag der Kürschnerinnung. 23.8.1925.

<sup>175</sup> Rückert, *Leipziger Wirtschaft in Zahlen*, 866.

<sup>176</sup> James Richard Farr, *Artisans in Europe, 1300-1914* (Cambridge; New York: Cambridge University Press, 2000), 281.

<sup>177</sup> Stadt-Al, Kürschnerinnung D 19, 22.10.1906

<sup>178</sup> StA-l, Gewerbekammer Leipzig 20201, nr. 3822, f. 164. Selbständ. Kürschner Leipzig an die Gewerbekammer, Leipzig, 13.05.1924.

<sup>179</sup> *Die Kürschnerzeitung*, 1918-1919.

<sup>180</sup> Zeitschrift des Leipziger Messverbandes. April 1894, p. 21.

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Oskar Wenke and Kurt Quedenfeld, were appointed as leaders.<sup>181</sup> Its most important feat was the foundation of a ‘furrier school’ in Leipzig, designed to preserve the tradition of fur crafting. In general, the importance of Leipzig as the organisational centre of fur crafting also attests to the enduring significance of craft production in the fur district.

The relative decline of the guilds and the industrialisation of the fur industry fostered the development of new organisations. The Association of German Fur Dressers and Dyers (*Verband Deutscher Rauchwaren Zurichtereien und Färbereien*) was established in 1899.<sup>182</sup> The organisation remained rather small. In 1925, 27 industrialists had joined the Association of Fur Dressers and Dyers, 20 of whom were domiciled in Leipzig.<sup>183</sup> Conversely, the organisation of labour appeared in the wake of the fur industry’s industrialisation. The first labour unions emerged in the 1880s, especially in the industrial hotspots of the fur industry: Markranstädt, Rötha, Lindenau, and Schkeuditz. Hard and unhealthy working conditions (fur dressers were prone to skin and lung diseases) erupted in two major strikes in 1884 and 1886.<sup>184</sup> In 1894, the furrier unions organised an international organisation, the International Furriers’ Secretariat (*Internationales Kürschner Sekretariat*) with headquarters in Berlin, one of the many International Trade Secretariats representing branches of the garment industry. In Leipzig, the fur workers unions achieved their first wage increase in 1882 and established the 10-hour working day in 1900.<sup>185</sup>

I will conclude this list of associations with the Leipzig Fur Merchants Association (*Verband Leipziger Rauchwarenfirmer*), established by the Leipzig fur traders in 1908. The Leipzig Fur Merchants Association attracted more members than its industrial counterpart. 42 trading firms immediately joined the trade association. It was also the most prominent and influential organisation of the Brühl. A diverse number of items characterised the agenda of the association, ranging from the standardisation of trade practices to the protection of the international position of Leipzig’s fur trading companies.<sup>186</sup> The Leipzig Fur Merchants

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<sup>181</sup> The Association of German Furriers changed its name from the *Verein Deutscher Kürschner* into the *Reichsbund Deutscher Kürschner*.

<sup>182</sup> Gottlieb Albrecht, *Der Pelzmarkt Leipzig: bei besonders Berücksichtigung seines Rauchwarenhandels* (Buch- und Kunstdruckerei W. Postberg, 1931).

<sup>183</sup> Rückert, *Leipziger Wirtschaft in Zahlen*, 888.

<sup>184</sup> Protokoll des II internationalen Kürschner-Kongresses. Abgehalten zu Hamburg. Von 18 bis 20 mai 1902. Hamburg 1902. Verlag von Paul Kobis

<sup>185</sup> *Ibidem*, p. 8.

<sup>186</sup> Max Malbin, *Der internationale rauchwarenhandel vor und nach dem Weltkriege unter besonderer berücksichtigung Leipzigs*. (Oschatz: F. Oldecops erben (C. Morgner), 1927), 37.

Association witnessed its largest expansion after World War I. The Association was renamed the German Fur Merchants Association (*Reichsverbandes der Deutschen Rauchwaren-firmen*) and included firms from outside Leipzig. Membership rose from 148 firm-owners in 1919 to about 688 in 1925. Nevertheless, the headquarters remained in Leipzig. Since 480 members were Leipzig firms, the Leipzig division arguably formed the nucleus of the German Fur Trade Association.<sup>187</sup> Since traders had the largest interest in foreign trade, this association also collectively addressed problems connected to transborder activities of the Leipzig district, admittedly somewhat timidly before World War I but more firmly thereafter.

### ***2.3.3 The local bank and fur industry nexus in Leipzig (1900-1914).***

This section on the link between finance and industry in Leipzig will conclude the portrait of the industrial district. I will demonstrate that local finance was supportive of both the local development of the Leipzig fur industry and the international operations of fur firms. As such, the local banks will be presented as economic agents of the district economy. Although cross-fertilisation between the financial system and industrial development on the local level is often implicitly assumed, knowledge about the interaction between finance and industry in Saxony remains tentative at best. Frank Zschaler has shown that private banking persisted for a relatively long time in comparison to other industrialising regions. The persistence of private banking is said to have influenced the formation of the smaller businesses that pervaded in the region.<sup>188</sup> The argument is based on the assumption that private banking was prone to invest in the smaller and specialised firms in the local areas whereas joint-stock banking investments flowed into the larger businesses. Private business had more limited financial resources than joint-stock banking and smaller partners therefore seemed better suited.

How was the development of the fur industry in Leipzig linked to finance? It is unlikely that private banking was responsible for the pronounced business specialisation in the fur district.

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<sup>187</sup> Rückert, *Leipziger Wirtschaft in Zahlen*, 888.

<sup>188</sup> Frank Zschaler, "Das Bankhaus Meyer & Co in Leipzig. Eine Sächsische Bankiersfamilie Zwischen 1814 Und 1972," in *Unternehmer in Sachsen. Aufstieg - Krise - Untergang - Neubeginn*, ed. Ulrich Hess and Michael Schäfer, Leipziger Studien Zur Erforschung von Regionenbezogenen Identifikationsprozessen 4 (Leipziger Universitätsverlag, 1998), 235. A similar argument on the persistence of private banking and its influence on the formation of middle-sized businesses is made on a more general level in Youssef Cassis, "Private Banks and the Onset of the Corporate Economy," in *The World of Private Banking*, ed. Philip Cottrell and Youssef Cassis (Farnham, England; Burlington, VT: Ashgate, 2009), 43–61.

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After all, Leipzig formed the exception to rule in Saxony as a centre of banking. The commercial magnitude of the city attracted the presence of both private banks and the larger joint-stock banks. Whereas private banks emerged in Leipzig in the mid-17<sup>th</sup> century, one of the first German joint-stock banks, the Leipziger Bank, was established there as early as 1839. By the beginning of the twentieth century, Leipzig had developed as the financial centre of Saxony and was second only to the financial capital of the Reich, Berlin. In 1911, besides a *Reichsbankhauptstelle*, 31 private banks and bank branches were to be found in Leipzig. All major German joint-stock banks opened branches in the city: the Allgemeine Deutsche Creditbank (ADCA, present from 1856), Mitteldeutsche Regionalbank, the Hamburger Commerz und Discontobank (from 1911), the Deutsche Bank, and the 'Bank für Handel und Industrie' (Darmstädter Bank).<sup>189</sup>

Without downplaying the importance of Zschaler's observation on the cross-fertilisation between private banking and the domination of medium-sized business in Saxony, the presence of large joint-stock banks in Leipzig was not inimical to the clustering of small-scaled and specialised fur firms. Joint-stock banks did not leave investment in the fur industry to private banks: rather, the credit market was divided between private and joint-stock banks. In general, the fur industry was a capital-intensive industry. Furthermore, I will argue that small and medium-sized business profited from the bank competition prevalent in Leipzig's financial district. In other words, the interest of the banks in the city's commercial business, especially in a rapidly expanding entity like the fur district, offered opportunities to both small and large firms alike. All the joint-stock banks took an interest in the fur district, particularly the ADCA, the Dresdner Bank, the Deutsche Bank and, to a lesser extent, the Commerzbank. The fur industry was also closely linked to private banks, most importantly the Bankhaus Meyer & Co. Firms could rely on several bank connections and profited from bank offers that aimed to extract the fur firms from rival banks. Bank competition, rather than the *nature* of the banks, seemed to have been influential in regards to business organisation.

Competition between joint-stock banks over the fur industry was particularly strong in the case of the branches of the Dresdner and the Deutsche Bank in Leipzig. Their rivalry was also the best documented. Both banks entered the financial market of Leipzig relatively late. Whereas the Dresdner Bank had its roots in Saxony, the Leipzig branch was established only

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<sup>189</sup> As quoted in 'Staatsarchiv Sachsen' S. A. Wasserstrom: Die Entwicklung des Bankwesens in Leipzig, in: Leipziger Kalender, Jg. 1912, p. 117.



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in 1909, surprisingly late: this was significantly later than the establishment of branches abroad (London, 1895) or commercial centres in Germany of comparable magnitude like Hamburg (1892).<sup>190</sup> The opening of a branch in Leipzig was thus part of an expansive policy of transforming itself into a universal bank with the aim of creating a dense network of branches in the Reich and abroad. Importantly, the new branch first opened in the epicentre of the fur trade, at the Brühl 37/39.<sup>191</sup>

The Dresdner Bank was still interested in investing in its home region, despite the fact that it had gradually evolved into a nation-wide bank at the turn of the century.<sup>192</sup> In 1913, von Klemperer, the director of the Dresdner Bank in Leipzig, wrote “despite its role as large and international bank, the Dresdner Bank is still a Saxon institute and one of its first goals is the support of Saxon trade and industry.”<sup>193</sup> Given this self-declared commitment to Saxony, the lack of customers in Leipzig was a painful lacuna in the banking affairs of the Dresdner Bank. As the bank had to start from scratch in Leipzig, the fur industry featured prominently in the ‘conquest’ of the local lending market. The bank focused on “unsatisfied customers” in order to attract new accounts. This can be seen in the somewhat self-laudatory memoirs of von Klemperer: “I began with the fur sector and found success because of our international contacts and our willingness to provide credit and accept “special desires.” I succeeded in bringing in first class firms as customers and thereby I had overcome!”<sup>194</sup> The first customers were Chaim Eitingon, Königswerther, and Ullmann: after only a few months, most of the fur firms had become customers of the Dresdner Bank.<sup>195</sup> Locally clustered activities were apparently of interest to the Dresdner Bank. After the fur industry, von Klemperer won many new accounts in the book printing industry, the other main industrial district in the Leipzig region. The result was that the Dresdner Bank in Leipzig assigned a staggering 70% of its credit activities between 1924 and 1929 to the local fur industry and the book printing sector.<sup>196</sup>

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<sup>190</sup> Hans G Meyen, *120 Jahre Dresdner Bank: Unternehmens-Chronik 1872 bis 1992* (Frankfurt am Main: Dresdner Bank, 1992), 57.

<sup>191</sup> Andreas Graul, *Gustav und Victor von Klemperer: Eine Biographische Skizze; Mit Bildern und Dokumenten aus dem Besitz der Familie von Klemperer* (Dresden: Eugen-Gutmann-Ges., 2005), 95.

<sup>192</sup> Harald Wixforth, “Bank für Sachsen oder Bank für das Reich? Zur Geschichte der Dresdner Bank von 1872-1914,” in *Sachsen im Kaiserreich: Politik, Wirtschaft und Gesellschaft im Umbruch*, ed. Simone Lässig and Karl Heinrich Pohl (Weimar: Böhlau, 1997), 328–329.

<sup>193</sup> StA-L, Dresdner Bank in Leipzig 21018, Nr. 1. Leipziger Zeitung v. 29.01.1913.

<sup>194</sup> Meyen, *120 Jahre Dresdner Bank*, 58.

<sup>195</sup> Graul, *Gustav und Victor von Klemperer*, 95.

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The Deutsche Bank entered the Leipzig market much earlier (1901), where it occupied the vacuum left by the bankruptcy of the first joint-stock bank in Leipzig, the Leipziger Bank.<sup>197</sup> Competition between banks in Leipzig sharpened after the opening of the Deutsche Bank's division.<sup>198</sup> The Leipzig division of the Deutsche Bank followed a similar strategy to the Dresdner Bank in order to gain a foothold in the trade fair city. On the business credits market, the Deutsche Bank focused on luring customers from the ADCA. In 1901, it gained Ariowitsch as a customer. Soon, the Brühl came to represent the largest circle of customers of the Deutsche Bank in Leipzig.<sup>199</sup> Continuity of leadership also preserved the entanglement between banks and the fur industry. Von Klemperer led the Leipzig division of the Dresdner Bank from its opening in 1909 until 1934. Continuity in terms of personnel characterised the Deutsche Bank as well. Eugen Naumann headed the Deutsche Bank in Leipzig between 1909 until 1930. Before the directorship, he had been vice-director of the Leipzig branch between 1901 and 1909: earlier, he had learnt banking in the London and Hamburg branches. Both directors were advocates of investment in the local fur industry. They remained in the highest positions of local finance for almost thirty years.

The trade in furs, an expensive luxury commodity, required large financial efforts. The banks in Leipzig were an important support for the international operations of the Leipzig fur industry as they helped to finance fur imports to the Leipzig district. As such, the support of the banks was seminal to the development of the Leipzig fur industry as an industrial district. In addition, due to the structure of the 'fur business year,' money was needed at very specific moments, such as the annual fairs and auctions where fur traders bought large bulks of furs. Little is known about the relationship between the banks and the fur industry before World War I, yet several factors indicate that banks tailored their financial products to the requirements of the fur industry. In 1906, for instance, the Deutsche Bank granted the Theodor Thorer firm 300,000 marks of unsecured credit, which was extended with short-term loans to the sum of "200,000 marks during the large fairs and auctions in the world."<sup>200</sup> Thorer did not solely depend on the credit of the Deutsche Bank. Indeed, the opposite was true. By October 1913, the credit provided to Thorer by the Leipzig banks (which he spent in London and Nizhnii Novgorod) amounted to 2,310,000 marks: 500,000 had been provided by

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<sup>197</sup> Richard Tilly, "Die Deutsche Wirtschaftskrise von 1900/01 Und Der Fall Der Leipziger Bank," in *Bankenkrisen in Mitteleuropa Im 19. Und 20. Jahrhundert*, ed. Richard Tilly (Stuttgart, 2000), 69–100.

<sup>198</sup> S Wasserstrom, "Die Entwicklung Des Bankwesens in Leipzig," *Leipziger Kalender*, 1912, 117.

<sup>199</sup> *Die Deutsche Bank in Leipzig: 1901-2001* (München: Piper, 2001), 60.

<sup>200</sup> StA-L, Deutsche Bank in Leipzig, 21017, Filialbüro Berlin an die Direktion der Leipziger Filiale der Deutschen Bank, Leipzig, 16.07.1906.

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the Deutsche Bank.<sup>201</sup> The fur industry was able to profit from the competition between the banks. Firms could accrue credit from multiple sources because of the laws of supply and demand on the bank market. Finally I should briefly note the advantages of multiple bank connections. In order to diminish risk, the banks were interested in investing in more than just a few fur firms. Joint credit offers diminished the financial risks of the banks.

The element of competition can be found in other cases as well. In particular, two other examples will be given in connection to the Deutsche Bank. Before Thorer, the Ariowitsch account was the most important to the Deutsche Bank and its commitment toward this Jewish trade firm consisted of around 600,000 marks in unsecured credit that the firm could freely use for purchasing. According to the Leipzig office, the Ariowitsch fur firm represented “the single most important account in their books.”<sup>202</sup> With the banking affairs of the firm amounting to 3,000,000 marks, it represented the flagship account of the new branch. It was noted that “we are the only bank connection and much of the profitable foreign commerce goes through our hands.”<sup>203</sup> Ariowitsch entertained connections to one bank only and the Deutsche Bank in Leipzig tried to keep it that way. The effects of competition worked here as well. In 1913, the Ariowitsch family could easily exert pressure on the Deutsche Bank when they needed additional unsecured credit: “two other banks have offered these gentlemen unsecured credit but they want to stay with us, and will refrain from opening a second credit line.”<sup>204</sup> However, this was on the condition that the Deutsche Bank extended the unsecured credit by a further 150,000 marks.

As part of its expansion policy, the Deutsche Bank connected to the Biedermann firm, one of the pioneering companies in the fur trade in Russia’s Far East, as early as 1908.<sup>205</sup> The trade volume of the Biedermann firm was worth 2,600,000 marks and therefore it was one of the largest fur firms on the Brühl. Although the Biedermann firm had considerable financial resources, “steadily increasing prices” forced Biedermann to support his commercial activities in Russia on bank credits. Biedermann divided his banking affairs between the Deutsche Bank

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<sup>201</sup> StA-L, Deutsche Bank, Filiale Leipzig 21017, nr. 544, Filiale Leipzig an die Deutsche Bank Filialbureau, Berlin. 4.09.1913. These credits were divided among Deutsche Bank (500,000), ADCA (500,000), Darmstädter (500,000) and some smaller banks: Gotha Bank (300,000), Meyr & Cie (450,000), Frühling & Goschen (25,000), Ruffers (15,000) and finally Kleinworte (20,000).

<sup>202</sup> StA-L, Deutsche Bank 21017, Filiale Leipzig, nr. 208. ff. 12-15. Deutsche Bank Filiale Leipzig, Leipzig 27.11.1913.

<sup>203</sup> StA-L, Deutsche Bank in Leipzig 21017, nr. 208, f. 13. Deutsche Bank Filiale Leipzig, Leipzig 27.11.1913.

<sup>204</sup> Ibidem.

<sup>205</sup> StA-L, Deutsche Bank in Leipzig, 21017, nr. 258, f. 2. Leipzig, den 24.01.1910.

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and, to a lesser extent, the Bank für Handel und Industrie and the Bankhaus Meyer & co, a private Saxon bank. In 1910, the Deutsche Bank, like the Bankhaus Meyer, approved commercial credit of 100,000 marks, which Biedermann could spend at the Nizhnii fairs. Later, in 1913, Biedermann demanded that his credit be increased in order to keep up with the rise in prices. The head office in Berlin regarded Biedermann's credit request as 'inconvenient' (*unbequem*) since the international fur industry was undergoing problems in 1913. Upon the advice of Berlin, the Deutsche Bank in Leipzig therefore declined his request in order "curb his entrepreneurial spirit." However, Biedermann, whose trade volume had increased to 11,000,000 Mark, then opened negotiations with the Dresdner Bank, the main competitor of the Deutsche Bank, for some short-term loans.<sup>206</sup> Biedermann held that bank credit for buying in Russia was paramount for the survival of his firm. With the threat of the Dresdner Bank lurking, the Deutsche Bank gave in. Naumann increased Biedermann's unsecured credit from 100,000 to 300,000 marks.<sup>207</sup> Bank competition offered considerable opportunities to the fur firms in Leipzig and made it difficult for banks to curb 'risky' business expansion.

The heavy competition on the local lending market is further illustrated in the communication of the Deutsche Bank between the branch in Leipzig and the head office in Berlin. Criticism towards the policy of the Leipzig office had long been looming but finally erupted in 1913. In that year, the trade cycle in furs was rather slack and Berlin panicked about the position of its Leipzig office in the local economy. It posed restrictions on the Leipzig office, which had been overly transfixed on the success of several fur firms. Nonetheless, the head office understood the pressure that Naumann had experienced when breaking into the local lending market: "We understand that under the circumstances it is not easy to pose limits on your customers in the fur industry, which are courted heavily by your competitors and whose commercial success tempts you to further expand your business activities."<sup>208</sup> In the years before the war, the head office aimed to reverse the policy of the Leipzig office. Berlin

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<sup>206</sup> StA-L, Deutsche Bank in Leipzig, 21017, nr; 258, f. 10. Kreditantrag. Deutsche Bank Leipzig an Berlin, no. 373. 09.09.1913.

<sup>207</sup> StA-L, Deutsche Bank in Leipzig, 21017, nr. 288, f. 30. Deutsche Bank Filialbüro an Filiale Leipzig, 05.02.1914.

<sup>208</sup> StA-L, Deutsche Bank Filiale Leipzig, nr. 208. Deutsche Bank Filialbureau an die Direktion der Deutschen Bank Filiale Leipzig, 2.12.1913.

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instructed that the Leipzig branch should “limit its credit to the local industry and decline new requests for credit, particularly from the fur industry.”<sup>209</sup>

The nervousness during the 1913 slump reveals the lopsided balance between the fur industry and the banking system. The Gotha Privatbank, for instance, had almost blindly granted 300,000 marks of credit to Theodor Thorer from 1906 on the advice of the Deutsche Bank. In the troubled year of 1913, the private bank suddenly worried about the risks it had undertaken: “the connection is now somewhat uncomfortable since we are not able to learn more about this firm and we cannot supervise it. Moreover, they have multiple connections to banks besides us (...).”<sup>210</sup> Regarding the panic that had engulfed the banking system in 1913, the director of the Deutsche Bank in Leipzig noted that “several of the banks (...) especially the Bank für Handel and Industrie, Mitteldeutsche Privatbank, Bankhaus Meyer & Co (...) have gratuitously and even light-headedly granted credit to a number of companies in the district that do not even deserve to exist and will scatter once trade imposes restrictions.” The Deutsche Bank believed in a purifying effect of credit restrictions: “the new conditions have the effect that many traders will be unable to purchase at the fairs: all the strong firms will survive and the weaker ones will go down. It is a traditional phenomenon at the Brühl that a “purification” of the market occurs without having negative effects upon the stronger elements.”<sup>211</sup>

As can be seen in the above discussion, the competition between those banks positively influenced the development of firms in the district since banking competition had a downward effect on lending conditions. However, the entanglement of the banking system and the fur industry cannot be seen as a purely endogenous factor, since the clustering of business and finance can also be read as a reaction towards macroeconomic developments. Banks followed the requirements of firms that were imposed on the latter by foreign commerce, like short-term credit for annual fairs. In addition, by the end of the nineteenth century, a decreasing supply of prime furs caused a steady rise of wholesale prices.<sup>212</sup> The local banking system not only supported the growth of the fur industry: the availability of credit was of seminal

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<sup>209</sup> StA-L, Deutsche Bank 21017, Filiale Leipzig, nr. 208. ff. 12-15. Deutsche Bank Filiale Leipzig, Leipzig 27.11.1913.

<sup>210</sup> StA-L, Deutsche Bank in Leipzig, 21017, Abschrift, Gotha, den 01.09.1913. An Deutsche Bank Filial-Bureau Leipzig

<sup>211</sup> StA-L, Deutsche Bank in Leipzig 21017, nr. 544, Filiale Leipzig an die Deutsche Bank Filial-Bureau Berlin. 04.09.1913.

<sup>212</sup> Arthur J Ray, *The Canadian Fur Trade in the Industrial Age* (Toronto; Buffalo: University of Toronto Press, 1990), 61.

importance for the fur industry since such allowed them to participate in the international fur boom of the early twentieth century. It is hereby illustrated again that the formation and endurance of the industrial district and inter-firm networks cannot be solely explained by endogenous factors. Like most Saxon industries, the Leipzig fur industry was strongly oriented towards the world market. In other words, to understand the formation of the fur district, we need to examine the structure of the world market that the local economy was embedded in. It is time to position the fur district more consistently within the system of international trade.

### **2.4 The changing structures of the world fur trade.**

In order to study the position of the district in relation to the outside world, it is obviously necessary to place Leipzig within the context of global trade: in other words, within the commodity chain of furs in which it was embedded. However, a difficulty immediately arises when talking about *the* commodity chain in furs. It makes more sense to subdivide the commodity chain into two larger subchains. The first chain originated from the heartlands of Siberia and went across the Urals to fur markets in western Russia, where the furs ended up in the hands of foreign buyers. The second one started in the woodlands of North America with London as its central hub in terms of both trade and manufacture. Both had a number of striking historical similarities and both changed significantly during the long nineteenth century.

The global commodity chains of furs on both continents were created relatively early in terms of world economic history and featured prominently in processes of frontier expansion. Since the late middle ages, traders from the state of Muscovy systematically integrated the vast Siberian woodlands into what would become the largest continental empire in world history. Russian traders set out en masse to explore the Siberian woodlands and installed an imperial exploitation system that was subsequently monopolised by the state.<sup>213</sup> Similarly, European demand for furs was largely responsible for attracting hunters and explorers to North America. A difference in the colonial expansion on both continents was coercion.<sup>214</sup> The

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<sup>213</sup> Janet Martin, *Treasure of the Land of Darkness* (Cambridge University Press, 1986), 166,

<sup>214</sup> James D. Tracy, "Iasak in Siberia vs. Competition Among the Colonizers in Canada: A Note On Comparisons Between Fur Trades," *Russian History* 28, no. 1 (January 1, 2001): 406.

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Russians installed a system of taxation, ‘*iasak*,’ obliging the natives to contribute a yearly tribute in furs.<sup>215</sup> The collection of *iasak*, which formed the basis for Russia’s fur trade, was accompanied by coercion and brutal violence against the natives.<sup>216</sup> In North America, especially before the Seven Years War, competition based on bartering with native hunters, rather than coercion, characterised the fur trade.<sup>217</sup> Whereas the state dominated fur procurement in Russia via taxes, the Hudson’s Bay Company (an imperial-chartered company similar to the East India Company) exploited the fur wealth of the Canadian woodlands.

The impact of the fur trade upon the resource-orientation of the involved economies was similar. Russian and Canadian economic development was to a large extent shaped by the trade in furs well into the 1700s. The dependency on furs characterised pre-Petrine Russia. Historians like Alexander Etkind have pointed out the impact of the fur industry upon the infrastructure of the Russian state, which had made itself proficient in the export and taxing of resources. He writes that “fed by the fur trade, the state experimented with other resources and institutions.”<sup>218</sup> Similarly, Harold Innis’ seminal monograph on the fur trade in Canada described how the trade, created by European immigrants and foreign companies, produced a long-lasting economic dependence on overseas markets and shaped the country’s core institutions. Even though the economic determinism used by Innis has been refuted, his “staple theory” that preceded dependency and underdevelopment theories gave birth to a reassessment of the political and economic history of North America.<sup>219</sup>

An important difference between the Siberian and North American trades was the way in which sales were organised. As mentioned before, the Siberian fur trade was organised into a system of trading at fairs. In sharp contrast, the sale of North American furs was organised at auctions. In auctions, the seller puts the ‘pricing in the hands of the buyers’ hoping that

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<sup>215</sup> Aleksandr Etkind, *Internal Colonization: Russia’s Imperial Experience* (Cambridge, UK; Malden, MA: Polity Press, 2011), 75.

<sup>216</sup> Susan Alexandra Crate, *Cows, Kin, and Globalization: An Ethnography of Sustainability* (Rowman Altamira, 2006), 225.

<sup>217</sup> In spite of the absence of large-scale systematic violence, natives were not much better off in Canada than in the Russian empire. Their usefulness for the fur trade is clear but in the long run they formed an obstacle to agricultural settlement. The participation of natives in the fur trade well into the twentieth century was also harmful in the long run. Ray described how the fur trade made the social structure of natives more vulnerable and how it destroyed their pre-colonial resource management and distribution mechanisms. Arthur J Ray, “Periodic Shortages, Native Welfare, and the Hudson’s Bay Company 1670-1930,” in *The Subarctic Fur Trade: Native Social and Economic Adaptations*, ed. Shepard Krech (Vancouver: University of British Columbia Press, 1984), 2.

<sup>218</sup> Etkind, *Internal Colonization*, 82.

<sup>219</sup> Harold Adams Innis, *The Fur Trade in Canada: An Introduction to Canadian Economic History* (Toronto; Buffalo: University of Toronto Press, 1999).

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competition will set an acceptable price. Therefore, it is a useful system if there are a large number of potential buyers.<sup>220</sup> It is also convenient for selling a commodity that is not entirely standardised. This was the case for furs because of a large variety in quality: fluctuations were also caused by changes in fashion. The British fur trade was initially characterised by a quasi-monopolistic seller and a large arena of buyers from Britain and abroad. Auctions were thus tailored to the quasi-monopolistic Hudson's Bay Company and its top-down trade structure. On the other hand, fairs enabled multiple buyer-seller transactions and the presence of many smaller firms, as was the case in the Russian fur trade. Auctions were a typically British phenomenon too. Auction houses like Sotheby's emerged in eighteenth century England. Auctions governed the transaction of other imperial commodities, like the tea offered by the British East India Company.<sup>221</sup>

Nonetheless, the historical commodity chains were undergoing significant changes in the nineteenth century that made them more alike, although still not identical. First of all, in both North America and Siberia, the fur trade became less central in economic affairs. Between 1700 and 1900 the importance of furs in the structure of the Russian economy declined steeply. By 1900, the export of furs represented only a marginal 1% of total Russian exports.<sup>222</sup> According to Michael Dohan, between 1909 and 1913, the export of furs in tsarist Russia corresponded to 1.1% of exports.<sup>223</sup> In Canada, the fur trade was replaced by other activities like lumbering, mining, and farming. At the same time, the world market prices of furs went uncontrollably upwards, especially at the turn of the century. According to Arthur Ray, fur prices in Canada remained relatively stable between 1870 and 1900. However, in 1905 prices reached 130% of the 1870 level and in 1910 prices ascended even further to 180%. Prices of raw furs reached record heights in 1913 with 230% of the 1870 price level.<sup>224</sup> The trend in Russian furs is remarkably similar. Russian trade figures reveal that earnings

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<sup>220</sup> John McMillan, *Reinventing the Bazaar: A Natural History of Markets* (W. W. Norton & Company, 2003), 76.

<sup>221</sup> K. N. Chaudhuri, *The Trading World of Asia and the English East India Company: 1660-1760* (Cambridge University Press, 1978), 396.

<sup>222</sup> Basile Kerblay, "Chasseurs et Marchands de Fourrures En Russie Au Début Du XXe Siècle," *Cahiers Du Monde Russe et Soviétique* 19, no. 4 (December 1978): 363. Kerblay notes that furs continued to be important for the Siberian economy, especially as an additional resource to farmers. The exports in furs were higher when the Russian farmers had a bad harvest and vice versa. After 1890, the link between export of wheat and furs was ended by the higher demands on the international fur market: the international demand replaced internal cyclical agriculture. See also: *Vneshnyaya trgovlya CCCP za 1918-1940 gg.* (Statisticheskii obzor), chast 1, p. 55, 80, 106

<sup>223</sup> Michael Repplier Dohan, "Soviet Foreign Trade in the NEP Economy and Soviet Industrialization Strategy" (1969), 98.

<sup>224</sup> Ray, *The Canadian Fur Trade in the Industrial Age*, 1990, 14.



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made from exports went up while procurement stagnated. At the turn of the century, fur exports were worth 3.3 million roubles on average: between 1900 and 1906, this figure reached 9.5 million and then 15.6 million between 1907 and 1913.<sup>225</sup> Scarcity and growing consumption in particular were driving world market prices to new heights.

The squandering of resources and growing consumption increased global competition over furs. Furthermore, competition became fiercer because of the growing accessibility of the frontier zone. Both in North America and in Siberia, more capitalistic businesses came to divide control the fur trade.<sup>226</sup> In Canada, the Hudson's Bay Company had to tolerate the intrusion of foreign competitors that made use of the transcontinental railway and steamboat shipping. Most leading American, British, and German merchant houses had sent agents or installed branches in Canada's boreal zones.<sup>227</sup> In 1821, the HBC managed to merge with the North West Company, one of the first that threatened to trade along the Pacific coast.<sup>228</sup> However, by the end of the nineteenth century, American firms played a leading role in the Canadian fur trade. The French Revillon Frères company also became one the most dynamic competitors of the HBC in North America. Firms like Revillon Frères turned into global players. Such global firms meant heavy competition for the London auctions. At the turn of the century, roughly 50% of Canadian furs were exported to the US and the other half to Great Britain. Prior to 1900, almost 80% flowed to the fur auctions in London.<sup>229</sup> In Siberia, a similar pattern of competition emerged on the frontier. The state-led exploitation based on the *iasak* was replaced by monetarised transactions<sup>230</sup> because of the intrusion of private merchants and businesses.<sup>230</sup> Siberia became more 'open' too. Business interests intruded Siberia and its markets like Irbit because of the construction of parts of the Trans-Siberian railway. The Revillon Frères company opened departments in the Siberian heartlands and in Central Asia in 1908.<sup>231</sup>

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<sup>225</sup> Dohan, 104-105. Foreign capital was also not invested in great amounts in Russia's export driven industries but rather on those that focused on the domestic market.

<sup>226</sup> Osterhammel, *Die Verwandlung der Welt*, 489.

<sup>227</sup> Ray, *The Canadian Fur Trade in the Industrial Age*, 1990, 67.

<sup>228</sup> Eric R. Wolf, *Europe and the People Without History* (University of California Press, 2010), 182.

<sup>229</sup> Ray, *The Canadian Fur Trade in the Industrial Age*, 1990, 65.

<sup>230</sup> Kerblay, "Chasseurs et Marchands de Fourrures En Russie Au Début Du XXe Siècle," 310. The process of monetarisation went very slow. From 1720, Russian authority provided the opportunity to pay the Yasak in currency, but only in the beginning of the nineteenth century, the majority of yasak was paid for in cash.

<sup>231</sup> Thierry Mallet, *Kakoot: récits du pays des caribous* (Les éditions du Septentrion, 2000), 7.

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By the turn of the century, global competition in manufacturing surfaced more strongly as well. Aside from Leipzig, fur manufacturing emerged prominently in Great Britain and North America. The fur dressing industry in London's East End was one of the first manufacturing hubs in Europe. However, the British fur dressing and dyeing industry remained significantly smaller than its German counterpart. In 1907, Britain's fur industry employed 2,386 male and 2,305 female workers, a figure that is almost identical to the number of labourers in Saxony (4,643) in the same year.<sup>232</sup> British fur manufacturing was thus completely dwarfed by the total workforce in the German industry (18,232). Furthermore, fur manufacturing in London obviously profited from the presence of merchants but forms of cooperation between commerce and industry like in Leipzig were non-existent. Competition particularly came from across the Atlantic. A key shift was the increase in fur consumption in the US and the associated emergence of fur manufacturing in American cities like Chicago and New York at the turn of the century. By 1912, the American fur industry employed around 10,000 labourers, amongst which were 7,000 of Jewish origin.<sup>233</sup> Fur manufacturing in Toronto and Montreal was said to be of a lesser magnitude.

The emergence of Leipzig as an industrial district has to be placed within a context of increased global fur manufacturing and fur trading. It emerged in a world market that was in full expansion. Both chains had changed considerably during the nineteenth century in the sense that they became more globalised. The international fur trade that had been characterised by early modern trade patterns, based on the fairs, and dominated by quasi-monopolistic actors like the HBC was in full transition. Capitalist business increasingly defined the organisation of trade in both chains. I have already mentioned that historically the fur trade in Leipzig was strongly oriented towards Russian business. Nonetheless, economic institutions like the fairs were under pressure. How was the Leipzig industrial district embedded within this changing structure of global trade and in the dual commodity chains? Did firms simply focus upon the Russian market or were they interested in other markets as well? How did long term development and chain institutions govern the conditions under which the Leipzig firms operated?

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<sup>232</sup> The Fur World, 1913. January. No. II. Vol. 3. Seasonality of the fur trade.

<sup>233</sup> Michael Berenbaum and Fred Skolnik, "Fur Trade and Industry," *Encyclopaedia Judaica* (Detroit, 2007), 313.

## 2.5 Leipzig on the world market.

### 2.5.1 *Transnational entrepreneurship and eastern orientations.*

In a way, increased competition was not an entirely new chapter in the history of the Siberian fur trade. While fur procurement was dominated by the state system of fur tributes or *iasak*, the organisation of the fur exports had historically been in the hands of competing foreign firms and merchants.<sup>234</sup> The initial trade in Siberian furs in the 16<sup>th</sup> and 17<sup>th</sup> centuries was organised by members of the Hanseatic league and then by merchants that frequented the fairs in Nizhnii Novgorod. Dutch and British merchants, drawing upon the power of their merchant navies, were predominant but German traders were important as well.<sup>235</sup> In the nineteenth century, the export organisation of an important number of resources and agricultural products remained largely in the hands of foreign firms and banks.<sup>236</sup> However, global competition over Siberian furs at the end of the nineteenth century involved foreign firms not only as organisers of exports but also as agents of procurement.<sup>237</sup>

Most of the firms and merchant banks that dominated the Russian trade in the nineteenth century were of German origin. In fact, German merchants and merchant houses had replaced the British as the main trading partner of Russia, especially after the Crimean War.<sup>238</sup> By 1860, German merchants commanded the list of exporters using the harbour of St. Petersburg.<sup>239</sup> Between 1899 and 1910, around 45% of Russian's exports on average were destined for Germany whereas 45% of Russian imports originated from the Reich. In contrast, Britain ran a small deficit with tsarist Russia: it imported 18% of Russian goods but only sold

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<sup>234</sup> Jarmo Kotilaine, *Russia's Foreign Trade and Economic Expansion in the Seventeenth Century: Windows on the World* (Leiden, the Netherlands; Boston: Brill, 2005), 9.

<sup>235</sup> Eric Henk Wijnroks, *Handel tussen Rusland en de Nederlanden, 1560-1640: een netwerkanalyse van de Antwerpse en Amsterdamse kooplieden, handelend op Rusland* (Hilversum: Uitgeverij Verloren, 2003), 12.

<sup>236</sup> Dohan, "Soviet Foreign Trade in the NEP Economy and Soviet Industrialization Strategy," 104.

<sup>237</sup> *Ibid.* Foreign capital also not invested much in export driven industries of Russia, but rather on industries that focused on the domestic market

<sup>238</sup> Geoffrey Jones, *Merchants to Multinationals: British Trading Companies in the Nineteenth and Twentieth Centuries* (Oxford: Oxford University Press, 2000), 24.

<sup>239</sup> Erik Amburger, "Der Fremde Unternehmer in Russland bis zur Oktoberrevolution im Jahre 1917," *Tradition: Zeitschrift für Firmengeschichte und Unternehmerbiographie* 2, no. 4 (1957): 354; The list of exports through the harbour of St. Petersburg in 1861 was headed by Ludwig Knoop, who purchased Russian goods for 8,723,126 silver roubles. On the German presence in Vladivostok, see Lothar Deeg, *Kunst & Albers Wladiwostok: die Geschichte eines deutschen Handelshauses im russischen Fernen Osten (1864-1924)* (Essen: Klartext, 1996).

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13%.<sup>240</sup> A considerable number of key Russian export commodities were in the hands of German traders, like barley (61.5%), grain (31%), and oil (40%). Conversely, between 1907-1910, 45% of all goods that Russia imported came from Germany, foremost machinery and dyes. Furs were central to bilateral trade relations. In 1913, 64.3% of Russia's total fur exports (which accounted for roughly half of world production) arrived in Germany.<sup>241</sup>

Moreover, the German fur industry also controlled Russia's internal fur market by re-exporting manufactured furs, since synthetic dyeing was largely underdeveloped in Russia. Michael Dohan noted that 84% of all Russia's processed leather and fur imports came from Germany. This led to the situation where German garments, made from Siberian furs, were sold in St. Petersburg and Moscow. Despite being one of the largest fur producers in the world, Russia was essentially transformed into a net importer of furs at the beginning of the twentieth century. According to the tsarist customs houses, the value of these processed furs was roughly 2.8 times higher than raw furs.<sup>242</sup> Furs joined the commodity list of Russian products, like flax and platinum, which the Germans could use to dominate internal markets in Russia through re-export with added value.<sup>243</sup>

What explains the success of German merchants and firms? Apart from the impact of international events like the Crimean War on rival British businesses, Margaret Miller noted that this "peaceful penetration" was based on a German willingness to adapt to local customs: "German merchants studied the language, customs, desires, and needs of their customers to a much greater extent than did their English colleagues."<sup>244</sup> The same tendency to meet Russian desires extended to the level of trading practices. For instance, German traders complied with the Russian penchant for selling on credit, which the British merchants strongly disliked.<sup>245</sup> In contrast to the complacent representatives of British firms, the Germans were quicker to

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<sup>240</sup> Robert Lewis, "Foreign Economic Relations," in *The Economic Transformation of the Soviet Union, 1913-1945*, ed. R. W. Davies, Mark Harrison, and S. G. Wheatcroft (Cambridge ; New York: Cambridge University Press, 1994), 199.

<sup>241</sup> Dohan, "Soviet Foreign Trade in the NEP Economy and Soviet Industrialization Strategy," 153.

<sup>242</sup> Kerblay, "Chasseurs et marchands de fourrures en Russie au début du XXe siècle," 363. One ton of raw furs averaged the value of 2390 roubles, whereas the processed furs of the same quantity when they entered Russia again valued 6770 roubles.

<sup>243</sup> Dohan, "Soviet Foreign Trade in the NEP Economy and Soviet Industrialization Strategy," 151-152. See FN. 96.

<sup>244</sup> Margaret Stevenson Miller, *The Economic Development of Russia, 1905-1914: With Special Reference to Trade, Industry, and Finance* (Psychology Press, 1967), 63.

<sup>245</sup> R. P. T. Davenport-Hines and Geoffrey Jones, *British Business in Asia Since 1860* (Cambridge University Press, 2003), 79.

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appear in cities and areas that required trading services, to adapt to local customs, and to make themselves proficient in the Russian language.

Anecdotal evidence delivers proof that Leipzig merchants were indeed organisers of Russian fur exports and had specialised themselves in the Russian commerce. Firstly, the entanglement between banking and the fur trade allowed fur traders to comply with the Russian preference for payment in advance. Banks in Leipzig gave considerable credit to purchase furs at the fairs in Nizhnii, thus covering the time between buying in Russia and selling in Leipzig. In addition, the gradually increasing prices did not affect the firms' abilities to operate on the Russian markets since competition between banks in Leipzig pushed credit to the same heights. Secondly, firm owners in the fur business showed at least a similar devotion to adapt to Russian trade customs as their colleagues in other trades. All the major Leipzig firms possessed branches in Russia or had brokers working for them. However, the specialisation in the Russian business also made way for a different mode of entrepreneurship, one that was closely linked to a transnational lifestyle. This was, of course, linked to the fact that many entrepreneurs had a migrant background.

The last two elements of specialisation in the Russian fur business, branching and mobility, can be illustrated by analysing the foreign activities of several Leipzig firms. Fur merchant houses in Leipzig traditionally sent family and employees on long journeys through Russia. Joseph Garfunkel, employed by the Marcus Harmelin firm and also a member of the Harmelin family through marriage, mentioned a journey as a young adolescent to Nizhnii Novgorod in 1889 with his father. Later, Joachim Harmelin, one of the youngest descendents of Marcus Harmelin, joined Garfunkel on a trip to Nizhnii. In 1892, Garfunkel undertook travel to the February fairs in Irbit, which was still uncharted territory for many foreign merchants. This was an advantageous strategy because it meant that the firm could circumvent the intermediary trade that took the furs from Irbit to Nizhnii Novgorod.<sup>246</sup> At the turn of the century, the Harmelin firm possessed an agency even deeper in Siberia, close to the source of raw furs.<sup>247</sup>

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<sup>246</sup> Kahan, *Russian Economic History*, 36.

<sup>247</sup> Wilhelm Harmelin, *Marcus Harmelin, Rauchwaren und Borstenkommission Leipzig: 1830-1930; zum hundertjährigen Bestehen*. (Leipzig, 1930), 31.

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The Jewish Fränkel family also organised business according to the large sales events in the Russian fur trade, thereby demonstrating the features of transnational entrepreneurship. The Fränkel family were Jews who had moved in the 1850s to Leipzig from Brody and established the Julius N. Fränkel company. Hugo Fränkel, who was born in Leipzig, inherited the business much later. Whilst maintaining the branch in Leipzig, he moved back to Moscow and spent most of his time in Russia. However, Fränkel conducted most of his business outside of Moscow. His 14-year old son Jury mentioned in his memoirs that his father took him to the fairs in Irbit in the winter of 1913-14, the beginning of a long sequence of tiresome trips.<sup>248</sup> In Irbit, Fränkel and his son met many members of the Leipzig Brühl, one of whom was David Biedermann. After Irbit, Fränkel sent his furs back to Moscow. With the furs shipped from Moscow to Germany, he and his son travelled in the spring to Leipzig, where they stayed with their family still residing close to the Brühl. In the summer, however, the Fränkels went back already to Moscow and travelled forth to Nizhnii in order to attend the fairs. The analysis of the business activities of this family firm reveals that the phenomenon of transnational entrepreneurship was seminal in the commercial links between the east and Leipzig. Transnational entrepreneurs are entrepreneurs that maintain business links within multiple communities across state borders: “Transnational entrepreneurs by travelling both physically and virtually, simultaneously engage in two or more socially embedded environments.”<sup>249</sup> Such merchant families were certainly rooted in more than one social context and they maintained global trade relations of the Leipzig fur trade.

As can be seen from the example of the Fränkel family, the Moscow-Leipzig axis had turned into an operating base for fur trading in Russia. Moscow was a growing hub for foreign business: a large German community was domiciled in Moscow and Nizhnii Novgorod could easily be reached from there.<sup>250</sup> The Chaim Eitingon AG in Leipzig had a division in Moscow, which after 1910 was called the Moskauer AG für Rauchwarenhandel and was headed by a nephew of Chaim Eitingon.<sup>251</sup> Chaim, similar to the Fränkel family, was a transnational entrepreneur in the sense that he lived in both cities: only just before World War

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<sup>248</sup> Jury Fränkel, “*Einbahnstraße*” *Bericht eines Lebens* (Murrhardt: Rifra-Verl., 1973), 32–33.

<sup>249</sup> Israel Drori, Benson Honig, and Mike Wright, “Transnational Entrepreneurship: An Emergent Field of Study,” *Entrepreneurship Theory and Practice* 33, no. 5 (September 1, 2009): 1001.

<sup>250</sup> Dittmar Dahlmann, “Before the Great War: German Entrepreneurs in Russia - Russian Scholars in Germany. Two Types of Russian-German Relations in the Decades before the First World War,” in *Russian-German Special Relations in the Twentieth Century: A Closed Chapter*, ed. Karl Schlogel (Berg, 2006), 13. In 1897, the German community in Moscow had 17,538 members or 1.7% of the city’s total population. Roughly 2,000 of them were economically self-sufficient.

<sup>251</sup> StA-L, Dresdner Bank in Leipzig 21018, nr.: 267. Leipzig, den 22.11.1912.

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He decided to reside permanently in Leipzig. Middle-sized firms also had branches in Moscow, like Koenigswerther (1910-1914) and Munisch Rapaport, a fur trader who had agents in Moscow and Nizhnii Novgorod.<sup>252</sup> Other Leipzig firms penetrated deeper into the Siberian heartlands in order to increase the efficiency of trade. In addition to the Moscow branch, Ariowitsch established a branch in Slobodskoi after 1904.<sup>253</sup>

With regard to the organisation of Russian exports, Leipzig profited from the presence of merchants of Jewish origins, some of whom not only held contacts in Russia but were also Russians themselves. Aside from branching, links between Russian and Leipzig were maintained through mobility. Many of the Jewish entrepreneurs clearly led transnational lives, with Leipzig being one of their social contexts. However, gentile firm owners who specialised in the trade with the East demonstrated similar behaviour. Theodor Thorer, the founder of the Theodor Thorer firm, took his son and successor Paul Thorer, aged 17, to the Russian fur centres Moscow and Nizhnii Novgorod. In order to avoid middlemen, Paul took the business further into Asia. He sent agents to Bukhara in order to buy Astrkhan and karakul sheep skins on the local market, thus circumventing the Russian trade. In 1902, Paul Thorer himself undertook a journey to Bukhara in order to expand his trade infrastructure. During his journey, he met the emir of Bukhara personally.<sup>254</sup> Personal contacts and travelling was of the highest importance in securing profitable supplies of furs. The structure of the Russian fur trade required personal efforts and a transnational lifestyle.

Some of the Leipzig firms were truly global firms. An intriguing example in terms of organising Russia's foreign trade was the firm of David Biedermann. Biedermann (1869-1930), a Russian Jew who lived in Leipzig, supported an impressive trade infrastructure on the Far Eastern frontier. Although he never travelled there in person, Biedermann's firm was a pioneer in organising exports from the Russian Far East, usually through the Chinese border. Biedermann's Far East headquarters was situated in Urga (Ulan Bator), a major trade centre in Central Asia where the fur trade played an essential part. From Urga, Biedermann's Russian representatives bartered with hunters and sent caravans stuffed with supplies, tea, sugar, leather, and silver to native tribes and hunter communities in Central Asia. It was therefore one of the few Leipzig firms directly involved in cross-cultural trade. The provisions

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<sup>252</sup> Harmelin, "Juden in Der Leipziger Rauchwarenwirtschaft," 277.

<sup>253</sup> StA-L, Dresdner Bank in Leipzig, nr. 220. J. Ariowitsch Rauchwaren. Kreditakte. 23.08.1930.

<sup>254</sup> *Theodor Thorer, Thorer & Co., Leipzig*, 2.

were traded for furs, wool, and animal hair.<sup>255</sup> While Urga was the centre of the firm's fur and wool trade, Biedermann possessed branches in Manchuria, Harbin, Chialar and Uljajutas in Mongolia. Indeed, cities like Harbin and Tainjin had flourishing Jewish communities that traded in furs, amongst other things.<sup>256</sup> Biedermann integrated Leipzig into the Jewish-Chinese fur trading business. As well as having a lucrative trade passage to China, the Biedermann firm also operated through the traditional channels, participating in the fairs of Nizhnii Novgorod and Irbit. David Biedermann left the dealings of the firm at these important fur fairs to his brother in Moscow.

In terms of the Russian business, it has been established that a small business community in Leipzig constructed many ties with the East and Central Asia. Evidence regarding the activities of Leipzig merchants in Russia is patchy and certainly not exhaustive but nonetheless confirms a larger picture of dynamic German merchants in Russia prior to World War I. Leipzig merchants were successful in the Russian fur trade because of their great knowledge of local markets, customs, and networks. In addition, it has been illustrated that trade customs, like the credit system, were appropriated by local dynamics. Bank competition was beneficial to the international operations of Leipzig firms in the sense that it led to larger amounts of credit. Classic instruments like branching and agents were supplemented by transnational entrepreneurship. Many of the entrepreneurs who linked the industrial district were in fact members of more social contexts than just the Leipzig district, leading lives that took them abroad for a considerable period of time. Such a strategy was effective, although time-consuming. Indeed, perhaps it was so time-consuming that it may count as an additional factor preventing local firm expansion?

### ***2.5.2 Orientation to the American and French markets.***

While the export of Siberian furs was dependent upon foreign business and particularly German merchants, the German fur trade was not dependent on the exports of furs from Russia. Arthur Ray has noted the importance of Leipzig dealers in purchasing the furs that the Hudson's Bay Company sold around 1870.<sup>257</sup> Indeed, the German fur trade procured raw

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<sup>255</sup> StA-L, Dresdner Bank in Leipzig 21018, nr. 258, f. 22. Leipzig an Deutsche Bank Berlin. Leipzig, den 4.02.1914.

<sup>256</sup> Matthias Messmer, *China: Schauplätze west-östlicher Begegnungen* (Böhlau Verlag Wien, 2007), 124.

<sup>257</sup> Ray, *The Canadian Fur Trade in the Industrial Age*, 1990, 63.



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material from multiple sources (see figure 1). The import of Russian furs was almost constant, although the numbers show a small contraction in the years leading to World War I. The decline in the Russian fur export can partly be traced back to the structural over-exploitation of Siberian fur resources. In 1914, the *Altnoer Nachrichten* published an alarming report on the Russian fur trade: “prices increased yearly and reach a fabulous height (...) In spite of severe punishments in certain areas for hunting furbearers, results are absent. One cannot deny that the polar fox, the sable, and the skunks almost everywhere in the Russian empire are threatened by extinction.”<sup>258</sup> Such reports were sensational but true. Russian hunting laws were very ineffective at protecting wildlife populations in the country, since they often exempted private property and vast Siberian territories. Illuminating is the drop in the number of caught sables (100,000 to 35,000) and martens (80,000 to 30,000) between 1896 and 1913.<sup>259</sup>

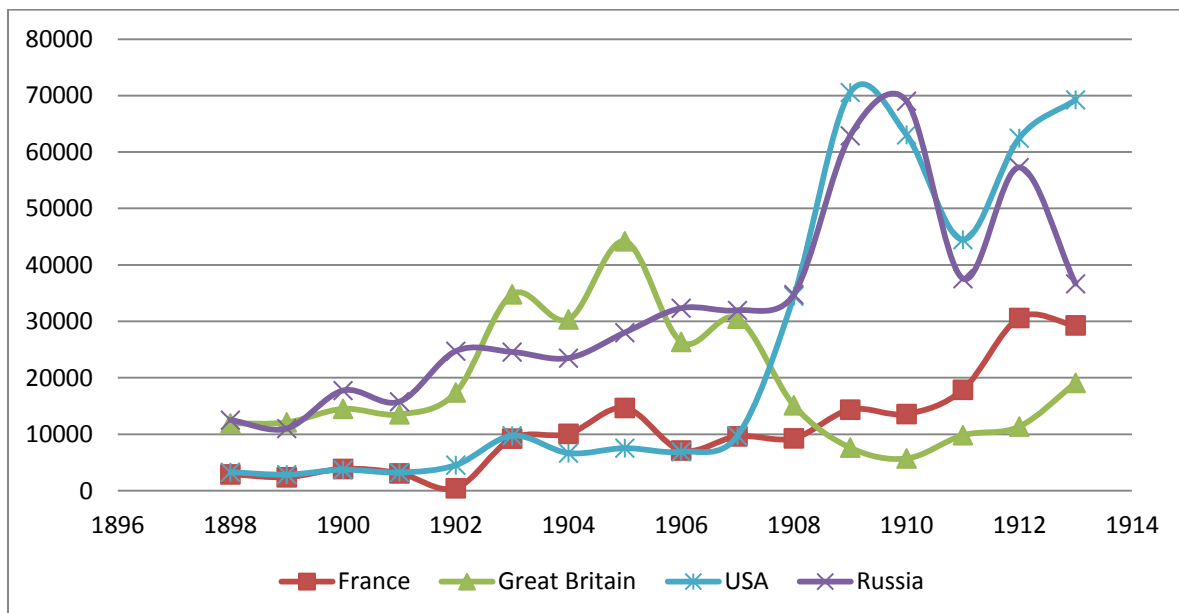


Figure 2-3: Import of raw furs to Germany (million marks)<sup>260</sup>

In particular, the figures show that German fur businesses sourced raw furs from different suppliers but increasingly focused on the USA as a trade partner. Whereas Germany imported furs mainly from Great Britain and Russia at the turn of the century, imports chiefly came from the USA and Russia in the years leading to World War I. The reason was that American

<sup>258</sup> Der Rauchwarenmarkt, 1914, nr. 3. 17.01.1914. p. 67. “Eine russische Gesellschaft zur Züchtung edler Pelztier”.  
<sup>259</sup> Douglas R Weiner, *Models of Nature* (Pittsburgh, Pa.: University of Pittsburgh Press, 2000), 10.

<sup>260</sup> Statistischen Jahrbuch für das deutsche Reich. 1914, p. 196. “Spezialhandel der wichtigeren Waren”. In 1906, only between December and March.

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firms and centres increasingly dealt in Canadian furs at the expense of the London market.<sup>261</sup> In this context, Leipzig fur firms increasingly oriented themselves to the American market. American firms also operated on the European market. Joseph Ullmann, a fur merchant from Pfaffstadt (Alsace) who established businesses in Chicago and New York in 1867, was one of the first to establish major ties between the European continent and American markets. As an American firm, Ullmann opened a branch in Leipzig in 1873.<sup>262</sup> Revillon Frères, the main competitor of the HBC in Canada, also opened a branch in Leipzig. Not only did Revillon provide Canadian furs to the Leipzig market, but the firm also operated as a wholesale buyer in that centre. The interest of foreign firms in settling in Leipzig coincided with the emergence of an industrial district in the fur industry and it signalled growing business competition over fur resources.

Similarly, Leipzig firms increasingly established foreign branches as well, especially across the Atlantic. Indeed, these houses opened simultaneously with the shifting trade flows in Canadian furs from Great Britain to the USA. Ariowitsch established a New York division that opened in 1910 and was renamed as the J. Ariowitsch Corporation in 1914. However, it was liquidated immediately after World War I. Besides branches in New York, Ariowitsch was active in other markets, especially in Paris (Société d'Importation de Pelleteries, Paris), London (London: Ariowitsch & Jacop Fur Co. Ltd), and to a lesser extent in Stockholm (Svenska-Norska Pälsvaru-Actiebolaget).<sup>263</sup> The Eitingon business, originally centred around the Leipzig-Moscow connection, also opened a branch in New York in 1912: the Russian nationality of the Eitingon family saved it from liquidation during World War I.<sup>264</sup>

Theodor Thorer was one of the pioneers on the New York market. Alexander Thorer (the fourth son of Theodor) established the New York business in 1884: it was known known as Thorer Hollender Inc after the First World War. The New York house completed Thorer's business empire. Before 1914, he had representatives in all the major fur markets: New York, London (Raw Furs Ltd), and Paris. This was all governed from Leipzig. Maintaining a multinational business across the Atlantic was not without its problems.<sup>265</sup> Alexander Thorer lacked the business acumen of his father and left America again for Germany in 1896.

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<sup>261</sup> Ray, *The Canadian Fur Trade in the Industrial Age*, 1990, 64.

<sup>262</sup> Harmelin, "Juden in Der Leipziger Rauchwarenwirtschaft," 281.

<sup>263</sup> StA-L, Deutsche Bank, Filiale Leipzig 21017, nr. 207. Bericht über. J. Ariowitsch, Rauchwaren, Leipzig, C1, Brühl 71, Leipzig, 04.09.1929.

<sup>264</sup> Harmelin, "Juden in Der Leipziger Rauchwarenwirtschaft," 275.

<sup>265</sup> 350 Jahre Thorer, p. 37.

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Between 1896 and 1904, Carl Praetorius, a local German entrepreneur, was given leadership over the New York division. In 1904, the company appointed Edward M. Speer as a manager.<sup>266</sup> However, relations between the head office in Leipzig and the management in New York remained dysfunctional. In 1913, the company was faced with what Thorer called himself the “worst year in company history.” It made a substantial loss of around 414,000 marks, a part of which was ascribed to buy out the last shares of Praetorius in the New York branch.<sup>267</sup> In February 1914, Paul Thorer and Paul Hollender pushed back the multinational organisation of the firm by giving more autonomy to the New York branch, thus transforming it into a free-standing subsidiary with a capital base of \$200,000. Thorer had his qualms about the activities in the USA: “in recent years, it has been proven that Leipzig management over the New York division cannot be achieved in a satisfactory way. From the larger autonomy of the branch, I expect a return of the profitability of Thorer in New York.”<sup>268</sup> Even though the management of transatlantic business was not straightforward (except for Biedermann), a few major Leipzig houses had representation in New York before World War I.

### ***2.5.3 Global competition and collective action.***

The orientation to the American market was not only caused by the fact that Canadian furs were traded by American fur companies or the increasing transatlantic business connections, but also because of the growing competition between Leipzig and London. The scant source material on the German fur industry in the years leading to World War I points to an atmosphere of conflict between the Leipzig business community and London. Above all, participation in the British auction system was a source of major discontent. Auction fees could amount to 10% of the total price of the goods.<sup>269</sup> However, while the auction fees were certainly galling, the main problem was that the crowded auction calendar increasingly interfered with the Leipzig fairs. The London raw fur market was saturated in the years leading to World War I. Firms that hitherto played a secondary role on the London fur market organised important auctions as well. Next to the HBC and the Lampson & Co auctions, the A

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<sup>266</sup> Otto Nauen, *350 Jahre Thorer*. (Frankfurt am Main, 1962), 40.

<sup>267</sup> StA-L, Deutsche Bank, Filiale Leipzig 21017, nr. 550, f. 9. Theodor Thorer Leipzig. Heute erschien bei mir Herrn kommerzienrat Thorer, mit seinem Schwiegersohne Herr Holländer, Mitinhaber der Firma. Leipzig den 17.03.1914. 200.000 M for Praetorius who resigned from the Thorer business in New York.

<sup>268</sup> StA-L, Deutsche Bank Filiale Leipzig 21017, Nr. 550. Theodor Thorer an die Deutsche Bank Filiale Leipzig, 06.03.1914

<sup>269</sup> Otto Feistle, *Rauchwarenmarkt und rauchwarenhandel*. (Stuttgart: W. Kohlhammer, 1931), 48.

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& W Nesbitt firm took a larger interest in the fur trade and the merchant banker Frederick Huth & Co organised auctions in London from 1912, which likewise dealt in North American furs.<sup>270</sup> The boom in London fur auctions caused concern among Leipzig trade firms, who feared for the marginalisation of their international market institutions, especially the Leipzig trade fairs. In order to counter the London auctions, fur businesses in Leipzig endeavoured to create new market institutions. Such attempts were made early on. In the 1870s, the Leipzig merchant Heinrich Lomer tried to organise auctions in order to create a Leipzig market for the distribution of North American furs, thereby undermining the leading position of London.<sup>271</sup> However, the attempt failed.

Interestingly, protecting the Leipzig fur trade against the British auctions was identified by individual firms as a common goal. Here, the importance of local associations came into play. In 1913, the Leipzig Fur Merchants Association opened negotiations with Lampson, one of the new players in London, in order reshape the agenda of the fur season. This led to the first meeting of international fur trade representatives in London at the Cannon Street Hotel. The Leipzig Fur Merchant Association demanded a merger between the Lampson & Co fur auctions and those of the Hudson's Bay Company in March. This would allow the Leipzigers to preserve the importance of the Easter fairs, which were at that point "enclosed" between those large auctions, the HBC March auctions, and the Lampson June auctions. However, the meeting failed to produce a satisfactory result for the Leipzig trade. The British offered minor adjustments that only eased competition between the London firms but failed to do so on an international level.<sup>272</sup> In 1914, the Leipzig Fur Merchant Association called for a boycott of Lampson's June auctions.<sup>273</sup> In Leipzig, 137 firms abided by this boycott: 32 companies also joined them, not all of them of German origin. Rivalry on the level of international business formed the basis for cooperation between firms in the fur district. Collective action was

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<sup>270</sup> TNA, Hudson Bay Company Archives (Microfilm Copy). Public Record Office, (BH 3454), A 93.37. London correspondence: confidential. Lectures on the Fur Trade. Delivered at the City of London college. by. JD Forbes, October/December 1929. 23.

<sup>271</sup> Albrecht Gottlieb, *Der Pelzmarkt Leipzig* (Bottrop: Inaugural Dissertation Wirtschaftlichen Staatswissenschaften, 1931), 4.

<sup>272</sup> TNA, Hudson Bay Company Archives (Microfilm Copy). Public Record Office, (BH 3454), A 93.37. London correspondence: confidential. Lectures on the Fur Trade. Delivered at the City of London college. by. JD Forbes, October/December 1929.p. 23.

<sup>273</sup> Die Kürschnerzeitung. Nr. 12, 07.06.1914. "Zum Nichtbesuch der Londoner Juni-Auktionen". The exact reason behind the boycott is not straightforward to establish. Sentiments about the 'London monopolists' oscillated between technical matters, like practical aspects of the organisation of Lampson's auctions, and the subjective feeling that the Leipzig firms were disadvantaged in London. The technical aspects concerned the following: Lampson & Co was gradually downsizing the lots of furs to be sold which, in turn, increased the competition between dealers as the smaller size of the lots opened possibilities for smaller firms, firms with a smaller capital basis than the traditional visitors.

undertaken to preserve the importance of the local economic institution that defined the position of the locality in the system of international trade.

### ***2.5.4 Leipzig and the export business.***

A final point we need to address is the position of Leipzig in terms of export markets. Figure 2 presents the export structure of the German fur industry at the beginning of the twentieth century, representing the same duration of the import structure. The statistics here also confirm the trend of intensified trading with the US. Exports to resource providers are particularly noteworthy. Great Britain, the USA, and Russia were not only the major providers of raw furs but also important consumers of German-made furs. Nevertheless, it is clear that France was the most important customer of the German fur industry. Especially after 1904, France became the largest consumer of furs dyed in Germany by far. How was it that France was the principal customer for German furs? The answer is difficult to ascertain. Proximity was undoubtedly important since neighbouring countries, such as Belgium and Austria-Hungary, formed important markets too. The lack of fur manufacturing and an absence of a fur market in France might have played a role as well. In all likelihood, the strong presence of Leipzig-affiliated firms helped conquer the Paris sales market. It could also be argued that immigrant or transnational entrepreneurship played an important role in proximate sales markets like Paris. Before the Franco-Prussian War, a large community of German furriers was already present in the city.<sup>274</sup> German immigration to Paris was temporarily declined immediately after that war but ultimately returned to older levels. Around the turn of the century, several firms opened branches again: a factory from Berlin, Wolff, Wilhelm Reinecke, Herpich Söhne, and Gebr. Breslauer, a Breslau firm, are cited as new German fur firms operating on the Parisian market.<sup>275</sup> Leipzig firms like Königsworther, Haendler Nathan, Ariowitsch, and Thorer followed suit.

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<sup>274</sup> Mareike König, ed., "Brüche als gestaltendes Element: Die Deutschen in Paris im 19. Jahrhundert," in *Deutsche Handwerker, Arbeiter und Dienstmädchen in Paris: eine vergessene Migration im 19. Jahrhundert* (München: Oldenbourg, 2003), 22.

<sup>275</sup> Emil Brass, *Aus dem Reiche der Pelze*. (Berlin: Im Verlage der "Neuen Pelzwaren-Zeitung und Kürschner-Zeitung," 1925), 276.

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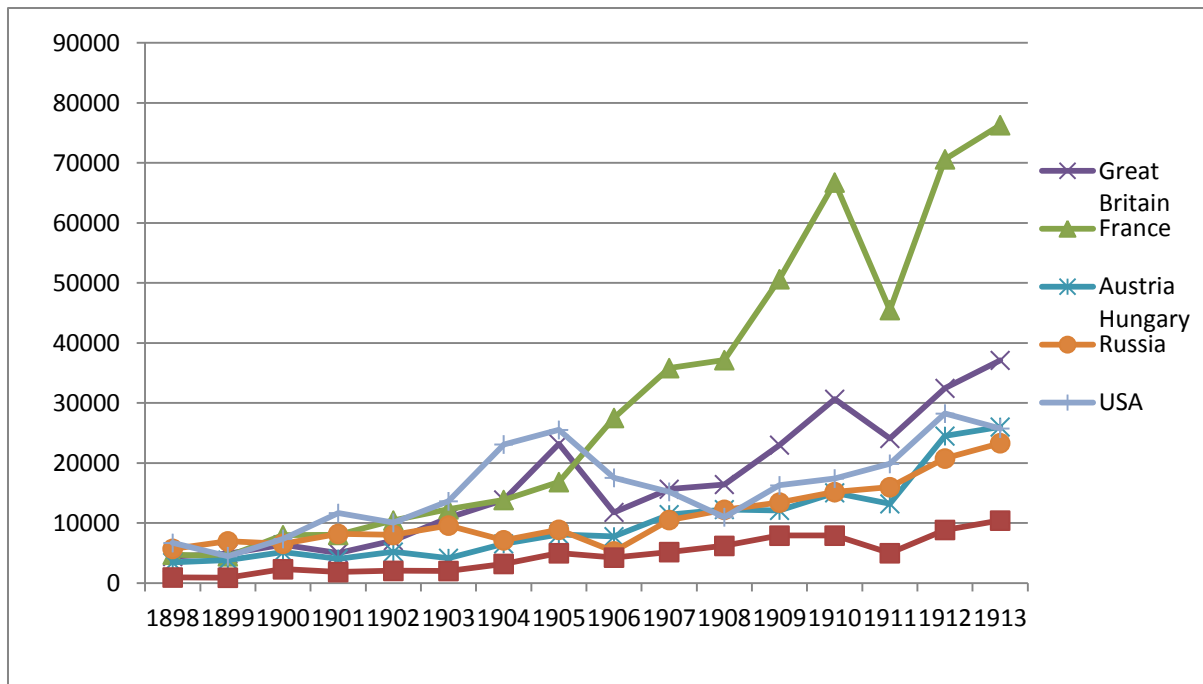


Figure 2-4: Exports of German furs

It is difficult to find a satisfactory answer regarding the role of the Saxon fur industry in the total export figure. We know it was an open business but precise figures are lacking. Rough estimates have placed the proportion of the Leipzig manufactured furs at about 45% of total German exports.<sup>276</sup> However, figures on Leipzig exports to the USA are available and indicate the magnitude of fur manufacturing in Leipzig (see table 4). The reports of the American consulate in Leipzig recognised that the largest share of imported processed furs originated from Leipzig after 1904. In fact, firms in Leipzig almost exclusively served the American import market for manufactured furs in the years immediately preceding World War I. The share of processed furs from the Leipzig fur industry in American imports was much larger than the dressing industry in Great Britain. In 1912, \$7,280,000, or 40% of the total American fur imports, had been processed in the Leipzig fur cluster.<sup>277</sup> The value of the Leipzig exports to America equalled 29,120,000 marks and represented a 14% share of the total German fur exports. Thus, in several markets like the American one, the Leipzig industry was disproportionately large. It can be assumed that the Leipzig fur industry possessed a similar magnitude in exports to other countries as well.

<sup>276</sup> Barbara Kowalzik, *Jüdisches Erwerbsleben in der inneren Nordvorstadt Leipzigs 1900-1933* (Leipzig: Leipziger Universitätsverlag, 1999), 66; Held, "Juden in Der Leipziger Rauchwarenwirtschaft," 274.

<sup>277</sup> Benndorf, *Weltwirtschaftliche beziehungen der sächsischen industrie*, 291.

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Year	Fur Imports	From Germany	From Leipzig	From Great Britain
1901	11.01	3.28	2.76	3.46
1902	15.62	5.32	4.23	4.61
1903	15.3	4.86	3.86	4.26
1904	14.76	5.15	4.76	3.67
1905	18.3	7.44	5.92	4.03
1906	21.85	7.65	5.65	5.04
1907	21.88	8.03	5.46	5.03
1908	15.91	5.51	4.68	3.37
1909	21.08	8.19	6.97	4.14
1910	26.59	9.31	6.92	4.72
1911	23.61	8.01	7.65	4.42
1912	24.98	9.43	7.28	4.35

Table 2-4: American fur imports in millions of dollars.

### 2.6 Concluding remarks.

This chapter has discussed the formation of the industrial district in Leipzig that took place during the long nineteenth century. The fur industry was a typical Saxon industry, a consumer goods industry mainly composed of small to medium-sized businesses that was also open, pronouncedly transnational, and dependent on the world market. How can the formation of such typical Saxon niches, and similar decentralised production systems elsewhere, be understood without taking into account the structure of the world market in which such locally entrenched business groups were embedded? The argument developed in the chapter supports the observation that the formation of the industrial district cannot be separated from the external macroeconomic changes that governed the international fur industry. In fact, the chapter has demonstrated that the fur district grew when the world around the commodity was undergoing significant changes. At the same time, the chapter has engaged with the difficult task of understanding how processes of globalisation defined and determined the actions of district firms.

A number of important international trends have been identified. Firstly, the international fur trade experienced a bonanza throughout the nineteenth century. Fur consumption was clearly on the rise while at the same time the process of expansion into the fur frontiers came to its ultimate conclusion. In addition, new markets across the Atlantic Ocean were established. The result of the former was a spectacular increase in wholesale prices, whereas the latter

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unleashed fierce international competition. This global context of commercial expansion and competition reinforced the formation of an industrial district, activating local factors already present. These were the Leipzig trade fairs, which had aggregated local expertise in fur trading and crafting. The furrier workshops were the places where expansion in manufacturing started in the early nineteenth century. Small factories emerged out of workshops or furriers abandoned the workshop altogether but stayed in city as tailors. The surge of new businesses in Leipzig by the end of the nineteenth century was as powerful as the rising value of the international fur commerce.

However, the fur industry in Leipzig also constructed this worldwide transformation as much as it was essentially a result of it. For instance, the interplay of local economic actors not only had a positive effect on the internal dynamics of the fur district but also was often tailor-made to meet the conditions of distant commerce and transborder business activity. This was arguably the case with the role of the local banks in financing the local fur industry. Whilst firms profited from financial services to establish themselves on the local markets, tough competition forced banks to serve the ‘special needs’ of fur firms, allowing them to adapt to international trade parameters. Credit steadily followed the inflating price levels in international commerce. Moreover, the availability of credit also allowed the firms to pursue an expansionist policy towards trade in Russia, where trading on credit was preferred by local traders. In other words, the large local credit market not only facilitated the opening of new business in the district, it also enabled fur entrepreneurs to pursue profits in the uncharted territory of the Siberian heartlands and the Far East frontier. What appears to be a symbiosis between two local economic actors in fact harboured a significant international dimension. It allowed the firms to construct a world market.

The dialectic between local and international dynamics in the formation of the industrial district is also evinced by entrepreneurship, particularly by transnational entrepreneurship. Foreign entrepreneurs, especially former fair visitors, were not merely attracted by the local expansion of the fur trade and industry: rather, their arrival further played a decisive role in connecting Leipzig to the outside world. Foreign entrepreneurs continued to lead transnational lives and were thereby constitutive of processes of globalisation from below.<sup>278</sup> Once settled

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<sup>278</sup> Alexander Ebner, “Transnationales Unternehmertum: Wirtschaftssoziologische und institutionenökonomische Perspektiven,” *Zeitschrift für Unternehmensgeschichte / Journal of Business History* 58, no. 2 (2013): 156.



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in Leipzig, many foreign entrepreneurs behaved like transnational entrepreneurs, travelling or dividing their time between several offices. In the summer, a lengthy visit to the Nizhnii fairs was deemed essential for business. The same applied for the many auctions in London. Entrepreneurs and their family members further integrated Leipzig into an economic space that was a part of land-based trade network reaching deep into Siberia and Central Asia. The phenomenon of transnational entrepreneurship will be further studied in the next chapter by looking at the growing relationship between the Leipzig industry and the relatively 'new' fur market in Brussels. In that chapter, it will become clear that the fur district not only received transnational entrepreneurs but that it was also a starting base for entrepreneurial mobility. Processes of mobility and migration in the creation of transborder business activities will thus receive further attention as an important element in the links between the industrial district and the outside world.

Finally, the process of business formation resulted in the configuration of the local business community as a social structure. Being part of the successful fur industry created a sense of belonging that was not simply derived from nationalism or regionalism and that cut across ethnic borders. As a result of business growth, the Leipzig businessmen increasingly came to form a social structure with trade associations shaping the multiform ties between individual business leaders. Identification with the local space in which the firm was embedded increasingly defined business strategies, although expressions of this were still timid. Additionally, international competition and common obstacles made processes of collective action crystallize out of the district. On the eve of World War I, the London boycott showed that the Leipzig fur merchants had apparently discovered the possibility of collective action and not only on the local stage. Simultaneously, modest ideas about market engineering surfaced in order to strengthen local market institutions. On the one hand, furriers and businessmen redefined their participation in the Leipzig trade fairs. On the other hand, a failed attempt at organising 'Leipzig auctions' also attest to processes of market engineering. In addition, collective action and processes of self-identification were not synonymous with insularity and self-retrenchment. The practice of auctions that dominated wholesale transactions in the Anglo-American fur industry formed an attractive model for market transactions, despite being despised by many. Economic actors in Leipzig were open to borrowing foreign market institutions. Admittedly, collective action with the aim of market engineering was still of a very modest nature: however, the point is stressed here because transfer of market institutions forms an important part of the narrative that is developed in

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section 3 of the thesis, which deals with the re-admission of Leipzig to the world market. This process of world market re-admission went side by side with more intensive forms of collective action and market engineering. The precedents have been sketched in this chapter. First, however, we must focus more clearly on the phenomenon of transnational entrepreneurship.

### **3 Transnational Entrepreneurship: The Connection between Leipzig and the Brussels Fur Industry (1880-1920).**

#### **3.1 Transnational entrepreneurship and the industrial district.**

German immigrants and immigrant entrepreneurs played an important role in processes of economic internationalisation. They were active in a large variety of fields, including banking, insurance, maritime commerce, and various specialised niches. German immigrant entrepreneurs were to be found in many major European cities, such as Moscow, Paris, London, and Brussels, as well as across the Atlantic Ocean.<sup>279</sup> This chapter describes transnational entrepreneurs as liaisons that connected the industrial district to the outside world. Indeed, the garrison of German immigrants, merchants, and craftsmen abroad offered opportunities to smaller firms: as Petersson has noted, “these immigrants offered smaller German and foreign enterprises that couldn’t afford commercial representation abroad channels of exploitation and informed the latter about foreign customers and potential deals.”<sup>280</sup> In contrast to the focus on economic integration in terms of multinational business, which occurred principally through direct foreign investment of firms in other countries, this chapter wants to emphasise transnational business links between immigrant entrepreneurs and firms in the region that dispatched them.<sup>281</sup> Undoubtedly, the establishment of multinational divisions was utilised by Leipzig firms in order to pursue internationalisation. However, I have already established that mobility and migration formed an important impetus to the district’s patterns of internationalisation. This chapter elaborates on this phenomenon of transnational entrepreneurship and mobility in the forging of links between the district and the

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<sup>279</sup> Jones, “Business Enterprises and Global Worlds,” 588.

<sup>280</sup> Petersson, “Niels Petersson, Das Kaiserreich in Prozessen Ökonomischer Globalisierung, in: Sebastian Conrad Et.al., *Das Kaiserreich Transnational*. Göttingen 2006, 49-68,” 59; Klaus Weber, *Deutsche Kaufleute im Atlantikhandel, 1680-1830: Unternehmen und Familien in Hamburg, Cádiz und Bordeaux* (München: C.H. Beck, 2004), 15.

<sup>281</sup> Geoffrey Jones, *Multinationals and Global Capitalism: From the Nineteenth to the Twenty-First Century* (Oxford; New York: Oxford University Press, 2005), 5.

outside world by examining a case study, that of the presence of German immigrants in the Belgian fur industry between 1880 and 1920.

Chiefly concentrated in Brussels, the Belgian fur industry constituted one of the densest niches in which German businessmen and labourers in Belgium were active.<sup>282</sup> Brussels was a hot spot for German emigrants to Belgium: only Antwerp proved more attractive. By 1910, almost 4,944 German immigrants lived in Brussels and were the second largest migrant community after the French (6,403). If we take the growing presence of German immigrants in suburbs of Brussels into account, the size of the German community rises to 15,000 members.<sup>283</sup> In Antwerp, where 20,000 German immigrants were resident, the port stimulated the settlement of merchants active in maritime trade. In Brussels, the situation was somewhat different. 'New production sectors' stimulated by the presence of rich elites in the capital city was a major draw for German immigrants. As de Schaepdrijver noted, "when a service or trade was both expanding and skilled, it was overrepresented among foreigners."<sup>284</sup> In Brussels, German immigrants displayed interest not only in banking and insurance but also in the 'new' industries that had profited from the increasing purchasing power of Brussels' bourgeoisie.<sup>285</sup> These involved luxury industries like the fur industry and leather manufacture. Importantly, many of the fur businesses established by German immigrants had ties to Leipzig.

Arguing that the German immigrants acted as drivers of transnational trade activities, I will pursue two questions. Firstly, how did immigrant entrepreneurs link the industrial district to

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<sup>282</sup> Kristof Carrein, "De Sekwesterarchieven Na Wereldoorlog I: Beschouwingen over Het Onstaan, Het Beheer En de Aanwending Voor (bedrijfs)historisch Onderzoek van Een Unieke Verzameling Bedrijfsarchieven," *Tijdschrift Voor Nieuwste Geschiedenis* 23 (2003): 425–54.

<sup>283</sup> *Recensement général de la population du 31 décembre 1910*, Brussel, 1912-1913, III, pp. 220-221. Schaarbeek (2218), Elsene (1516), Sint Gillis (1484), Sint Joost ten Noode (1176), Anderlecht (1166), Molenbeek (1.000) Vorst (543) ,Laken (575).

<sup>284</sup> Sophie de Schaepdrijver, "Elites for the Capital?: Foreign Migration to Mid-Nineteenth-Century Brussels" (Thesis Publishers, 1990), 93. De Schaepdrijver evaluated these immigrants around 1850 as an entrepreneurial avantgarde to the developing urban economy of the nineteenth century.

<sup>285</sup> Francis Sartorius, "La place des allemands dans l'industrie et le grand commerce en Belgique durant les années 1890-1900," in *Geschiedenis van het eigen volk: de vreemdeling in België van de prehistorie tot nu*, ed. Anne Morelli and Marc Laquière (Leuven: Kritak, 1993), 182; The Deutsche Bank opened branches in the Belgian capital where financial and commercial journals such as the "Brüsseler Börsen Revue" and the "Brüsseler Finanz und Handel Revue" informed and represented the interests of the haute finance conducted by the German immigrants. During the nineteenth century, luxury industries expanded rapidly. Those luxury industries attracted foreign artisans and labourers, whereas numbers of unskilled migrants decreased: Hugo Soly, "Vreemdelingen in Vilette: De Buitenlandse Aanwezigheid in Het Negentiende Eeuwse Brussel," in *Minderheden in Westeuropese Steden: 16de - 20ste Eeuw = Minorities in Western European Cities* (Rome, 1995), 115–35.

the outside world? To answer this question, I will need to study transnational business relations. Parallels will be sketched between the features of multinational business organisation and those of transnational immigrant entrepreneurship. Secondly, what were the strengths and weaknesses of links with transnational entrepreneurs? Attention will be drawn to their knowledge of local markets as well as to their good connections with ‘mother firms’ in Germany and Leipzig in particular.

Indeed, a transnational approach to immigrant entrepreneurship requires a bilateral perspective that encapsulates the social worlds of departure and arrival whilst also demonstrating how the contact between the two determines entrepreneurial behaviour and moulds business activities. Dirk Hoerder has argued that migrants tailored their actions to both contexts within the fluidity between the old and the new setting, thus creating a “new transcultural space.”<sup>286</sup> A transnational perspective therefore envelops the activities of “migrant groups whose social relations connected two or more countries.”<sup>287</sup> Transnational migration studies recommends a process-oriented study of a migrant group in constant flux, employing a dual focus on their lives in the host country and contact with their country of origin.<sup>288</sup> Furthermore, transnational entrepreneurship and mobility have been identified as the ways in which translocal connections frame districts or clusters.<sup>289</sup> I will relate this transnational dimension to the emergence of transborder firm activities from the district. This study will therefore examine a sample of entrepreneurs and focus on their professional itineraries in order to research forms of entrepreneurship and transnational business relations.<sup>290</sup> After providing a general overview of the fur industry in Brussels, I will explore the connections between the immigrants and their contacts with the German fur industry.

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<sup>286</sup> Dirk Hoerder, “Losing National Identity or Gaining Transcultural Competence: Changing Approaches in Migration History,” in *Comparative History and the Quest for Transnationality. Central European Approaches and New Perspectives*, ed. Jürgen Kocka and Heinz-Gerhard Haupt (New York: Berghahn Books, 2009), 261, <http://site.ebrary.com/id/10394185>.

<sup>287</sup> Dirk Hoerder, “Transnational, Transregional, Transcultural: Social History and Labor Migrant’s networks in the 19th and 20th Centuries,” in *Transnationale Netzwerke im 20. Jahrhundert historische Erkundungen zu Ideen und Praktiken, Individuen und Organisationen = Transnational networks in the twentieth century*, ed. Berthold, Linzer Konferenz 3, 2007, Linz Internationale Wissenschaftliche Tagung: Transnationale Netzwerke. Beiträge zur Geschichte der Globalisierung 2007, Wien Unfried (Leipzig: AVA, Akad. Verl.-Anst., 2008), 89.

<sup>288</sup> Alejandro Portes and Josh De Wind, “A Cross-Atlantic Dialogue: The Progress of Research and Theory in the Study of International Migration,” *International Migration Review* 38, no. 3 (2004): 834. “(...) Transnationalism evokes the alternative image of a ceaseless back-and-forth movement, enabling migrants to sustain a presence in two societies and cultures and to exploit the economic and political opportunities created by such dual lives.”

<sup>289</sup> Harald Bathelt and Peng-Fei Li, “Global Cluster Networks - Foreign Direct Investment Flows from Canada to China,” 47.

<sup>290</sup> Michael Esch, “Historisch-Sozialwissenschaftliche Migrationsforschung Als Delegitimationswissenschaft,” *Österreichische Zeitschrift Für Geschichtswissenschaften* 19 (2008): 60.

Transnational contacts, such as business connections and communication with Germany, will then be analysed in depth so as to examine their influence on entrepreneurial behaviour and economic integration.

Why is the link between Brussels and Leipzig highlighted rather than connections with other cities? German furriers and fur merchants were present in large numbers in Paris as well.<sup>291</sup> Similarly, Germans played a large role in the British colonial fur trade and German merchants were omnipresent in London.<sup>292</sup> Only the sources of the Belgian fur industry, however, proffer the amount of material necessary to properly evaluate the links that tied the industrial district to the outside world. This study is chiefly based on two combined sources: sequestration archives and the files of Belgium's immigration police (*police des étrangers*). These allowed me to unfold the business activities and careers of immigrant entrepreneurs in the fur industry. The sequestration archives exist because of the confiscation of German property on Belgian soil after the November 1918 armistice. By happy chance, the government often retained the business archives of those confiscated companies in order to liquidate them smoothly and reimburse (mainly Belgian) creditors. The sequestration archives are a unique source by which insight can be gained into the way German business abroad operated during the Wilhelminian era. The individual police files figure as a complementary source: they relate biographical details and illustrate travel patterns.<sup>293</sup>

The list of studied firms is far from exhaustive: there were more German entrepreneurs than sequestered firms. However, the information from the sequestered firms and also their unmolested counterparts partially compensates for this. The studied firms are Les Etablissements Schulz (SA), Mayer & Cie, Norden Frères, Adolf Mummet, Jacques Krochmal, Max Satz, and Jean Schmidt. Sources from these companies tell us about other companies and the surrounding business environment and so they can be readily used to paint

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<sup>291</sup> König, "Brüche als gestaltendes Element: Die Deutschen in Paris im 19. Jahrhundert," 22.

<sup>292</sup> Margrit Schulte Beerbühl, "German Merchants and the British Empire during the Eighteenth Century," in *Transnational Networks: German Migrants in the British Empire, 1670-1914*, ed. John R. Davis, Stefan Manz, and Margrit Schulte Beerbühl (Brill, 2012), 51. In fact, the presence of German migrants in the cities of London and Paris played a much larger role in the first research designs that preceded the final version of the thesis. The London and Paris links have regrettably remained absent from the final version of the thesis because of a lack of useful source material.

<sup>293</sup> Frank Caestecker, *De Individuele Vreemdelingendossiers Afkomstig van de Openbare Veiligheid (vreemdelingenpolitie)* (Brussel, 2009), 3; Nele Bracke, "Puzzelen Met Bronnen: Een Selectie van Bronnen Buiten Het Bedrijfsarchief Voor de Ondernemingsgeschiedenis (19de Eeuw)," *Belgisch Tijdschrift Voor Nieuwste Geschiedenis* 23 (2003): 388.

an insightful panorama of the transborder businesses activities of German entrepreneurs and their connections with ‘mother firms’ in Leipzig.

### 3.2 Furs and the conquest of a new sales market (1880-1900).

In late nineteenth century Brussels, the fur sector burgeoned rapidly, just like most other urban luxury industries. It was the increased purchasing power of the local middle classes that spawned this growth. The timing of the spurt is remarkably close to the formation of the industrial district in Leipzig and fur centres elsewhere in the world. In 1873, there were only 26 fur workshops in and around Brussels: in 1896, the number of active fur business had jumped to about 36.<sup>294</sup> Yet, the most spectacular growth occurred between the late 1890s and the beginning of the First World War when new entrepreneurs saw the fabulous possibilities that Brussels offered and established almost 100 new firms. This surge brought the total of fur shops in Brussels to 136 in the months just before the First World War. This far exceeded Antwerp, the second largest Belgian city, which housed a mere 24 fur clothing factories and 23 retail shops.<sup>295</sup> The new firms also made use of novel industrialised methods, most importantly synthetic dyeing and dressing techniques, which made increased volumes of fur garment production possible.<sup>296</sup> The sewing machine, and in particular the fur sewing machine, rapidly replaced the manual forms of labour traditionally performed by artisans.<sup>297</sup>

Changes in production coalesced with the democratisation of luxury consumption, a phenomenon that was not limited to Brussels. Throughout European cities, fur garments were gaining popularity in the emerging milieu of the bourgeoisie, who sought to stylise their improved status with luxury goods.<sup>298</sup> Shopping became a sort of leisure activity. The Brussels department stores, mostly founded by French or German immigrants, epitomised this

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<sup>294</sup> Figures for 1873 cfr. Almanach du commerce et de l'industrie à Bruxelles, Bruxelles 1873, 642. pelletiers à Bruxelles et des communes limitrophes and for 1896 cfr. Recensement général des industries et des métiers (31 octobre 1896), Bruxelles 1900, I, 216

<sup>295</sup> Recensement de l'industrie et du commerce (31 décembre 1910), 1913-1921, V. p. 710.

<sup>296</sup> Sabine De Groote, "My Name is Bont," *Tijdschrift Voor Industriële Cultuur* 4 (2000): 19.

<sup>297</sup> Mechthild, "Lexikon des alten Handwerks," 137.

<sup>298</sup> René Thévenin, *Les Fourrures* (Paris: Presses Universitaires de France, 1949), 26; Robert Delort, *L'Histoire de la fourrure de l'antiquité à nos jours* (Lausanne: Edita, 1986), 183; On the democratisation of luxury consumption, see Jean-Claude Daumas and Marc de Ferrière le Vayer, "Les métamorphoses du luxe vues d'Europe," *Entreprises et histoire* n° 46, no. 1 (March 1, 2007): 6–16.

new mode of consumption.<sup>299</sup> For instance, the store *Hirsch & Cie* offered a wide variety of ready-made furs garments for sale. These department stores were characterised as a “permanent temptation” to which consumers could easily succumb.<sup>300</sup> With fur consumption on the rise, the expansion of the fur industry and retailing followed suit. Alongside the spectacular growth in production units, 9 wholesale stores and 49 retail stores opened in Brussels. The growth of firms also resulted in an expanding labour market. While the fur industry employed about 434 labourers in 1896, the number of workers increased to about 1,452 in 1910.<sup>301</sup> The bulk of these employees (789) worked in companies located in Brussels.

How strong was the German presence in this sector? Before answering this question, I have to mention the division of the fur industry into large firms and small workshops caused by decentralised production in the Belgian garment industry.<sup>302</sup> According to Sven Steffens, there was a predisposition towards economic independence in the Belgian garment industry that not only applied to immigrant entrepreneurs.<sup>303</sup> The result was a clothing industry characterised by many forms of self-employment. At the top of the hierarchy, one found merchants and managers of ready-made clothing production units while at the lower end there were semi-independent tailors and home-workers (*Heimarbeiter*) that were characterised by poor working conditions and very low profit margins.<sup>304</sup> In short, there was a large differentiation in business size in the garment industry and the fur industry. A tailor operating a fur sewing machine at home was often classified as an “enterprise.” Additionally, individual firm owners were often subcontractors or brokers operating for larger firms. Needless to say, the social reality of the self-employed differed significantly and the number of small firms exceeded the

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<sup>299</sup> Serge Jaumain, “Die Anfänge des Massenvertriebs in Belgien und seine Auswirkungen auf die Verbraucher,” in *Europäische Konsumgeschichte: zur Gesellschafts- und Kulturgeschichte des Konsums, 18. bis 20. Jahrhundert*, ed. Hannes Siegrist, Hartmut Kaelble, and Jürgen Kocka (Frankfurt/Main; New York: Campus, 1997), 688. *Hirsch & Cie* was a famous department store in Brussels. Another successful chain was founded by Leonhard Tietz, with shops in Brussels and Antwerp. According to Jaumain, these Jewish chains were perceived as threats to the Belgian retailers

<sup>300</sup> Véronique Pouillard, *Hirsch & Cie: Bruxelles, 1869-1962* (Bruxelles: Éd. de l’Univ. de Bruxelles, 2000), 2. The department store’s specialisation, the clothing, and affiliated services appealed to the bourgeoisie.

<sup>301</sup> For the figures of fur retailers, see *Recensement de l’industrie et du commerce (31 décembre 1910)*, Bruxelles, 1913-1921, VII, 338; For employers in the Belgian fur industry, see *Recensement de l’industrie et du commerce (31 décembre 1910)*, Bruxelles, 1913-1921, V, 298.

<sup>302</sup> Patricia van den Eeckhout, “Onderaanneming En Huisarbeid in Westeuropese Hoofdsteden,” *Tijdschrift Voor Sociale Geschiedenis* 20 (1994): 426.

<sup>303</sup> Sven Steffens, “Schneiderei, Konfektion, Heimarbeit. Aspekte Der Zerfalls Und Der Umstrukturierung Eines Städtischen Handwerks in Belgien (19. Bis Frühen 20. Jahrhundert),” *Tijdschrift Voor Sociale Geschiedenis* 20 (1994): 428–60.

<sup>304</sup> Eric Vanhoute, “De Meest Moordende van Alle Industrieën. De Huisnijverheid in België Omstreeks 1900,” *Tijdschrift Voor Sociale Geschiedenis* 20 (1994): 461–82. Vanhoute showed that networks of home workers in 1900 was not fading away because of industrialization: rather, it experienced a revival at the turn of the century as a deliberate strategy by larger firms to cut labour expenses



large ones by far. Of the 136 companies in Brussels, 88 consisted of one-man or family-based enterprises. The larger companies were fewer in number: only 11 companies had been established as an official company partnership.<sup>305</sup> Within these partnerships, the number of German investors and businessmen seems to be disproportionately large: 4 of the 11 companies had German owners. Other forms of German entrepreneurship were situated in the miscellaneous mass of traders, brokers, subcontractors, and small shopkeepers in the city. German self-employment also was ubiquitous here: Germans owned about 60 fur shops.<sup>306</sup>

### 3.3 An overview of German businesses in Brussels (1890-1914).

The four largest German companies in Brussels, all of which were officially registered partnerships, were Phillippe Norden & Cie, Mayer & Cie, Müller & Cie, and Les Etablissements Schulz. Müller & Cie, established well before the 1890s, was probably one of the first German fur companies in Brussels whereas Schulz was the only German firm registered as a limited liability company (*Société Anonyme*).<sup>307</sup> Phillippe Norden, the founder of Phillippe Norden & Cie, was a Jewish entrepreneur born in the Prussian city Lissa in 1841. His entrepreneurial trajectory was remarkably bumpy. In 1872, he went to Berlin and then headed to New York a few years later. However, his ventures in America were not blessed with success. In 1882, Norden liquidated his New York fur business and went to Leipzig. He stayed there for 12 years. In 1894, the family finally migrated to the Belgian capital where Norden established 'Phillippe Norden & Cie. Manufacture des fourrures' in the Laekenstraat. Kurt and Arthur Norden took over the management of the company after the death of their father Phillippe in 1910. The Norden brothers renamed the company 'Norden Frères.'<sup>308</sup> In brief, Phillippe Norden was an entrepreneur with good connections in Leipzig but his attempts to make it in other cities endured ups and downs.

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<sup>305</sup> Recensement de l'industrie et du commerce (31 décembre 1910), Bruxelles 1913-1921, VII, pp. 338-339.

<sup>306</sup> The official industrial statistics do not mention the nationality of the business owners. I have made an estimation based on the names in the address books of the industries in Brussels *Annuaire du commerce et de l'industrie*, Bruxelles 1912, 1896-1897.

<sup>307</sup> The other limited liability company in the fur industry besides Les Etablissements Schulz was the large fur tanning and dressing factory La Fourrure in Aalst (Hofstade). See: *Receuil Financier*, Bruxelles 1911, 664. The company was established on 5 January 1911 by Eugène Leveque. Other large firms were mostly established by Belgian entrepreneurs. One of the largest and most important Belgian firms was Mallien & Cie. I should also mention Bisiaux & Cie and Hamptaux-Berthier & Cie.

<sup>308</sup> Michaël Amara and Hubert Roland, *Gouverner en Belgique occupée: Oscar von der Lancken-Wakenitz, rapports d'activité 1915-1918* (Peter Lang, 2004), 154. Fritz-Albert Norden, the second son, made his name outside the fur business as one of the leading lawyers of Brussels

The history of Müller & Cie should be included with that of Mayer & Cie. The founders of Mayer & Cie, the German Jews Richard Katz and Bernhard Mayer, went to Brussels in the 1890s in order to invest in the new and promising business of Müller & Cie. Together with Karl Müller, a German fur worker, Mayer and Katz founded Müller & Cie. However, the alliance between Müller, Katz, and Mayer was shortlived. Müller believed that Katz and Mayer took inappropriate risks.<sup>309</sup> In 1903, Katz and Mayer started business on their own account while Müller continued under his own name at the old location on Bischofsheim Boulevard. Mayer and Katz's brand new company occupied a building strategically located on the Place de Brouckère, one of the most renowned inner city squares and in close proximity to the bourgeois clientele. Finally, Otto Schulz, Fritz Tacke, and Edouard Simmel founded the company 'Schulz & Cie' in 1899: it became 'Les Etablissements Schulz' in 1909 when the firm was reconstituted into a limited liability company.<sup>310</sup> In terms of the numerous small firms, I will consider two brokers (Adolf Mummet and Jacques Krochmal) and two shopkeepers (Max Satz and Jean Schmidt).

From a migration perspective, the backgrounds of these entrepreneurs contain a few interesting details. First of all, of a sample of 32 entrepreneurs who settled in Brussels, almost half of them had ties to the city of Leipzig. In addition, of the German entrepreneurs of the Antwerp fur firms, 4 out of 5 originated in Leipzig.<sup>311</sup> Some entrepreneurs were born in Leipzig but the majority just spent a couple of years in the city. Secondly, there are several indications that immigrant entrepreneurship was strongly linked to the traditional trajectory of fur work, which was focussed on learning on the shop floor and gaining experience by wandering. Indeed, most of the immigrants who later became firm leaders came to Brussels as workers. Except for Phillippe Norden, Bernhard Mayer, and Richard Katz, most entrepreneurs who arrived in Belgium were between 20 to 30 years old.

The mobility of the German fur workers resembled the consecutive stages of a craft career: apprentice, journeyman, and master. In such a career path, journeymen were encouraged to wander around and work in other cities as part of the professional curriculum. Did such

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<sup>309</sup> AR 2/AGR 2, Archief Wereldoorlog I, Sekwester - Les Etablissements Schulz, nr. 1. Mayer & Cie. 09.12.1913.

<sup>310</sup> AR 2/AGR 2, Archief Wereldoorlog I, Sekwester - Les Etablissements Schulz, nr 4. See also: AR/AGR, *Ministerie van Justitie Dienst Vreemdelingenzaken, vreemdelingenpolitie algemene dossiers*, nr. 855628.

<sup>311</sup> AR/AGR, *Ministerie van Justitie Dienst Vreemdelingenzaken, vreemdelingenpolitie algemene dossiers*, nrs. 877115 Göhler, 553296 Gleichmann R, 437925 Wittrichs B, 391649 Kasberg A, 345706 Höse R.

patterns continue to exert an influence on migration patterns and entrepreneurial behaviour? Sigrid Wadauer and Josef Ehmer have argued that craft traditions continued to frame mobility, work experience, and migration choices in particular professional groups throughout Germany up to the beginning of the First World War.<sup>312</sup> It is not easy to grasp the influence of craft traditions upon migration patterns. Apart from the age when these individuals travelled, which suggests a link between the journeyman years and migration decisions, there are only a few cases that do show some correspondence with the linear craft career. For example, Adolf Mummet was born in Sonnenberg in 1882 and moved as a young boy with his parents to Leipzig. In Leipzig, Mummet became an apprentice in the workshop of Paul Körner in 1900. In 1903, he completed his training as a furrier. The completion of his training required that he move and so Mummet went to Berlin (1903-1905) to work as furrier. In 1905, the Phillippe Norden company in Brussels hired him. While his apprenticeship in Leipzig provided the opportunity to start a career abroad, a taste for adventure was also a motive behind his migration to Brussels: he recalled in 1913 that “I wanted to experience life abroad (...) before I married.”<sup>313</sup> J. Krochmal, another fur broker in Brussels, followed a similar path. Krochmal was of Austrian descent and, like Mummet, moved at a relatively young age with his family to Leipzig. Once he finished his training as a furrier in Leipzig, he went to Brussels in 1908 at the age of 20. In 1912, he established himself as an independent fur broker.<sup>314</sup>

In summary, several of the furriers who would later become entrepreneurs arrived in Brussels at an early age, which suggests that mobility continued to be connected to a stage in a craft career. The same is true of those firms that were not sequestered. It may also account for the predisposition towards economic independence. In any case, contemporary sources generally attribute mobility in the fur industry to factors related to the craft. Paul Larisch, a specialist on the fur industry, described in 1928 what he called the “great furrier migration” (*Kürschnerwanderung*) to Western European cities like London, Paris, and Brussels.<sup>315</sup>

Besides the actual experience accrued in Leipzig, having a “Leipzig connection” mattered in the German-Brussels fur trade. German entrepreneurs viewed the Leipzig connection as a

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<sup>312</sup> Josef Ehmer, *Soziale Traditionen in Zeiten des Wandels: Arbeiter und Handwerker im 19. Jahrhundert* (Frankfurt/Main; New York: Campus, 1994), 104; Sigrid Wadauer, *Die Tour der Gesellen: Mobilität und Biographie im Handwerk vom 18. bis zum 20. Jahrhundert* (Frankfurt am Main; New York: Campus, 2005), 24.

<sup>313</sup> AR2/AGR2, Archief Wereldoorlog I, Sekwester - Mummet, nr. 15. Mummet an Arthur Dietzold, 27.01.1913.

<sup>314</sup> AR / AGR, Ministerie van Justitie, Vreemdelingenpolitie, individuele dossiers, nr. 872389.

<sup>315</sup> Paul Larisch, *Die Kürschner und ihre Zeichen. Beiträge zur Geschichte der Kürschnerei*, ([Berlin: Selbstverlag, 1928), 174.

crucial criterion in assessing the power and potential of trade partners in Brussels. In 1912, Isaac Künstler, who settled in Brussels as a shopkeeper, was soon known amongst other businessmen as a “German subject (...) with affluence and relations in Leipzig.”<sup>316</sup> A stay in Leipzig also opened doors in the host country.

So, many of these entrepreneurs had gained their expertise in Leipzig or at least entertained good connections with the German fur centre. The next section is devoted to the mechanisms of transnational entrepreneurship. How did German enterprises in Brussels function? How did they maintain links with mother firms in Leipzig? In short, I will examine the extent to which immigrant entrepreneurs relied on Leipzig business links when setting up an enterprise and how transborder firm activities were organised.

### **3.4 Transborder business networks and entrepreneurship.**

#### ***3.4.1 The influence of capital flows on entrepreneurship***

Examining the financial dimension of immigrant business is a fruitful way by which to shed light on the links between new businesses in Brussels and existing ones in Leipzig. Access to capital is one of the crucial barriers for immigrant entrepreneurs. When Otto Schulz, who arrived in Brussels as a young fur worker, established his own company Schulz & Cie in 1899, Edouard Simmel and Fritz Tacke, two of the more well-to-do German immigrants, provided the capital. In 1909, Otto Schulz upgraded the firm into a limited liability company, Les Etablissement Schulz SA, with the approval of Simmel and Tacke. Under Belgian trade laws, the limited company was a form of business which could generate larger amounts of capital whilst limiting personal liability. Shareholders usually had little to do with the management of the company.<sup>317</sup> In addition, it was an uncomplicated way to raise capital from foreign investors. The main shareholder of Schulz was the Leipzig based merchant firm “Isidore Kaufmann.” Kaufmann bought the largest part of the shares, around 100 of the 600 available, for a total capital of 100,000 Belgian francs. The other shares were received by

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<sup>316</sup> AR2/AGR2, Archief Wereldoorlog I, Sekwesterarchief - Les établissements Schulz, nr. 143.

<sup>317</sup> Hans Willems and Frans Buelens, “Belgische vennootschapsvormen in de negentiende en de twintigste eeuw,” in *Een succesvolle onderneming: handleiding voor het schrijven van een bedrijfsgeschiedenis*, ed. Chantal Sas, Bart Vancoppenolle and Bart Sas (Brussel: Algemeen Rijksarchief, 2002), 175.

Schulz, Simmel, and Tacke or were bought by local investors.<sup>318</sup> André Lion (Paris, 10 shares) and Berthold Auerbach (London, 12 shares) also invested: they were the owners of Schulz's affiliated businesses in Paris and London.<sup>319</sup> As such, Kaufmann's shares generated the largest capital input in the firm. Consequently, the money sent from Leipzig allowed the former furrier Schulz to lead one of the largest Belgian fur companies. Only two Belgian fur enterprises were joint-stock companies and the immigrant firm Les Etablissement Schulz was one of them.

However, foreign investment from German companies came with strings attached. The mother firm's investment was accompanied by a contract that tied Schulz more closely to the firm in Leipzig. Whilst the daily management was left in the hands of Schulz and his associates Tacke and Simmel, they were subject to limitations when it came to obtaining trade partners in Germany: Kaufmann blocked Schulz from undertaking commercial relations with any other company in Leipzig. Kaufmann thus prevented other firms in Leipzig from gaining access to his foreign connection. If Schulz defied this contractual obligation, Kaufmann had the right to impose a 2% charge on deals concluded with alternative suppliers in Leipzig.<sup>320</sup> Such a contract was not unique. Phillippe Norden had signed a similar exclusivity contract with Robert Ehrmann, a trader in Leipzig.<sup>321</sup> Moreover, Ehrmann often used Norden as an intermediary in his dealings with London-based firms. Thus, at least two Brussels firm had considerable links with mother firms in Leipzig. A slight decrease in autonomy was the price that had to be paid for access to capital.

In terms of both fur and money supply, small firms often completely depended upon their connections with Leipzig firms. Many of these small firms acted as brokers on the Brussels market, representing one or more Leipzig firms. As such, these brokers were entirely focused on the transborder market. Fur brokerage emerged as a typical niche for Leipzig firms since they could ill afford foreign investment but nevertheless pursued international activities. For example, the fur broker Adolf Mummet represented the interests of no less than four Leipzig

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<sup>318</sup> AR2/AGR2, Archief Wereldoorlog I, Sekwesterarchief Mayer & Cie, nr. 1. Annexe aux Moniteur Belge du 12 Février 1909, Acte N. 761. Schulz's company was already in existence prior to this: in 1899, the German immigrants Hans Krotoszyner and Fritz Hirsch, both of whom lived in Brussels, purchased 12 and 24 shares respectively for 1,000 Belgian francs each. In the light of the entire capitalisation, their share was certainly not trifling but does not stand out in comparison with Kaufmann's investment.

<sup>319</sup> The other shares were foundation shares of the owners, Tacke, Schulz & Simmel.

<sup>320</sup> AR2/AGR2, Archiefwereldoorlog I, Sekwesterarchief – Les Etablissements Schulz, nr. 2. Annexes au Moniteur Belge, 1909-1914. And this contract was valid until 31 December 1914

<sup>321</sup> AR2/AGR2, Archiefwereldoorlog I, Sekwesterarchief - Norden Frères, nr. 144.

firms (Paul Bülow, Wöhlrab, Körth, and Grossman Nachf). The Leipzig raised Austrian Jacques Krochmal set up a very similar business. Three Leipzig firms (Arthur Berger, Robert Meyer, and H. Königswerther) appointed Krochmal as their representative in Brussels. The brokers sold all kinds of products on the local market, such as furs (both raw and manufactured) and equipment.

The fur brokerage market in Brussels was a heavily competitive one: representing a Leipzig firm was a highly unstable business. In cases of bad results, the mother firm could easily appoint a new broker. Furthermore, immigrant entrepreneurs who made their living as fur brokers heavily competed with one other to win the representation of Leipzig firms or aimed for German companies that were new to the Belgian market.<sup>322</sup> For instance, Dietzold, a merchant in Leipzig, cancelled his agreement with Krochmal in 1913 and switched to a rival German-Brussels broker, W. Seidensticker. Although brokerage was the shortest way to self-employment, it was also the most dependent upon external factors since it relied on the goodwill of a trade partner abroad at the very least. In addition, the infrastructure of these firms was not designed to develop any alternative lines of business.

Brokerage and representation were attractive ways for the smaller firms in the Leipzig district to pursue a strategy of internationalisation. Indeed, firms preferred immigrant entrepreneurs as representatives due to cost-reducing factors in transborder traffic. An example is offered by the activities of H. Königswerther, a Leipzig merchant firm. One of the brothers, Jules Königswerther, had established a branch in Brussels in the 1870s and was thus one of the first Leipzig entrepreneurs in the Belgian fur industry. Due to a change in international strategy, Königswerther spearheaded foreign investment in Paris at the turn of the century: Jules Königswerther was sent from Brussels to Paris as their representative. Later, the head office in Leipzig decided to liquidate the Brussels business all together. However, the interests of Königswerther in Belgium were looked after by J. Krochmal.<sup>323</sup>

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<sup>322</sup> For instance, Krochmal formerly represented Dietzold. When the latter was not content with the representation in Brussels, he sought another commissioner: several smaller German firms claimed the lucrative position. See AR2/AGR2, Archief Wereldoorlog I, Sekwesterarchief - Mummet, nr. 15. Dietzold 29.01.1913 and Dietzold 10.03.1913.

<sup>323</sup> Koenigswerther's brother had opened a branch in Brussels, which was one of the first German fur firms on Belgian soil. However, he quit the fur industry in the late 1870. Henceforth, Königswerther commissioned his presence on the Belgian market. See: *Almanach du commerce*, Bruxelles 1873, 26.

These smaller businesses acted as subsidiaries of Leipzig firms on the Brussels market. In bridging the distance between Brussels and Leipzig, brokers had a say in the business strategy to be followed on foreign markets. Brokers possessed information on which the mother firm could base its decisions. Mummet informed his Leipzig partners about rival businesses in Brussels. He was especially obsessed with the developments in the Norden company, where he had worked for several years. He also regularly described the situation in other firms, although in less detail. Despite the often repetitive character of his information, Schlesinger Nachf, one of the Leipzig firms he represented, was very interested in Mummet's reports: "We ask that you please continue to inform us about what you sell and what the rivals are doing. The more information you give, the better we can support you."<sup>324</sup>

The effect of immigrant entrepreneurship on the fur trade between Brussels and Leipzig was impressive. In terms of trade volume, transnational immigrant business (in the form of large business and brokerage) had beneficial results for the German-Belgian bilateral trade (cfr. figure 1). The export of furs from Germany to Belgium increased in proportion to the establishment and growth of immigrant businesses. Before 1900, raw furs ranked low on the German export list to Belgium but rose steadily from 1905 onwards, ranking fifth in individual export commodities in the years before the First World War. Somewhat surprisingly for a niche luxury industry, furs came second only to those export commodities that provided for Belgian heavy industry, like coal, pig iron, and coke.<sup>325</sup> Over fifteen years, the same period during which the largest German fur businesses settled in Brussels, the value of raw fur exports from Germany quintupled.

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<sup>324</sup> AR2/AGR2. Archief Wereldoorlog I, Sekwesterarchief – Mummet. nr. 12. Nachf an Mummet, 14.11.1913.

<sup>325</sup> Statistisches Jahrbuch für das Deutsche Reich, 1914, 262.

## Transnational Entrepreneurship

Year	Value (in million mark)	Ranking in commodity trade
1900	2.3	20
1901	1.8	21
1902	2.1	23
1903	2	25
1904	3.2	16
1905	-	-
1906	4.3	4
1907	5.2	4
1908	6.2	4
1909	8	3
1910	8	4
1911	6	5
1912	8.9	5
1913	10.3	5

Table 3-1: German export of raw fur to Belgium (1900-1913)<sup>326</sup>

### 3.4.2 Transnational entrepreneurs as local actors.

The advantages that cooperation with immigrant entrepreneurs offered to Leipzig firms were not limited to cost reduction. Firstly, German immigrant entrepreneurs had a greater knowledge of the local market than that of personnel in new branches. The endeavours of immigrant entrepreneurs in seeking integration with Brussels high society were an important advantage. German firms chose French names for their companies, thus disposing of Germanic connotations. Take for instance *Les Etablissements Schulz* or *Norden Frères*. A key marketing technique was identification with the upper strata of bourgeois life in Brussels. Jean Schmidt, a German immigrant and shopkeeper of one of the most illustrious Brussels fur boutiques, claimed prestigious links with the royal family. Business marketing, flyers, invoices, and signboards stressed that Schmidt was supplier to the princess Clémentine, (“*fournisseur de la Madame La Princesse Clémentine de Belgique*”) the youngest daughter of

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<sup>326</sup> Statistisches Jahrbuch für das Deutsche Reich, 1901, 1905, 1907, 1911, 1914. The trade statistics before 1900 do not reveal country-to-country commodity trade. The year 1905 is a lacuna in statistics on fur exports.



Leopold II.<sup>327</sup> French was also the language used to address customers from high society. Customers in Brussels were sensitive to the use of French in communications with fur shops and shopkeepers. Mummet, a representative of some Leipzig companies, mentioned this problem in many letters to the Leipzig mother firms. The problem was not so much that Mummet spoke bad French but rather that Dietzold (one of Mummet's main business associates) used "bad French" in direct communication with Belgian firms and customers.<sup>328</sup> This was something Belgian customers had complained about. It shows that brokers not only helped to reduce costs but also provided knowledge about local sensitivities.

As well as acting as convenient outlets for Leipzig firms, the immigrant fur firms were also dynamic entities that sought to expand local market shares. In particular, German immigrant entrepreneurs pursued strategies of horizontal expansion in order to expand their radius of action.<sup>329</sup> The larger German firms especially sought to construct networks with retailers by taking over existing shops or incorporating smaller firms into collaborative agreements. Contrary to contemporary observations that warned of a flood of aggressive German take-overs, these operations involved taking over both Belgian and German shops.<sup>330</sup> Processes of horizontal expansion in the Brussels fur industry started at the beginning of the twentieth century as the larger German fur firms consolidated their position on the Belgian market. In 1907, Bernard Mayer financed the establishment of a shop by Bernard Moser, a former German employee, in the prestigious Rue Neuve, a location ideally suited for the sale of luxury goods.<sup>331</sup> Mayer was the co-owner of Moser's shop.<sup>332</sup> In August 1912, Norden Frères gave financial support the Belgian shopkeeper Emile Mertens, which enabled him to establish a retail outlet called 'Mertens & Cie,' located at the Congresstraat 6.<sup>333</sup> Apparently, it was quite a large shop with six street windows. The Schulz firm also actively pursued a strategy of horizontal expansion. Schulz controlled the fur shop of a woman called Agnes Royer. As a rule, the larger firms kept strict control over the new retailers (although degrees of ownership

<sup>327</sup> AR2/AGR2, Archief Wereldoorlog I, Sekwesterarchief - Jean Schmidt, nrs. 212-213.

<sup>328</sup> AR2/AGR2, Archief Wereldoorlog I, Sekwesterarchief - Mummet, nr. 15. Several letters from Mummet to his business associate Dietzold in which he ruminated about selling to Belgians as a foreigner.

<sup>329</sup> Schulz, Mayer, and Norden all had Belgian shopkeepers in Brussels working for them to keep open shops of a semi-independent status: AR2/AGR2, Archief Wereldoorlog I, Sekwesterarchief - Les établissements Schulz, nr. 1; AR2/AGR2, Archief Wereldoorlog I, Sekwesterarchief - Norden Frères, nr. 360; AR2/AGR2, Archief Wereldoorlog I, Sekwesterarchief - Mayer & Cie, nr. 1

<sup>330</sup> Serge Chlepnier, "L'étranger Dans L'histoire Économique de La Belgique," *Revue D'histoire Économique et Sociale* 11 (1931): 731.

<sup>331</sup> AR2/AGR2, Archief Wereldoorlog I, Sekwesterarchief - Mayer & Cie, nr. 754.

<sup>332</sup> Ibidem.

<sup>333</sup> See: AR2/AGR2, Archief Wereldoorlog I, Sekwesterarchief - Norden Frères, nr. 360.

could vary substantially). Mertens' book keeping was controlled by accountants from Norden Frères, which illustrates the former's lack of autonomy. Although his share of ownership gradually declined, Mayer kept control over Bernard Moser until the beginning of the First World War. Schulz's company exclusively supplied Agnes Royer's boutique: "selling furs from other workshops was allowed only with special permission of Schulz."<sup>334</sup>

Immigrant business also formed a buffer against the risk to foreign operations from economic malaise or political upheaval. Such local factors debilitated transborder activities. Through formal or informal collaboration with immigrant entrepreneurs, German firms in Leipzig were able to avoid losses caused by social tensions or political instability. The fur business was badly affected during the 1913 general strike, which was a reaction to Catholic Party's refusal to adopt universal suffrage.<sup>335</sup> The Belgian Socialist Party (BWP-POB) had threatened a general strike since 1912 and finally called for one in April 1913. Approximately 550 fur workers participated in the strike and the general economic infrastructure was blocked, thereby delaying consumption. In letters to his business partners in Leipzig about the standstill, Mummet (a Protestant) decried the resolve of the Belgian Catholics and hoped that favourable economic conditions would return swiftly.<sup>336</sup> The strike ended after 10 days on the 22 April.

German immigrants also tried to participate in local interest groups and trade associations. Most notably, they acquired some prominence in the '*Chambre Syndicale de la fourrure*': the Norden brothers were active members while Bernard Mayer was appointed vice-president for a couple of years just before World War I.<sup>337</sup> As such, it is likely that the German entrepreneurs wielded influence on the organisation of the Belgian fur industry. There is a distinct German flavour to the emphasis on the importance of a craft career in the sectoral labour agreement of 1913. However, it is impossible to retrace how it was composed. Nevertheless, the organisation of labour in the Brussels fur industry was based on strongly hierarchical divisions. The Chamber saw the completion of an apprenticeship as a

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<sup>334</sup> AR2/AGR2, Archief Wereldoorlog I, Sekwesterarchief - Les Etablissements Schulz, nr. 1.

<sup>335</sup> Gita Deneckere, "De Algemene Staking in 1913. Geraffineerde Conflictbeheersing Aan de Vooravond van de Eerste Wereldoorlog." *Belgische Tijdschrift Voor Nieuwste Geschiedenis* 22 (1991): 458.

<sup>336</sup> AR2/AGR2, Archief Wereldoorlog I, Sekwesterarchief - Adolf Mummet, nr. 12, Adolf Mummet an Adolf Schlesinger Nachf, 06.04.1913, 19.04.1913.

<sup>337</sup> AR2/AGR2, Archief Wereldoorlog I, Sekwesterarchief - Les établissements Schulz, nr. 1. Two other German entrepreneurs were members of the board: Friedmann and Otto Wolff. They are not represented in the Belgian sequester archives. As mentioned before, René Levesque was the chairman.

precondition for attaining a higher salary (*ouvrier formé*).<sup>338</sup> Importantly, labour mobility was encouraged as well. In order to become fully trained workers, apprentices had to complete an internship for at least 5 years in two separate companies and work as a junior worker (*jeune ouvrier*) for at least two years. Much of this suggests a German influence on labour structure in the Brussel's fur trade.

In short, German entrepreneurs in Brussels were attractive partners for a number of reasons. Immigrant entrepreneurs used various strategies to gain control over the local market. These involved adapting to local urban consumer culture. German entrepreneurs sought to profit from consumerism in urban high society and their appointment in the Chamber of Commerce illustrates that they were accepted as prominent businessmen. As far as retailing was concerned, several German entrepreneurs followed an aggressive expansionist policy by taking over local shops, regardless of the nationality of the owners, in order to enhance sales opportunities.

### ***3.4.3 International dimensions of immigrant entrepreneurship.***

Having ascertained the importance of local integration patterns, how did immigrant entrepreneurs act as drivers of internationalisation? In answering this question, this section will investigate two issues: namely, independent internationalisation strategies on the one hand and an orientation towards the Leipzig market on the other hand. Immigrant entrepreneurs shared some sort of common business culture with firms in Leipzig. Firms in Brussels used a common method of fur treatment called '*nach Leipziger Art*.' Immigrants brought this nebulous term with them to Brussels, translating it into French as '*à la façon de Leipzig*.' It stressed the alleged higher quality of their products, much in the same way as the brands 'made in Germany' or '*Deutsche Arbeit*.'<sup>339</sup> In general, the expression '*nach Leipziger Art*' was a quality standard attached to the manufactured goods and linked the German fur industry in Brussels with a notion of scientific progress. For instance, when the new German fur factory 'Otto Peter & Cie' was established in Brussels, the German industrialist Otto Peter distributed a flier which introduced the new company: "because of our solid commercial organisation and modern facilities '*nach Leipziger Art*,' we will be able to deliver all orders

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<sup>338</sup> AR2/AGR2, Archief Wereldoorlog I, Sekwesterarchief - Les établissements Schulz, nr. 2.

<sup>339</sup> Sebastian Conrad, *Globalisierung und Nation im deutschen Kaiserreich* (München: Beck, 2006), 77.

for manufactured furs as quickly as possible.”<sup>340</sup> This example makes clear that the notion of Leipzig’s “way of doing things” was almost synonymous with a modern and industrial approach. Similar to ‘*Deutsche Arbeit*,’ the creed of ‘à la façon de Leipzig,’ was usually connected with evaluative language that made use of connotations like ‘modern’ and ‘high quality’ in order to give a sense of national economic advancement.<sup>341</sup> As well as forming associations with local elites, German entrepreneurs also constructed cultural associations with their home country.

Along with emphasising common methods, immigrant entrepreneurs endeavoured to maintain close more tangible links with businesses in Leipzig. Several immigrants maintained their contacts in Leipzig. Wittrichs Bruno, for instance, owned a fur shop in Brussels and divided his life between there and Leipzig. Between the end of February and the middle of September, he worked in Leipzig; he returned to Brussels for the winter season.<sup>342</sup> Leipzig was only about 17 hours distant by train.<sup>343</sup> The transnational dimension of the Leipzig-Brussels trade came to the fore during one particular moment of the year that ranked highly in the economic calendar of Leipzig: the Easter fairs. The Leipzig fur fairs abroad stimulated the transnational influence on German business. These exhibitions were ideally suited to make new business contacts and forge new trade networks.<sup>344</sup> As an important event in the international commerce in furs, the eastern fairs in Leipzig helped maintain transnational links. Over the course of time, these fairs had transformed from a trade event into a commercial one where new products and garments were exhibited to prepare furriers for the most intensive sales period.<sup>345</sup> In particular, the designs of the Leipzig furriers were intended to anticipate the next season and foreign influences, most notably from Paris. An industrialist from Berlin who participated in the fairs of 1912 wrote to the Norden company: “the fashion prefers a rich decoration of the fur with wisps and trimmings (...) given these developments, I will present my new collection at the fur fairs.”<sup>346</sup> Visitors thus absorbed what could be called market prophecies, especially on the subject of fashion developments. Brussels firms were invited to

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<sup>340</sup> AR2/AGR2, Archiefwereldoorlog I, Sekwesterarchief - Norden Frères, nr. 27.

<sup>341</sup> Conrad, *Globalisation and the nation in imperial Germany*.

<sup>342</sup> AR/AGR: Ministerie van Justitie Dienst Vreemdelingenzaken, vreemdelingenpolitie algemene dossiers’ nr. 437925. Polizeiamt Leipzig 29.10.1897. This was noted by the border control: 1883, 1884, 1890, 1892, 1896, 1897.

<sup>343</sup> “Reisverbindungen Nach Leipzig,” *Deutschland: Zeitschrift Für Heimatkunde Und Heimatliebe* 4 (1917).

<sup>344</sup> Die Kürschnerzeitung, 1913, 761-762. Neuheiten-Ausstellung des Vereins Deutscher Kürschner, zur Ostermesse 1913.

<sup>345</sup> Zwahr, “Die Messe in ihrem Gestaltwandel,” 24–25.

<sup>346</sup> Smaller fur shops exploited by German furriers for instance.

attend the fairs, although it is not clear if they did so in great numbers. In any case, firms in Brussels were kept extensively posted on the Leipzig fairs through letters.

On rare occasions, there were explicit calls for loyalty from the Leipzig fur industry to entrepreneurs living abroad. This was especially the case when the Leipzig Fur Merchants Association decided to boycott the London auctions in June 1914: several firms in Brussels were forced to choose sides. Schulz received the following appeal in May 1914: “we request that you subordinate your particular trade interest to the common good of our fur trade and support our boycott by leaving aside the June auctions of this year.”<sup>347</sup> Outside Leipzig, the boycott gained partisans amongst immigrant entrepreneurs in Paris and also from non-German firms such as *Revillon Frères*.<sup>348</sup> Several of the Brussels firms abided by this boycott: J. Krochmal, Les Etablissements Schulz, and perhaps others<sup>349</sup> Although the boycott was only partially successful (the absence of German traders failed to prevent the successful holding of the June auction), it shows that the Brussels firms took the perceived general interest of the Leipzig fur industry into account.

### **3.5 Transnational entrepreneurs and internationalisation.**

We have already established that many firms depended on international ties with Leipzig for their activities in Brussels. However, this view has been nuanced by describing how firms often pursued independent strategies on the local level, especially with regard to horizontal expansion. Such independent behaviour also took place at an international level. When the fur industry grew in Brussels, tapping into foreign markets became essential for Brussels enterprises. Despite the restrictions attached to the access of capital from Leipzig firms, immigrant entrepreneurs did pursue internationalisation strategies in places other than Leipzig. Moreover, several German firms established multinational organisations in order to gain a foothold in markets and cities beyond Brussels. The active behaviour of migrant firms

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<sup>347</sup> AR2/AGR2, Archiefwereldoorlog I, Sekwesterarchie - Schulz, nr. 3. Verband der Leipziger Rauchwarenfirmen E.V. 14.05.1914. “Indem wir Sie vom Sachstand in Kenntnis setzen, richten wir gleichzeitig an Sie die Bitte, auch Ihrerseits etwaige Sonderinteresse dem Allgemeinwohl unseres Rauchwarenhandels unterzuordnen und sich unserem Vorgehen anzuschließen indem auch Sie den diesjährigen Juni-Auktionen fernbleiben”

<sup>348</sup> Der Rauchwarenmarkt 1914, nr. 22, p. 676. Allgemeinwohl oder sondergeist. Die Londoner Auktionen.

<sup>349</sup> Die Kürschnerzeitung, 13.06.1914. Verband der Leipziger Rauchwarenfirmen, EV. Bericht über die am 9.06.1914 stattgefundene Versammlung. In Leipzig, 137 firms abided by this boycott and also 32 companies abroad, not all of them of German origin.

in processes of internationalisation further nuances the image of immigrant firms as outposts of mother firms in Germany.

This development took place in the first decade of the twentieth century, ten years after the largest German firms had established themselves in Brussels. The internationalisation was oriented mainly, although not exclusively, towards fur markets in neighbouring cities such as Paris, London, and Berlin. Bernhard Mayer set up the most extensive network of foreign branches. In 1905, Mayer opened his first branch on the German market in Berlin. His brother Charles led the branch, which was located on the Kommandantenstrasse. Over the next few years, many more branches were opened. Bernhard Mayer and Richard Katz established branches in Paris (Rue Réamur), Zurich (Dianastrasse), and Amsterdam (de Singel). An office was opened in Lille.<sup>350</sup> The Zurich office became the epicentre of the Mayer-Katz business when the Brussels headquarters was liquidated after the First World War. Further plans were forged to open a branch in Frankfurt am Main in 1910. The Mayer firm clearly entertained highly ambitious plans in terms of internationalisation.

Mayer had apparently gained an international reputation in the years leading to World War I. In 1911, Pierpont Morgan made Mayer an offer to establish a Mayer fur branch in New York as a joint venture. One of America's most important financiers offered to finance 90% of the business while Mayer was entitled to a 50% share in the profits. In return, Mayer had to offer expertise to the New York firm.<sup>351</sup> Morgan was impressed by the rapid emergence of Mayer's international empire: "I have been informed that you have established branches in Paris, Berlin, etc. I know that you raised your business from a small enterprise in the American style of a 'self-made man.' I have thought about establishing a factory with you here in New York."<sup>352</sup> The company was to be named "Morgan, Mayer & Cie" but it never materialised.

The Mayer business was one of the most important independent firms in the Brussels fur industry. It had no ties whatsoever to the Leipzig fur industry. Migration background does not account for its success. Mayer was a Jewish entrepreneur born in Laufersweiler, a small town between Trier and Koblenz. Before going to Brussels, he lived in Aken. Katz came from

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<sup>350</sup> AR2/AGR2, Archief Wereldoorlog I, Sekwesterarchie – Mayer & Cie, nr. 1, contract, 20.03.1912.

<sup>351</sup> AR2/AGR2, Archief Wereldoorlog I, Sekwesterarchie – Mayer & Cie, nr. 1.

<sup>352</sup> AR2/AGR2, Archief Wereldoorlog I, Sekwesterarchie – Mayer & Cie, nr. 738. Pierpont Morgan, 22.03.1911.

Melsungen, near Kassel, and lived in Cologne before moving to Brussels.<sup>353</sup> It remains unclear how they became involved in the fur business. Nevertheless, after the quarrel with Müller, their first business partner in Brussels, Mayer and Katz turned their new firm into one of the largest and most successful in Brussels. Just before the First World War, Mayer & Co employed about 200 workers and its renown stretched far beyond the Brussels marketplace. Contrary to the standard practice of other Brussels firms, which typically operated in the framework of German fur commerce, the origin of Mayer's success lay in securing direct supply lines from Russia and North America. Mayer and Katz operated in Russia through Hugo Fänkel, a personal representative in Moscow. Fänkel, '*unseren Moskauer Commissionaire*,' was the manager of the transport firm 'Loewe & Sydler' and transferred Mayer's raw fur purchases directly to Brussels.<sup>354</sup> Perhaps the Mayer firm was so successful because it was independent from German/Leipzig influences?

Firms that were strongly associated with Leipzig went international as well. Schulz opened branches in London (Oxford Street) and Paris (Rue Montmartre) after 1900. In 1909, Berthold Auerbach and André Lion, the managers of these branches, also became shareholders in the Schulz concern. Norden had two branches at his disposal after 1905: one in Berlin (Spittelmarkt) and one in Paris (rue Bachaumont). Although these firms seemed to concentrate on the same markets, there was only one city where their interests overlapped, namely Paris. What is more, the branches of Mayer, Norden, and Schulz in Paris were remarkably close to one another: the Rue Monmartre, Réamur, and Bachaumont were all located in the quarter called le Sentier, the hub of the Parisian garment industries.

Internationalisation was linked to the manufacturing of furs. Manufacturing was clearly on the rise in the Brussels market at the beginning of the twentieth century and it increasingly defined opportunities for internationalisation. Mayer & Co, Norden Frères, Schulz, and Müller & Cie were all involved in manufacturing. Other important German fur factories in the Brussels area were the aforementioned Peter & Cie and Beyer & Cie: the latter was established by Arthur Gohler and Richard Zeumer, two fur workers from Leipzig. In addition, the factory was partly financed by Mayer & Cie in 1911.<sup>355</sup> The reasons why German

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<sup>353</sup> AR/AGR' Ministerie van Justitie Dienst Vreemdelingenzaken, vreemdelingenpolitie algemene dossiers' nr. 517990

<sup>354</sup> Ibid.

<sup>355</sup> AR2/AGR2, *Archief Wereldoorlog I, Sekwesterarchief – Mayer & Cie*, nr. 1. Contract Mayer & Cie, Richard Zeumer, And Arthur Gohler. 16.01.1911

immigrants began to develop manufacturing businesses have to be sought in Belgium's customs policy on furs and leather goods. Instead of importing manufactured goods from the Leipzig fur industry, firms in Brussels became increasingly interested in expanding manufacturing activities. Between 1890 and 1914, Belgium allowed free trade on unprocessed skins and hides but imposed import tariffs on semi-manufactured leather goods and manufactured furs, which amounted to 30 Belgian francs per 100 kilograms.<sup>356</sup> Overall, tariffs favoured the stimulation of manufacturing in immigrant business: it was a strategic action undertaken by firms in order to jump over the tariff wall. Like the subsidiaries of multinational businesses, transnational immigrant businesses provided a way to avoid tariff barriers by acting as local producers.<sup>357</sup> And it was the manufacturing firms in Brussels that sought to create international connections.

In the previous section, I examined the durability of financial and commercial links between the entrepreneurs operating from Brussels and German firms in Leipzig. Leaving aside the remarkable case of Mayer & Cie, the overview showed that financial investments from Leipzig's firms strongly tied the companies of both cities together. Although financial links and the system of commercial representation engendered strong dependency on the German counterparts of immigrant entrepreneurs, customs policy and the creation of separate export markets produced a relatively autonomous Belgian fur market. I will now examine more closely how the Brussels fur firms attracted qualified labour in order to gain an insight into the workings of the transnational labour market and its relation to entrepreneurship. It will be shown that the labour market provided a steady supply of new entrepreneurs and workers but that this system reached its limits on the eve of World War I.

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<sup>356</sup> *Statistique de la Belgique, commerce avec des pays étrangers*, 1894-1895, 39.

<sup>357</sup> Jones, "Globalization," 146.



### 3.6 Market saturation and the limits of immigrant entrepreneurship.

In the summer of 1912, Adolf Mummet described the situation of the fur industry in Brussels to one of his business partners. He was worried about a very specific problem, namely that many newcomers were trying to establish businesses, which in turn had increased pressure on the local market: “new businesses are mushrooming (...) in the last three weeks, about twenty new furriers, mostly former chamber masters and branches of the largest firms, have been established as new enterprises. As a result, business is rapidly dwindling.”<sup>358</sup> Even though many of the new companies emerging between 1910 and 1914 were often the result of horizontal integration of the larger firms, I will show that the continuity of high turnover in immigrant entrepreneurship was the result of a labour market created by the successful German firms and was caused by the persistence of the idea that economic independence was the ultimate aim. However, the scale of such new enterprises differed significantly from those of the first generation: as the market was already crowded with entrepreneurs, the new immigrants increasingly had to focus on unprofitable sectors of the fur market in Brussels and were often dependent on the larger firms. The supply of entrepreneurs remained high because economic independence was seen as the ultimate goal but the golden years of the pioneer had certainly ended.

Firstly, let us take a look at the structure of the transnational labour market that emerged in the wake of the many new immigrant businesses. Large new firms in Brussels like Norden, Schulz, and Mayer were important in attracting qualified labourers. Personal contact was undoubtedly crucial but the trade press also played a seminal role here: trade journals like *Die Kürschnerzeitung* (The Furrier Journal) were aimed at an international readership. The journals published job offers or the advertisements of furriers marketing themselves on what was becoming a transnational labour market.<sup>359</sup> For example, an issue of *Die Kürschnerzeitung* from 16 March 1913 published two adverts from German furriers who were

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<sup>358</sup> AR2/AGR2, Archief Wereldoorlog I, Sekwesterarchief – Mummet, nr. 12, Mummet Adolph to Schlesinger Nachf, Leipzig, 27.08.1913.

<sup>359</sup> *Die Kürschnerzeitung* was a rather traditional German furrier journal that reported on the activities of urban and regional furrier associations like the *Kürschnerinnung* in Leipzig. Foreign subscriptions in 1913 amounted 4 marks per quarter against 2 marks in Germany. Several German companies were subscribed to it, such as Norden Frères. Another important trade journal was *Der Rauchwarenmarkt*, which was more internationally oriented in terms of its content. It reported on general developments and activities in the main markets. *Der Rauchwarenmarkt* was published in 32 countries. The Norden family was subscribed to this journal: on their contact with the editorial office in Leipzig, see: AR2/AGR2, Archief Wereldoorlog I, Sekwesterarchief - Norden Frères, nr. 7. 27.11.1912. Norden Frères placed several advertisements in November 1912:

looking for positions abroad.<sup>360</sup> Advertisements appeared in other German journals as well, especially in *Die Neue Pelzwaren Zeitung*. The journals also channelled other information, often concerning very practical matters ranging from work opportunities to detailed descriptions of developments in foreign markets. The journals gave detailed travelling advice to migrants. Advertisements in *Der Kürschner*, a journal of the German fur trade union, recommended the ‘Taverne de Prague,’ an Austrian restaurant and hotel in Brussels that served Austrian cuisine and also offered furnished rooms for wandering furriers.<sup>361</sup> The same journal recommended the ‘Pension Neukirchen’ on the Rue Dauphin in Paris for accommodation and German cuisine. These hotels became gathering places for fur workers who had recently arrived in the city.

Unfortunately, only the Norden archives have preserved information about the job opportunities published in *Die Kürschnerzeitung*. The Norden applications reveal a strongly transnational labour market supplying highly qualified labourers to important European fur centres. Responses to Norden’s job offers came either from furriers in Germany or those already working abroad, most notably in France.<sup>362</sup> The application letters are similar to the specific migration characteristics of the entrepreneurs I have described above. The application of the fur worker Eugen Krämer, for instance, demonstrated the importance of learning in Leipzig when he wrote to Norden in March 1912 about his professional career: “I joined the fur trading company M.J. Elias in Leipzig in Easter 1897 and concluded my apprenticeship in this company (...). Between 1901 and 1911, I worked for the German fur factory Bellwinkel in Hamm, for three years as a labourer and for the last seven years as a trade representative.”<sup>363</sup> When Krämer wrote to Norden, he was working in a fur factory in Breslau. Such application letters reveal that the labour market in the fur industry was characterised by high mobility.

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<sup>360</sup> *Die Kürschnerzeitung*, nr. 6, 16.03.1913. pp. 373-375. “Werkführer Brüssel. Tüchtiger Kürschner, Leiter eines größeren Betriebes Brüssels, eingerichtet auf alle vorkommenden Arbeiten, sucht, gestützt auf gute Zeugnisse, anderwärts am liebsten in Brüssel, Engagement “And “Perfekter Kürschner, firm in jeder Arbeit, wie Jackets, Echarpes, Muffen, Futter etc. entwirft Muster, gearbeitet in gr. Häusern in Paris, Toulouse, Leipzig, nachwesb. Zeugn. Spricht Franz, Deutsch volk. Engl. Sucht passende Stellung als Werkführer oder 1 Arbeiter nach jeder Art (London bevorzugt.) Offerten erbeten u. L.F., Paris Rue de la Ville neuve 10 “

<sup>361</sup> *Der Kürschner*, Internationales Organ des Kürschner, Zurichter und Mützenmacher, nr. 1. Berlin, 11.01.1913.

<sup>362</sup> AR2/AGR2. Archief Wereldoorlog I, Sekwesterarchief - Norden Frères, nr. 28. Unfortunately this valuable file is heavily damaged and so only a few letters are readable, mainly from March 1912.

<sup>363</sup> AR2/AGR2, Archief Wereldoorlog I, Sekwesterarchief - Norden Frères, nr. 28, Eugen Kramer an Norden Frères. Breslau, 12.03.1912.

The letter from Fritz Herzberg, another applicant, reveals both the importance of Leipzig training and the geographical mobility of these furriers. Herzberg noted of his training: “after finishing at the gymnasium, I voluntarily joined one of the largest fur firms in Leipzig.”<sup>364</sup> In January 1911, he migrated to Paris to work in a fur workshop: “here I have an independent position and I am also responsible for dealings with Leipzig.” Herzberg was in the possession of a letter of recommendation from the H. Königswerther house in Leipzig. Another example can be found in the response of the German furrier Waldemar Rechenberg to an advert from Norden Frères in the *Neue Pelzwarenzeitung* in March 1912. Rechenberg had trained and worked in many Leipzig houses: after working in Paris and Brussels, he was then hired by the Belgian fur company R. Mallien. Like the other fur workers mentioned above, he claimed to possess experience in the international fur trade: “I have received my training in the Machenhauer house in Leipzig, where I went with my boss to the London auctions in March 1910.”<sup>365</sup>

The swelling numbers of entrepreneurs was connected to the large supply of highly qualified labour. It was mostly those labourers that tried to establish new businesses. Self-employment was unintentionally stimulated by the important positions these foreign labourers occupied in the German firms in Brussels. In the Schulz company, roughly one in ten workers were of German origin, yet almost all of the highest positions in the company were occupied by Germans. The company’s rank and file consisted of lowly paid Belgian workers, often female, whereas the top positions were filled by Germans, most notably that of chamber master (*Kammermeister*). The position of chamber master, a sort of supervisor, was typically German and served as a stepping-stone towards economic independence. In the German firms of Brussels, this position was exceptionally well paid. In Schulz’s company, the wages for the 11 chamber masters amounted to 2,009.70 Belgian francs weekly, an amount that was held to be commensurate to their dexterity. It was significantly more than the other 65 labourers earned in any given week (1,469.30 Belgian francs).<sup>366</sup> The Schulz chamber master Alex Knothe earned almost 60 francs a day and more than 300 francs in a week. More junior labourers made much less, earning around 4 francs a day on average. These were mostly female workers, often performing standardised work on the sewing machine. Male workers, who were usually

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<sup>364</sup> Ibid., Fritz Herzberg an Norden Frères. Paris, 11.03.1912

<sup>365</sup> AR2/AGR2, Archief Wereldoorlog I, Sekwesterarchief - Norden Frères, nr. 28. Waldemar Rechenberg. 11.03.1912.

<sup>366</sup> See: AR2/AGR2, Archief Wereldoorlog I, Sekwesterarchief - Les Etablissement Schulz, nr. 138. Records on personnel. Occupation could differ from week to week.

entrusted with the end of the production process, earned significantly more. Yet Belgian fur workers earned still much less (8 francs daily) than the German chamber masters, who enjoyed a ‘skill premium.’

The position of chamber master integrated aspects of outdated hierarchical craft organisation and more modern factory methods of fur garment production. As such, German industrialists had created an intermediate well-paid rank between ordinary labourers and the entrepreneur. The position replaced that of the autonomous handicraft master, the existence of which was threatened as a consequence. The chamber master was the source of expertise in crafting furs and thereby became a labour aristocrat in the modern fur factory. In Paris, this position was considered to be a bridge to entrepreneurship.<sup>367</sup> Their status as labour aristocrats and the remuneration of their skill premium made self-employment easier to attain. In 1908, Martouffy, a former chamber master of Schulz & Cie, started a company with the Swedish fur worker Christianson.<sup>368</sup> Employing a small number of furriers, they mainly produced orders for the larger workshops and operated on credit lines provided by other firms. In 1904, Joseph Krebs, the descendant of a German migrant to Brussels, established a new fur business after “he had worked as a chamber master for several houses in Brussels.”<sup>369</sup> Richard Hempel, a fur worker from Leipzig, worked as furrier in several houses in Paris and Brussels: “he established his own business in 1906 specialised in manufacture and repairs of fur garments.”<sup>370</sup>

The turnover of human capital was high. The management of Bernard Mayer failed to prevent labour aristocrats from leaving the business prematurely. Between 1904 and 1912, around 24 Germans worked for Mayer & Katz but their stay was relatively short. Although not all of them became entrepreneurs (some of them returned to Leipzig and others left for different cities), many started business on their own. Schömann, a fur worker from the Mayer

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<sup>367</sup> A similar development took place in Paris: see M. Schirmacher. *La spécialisation du travail par nationalités a paris*, Paris 1903. The term of *chambre-maître* was a literal translation from German: “Mais l’industrie de la fourrure étant en grande partie une industrie en chambre, et l’ouvrier allemand y rencontrant une préférence (...) et se fait façonnier, ou , pour nous servir du terme technique, chambre-maître, ce qui est la traduction littérale du terme de métier allemand Kammermeister.” The term of *Kammermeister* was popular among the largest factories when it came to defining their most skilled labourers.

<sup>368</sup> AR2/AGR2, *Archief Wereldoorlog I, Sekwesterarchieff – Les Etablissements Schulz*, nr. 142. Martouffy & Christianson. 31.10.1909. Although they had a starting capital of 12,000 (francs, marks?), external orders and credit were necessary for the business to survive.

<sup>369</sup> AR2/AGR2, *Archief Wereldoorlog I, Sekwesterarchieff - Mummet*, nr. 264. Krebs Joseph. 20.06.1913. -

<sup>370</sup> AR 2/AGR2, *Archief Wereldoorlog I, Sekwesterarchieff – Mummet*, nr. 264. Hempel Richard, 05.04.1913

company, became an entrepreneur in 1907.<sup>371</sup> The skill premium also involved employees who had acquired insights into other areas of the local fur trade. Ludwig Italiener and his brother, two German accountants from Mayer & Cie, left the company on 31 April 1912 to found their own company called *Italiener frères pelleteries en gros*. Some firms tried to prevent their employees from starting up on their own. Norden stipulated in some labour contracts that former employees should abstain from entrepreneurship for at least a year after leaving the company.<sup>372</sup> The contract was signed for Adolf Mummet, who nevertheless later established his own business.

However, the high turnover of labour was not altogether problematic for the largest companies. Certainly, the fur firms had to attract new skilled workers. Nonetheless, the departure of fur workers was at the same time used as a way to ease the labour costs of the company. Just as with the incorporation of retailers in processes of horizontal expansion, many of these ‘new’ entrepreneurs came to operate as brokers for companies in Leipzig and as subcontractors for their old bosses. Former workers often agreed to dependence on external firms when competition became fiercer over the course of time or because they needed starting capital. The following example illustrates how difficult it had become to penetrate the market in Brussels in comparison to earlier. In 1911, the three Leipzig immigrants Beyer, Göhler, and Zeumer wanted to found a business but they lacked “sufficient capital to start on their own.”<sup>373</sup> Mayer and Katz provided capital of 75,000 francs to establish what would be called the *Zurichterei Beyer & Cie* on 6 January 1911. Mayer and Katz dispatched their raw furs to Beyer & Cie where the initial preparatory work would be carried out: after this, the furs were returned to Mayer, who then turned them into garments. According to the contract, Beyer only charged Mayer a fixed profit margin on the work, which was set to the official “Leipzig standards.” In exchange, the members of Beyer & Cie had to pay off their debt and Mayer had the right to levy 10% on every invoice if they traded with other companies. Two years later, Göhler and Zeumer had had enough of their profitless enterprise: they bought themselves out of the company and left for Germany.<sup>374</sup> The contrast between the success of the first companies and the failure of newcomers neatly symbolises the saturation of the

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<sup>371</sup> AR2/AGR2, Archief Wereldoorlog I, Sekwesterarchief – Mayer & Cie, nr. 46. Records concerning personnel.

<sup>372</sup> AR2/AGR2, Archief Wereldoorlog I, Sekwesterarchief - Mummet, nr. 15.

<sup>373</sup> AR2/AGR2, Archief Wereldoorlog I, Sekwesterarchief - Mayer & Cie, nr. 1. Mayer & Cie and Beyer & Cie, 16.01.1911

<sup>374</sup> AR2/AGR2, Archief Wereldoorlog I, Sekwesterarchief – Mayer & Cie, nr. 754.

market. New entrepreneurs were facing more difficult conditions than the first entrepreneurs ever did.

### 3.7 Conclusion.

World War I marked the end of the German fur enclave in Brussels. Although many of the German immigrants in Belgium may have favoured the expansion of the German empire, the war was a fateful event for them. Luxury goods tend to sell badly in war times and the German immigrants were situated in a tense position somewhere in between the occupier and occupied. German shops lost their clientele en masse. After the war, there was no future for German business in Belgium. As with other allied countries, the Belgian government ordered the immediate confiscation of all German property to serve as a retribution for the damage incurred during the Great War. In the early months of 1919, companies owned by enemy nationals were officially sequestered, crushing the hopes of several entrepreneurs who had naively planned to return to Brussels and resume entrepreneurial activities. Arguing that their enterprises had established a successful sector in Belgium, several of them vehemently petitioned for reimbursement. However, all the stock and business buildings were put for sale.

Conversely, Belgian entrepreneurs profited from the situation. The Belgian company Llobet & Plateau, one of the largest fur companies in Brussels, bought Mayer & Cie's spacious factory and store in the summer of 1919. As such, Llobet & Plateau occupied a leading position in the local fur market. Somewhat surprisingly given the sequestrations, links between Leipzig and Brussels in the fur industry were somewhat restored in the 1920s. In 1924, 27 of the 188 shops in Brussels brokered for one or more firms in Leipzig.<sup>375</sup> Furthermore, several former entrepreneurs re-appeared with a new firm: Otto Schulz (*Société Générale de fourrures Schulz & Cie*), Edouard Simmel (formerly Schulz, now co-owner of the Belgian company Hendrick & Cie), and Müller Cie. (Bd. De Bischofsheim). While the fur industry remained essentially an open international trade, there are indications that the entanglement of both markets continued well until 1930 when the link between the Leipzig and Brussels fur industry finally petered out.<sup>376</sup> However, the return of the Brussels-Leipzig

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<sup>375</sup> Welt-Pelz-Adressbuch, 1924, pp. 1-2.

<sup>376</sup> Jean Delsaux, "L'industrie de La Fourrure En Belgique," *L'expansion Belge et Exportation Réunies* 25 (1932): 1217-20.

link is remarkable and shows that the immigrant entrepreneurs had created a robust trade system that was not easily erased.

This chapter makes the case that migrants formed important links to the outside world for the Leipzig fur industry. The fur industry was highly mobile: labourers and furriers had frequently acquired work experience in the major fur centres of Germany and Europe. It was these mobile labourers who became entrepreneurs. Many persons belonging to this category had ties to Leipzig. Elements of the old craft traditions continued to play a subtle role. The tradition that loomed in the garment sector most strongly was the attitude that saw autonomy as the final stage of a linear career path. The point at which German fur workers migrated was typically linked to an intermediate stage in their careers. Once they arrived, their new employers kept the ideal of autonomy alive. Migrants working in the Brussels fur industry profited from the so-called skill premium. Special functions in the companies were reserved for newcomers: they became accountants, agents, fur workers, or chamber masters in those companies. The latter function in particular played a large role in the German-Brussels and German-Parisian fur industries and reveals immigrant businesses' appreciation for qualified labour imported from the *Heimat*. However, the high turnover of human capital, typical of an immigrant niche, eventually halted the expansion of the sector. The unbridled ambitions of these labour aristocrats to become self-employed made the fur sector in the years before the First World War unwieldy. Immigrant entrepreneurship became a victim of its own success: whilst the supply of entrepreneurs reached a peak in 1913, the market was eventually saturated, thus making the situation of many entrepreneurs highly problematic. This, in turn, reinforced a system of decentralised production and retail from which the pioneer companies greatly benefited. In this sense, the supply of immigrant entrepreneurship was self-regulating.

High mobility in the Leipzig fur industry offered opportunities to the small and medium sized businesses of the district. This was one of the many aims of the chapter: to demonstrate that business internationalisation could assume important alternative forms, based on personal networks. Recently, the role and prominence of business, especially multinational business, in economic globalisation has been highlighted but a lot of work still needs to be done on unfolding the importance of smaller actors such as immigrant entrepreneurs. This chapter hopes to make a modest contribution to the 'small is beautiful' dimension of processes of economic globalisation. Many formal and informal transborder cooperative connections were constructed through the personal networks of migrants. Supporting an immigrant business

## Transnational Entrepreneurship

formed an attractive alternative to branching out. District firms could thus pursue an internationalisation strategy without setting a foot outside Germany. The transnational fur business also heavily supported the broad range of international communication channels like the fur trade press. For many smaller firms, migrants were cost-reducing factors in the organisation of transborder trade. Smaller firms could easily find a German broker or representative in Brussels. Other firms financed the establishment of migrant businesses. Two of the largest German firms were financed intensively with money from Leipzig. Collaboration did thus not only take place between economic actors in the district. As long as they shared a common background, collaborative inter-firm networks were established across borders.

Migrants offered advantages to district firms in many ways besides than cost reduction. Immigrants were better judges of local markets and German firms could easily invest in them without assuming much responsibility for the burden of day-to-day management or being exposed to negative local developments. In a sector that was governed by small to medium-sized businesses, the system of brokerage and transnational immigrant entrepreneurship offered a workable alternative. At the same time, the set of German firms in Brussels was characterised by its own dynamics and developments. The orientation towards Leipzig did not stop these companies from following an aggressive expansion policy both locally and internationally.

With the analysis of immigrant entrepreneurship, I have once again illustrated that the industrial district in Leipzig cannot be studied as an isolated island. The formation of the industrial district was part of the international expansion of luxury consumption and production at the turn of the century. The growth and consolidation of Leipzig as a local and, more importantly, an international centre of the fur industry in this expansion phase required links to other poles of growth in the international trade. Through personal mobility and networks, the Leipzig industry was able to profit from proximate new markets like Brussels. The effects that the booming Brussels business had on bilateral trade were spectacular. Furs became one of most valuable export commodities from Germany to Brussels. Unfortunately, the role of migration and mobility in links between Leipzig and other new growth centers of the international fur industry will always remain in the dark because of the lack of comparable source material.



**PART II:**

**Lost Markets and Novel Products:**

**The Creation of New**

**Production Paradigms**

**(1903- 1939).**



## **4 Sheep Farming in South West Africa and the Leipzig Fur Industry (1900-1933).**

### **4.1 The fur industry and colonial design.**

In February 1909, a shipment of peculiar cargo arrived in the German colony of South West Africa (Namibia). Governor von Lindequist had ordered about 278 karakul sheep: they were transported from the Turkmenistan steppes in Central Asia to the German protectorate. Karakul sheep, like the Astrakhan breed, were skinned for their furs: von Lindequist envisioned German colonists as karakul farmers working for the fur industry in the Reich. By 1913, about 1,155 pure breed and 21,000 crossbreed karakuls inhabited South West Africa. On the eve of World War I, the karakul skin trade was on the verge of becoming a major sector of intensive farming in South West Africa. Soon, fur farming constituted one of the most important sectors in the economic history of Namibia.<sup>377</sup> Importantly, the arrival of the karakuls suited the plans of the Leipzig fur industry to create a new source of sheep skins. It was the fur industry in Leipzig that created the context for the karakul transplantation to South West Africa. This chapter is devoted to studying the involvement of the Leipzig district in turning karakul farming into a new production paradigm in the colonies.

Most studies of German colonial business have stressed the economic irrelevance and unprofitability of the empire, thereby explaining the lukewarm interest of German business in the exploitation of their territories.<sup>378</sup> Small and large businesses alike were apparently absent from processes of imperial exploitation. However, a growing body of literature reveals that interest did exist. Rather than registering business activities in the broad sweep of colonial trade statistics, such treatments offer a qualitative reading of colonial exploitation by seeing business interests in relation to scientific imperialism and the colonial state. Especially revealing in terms of business history is the attention that has been paid to business

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<sup>377</sup> Fur farming in German South West Africa focused primarily on the breeding of the so-called 'black furs' from Astrakhan and Karakul skins, which were often called Persian lambskins.

<sup>378</sup> William Roger Louis, *Ends of British Imperialism: The Scramble for Empire, Suez, and Decolonization* (London: I.B.Tauris, 2006), 38.

involvement in the creation of imperial infrastructures and ‘new production paradigms.’<sup>379</sup> The work of Zimmerman and Beckert is worth mentioning in this regard: they have described the endeavours of the German colonial administration and industrial representatives in the Colonial Economic Committee to create a cotton plantation industry for German Africa.<sup>380</sup> Such projects of colonial improvement and development, although often unexecuted, were interwoven with business interests that were endemic in most of the European empires. The karakul industry created by the fur industry was one of the most successful in the context of the German empire.

The chapter will investigate how district firms pursued such imperial ambitions. Who were the main actors in the industrial district? Was it the result of individual firms or local collective action? Given their specialised nature, how did firms organise the creation of a new production paradigm in the colonies? Even the largest firms in the district arguably lacked the funds to attract agricultural experts or provide for the costly transport and the acquisition of farmland. It is assumed here that the fur business was involved in ways that were not significantly different from those of other business enterprises with an interest in the German empire. Businesses worked in close collaboration with the colonial state and with experts and scientists, who carefully examined the possible economic future of newly acquired colonies. The link with expert knowledge will be especially stressed. As Joseph Morgan Hodge has noted, imperial states turned to scientific expertise in order to deal with the problems of production and resource management both at home and abroad.<sup>381</sup>

It is thus assumed that the participation of Leipzig firms occurred alongside the expansion of locally embedded networks with national, imperial, and scientific institutions. Indeed, strong collaborative networks between these actors were required given the ambitious goals of the Germans for the colony of South West Africa. In contrast to other areas of the German Reich, South West Africa was unique in that it formed the cornerstone of settler colonialism. At the same time, it was also one of the most desolate and inhospitable areas of the colonial

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<sup>379</sup> Equally revealing are imperial business activities outside the empire: Boris Barth, *Die deutsche Hochfinanz und die Imperialismen: Banken und Aussenpolitik vor 1914* (Stuttgart: Steiner, 1995).

<sup>380</sup> Beckert, “Das Reich der Baumwolle. Eine globale Geschichte”; Andrew Zimmerman, *Alabama in Africa: Booker T. Washington, the German Empire, and the Globalization of the New South* (Princeton: Princeton University Press, 2010).

<sup>381</sup> Joseph Morgan Hodge, *Triumph of the Expert: Agrarian Doctrines of Development and the Legacies of British Colonialism* (Athens: Ohio University Press, 2007), 42.

empire.<sup>382</sup> Especially after 1908, the German government pursued a more active economic policy in what it perceived as its main colony.

To a greater or lesser extent, this chapter is a chronological account of the creation of the karakul farming business in South West Africa. The key thread is the role of the industrial district in the formation of this new production paradigm in the colony. I begin by portraying the global karakul trade at the end of the nineteenth century. Then I will devote attention to the link between Leipzig fur business and agricultural science at the beginning of the twentieth century and how this alliance set in motion controlled karakul farming by 1914. It should be mentioned that the history of karakul farming in relation to the Leipzig fur industry did not end with World War I. The settlers and karakul farmers in South West Africa were one of the few links that remained between Germany and its former empire.<sup>383</sup> However, the loss of empire necessitated a different approach towards fur farming in the interwar period.<sup>384</sup> Lacking the tools of empire, the fur industry both profited and was troubled by the expansion of karakul farming in South West Africa.

The chapter opens the section on the industrial district and the creation of new production paradigms. The creation of production paradigms by the Leipzig fur industry are presented here as the result of various exogenous developments that took place between 1900 and 1930. As described above, resource scarcity and the consequent competition over resources characterised the modern fur industry at the turn of the century. Karakul farming in the colonies will be presented as a reaction against global competition. The mass production of rabbit skins as a process of resource-substitution during World War I is presented in chapter 5 and fox breeding in Weimar Germany as an autarkic response to resource scarcity in chapter 6. The section on sourcing new resources will shed light on local processes of collaboration and the actions of individual district firms in dealing with external developments.

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<sup>382</sup> Helmut Bley, *Namibia under German Rule* (Hamburg; Windhoek, Namibia: Lit ; Namibia Scientific Society, 1996), 107.

<sup>383</sup> Gisela Graichen and Horst Gründer, *Deutsche Kolonien: Traum und Trauma* (Berlin: Ullstein, 2005), 376.

<sup>384</sup> Andreas Eckert, "Germany and Africa in the Late Nineteenth and Twentieth Centuries: An Entangled History?," in *Comparative and Transnational History: Central European Approaches and New Perspectives*, ed. Heinz-Gerhard Haupt and Jürgen Kocka (New York, Berghahn Books, 2012), 232.

## 4.2 The making of the German karakul industry (1903-1914).

### 4.2.1 *The limits of global trade and the prospects of agricultural science*

Karakuls were not brought directly to South West Africa. The karakul farming project was the result of a lengthy process that encompassed various contexts like global trade, long-distance transportation, and experimental farming inside Germany. In particular, the roots of karakul farming in the German colonies have to be sought in the context of world trade. This section examines the context of global trade that made the transplantation of karakul sheep to the German colony of South West Africa possible.

Native to the steppes of Central Asia, karakul and Astrakhan sheep formed a niche in the international fur industry. Like the rest of the fur industry, it was a niche that was growing rapidly by the end of the nineteenth century. Karakul pelts were something of a curiosity in the fur industry. Karakul fur owed its attractiveness to the black curly locks of the lamb. Because these thick lamb curls rapidly changed into less valuable sheep wool, karakul lambs were usually slaughtered for their skins when 3 to 10 days old. Even more precious was the pelt of the stillborn foetal karakul lamb because of its so-called ‘moire pattern.’ The alleged practice of extracting foetal lambs made karakul farming one of the first targets of the early animal right movements.<sup>385</sup> By far the most lucrative, the skins of the stillborn lambs were labelled and sold on the international fur market as ‘broadtails’ (*Breitschwanz*).<sup>386</sup>

The karakul pelt became popular in Germany and Europe at the end of the nineteenth century. However, only a few firms in Leipzig were specialised in the manufacture of the karakul skin. A. Herzog created the first dyeing firm in Leipzig specialised in the processing of karakul and Astrakhan lambskins.<sup>387</sup> The most important firm was undoubtedly that of Theodor Thorer. In

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<sup>385</sup> Hans Eberhard Matter, Paul Schöps, and Richard Franke, *Breitschwanz-Karakul: Legende u. Wirklichkeit* (Murrhardt: Rifra-Verl., 1973), 15. Unsystematic accusations have been made since 1920s: fur farmers were accused of causing misbirths or deliberately killing pregnant ewes. The fur industry denied the practice as it claimed that it was unprofitable to lose the ewes in order to procure foetal lambskins.

<sup>386</sup> Matter, Schöps, and Franke, *Breitschwanz-Karakul*.

<sup>387</sup> Helmut Arndt and Manfred Unger, *Leipzig in acht Jahrhunderten* (Leipzig: Bibliographisches Institut, 1965), 100.

1882, Thorer developed a secret industrial dye to apply to this type of skin. Consequently, Thorer specialised in both the trading and processing of this commodity and led the Leipzig market in the black fur sector.<sup>388</sup> By the late 1880s, Thorer was one of the leading firms in the international manufacture of lambskins well into the 1930s.<sup>389</sup> At a later stage, the Leipzig auction company RAVAG also played a role in the karakul trade. Thus, the karakul trade was limited to only a few firms of the district.

The Thorer firm was also the most active in the international karakul trade. In 1905, Thorer imported 385,000 of these skins worth about 6,000,000 marks from Bukhara, the main procurement area in the world trade.<sup>390</sup> Commercial networks with the emirate of Bukhara were paramount in securing supplies. Paul Thorer, the oldest son of Theodor and owner of the firm between 1892 and 1920, personally undertook lengthy journeys to Bukhara to obtain karakul skins. Karakul and Astrakhan skins were also put on sale as well in the fairs of Nishnni Novgorod at the so-called “Wostostschnii” bazaar. The sales were conducted by a trustee of the emir of Bukhara.<sup>391</sup> Nevertheless, the Thorer firm endeavoured to buy the skins at their source. In 1909, the director of the Deutsche Bank in Leipzig characterised Paul Thorer as “the authority in the world trade in Persian skins [karakuls]” and noted the exhausting travelling that came along with such eminence: “for many years, Paul Thorer has gone regularly to Bukhara, the country where Persian skins are produced, to acquire information on the situation and prospects of the karakul market.”<sup>392</sup> In Bukhara, Paul Thorer was immersed in forging trade networks with local representatives who bought the skins from local dealers in the steppes and brought them to the Bukhara market. In addition, he set up a commercial network around Astrakhan furs in Tashkent.<sup>393</sup> His closest business partner there was the German firm Wilhelm Durrschmidt.<sup>394</sup>

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<sup>388</sup> Der Rauchwarenmarkt, nr. 23, 5.06.1936, p. 3. Persianer. Nach einem Vortrag des Herrn S. Hopfenkopf gehalten vor den Mitgliedern des Londoner Rauchwaren-Verbandes in London.

<sup>389</sup> StA-L, Dresdner Bank in Leipzig 21018, nr. 482, f. 496. Thorer an die Dresdner Bank, 11.07.1934.

<sup>390</sup> BArch, Reichskolonialamt R 1001, nr. 85050. Der Sudwestbote: Sonntagsblatt, Windhoek 15.11.1911, nr 91. 8. Jg. Karakulschafzucht, herr oberst Dr. Görlitz, der besitzer der Farm Wilhelmsta

<sup>391</sup> Fränkel, “Einbahnstraße” Bericht eines Lebens, 95.

<sup>392</sup> StA-L, Deutsche Bank, Filiale Leipzig 21017, nr. 544. Deutsche Bank Filiale Leipzig, an das Filialbureau Leipzig, 29.07.1909.

<sup>393</sup> Firma Thorer und Hollender, *350 Jahre Thorer*, 60. See also German colonists in Taschkent letter concerning Schubert, BArch, Reichskolonialamt R 1001, nr. 8507. f.130. Paul Hollender an Busse, Reichskolonialamt. 18.02.1913.

<sup>394</sup> Dürschmidt was born in Germany and was probably one of the most renowned entrepreneurs in Central Asia. He came to Turkestan in 1883 and began a business dealing casings. By 1910, he owned a business network of about 20 companies divided between Chiwa, Tashkent, and Bukhara. Before the First World War, there were about 4,200 Germans living in Taschkent, 586 in Aschhabad, 96 in Merw, 378 in Samarkand and 24 in Kagan.

Although it seems that Thorer was quite successful in securing supply routes in Russia and Central Asia, the dependency on the stretched trade trajectories, the time-consuming travelling, and contact with the go-between traders in Bukhara produced irritation in the company's management. Particularly unpalatable to Thorer was lack of dexterity among traders in the Emirate of Bukhara in preparing the skins for the export. He noted in 1913 that "this method [of preparing] is well known to me, but it is cumbersome, time consuming, not at all used properly and (...) dangerous to the value of the goods."<sup>395</sup> Reports on trading in Bukhara that circulated in Leipzig (the international success of the Thorer in the karakul market attracted a great deal of interest) suggested the unreliability of Bukharian traders and the difficult circumstances under which German traders operated in the Emirate. Similarly, trade press in Leipzig reproached the trade conduct of the wholesalers in Bukhara: "the Mohammedan knows no greater joy than to swindle Europeans (*übers Ohr zu hauen*), contrary to their dealings to co-believers, as mentioned, in which they are always fair and honest."<sup>396</sup> Thorer was glad about the prospect of lessening the trade with Central Asia.<sup>397</sup>

The problems of long-distance trade cannot be decoupled from economic rationales. As early as 1903, Thorer first suggested bringing karakul farming to Germany or its colonies during a speech about his travelling experiences to Bukhara. With demand for karakul garments steadily rising, Thorer was confronted by the prospects of stagnating supply and increased competition. In 1910, he wrote to Bernhard Dernburg, state secretary of the *Reichskolonialamt*, that "the increased consumption of fur garments in general makes it even more promising to enhance karakul production in the colonies (...) it appears that the Turkestan steppes will not be able to increase their stock for mass-production."<sup>398</sup> Therefore, the plans to install karakul farming in South West Africa cannot be understood without taking this global economic dimension into account. Rather than being dependent on unreliable trade partners, Thorer felt that control over the supply chain was of paramount importance for the

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Boris Meissner, Helmut Neubauer, and Alfred Eisfeld, *Die Russlanddeutschen: Gestern und Heute* (Markus Verlag, 1992), 107.

<sup>395</sup> BArch, Reichskolonialamt R1001, nr. 8507. Thorer an der Staatssekretär des Reichs-kolonialamts, Tsingtau, den 11.03.1913

<sup>396</sup> Neue Pelzwarenzeitung, nr. 239. 2.05.1914. p.21. Der Einkauf in Buchara.

<sup>397</sup> BArch, Reichskolonialamt R 1001, nr. 8507 Thorer an der Staatssekretär des Reichs-kolonialamts, Tsingtau, den 11.03.1913 Additionally, the quality of the South West African skins and even 'European' skins as much higher according to Thorer when he inspected the first sample of skins that arrived in Leipzig in 1913.

<sup>398</sup> BArch, Reichskolonialamt R 1001, nr. 8504, f. 205. Thorer an Excellenz dem Staatssekretär des Reichs-Kolonialamtes. Herr Dernburg. Leipzig, den 29.01.1910.



development of his business. The idea to create a new production paradigm was thus strongly linked to a single firm in the district. From this point on, it makes sense to apply the term 'lead firm' to the project of new resource creation. Theodor Thorer acted as a lead firm in the global commerce of karakuls and played the most prominent role in advocating the creation of a new supply chain inside the German empire. However, the Thorer firm needed the help of other partners in executing the project.

#### ***4.2.2 New partners: agricultural expertise and the fur industry.***

While organising long-distance trade with the emirate caused Theodor Thorer problems, the transplantation of karakuls certainly required cooperation with other actors, such scientists and the colonial state. In the early stage of the project, networks with university science departments were the most important since karakul farming, and fur farming more generally, was a completely new industry. The firm chose to cooperate with a local partner, the agricultural institute in Halle (which was established in 1863 and was 35 kilometres from Leipzig). The director Julius Kühn was one of Thorer's personal acquaintances and an *éminence grise* in the German agricultural sciences.<sup>399</sup> For several decades, the Halle institute maintained its pivotal role in German karakul farming in South West Africa. It first tested karakul farming in Germany before introducing the black sheep in the colonies. In 1913, the German colonial administration finally appointed Halle as the official research institution for colonial karakul farming.<sup>400</sup>

Halle's task went beyond providing knowledge about animal management and scientific guidance. First of all, it had to convince various actors in agriculture, the fur trade, and the colonial administration that karakul breeding outside the native environs of the steppe was not an unrealistic pipe dream. Common wisdom had it that karakul lambs were a unique species of animal whose characteristics decayed when moved outside their natural habitat. The quality and uniqueness of the karakul skin evoked an almost superstitious belief about the role of the

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<sup>399</sup> "Landbauwissenschaften und landwirtschaftliches Hochschulwesen in Preussen vom Beginn des 19 Jahrhunderts bis in das 20 Jahrhundert," in *Wirtschaft, Wissenschaft und Bildung in Preussen: zur Wirtschafts- und Sozialgeschichte Preussens vom 18. bis zum 20 Jahrhundert*, ed. Karl Heinrich Kaufhold and Bernd Söseemann (Stuttgart: Franz Steiner Verlag, 1998), 24.

<sup>400</sup> BArch, Kaiserliches Gouvernement in Deutsch SWA R 151 F, nr. N.V.a.1. Vertrag. Halle a;d.S. den 6..12. 1913. Zwischen dem Reichskanzler (Reichskolonialamt) und dem Landwirtschaftlichen Institut zu Halle wird folgender Vertrag abgeschlossen.

steppes in determining the physical appearance of the lambskins. Paradoxically, Paul Thorer, the driving force behind the project, also maintained such a view. In one of their first discussions about transplanting karakuls from Bukhara, Thorer mentioned to Kühn that “everywhere karakuls are reared, the view is that it is only in the steppes that their peculiarities are maintained and if they go outside the steppes, the second, third, and certainly the fourth generations lose the qualities of the originals.”<sup>401</sup>

Where did this popular perception come from? Firstly, fur traders like Thorer had observed the lack of uniformity in the karakul sheep’s physical appearance in Bukhara. Therefore, they assumed that the pelt of the karakul responded to its surroundings and was thus vulnerable to changes in scenery.<sup>402</sup> However, these observations were false: Bukharian shepherds had been crossbreeding their flocks with other breeds for decades, so a ‘pure’ karakul simply did not exist. Nevertheless, the perception had a life of its own. Amateur breeders had a penchant for imitating a steppe-like environment. For instance, some keepers deliberately cut back fodder for the karakuls, believing that a shortage of food was a central characteristic of karakul herding in the emirate.<sup>403</sup> Undernourishment of course damaged the quality of karakul furs rather than enhancing them.

Peculiar as this view may seem, the influence of such popular assumptions on animal breeding should not be underestimated. In fact, misunderstandings regarding biology were far from uncommon among amateur breeders, who often perceived themselves as the ‘extension of the ruthless nature’ and did not acknowledge the advantages that could be derived from controlling the living conditions of animals in captivity.<sup>404</sup> However, ‘karakul uniqueness’ reflected a biological discourse that was not just confined to practices of animal breeders. The belief that environmental factors preconditioned the physical appearance of the karakul sheep was not unique in that it partially reflected popular biology in Germany, which was based on the function of the animals. This field of study was called “animal morphology,” which studied “the relationship of the organism to its surrounding to determine the effect of the

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<sup>401</sup> BArch, Kaiserliches Gouvernement in Deutsch SWA R 151 F, nr. N.V.a.1. f. 12. Vortrag des Herrn professor Dr. Julius Kühn, Halle a.S., in der Sitzung der Tierzuchtabteilung am Sonnabend den 16. Juni. In: Deutsche Landwirtschaftliche Tierzucht, X, 32, Leipzig 10.08.1906.

<sup>402</sup> Ibidem. „Vortrag des Herrn Professor Dr. Julius Kühn“, The false view of is explained by the fact that the our fur traders predominantly buy skins from karakul sheep that are already the result of crossbreedings.

<sup>403</sup> BArch. Reichskolonialamt R1001, nr. 8506. H. Kraemer, Hohenheim. DLG. Mitteilungen der Deutsche Landwirtschaftliche Gesellschaft 27. 4. 1912, stück 17, seite 243.

<sup>404</sup> Alexander von Schwerin, *Experimentalisierung des Menschen: der Genetiker Hans Nachtsheim und die vergleichende Erbpathologie, 1920-1945* (Göttingen: Wallstein, 2004), 57.

conditions of existence upon an animal's structures and functions."<sup>405</sup> Classifications of animals that were based on their functions, a popular practice in this form of biology, opened the door to the belief that animals belonged to a certain geography and climate: hence the scepticism about moving karakuls.

Although biological paradigms were changing rapidly at the turn of the century, such functional approaches were still widespread. Across Europe, studies on animal and plant genetics that strictly separated organism and inheritance were increasingly changing the field of biology and challenging notions of functionalism. It is in the context of this paradigm shift from classic biology to genetics-based life science that the science-business networks in karakul farming have to be seen. Indeed, since all of the following chapters discuss animal rearing and farming, tensions and paradigm changes in the biological sciences form an important thread in this section on production methods.

The paradigm shift in biology determined the development of karakul farming. Kühn, an advocate of Mendelian genetics, experimented on raising karakuls in Germany between 1903 and 1908: this was designed to prove the feasibility of karakul rearing outside their natural habitat. Kühn and others wanted to discredit the 'steppe perception.' The first tests of karakul farming took place in Germany.<sup>406</sup> Breeding an independent and standard karakul flock in Germany required crossbreeding experiments with other types of sheep. The first experiments with karakuls were performed on 4 rams and 28 ewes: they were brought to Germany via by Durrschmidt in Tashkent. The crossbreeding experiments took place on the Heidegut Timmerloh form, located in the vicinity of Soltau.<sup>407</sup> Artificial selection played a large role in validating karakul farming as an economic possibility.

Other agricultural scientists joined Kühn in his attempts to change the negative perceptions surrounding karakul farming. Leopold Adametz, a professor in the K.K. Hochschule für Bodenkultur in Vienna, had been studying the rearing and breeding of karakuls since the beginning of the twentieth century. Supporting the idea of having karakul herds in central Europe, he too crusaded against 'steppe perception.' Like Kühn, Adametz utilised Mendelian genetics to argue in favour Karakul breeding: "in the mild climate of central Europe, a good

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<sup>405</sup> Lynn K. Nyhart, *Modern Nature: The Rise of the Biological Perspective in Germany* (Chicago: University of Chicago Press, 2009), 2.

<sup>406</sup> BArch, Kaiserliches Gouvernement in Deutsch SWA R 151 F, nr. N.V.a.1. f. 12. Vortrag, 18.06.1906.

<sup>407</sup> BArch, Reichskolonialamt R 1001, nr. 8503, f. 59. Thorer an das Reichskolonialamt, Leipzig, 2.06.1908.

breeder will be able to modify and enlarge the organism of the animals and to positively influence the characteristics of the karakul, especially the beautiful curls of the lamb, despite the absence of a dry domestic climate.”<sup>408</sup> To Adametz, fodder, soil, and climate only influenced the karakuls to a limited extent, although he admitted that karakuls should preferably be kept on dry swaths of pasture. Adametz’s attack on the “karakul fantasy” was repeated again in 1911.<sup>409</sup>

Apart from the tensions caused by changing paradigms in biology, the conservatism of farmers was an additional obstacle to the implementation of karakul farming in Germany. In 1906, Kühn brought the Halle experiments on karakul breeding to the attention of the *Deutsche Landwirtschaftliche Gesellschaft* (the German Agricultural Society, henceforth DLG) with a notable speech entitled “the importance of karakul for the poorest fields in soils in Northern Germany.” This speech was an argument in favour of introducing karakul farming into German agriculture.<sup>410</sup> Kühn tried to convince members of the DLG to start producing karakuls for the fur industry, especially in those areas suited only for extensive cattle rearing. German farmers were apparently reluctant to provide supplies for a luxury market that was notably more capricious than the traditional agricultural markets for wool, meat, and dairy products. Nevertheless, Kühn continued to promote fur farming and argued that “the nature of these pelts is so excellent that we can probably count on a continuous demand.”<sup>411</sup>

Due to conservatism and the steppe perception, karakul farming failed to find popular reception in Germany. This stood in sharp contrast to other experiences with karakul breeding in continental Europe. On the eve of World War I, agricultural experts across Europe had successfully introduced breeding stocks. The Russians in particular had successfully created and maintained of half-breed karakul in particular areas. By 1912, large flocks of the Russian

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<sup>408</sup> BArch, Reichskolonialamt R 1001, nr. 8503, f. 30. Sektion EV B, referat 2. Das Karakulschaf und die Bedingungen der Zucht von Pelzschafen. S.d.

<sup>409</sup> BArch, Kaiserliches Gouvernement in Deutsch SWA R 151 F, nr.N.V.a.1. f. 105, Auszug aus: Dr. L. Adamets. Ueber den angeblichen Einfluss des Steppenklimas und Steppenfutters Bocharas auf das Zustandekommen und die Erhaltung der Kakarullocke; p. 235-275. In: Zeitschrift für das Landwirtschaftliche Versuchswesen in Oesterreich. XIV. Jg. Heft 3, 1911. Wien.

<sup>410</sup> BArch, Reichskolonialamt R 1001, nr. 8503, Julius Kühn. Halle .a.s. Mitteilungen der Deutschen Landwirtschaftsgesellschaft. 21 jg. Berlin, den 30.06. 1906, f. 19.

<sup>411</sup> Ibidem.

half-breeds grazed on the meadows of Bessarabia.<sup>412</sup> A few years later, Russian farmers kept karakuls in Iakovleva: with some 2,000 animals, they had at the largest karakul flock outside Bukhara.<sup>413</sup> In the US and in Great Britain, the results of crossbreeding experiments began to unveil the possibilities of karakul breeding in domestic agriculture. Thorer's business contacts mentioned the presence of American experts, in Central Asia performing studies on the breeding of karakuls.<sup>414</sup> Confirmed exports of karakul sheep to the US took place in 1912.

The lack of progress of karakul breeding frustrated Kühn's adepts: after 1910, they more directly challenged the 'conservationism' of German agriculture. Hermann Krämer (1872-1940), professor of animal breeding in the Landwirtschaftliche Hochschule Hohenheim and later Giesen was one of the challengers. In the journal of the DLG, Kraemer vehemently condemned the lack of progress in contrast to other European agricultural sectors: "in part, this may attributed to the national character of the Germans, who consider thoroughly and carefully before starting something new in contrast to the farmers of our more experimental neighbours."<sup>415</sup> In addition, his article once again stressed the falsity of the steppe perception. According to Krämer, only limited food rationing was required and the climate's impact was minimal so long as the animal was not exposed to extreme colds: "if neither climate nor soil nor forage determines the fur locks or sudden changes in physical appearance, then it follows that the environment does not have a decisive influence and it is possible by 'careful selection' to preserve the quality of the fur in subsequent generations."<sup>416</sup> The internationalisation of this commodity served as an incentive to challenge the 'conservatism' in the German agricultural world, especially that associated with the DLG.

The new production paradigm of karakul farming strongly emphasised the use of Mendelian genetics in order to re-create physical characteristics. However, these new insights were often difficult to implement in the world of agriculture.<sup>417</sup> In Germany, interest in karakul breeding continued to be limited. By 1931, only 1,508 karakuls were kept in Germany, spread over 25

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<sup>412</sup> Max Bachrach, *A Practical Treatise*. (New York: Prentice-Hall : Bailey & Swinfen, 1953), 434. About five types of crossbreds existed: Southwest African, Bessarabian, Russian and Afghanistan, Asia Minor, and North America. Russian types came from crossbred lambs originating from Asian and European sheep types.

<sup>413</sup> BArch, Reichskolonialamt R 1001, nr. 8505, Kaiserliches Deutsche Generalkonsulat, Moskau an der Reichskanzler Von Bethmann Hollweg, den 8.10.1912.

<sup>414</sup> BArch, Reichskolonialamt R 1001, nr. 8506, f. 119. Theodor Thorer and das Reichskolonialamt 25.02.1913.

<sup>415</sup> BArch, Reichskolonialamt R1001, nr. 8506. H. Kraemer, Hohenheim. DLG. Mitteilungen der Deutsche Landwirtschaftliche Gesellschaft 27. 4. 1912, stück 17, seite 243.

<sup>416</sup> Ibidem. H. Kraemer.

<sup>417</sup> Hans-Jörg Rheinberger and Staffan Müller-Wille, *Vererbung: Geschichte und Kultur eines biologischen Konzepts* (Frankfurt, M.: Fischer-Taschenbuch-Verl., 2009), 24.

farms.<sup>418</sup> An unintended consequence of the slow development of karakul farming inside Germany was the acceleration of the introduction of karakuls in the colonies. Extensive karakul farming was ‘naturally’ suited to the arid lands of Namibia and the steppe-perception was therefore less of a problem.<sup>419</sup> Ironically, outdated biological ideas were partially responsible for the introduction of karakuls into the ‘steppe-like’ environment of South West Africa. Ultimately, the transplantation of karakuls to Africa was advantageous for genetic scientists as well. In South West Africa, the project could start from scratch and colonial authorities granted Mendelian adepts much more freedom to create a new crossbred karakul sheep for German colonial farmers. In the colonies, the interests of Mendelian genetics and the fur industry could be pursued immediately.

#### ***4.2.3 Mendelian genetics as the handmaiden of the fur industry.***

The success of the Kühn experiments on karakul rearing in Germany attracted the interest of the German colonial administration in Windhuk. In particular, the project evoked the interest of governor Lindequist and he corresponded intensively with Paul Thorer from 1906. It did not take long for von Lindequist to order 120 ewes and 20 rams through Thorer’s business channels in Tashkent.<sup>420</sup> The colonial administration’s interest in fur farming took shape just when migration to the colony started to soar. Between 1907 and 1913, when the first karakul arrived in South West Africa, the white population went from 7,110 to almost 13,000.<sup>421</sup> The first shipments of karakul sheep were sent to the German protectorate in Africa 1908-1909.<sup>422</sup> Small but numerous shipments formed the basis of the karakul herd in South West Africa. Another shipment was organised by the Thorer company in 1913. In addition, other firms also organised the import of karakul sheep to South West Africa: the famous animal trade firm Haegenbeck of Hamburg increased the size of the herd still further.<sup>423</sup> At this stage, it is important to stress that the colonial project was no longer exclusive to the Thorer company:

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<sup>418</sup> Der Kürschnerzeitung. Nr. 27. 21.09.1931. p. 711. Die Edelpelztierhaltung im Deutschen Reiche 1931. The number of animals related only to the ‘breeding basis’ used to ‘produce’ items for the fur industry

<sup>419</sup> Gilbert I. Schrank, “German South West Africa: Social and Economic Aspects of Its History, 1884-1915” (University Microfilms International, 1981), 227.

<sup>420</sup> BArch, Kaiserliches Gouvernement in Deutsch SWA R 151 F, nr. N.VI.B.2. Der Staatssekretär des Reichskolonialamts an den Herrn Gouverneur Windhuk, Berlin, den 05.07.1908.

<sup>421</sup> Schrank, “German South West Africa,” 220.

<sup>422</sup> Walter Spitzner and Heinrich Schäfer, *Die Karakulzucht in Südwestafrika und das Haus Thorer* (Kapstadt: ABC Druckerei, 1962), 3.

<sup>423</sup> BArch, Reichskolonialamt R 1001, nr. 8505. f. 28 Carl Hagenbeck an das Reichskolonialamt, 1911.

the Leipzig dyeing factory A Herzog also entered the colonial project when it organised a small shipment of 6 additional rams to South West Africa.<sup>424</sup>

Transportation was a time-consuming process. Before karakuls were shipped from Bukhara across Russia, German agricultural experts carefully inspected the quality of the karakuls. These experts, most notably Simon von Nathusius (Jena University), were assisted by Theodor Thorer's business connections in Central Asia. Trains brought the karakul herds to Hamburg where they were put on steamers to the German protectorate. Once unloaded, the herd was brought to the Fürstenwalde state farm in the vicinity of Windhuk.<sup>425</sup> The karakuls remained under the control of agricultural experts working for the industry and the colonial state throughout the entire journey,

Tight expert supervision and the creation of the central agricultural station in Fürstenwalde were two of the demands of the fur industry and Paul Thorer in particular. Afraid that the project would drown in a quagmire of 'amateur breeding,' Thorer asked that the '*Stammherde*' be put under the supervision of 'a strong and smart personality.' Furthermore, Thorer stressed that those experts should make karakul rams available only to those farmers who were willing "to send goods of high quality to Germany."<sup>426</sup> As 'pure' karakuls were limited in the number, the success of karakul farming in South West Africa depended on the continuation of crossbreeding experiments. Under the leadership of its director Koepfel, the Fürstenwalde centre strictly monitored the sale of karakuls to German farmers.<sup>427</sup>

The strict control over karakuls was also necessary because of an insufficiency of 'breeding material'. There were two reasons for the karakul shortage. Firstly, the organisation of karakul shipments was quite an endeavour, as the consent of foreign powers was required. Russian permission was a particularly tricky issue. As the transcaucasian passage was not suited for large animal shipments, cargo had to go by rail from Bukhara to Moscow.<sup>428</sup> Problems with the organisation of this long journey erupted when the Russians refused to cooperate in

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<sup>424</sup> BArch, Reichskolonialamt R 1001, nr. 8504, f. 59. Müller Söhne, An die Beschaffungsstelle für die Schützgebiete, Bremen, 23.01.1913.

<sup>425</sup> BArch, Kaiserliches Gouvernement in Deutsch SWA R 151 F, nr.N.VI.C.1. f. 49. Windhuk, 22.07.1912.

<sup>426</sup> BArch, Kaiserliches Gouvernement in Deutsch SWA R 151 F, nr. N.VI.B.2. Band 1 Karakulschafzucht. 25.Abschrift. Leipzig, den 2 Juni 1908.

<sup>427</sup> BArch, Reichskolonialamt R 1001, nr. 8505, f. 42. Betrifft Karakulschafe. Kaiserlicher Gouverneur von Deutsch Sudwestafrika. Windhuk an das Reichskolonialamt Berlin. den 15.09.1911

<sup>428</sup> BArch, Reichskolonialamt R1001, nr. 8503, f. 24. Abschrift. Kaiserlich Deutsches Konsulat in Baku, den 20.11.1907.

1913.<sup>429</sup> According to the German colonial administration, the Russians wanted to protect their own karakul farming business. By that time, the Russians had successfully established their own line of karakul farming in Bessarabia and had little interest in supporting foreign competition in this potentially lucrative agricultural niche. At the first Russian exhibition of karakul breeders in Moscow in 1912, Russian farmers had summoned the government to hinder all competitors so that the Russian breeders would not lose their grip on the market.<sup>430</sup> The German colonial administration reacted by forbidding agricultural experts to publish their findings on the progress of the African karakul industry, since this might upset the Russians.<sup>431</sup> In addition, transit requests by German authorities cloaked the actual destination of the karakuls.

Secondly, the shipments and the state farm Fürstenwalde were plagued by high mortality rates. A persistent lung infection killed many sheep in 1908.<sup>432</sup> Between 1910 and 1912, another lung infection raged on Fürstenwalde and other German farms. Newspapers dubbed this the 'karakul crisis.' At the peak of the longue disease in 1910, the Colonial Office harboured the idea of abandoning the disease-ridden Fürstenwalde for a new location in Gaitsabis.<sup>433</sup> The high cost of the move forced the Colonial Office to abandon this plan but panic among the colonial officials showed just how vulnerable the entire operation was. Despite the rapid spread of lethal diseases, the Colonial Office was able to save a small herd by 1914: Fürstenwalde had 389 animals that formed the basis for the creation of the mixed African karakul lamb.

Due to the inability to import additional karakuls, it was finally decided to create a crossbreed based on the mixture between karakul and African sheep, like the Perser and Somali variants. Selective breeding according to Mendelian principles was the means to achieve this goal. The state could control this operation via Fürstenwalde. It took measures to ensure that the karakul

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<sup>429</sup> BArch, Reichskolonialamt R 1001, nr. 8505, f 119. Theodor Thorer an das Reichskolonialamt (aus Taschkent). 16.02.1913.

<sup>430</sup> BArch, Reichskolonialamt R1001, nr. 8506, f. 206. Kaiserliche Deutsches Generalkonsulat Moskau an von Bethmann Hollweg. Anlage II. Auszug aus der kurzen Skizze der Bedeutung der Schafzucht im wirtschaftlichen Leben Russlands (Katalog der Ersten Allrussischen Schafzucht-Ausstellung Moskau). 8.10.1912.

<sup>431</sup> BArch, Kaiserliches Gouvernement in Deutsch SWA R 151 F, nr. F.N.VI. B.1. Der Staatssekretär des Reichskolonialamts an den Herrn Gouverneur. Berlin, 22.04.1913. An agricultural expert Koeppel was warned not to incite suspicion by publishing about the South West African karakul industry.

<sup>432</sup> BArch, Reichskolonialamt R 1001, nr. 8504, f. 62. Paul Thorer an der Exzellenz dem Staatssekretär des Reichs-kolonialamtes. Herrn Dernburg, Berlin, Wilhelmstrasse. 29.01.1910.

<sup>433</sup> BArch, Reichskolonialamt R1001, nr. 8506, f. 79. Kaiserlicher Gouverneur von Deutsch-Sudwestafrika, Windhoek an den Herrn Staatssekretär des Reichskolonialamts. 8.01.1913. The operation was estimated to cost about 98,874.60 marks.



sheep sold to the colonists were used in accordance to these plans. Purchase contracts cited numerous stipulations with regard to the care and the mating of rams. Farmers signed a contract obliging them to use the rams only to ‘enhance’ crossbreeding (*Aufkreuzung*) with domestic Perser and Somali ‘blood’ (Crossbreeding with other species of sheep was strictly forbidden).<sup>434</sup> Farmers had no choice other than to sign this contract as the karakul ram was a precious item: “given the limited number of pure-blooded rams in the protectorate and the uncertainty of supply of the original animals, it is an essential task of the breeder to use the valuable ram from the state farm efficiently and keep it capable of reproducing as long as possible.”<sup>435</sup> By 1913, German colonists owned about 335 pure karakul rams and 830 pure ewes.

Crossbreeding the karakul with African sheep made good progress in the years leading up to World War I. In 1913, Koeppel, the director of Fürstenwalde, personally inspected 15 farms in the east of South West Africa in order to assess the development of crossbreeding. The report made clear that German farmers had carefully followed the instructions by joining the karakul rams with the ‘African’ herds “until the last sheep is mixed with the karakul.” Koeppel was optimistic about the results in the east of South West Africa: “in regards to the inheritance of colour and morphological characteristics, one can be really satisfied, since crossbreeding started here in January 1912 and it concerns first generation breeds.”<sup>436</sup> Koeppel was strongly convinced that the “half-bloods” were adequately adapted to the arid environment of the south: “the crossbred sheep are more resistant, quieter in temperament, and more sociable.”<sup>437</sup> By 1914, the distribution policy had created a herd of 21,000 mixed African karakul sheep, which would eventually form the core of the African fur supply for Leipzig.

The agricultural experts who collaborated with the fur trade in Leipzig made artificial selection the norm in the creation of the African karakul. Genetics and artificial selection therefore came to play a dominant role in the daily practice of colonial farming. In January

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<sup>434</sup> BArch, Kaiserliches Gouvernement in Deutsch SWA R 151 F, nr. N.VI.D.2. f. 37. Bestimmungen über die Abgabe von Reinblut-Karakulböcken aus der Stammzucht-Schäferei. Kaiserliches Gouvernement, Windhuk, 12.10.1913.

<sup>435</sup> BArch, Kaiserliches Gouvernement in Deutsch SWA R 151 F, nr. N. VI.D.2. f 31; 37.. Anweisung betr. Haltung, Behandlung und Fütterung von Karakulböcken. Following these instructions was mandatory in order to acquire a ram.: f. 37..

<sup>436</sup> BArch, Kaiserliches Gouvernement in Deutsch SWA R 151 F. nr. VI.A.1, ff.105-109. Koeppel, an das Kaiserl. Gouvernement Windhuk. Fürstenwalde, den 11 April 1913. Here f. 108.

<sup>437</sup> Ibidem, f. 108.

1913, Koepfel explained the importance of artificial selection in producing for the fur industry to the Agricultural Association in Windhuk. The main yardstick for the new species was fur: “the pattern of fur must be equally balanced, that is, the curls must extend evenly over the body and its extremities. Desired is the karakul curl that is both small and firm, with the tip turned inward.”<sup>438</sup> The farmers received a classification chart in order to enhance their breeding stock for karakul farming. According to Koepfel’s chart (see table 1), farmers ought to achieve this goal by focusing on a number of physical characteristics, some of which were quite obvious (such as the pureness of the black colour, the so-called ‘*Farbenreinheit*’) whilst others were of a more biometric nature (for instance, the shape of the nose). Colonial farmers were thereby given a very basic introduction to the tenets of applied Mendelian genetics. The classification chart translated genetics into the observable qualities of living beings and served as a handbook for karakul farmers in South West Africa.

<b>Features of the mature karakul eligible for further breeding</b> (Presented by Koepfel at the <i>Landwirtschaftlichen Verein Windhuk</i> , 25 January 1913)	
1	Health
2	Purity of colour (deep and pure black)
3	Moderately developed fluff and 'under-hairs'
4	Ears and face should be covered only with short, black hair: ears should be long and hanging
5	Smooth head hairs indicate good fur quality
6	Pronounced ram nose (convex nose-line)
7	Broad and s-shaped curved tail
8	Pronounced sexual proclivity

**Table 4-1: Classification chart to enhance breeding stock in South West Africa (as presented by Koepfel)**

This rough classification chart was only a starting point for karakul farming in South West Africa. Experts sought to improve it by attaching more precise biometric data to describe an ideal crossbreed karakul that would be suitable for further breeding. Von Nathusius, professor in agriculture at the Halle University, made the first attempt to deepen the rating system when he inspected karakuls awaiting dispatch in Hamburg. For von Nathusius, the ‘smoothness of

<sup>438</sup> BArch, Reichskolonialamt R 1001, nr. 8506, f. 175. Vortrag des landwirtschaftlichen Sachverständigen Koepfel Fürstenwalde über Karakulzucht, gehalten am 25.01.1913 in landwirtschaftlichen Verein Windhuk. Abschrift.

the skin' was the indisputable yardstick for grading the karakuls but he also realised measurable data was required to judge characteristics.<sup>439</sup> In order to create such biometric standards, the colonial administrators and scientists invited Herzog, an industrialist from the Leipzig fur industry. Under the influence of Herzog, it was decided that the classification system that formed the basis for artificial selection should focus on the "the character of the curly locks before the lamb reaches 12 days of age."<sup>440</sup> The biological result of crossbreeding was increasingly tailored according to the needs of the fur factory. As Herzog noted, "a solid fleece with less pronounced locks is preferred over a loose fleece with pronounced locks, since the former is better for dressing whereas the latter is lost during production process."<sup>441</sup> Mendelian genetics was an increasingly sophisticated instrument for the fur industry.

The additional discussions between experts and the fur industry led to the creation of a new uniform 'list' that gave scores to biometric data such as height, dimensions of the body parts, and shades of colour. At several junctions in the karakul's life span, the farmer ought to fill in this document by giving marks to various characteristics of the karakul. The ultimate aim was to create a 'biometric' certificate system for the karakuls in South West Africa, with each karakul having its own biometric passport. The final step in the creation of the German-African karakul was separating 'inferior' crossbreeds from superior ones on the basis of fur quality.<sup>442</sup> The system of biometric karakul certificates was never put in place because of the outbreak of World War I. Nevertheless, it marked an advance for genetics as an applied science in agricultural business.

Furthermore, the selection systems and classification models mattered to colonial farmers from an economic point of view. Koeppel had already made clear to the Windhuk Agricultural Society that successfully practicing artificial selection was important for commercial success since the grading system of the fur industry was based on the colour purity and the perfection of the curls. As an agricultural expert, Koeppel was in very close

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<sup>439</sup> BArch, Kaiserliches Gouvernement in Deutsch SWA R 151 F. nr. N.VI.A.1. f. 122. Von Nathusius an die Beschaffungsstelle für die deutsche Schutzgebiete. Halle, 31.7.1913. Von Nathusius' unexpected death made that his successor Henseler complete his observations.

<sup>440</sup> BArch, Kaiserliches Gouvernement in Deutsch SWA R 151 F, nr. N.V.a.1. f. 163. Bericht über meine Dienstreise nach Halle zur Begutachtung der karakullämmer im Haustiergarten des Landwirtschaftlichen Instituts der Universität. 30/31.01.1914.

<sup>441</sup> Ibidem.

<sup>442</sup> BArch, Kaiserliches Gouvernement in Deutsch SWA R 151 F, nr. N.V. a.1.. f. 174. Der Staatssekretär des Reichskolonialamts. An den Herrn Gouverneur in Windhuk. 05.02.1914. About 600 files were printed that were to be used at Fürstenwalde in order to create a basis for comparing 'breeding results.'

contact with the fur industry. When he gave his lecture to the German colonists, he had just returned from a work trip to Leipzig. At the demand of the colonial administration, Koeppel was instructed to spend his 1913 journey to Germany in Leipzig in order to gain insight into the Thorer factory and the “grading system for manufacturing the fur of the karakul.”<sup>443</sup> Upon his return, he lectured to the farmers to the Windhuk Agricultural Society: “the production of a good, uniform, and even curl types of lambs (...) is the most important [thing]. A sufficient balance in terms of skin quality will lead to a rising and uniform wholesale price and, in other words, enhance the profitability of this branch of farming.”<sup>444</sup>

Skin quality was the criterion of the price-setting mechanism. The fur industry made five distinctions in quality: the first one, the stillborn pelt, was the highest type, and it exceeded the price of any other karakul pelt because of its perfect moiré pattern. The second category (I) met the production requirements for end products such as coats and other garments. Supplies graded as type (II) were destined for the trimming of fur jackets. Pelts graded lower than this were no longer highly valued and could only be used in low value clothing products like hats (type III). Pelts that did not correspond to quality requirements were simply worthless (type IV). This classification system explicitly explained the low value of substandard types by reference to breeding and selection. Type III pelts were called ‘inferior’ whereas type IV skins were denounced as ‘unfit breeds.’<sup>445</sup> The whole ‘blueprint’ for trade in African karakul skins was thus firmly undergirded by artificial selection. ‘Good’ breeders were to be rewarded and ‘bad’ breeders sanctioned. Successful reproduction of the black fur skin formed the basis of the price setting mechanism adopted by the Leipzig houses like Theodor Thorer.

#### ***4.2.4 Further refinements to the production paradigm.***

Stages of the production process other than the breeding of animals were governed by similar patterns of cooperation between the colonial administration and the fur industry. Fur traders

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<sup>443</sup> BArch, Kaiserliches Gouvernement in Deutsch SWA R 151 F, nr. N.VI.B.1, f. 14 Der Staatssekretär des Reichskolonialamts an den Herrn Gouverneur, Windhuk, 22.04.1913.

<sup>444</sup> BArch, Reichskolonialamt R 1001, nr. 8506, f. 159. Vortrag des landwirtschaftlichen Sachverständigen Koeppel Fürstenwalde über Karakulzucht, gehalten am 25.01.1913 in landwirtschaftlichen Verein Windhuk. Abschrift.

<sup>445</sup> BArch, Reichskolonialamt R 1001, nr. 8506, f. 175. Vortrag des landwirtschaftlichen Sachverständigen Koeppel Fürstenwalde über Karakulzucht, gehalten am 25.01. 1913 in landwirtschaftlichen Verein Windhuk. Abschrift

were regularly asked to deliver feedback on developments in the first wave of African karakul farming. The Leipzig fur industry, and the firms Theodor Thorer and Herzog in particular, issued a number of recommendations on the treatment and packaging of skins. The *Agricultural Review (Landwirtschaftliche Umschau)* in South West Africa published the recommendations of the fur industry concerning the drying, packing, and preventative treatment of the skins. On behalf of the A. Herzog dyeing factory, the *Umschau* also instructed that dried skins had to be treated with the environment-polluting naphthalin instead of a basic salt treatment.<sup>446</sup> Later, the fur industry modified its recommendations and suggested the use of trichlorbenzol instead of naphthalin.<sup>447</sup>

In 1914, the Theodor Thorer firm received a batch of 25 skins from Fürstenwalde.<sup>448</sup> The feedback that the Thorer firm transmitted made it clear that the new supply chain was still suffering from deficiencies. According to Thorer, some of the procedures, packing for instance, were still poorly executed despite previous explanations: “in several cases, the leather of the skins has suffered from insufficient packing and the skins are therefore damaged in the dyeing process in our factory.”<sup>449</sup> Thorer’s recommendations show the German farmers’ initial lack of dexterity in this new line of business. He gave clear instructions to the state farm concerning how the procured skins should be dried: “I have to advise, once again, that the skins have to be dried, in stretched condition, protected from direct sunlight.” The packing technique was also not satisfactory: “during shipping, skins have to be bound leather side on leather side and fur-side on fur-side in bunches of 10 or 20.” According to Thorer, only one farmer so far had proven his dexterity in the treatment and packaging of the furs.<sup>450</sup>

The instructions of the fur industry and the interference of the colonial administration was paramount in the creation of the karakul farming business. For example, several farmers neglected the instructions and sought to produce crossbreeds largely for wool production, a fact that was most unpalatable for the fur traders. Mention was made of two farms in the east that kept karakuls for wool production. This illustrates that the creation of fur farming from

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<sup>446</sup> BArch, Kaiserliches Gouvernement in Deutsch SWA R 151 F. nr. N. XIII.f.1. f. 7. Ausfuhren der Karakulzucht in DSW Afrikaner. Fürstenwalde 28.07.1913.

<sup>447</sup> BArch, Reichskolonialamt R 1001, nr. 8506, f. 163. Bericht über meine Dienstreise nach Halle zur Begutachtung der Karakullämmer in Haustiergarten des Landwirtschaftlichen Institut der Universität, am 30/31.01.1914.

<sup>448</sup> Despite the progress in karakul farming, Thorer refused to pay for the expenses of the delivery.

<sup>449</sup> BArch, Reichskolonialamt R 1001, nr. 8508. Paul Thorer an das Reichskolonialamt, an das Reichskolonialamt, Berlin. Leipzig, 12.05.1914.

<sup>450</sup> Ibidem, Leipzig 12.05.1914.

scratch was not as straightforward as foreseen. Thorer testified later that “distrust in farmer circles had to be overcome. The farmers felt comfortable with the production of meat and wool, to which the karakul was ill suited. Moreover, the introduction of karakul keeping was perceived by many German farmers as a great increase of work because of the slaughtering of the lambs and the refinement of skins. Overall, farmers lacked knowledge about this special breed. The karakul brought a change in their perception of extensive pasture, of which the conservative farmer was suspiciously reluctant.”<sup>451</sup>

Nevertheless, the strategy of cooperation between the colonial state and a few fur firms was apparently successful. When the war broke out, a supply line of karakuls from South West Africa was increasingly unveiling its possibilities. Even during the war, the British acknowledged the positive results of the German endeavour to establish fur farms in Africa. Despite the detailed critiques from the fur industry on the new production paradigm, the *Westminster Gazette* wrote in 1917 that “should German South-West Africa come under the British Flag, the caracul fur industry of that colony is likely to prove an asset of increasing value.”<sup>452</sup>

Furthermore, the promising results of karakul breeding led to heightened attention to the colonial opportunities that fur farming offered. In 1910, the Colonial Office’s interest in creating new fur resources deepened when other eligible types of fur bearing animals were discussed with representatives of the industry, zoologists, and agricultural experts.<sup>453</sup> The animal trading firm Hagenbeck and the fur trader Paul Thorer figured prominently as experts in this investigation. The colonial administration produced a lengthy report on “the possibility of elevating the production of fur and leather in Germany.” Mention was made of the soaring prices in the international fur trade and it was held to be possible that “fur bearing animals could increase the value of some poor soils” both inside Germany and in its empire. However, the empire consisted mainly of tropical and arid areas, which were not particularly well suited to keeping subarctic fur-bearing animals. The recommendations of the industry and university scientists were therefore limited to farming opossums and kangaroos. Nevertheless, it once again illustrates the link between the fur industry and imperialism in Germany.

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<sup>451</sup> Firma Thorer und Hollender, *350 Jahre Thorer*, 12.

<sup>452</sup> BArch, Reichskolonialamt R 1001, nr. 8381. Abschrift. An den herrn Gouverneur in Windhuk, Berlin, 06.04.1912.

<sup>453</sup> BArch, Reichskolonialamt R 1001, nr. 8381. f. 135. Tierzucht SWA. Abschrift IV. A 5226. Berlin, den 29.04.1911. Unter den Linden 78, p. 135.

In summary, this illustrates that karakul farming and the belief in the profitability of fur farming in models of economic exploitation are important but neglected aspects of Germany imperialism. Furthermore, karakul farming in South West Africa was one of the more robust projects of colonial developments. The links between colonial karakul farming and Germany did not simply disappear in the post-war period.

### **4.3 Karakul farming, the South West African economy, and German revisionism (1914-1939).**

The war had a disruptive impact on karakul farming in South West Africa. Farmers who joined the military neglected their herds and, more importantly, were cut off from the market in Leipzig and the support of the colonial administration. Allied forces fully conquered South West Africa in 1915 and transplanted the Fürstenwalde herd to Ojituesu, from whence many karakuls were sold to the South African Agricultural school in Middelburg.<sup>454</sup> However, after the war, farmers in South West Africa took the initiative and restored ties with Leipzig. A delegation of fur farmers visited Germany a few years after the war seeking to re-establish connections with the Leipzig industry. During the period 1920-1922, a few thousand pelts of South West African origin found their way to the Thorer factory.<sup>455</sup>

Despite the renewal of ties, it was difficult for the German fur industry and the colonial administration (Germany retained a colonial administration despite the loss of its empire) to support the karakul industry. German farmers were in dire need of new pure-breed rams in order to counter the “degeneration and inbreeding of the African stock.”<sup>456</sup> However, new karakuls could only arrive in South West Africa in very small numbers. With Bukhara now an integral part of the USSR, the Soviets restricted the passage of karakuls in order to prevent the nurture of competing karakul flocks, just as tsarist administrators had done. Equally, the South African Union periodically blocked cattle imports from Germany, officially out of a

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<sup>454</sup> Firma Thorer und Hollender, *350 Jahre Thorer*, 10.

<sup>455</sup> Otto Nauen, *Karakulzucht in Südwest-Afrika Und Die Firma Theodor Thorer -Karakul Teelt in Suidwes-Afrika En Die Firma van Theodor Thorer- Karakul Breeding in South West Africa and the House of Theodor Thorer* (Windhoek: Meinert Ltd, 1936), 62.

<sup>456</sup> BArch, Reichskolonialamt R 1001 nr. 8509, f. 39. Kolonial-Wirtschaftliches Komitee EV. An das Auswärtige Amt, Abteilung Russland. Berlin W.8. Wilhelmstr. 74.

veterinary concern for foot-and-mouth disease in continental Europe.<sup>457</sup> The German Foreign Office sporadically managed to convince the Russians that imports were only destined for Germany and were desired only for research purposes in order to prevent the the impression that the Soviets were supporting competitors in South West Africa.<sup>458</sup> Under this pretext, small numbers of karakuls managed to leave the Soviet Union for Germany and then ultimately went to South West Africa.

For the most part, the same actors were involved in supporting the karakul farmers in the former colony as before the war. Professor Frölich, who succeeded Julius Kuhn as the director of the Institute for Animal Breeding in Halle, Arndt Thorer (the son of Paul Thorer, who had died in 1920), and the Ministry of Foreign Affairs were actively involved in the transplantation of karakuls to the mandate. In 1927, they organised an expedition to Central Asia in order to choose a sample of karakul sheep. The *Reichszentrale für Pelztier und Rauchwarenforschung* (a research network sponsored by a number of firms in Leipzig), the Ministry of Foreign Affairs, and the Ministry of Education jointly financed the costs of the expedition.<sup>459</sup>

A further obstacle for the post-war karakul farming was the problematic situation of German colonists in South West Africa. In the early years of the mandate, the remaining colonists suffered from their incorporation into the Union of South Africa, as they had to abandon the German mark and accept the South African pound. In addition, Boers from South Africa crossed the border and took land from the troubled German colonists. Therefore, several herds owned by German farmers were in danger of falling into the hands of foreign buyers. To make matters worse, Namibia suffered from a severe drought in 1926.<sup>460</sup>

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<sup>457</sup> PA AA, Botschaft Windhuk, nr. 92., The Union of South Africa Government Gazette. Proclamation, no. 78. 1928. 13.04.1928. From 1926-1928, there was an embargo that delayed the plans of the fur industry to expand the karakul stock in South West Africa. The Union only allowed imports from quarantine stations in Great Britain and the 'Hoek van Holland' in the Netherlands but these quarantine stations were unwilling to cooperate with the German karakul shippers. Finding a suitable quarantine station proved to be an arduous task. The one in Hoek van Holland refused the German a new karakul herd. BArch, Reichskolonialamt R 1001, nr. 8509. f. 129. deutsche Gesandtschaft an das Auswärtige Amt Berlin, Haag den 9.06.1928,

<sup>458</sup> BArch, Reichskolonialamt R 1001, nr. 8509. Deutsches Generalkonsulat für Süd-Afrika an das Auswärtiges Amt. Pretoria, den 14.05.1924.

<sup>459</sup> BArch, Reichskolonialamt R 1001, nr. 8509. Sitzung der Karakul-Interessenten am 14.07.1927. The Reichszentrale (5000RM), Ministry of Foreign Affairs (10.000 RM), Ministry of Education (5000 RM).

<sup>460</sup> Jeremy Silvester, "Beasts, Boundaries and Buildings. The Survival of Pastoral Economies in Southern Namibia 1915-1935," in *Namibia Under South African Rule: Mobility & Containment, 1915-46*, ed. Patricia Hayes (London: James Currey Publishers, 1998), 103.



Unable to rely on the colonial administration, the problematic situation entailed more active involvement from the Leipzig fur industry in the former colony. From 1924 onwards, Thorer centralised his operations in South West Africa by establishing a subsidiary, the SWA-Karakul-Centrale (from 1928 called the SWA Karakul-Centrale Ltd). Besides the 'Centrale,' the Theodor Thorer firm purchased a large farm in the Rehoboth district of about 7,207 hectares. The Thorer branch became an important link in the supply of karakul skins from South West Africa to Germany. In order to prevent the sale of land to non-German farmers, the Centrale purchased farms from colonists and ran them on the basis of shared ownership. These were the so-called 'half-share flocks': the Thorer company became the co-owner of the flock while the farmer continued to manage it. Furthermore, the revenue was divided between the Centrale and the flock's manager. By 1931, the Karakul-Centrale owned six herds of this type, which were worth 76,227.75 RM in total.<sup>461</sup> The subsidiary acted also as a procurement centre for exports to the Leipzig fur industry.

The influence of the Karakul-Centrale in South West Africa was based on local cooperation with German farmers and with the local merchant bank Olthaver & List Trust Co, which was in charge of financial transactions and made monthly reports to the head office. Furthermore, the cooperation between Albert Voigt, a member of the board, and Otto Nauen, a manager of the Thorer company, was important. Voigt and his brother Gustav were pioneers in the breeding of karakuls and other non-domestic animals in South West Africa. The first karakuls were grazing on the Voigtland farm in 1908.<sup>462</sup> Furthermore, this farm was regarded as one of the best organised in South West Africa.<sup>463</sup> The Voigt brothers were not only experts in farming in Namibia, but also popular figures of German colonialism. As such, the connection with Voigt was useful for promoting the karakul industry inside Germany as well.<sup>464</sup> By cooperating with the Voigt brothers, the Thorer concern made an important alliance on the local level, buttressing their position in the South West African farm economy.

By buying land and procuring furs directly, the main goal of the Thorer intervention gradually shifted from reversing the demise of the karakul herds to stimulating supply to Leipzig. Paul

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<sup>461</sup> StA-L, Dresdner Bank in Leipzig 21018, nr. 476. Bericht der Sächsischen Revisions und Treuhandgesellschaft AG. Über die vom 12 bis 28 September 1932 bei der Firma Theodor Thorer, Leipzig, ausgeführte Prüfung der Bilanz und Gewinn und Verlustrechnung für den 31.12.1931. The herd consisted of 2,740 ewes, 354 young ewes, 192 'hammers,' 422 ewe-lambs, 161 ram-lambs, 13 young lambs, 22 rams, and 2 pure Bukhara rams.

<sup>462</sup> Hans Grimm, *Gustav Voigts, ein leben in Deutsch-Südwest*. (Gütersloh: C. Bertelsmann, 1942), 43.

<sup>463</sup> *Ibid.*, 64.

<sup>464</sup> *Kürschnerzeitung*, nr. 287. 01.10.1931. die Bedeutung der Sudwestafrikanischen Karakulzucht.

Hollender, the manager of the Thorer business, wrote in 1932 that “the acquisition of land is not only done with the purpose of obtaining pastures for our karakul stock but also to influence the German breeders to send their skin produce to Leipzig.”<sup>465</sup> The Thorer policy was also aimed at expanding the size of Karakul farming. The Centrale accomplished this long-term goal by extending credit to farmers, usually as advantages on future yields.<sup>466</sup> As such, the district firm Thorer actively intervened in Africa by setting up a transcending trade flows. The Thorer firm was arguably more active in Africa after the loss of the empire.

The intervention of the Thorer business had a stimulating affect on karakul farming in South West Africa. Most importantly, credit advances remedied economic pressures on farmers who were killing the lambs for immediate profits. After 1924, several German farmers thereby managed to restore and even expand their flocks.<sup>467</sup> Farmers in South West Africa not only profited from the presence of Thorer: the South African government also heavily subsidised agriculture in its new territory. After the drought of 1926, for instance, the government allocated advance payments of up to £400 to replace losses.<sup>468</sup> In the long run, support from business as well as the state led to a more secure basis for breeding in South West Africa. By 1930, just before exports reached their crescendo, the former German colony was home to about 150,000 karakul sheep, spread among 1,200 farmers. To a certain extent, karakuls were relatively equally divided over these farms but some stood out with thousands of karakuls.<sup>469</sup> The breeding basis of Karakuls grew exponentially thereafter: the stock of African karakuls numbered 369,359 in 1931, 514,629 in 1932, and 552,178 in 1933.<sup>470</sup>

As the result of direct business and government intervention, karakul pelting finally turned into one of the most important export products of the South West African mandate. Exports of karakul skins for the world market increased from the early 1920s onwards but soared in the

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<sup>465</sup> BArch, Reichskolonialamt R 1001, nr. 8509, ff. 168-174. Paul Hollender an den Herrn Präsidenten Landesfinanzamts Leipzig, als Stelle für Devisenbewirtschaftung, 4.4.1932.

<sup>466</sup> Karl Walter Spitzner, *Karakulzucht in Südwest-Afrika und die firma Theodor Thorer = [Karakul teelt in Suidwes-Afrika en die firma van Theodor Thorer = Karakul breeding in Southwest Africa and the house of Theodor Thorer]*. (S.l.: s.n. J. Meinert), 1936), 15.

<sup>467</sup> Nauen, *Karakulzucht in Südwest-Afrika Und Die Firma Theodor Thorer -Karakul Teelt in Suidwes-Afrika En Die Firma van Theodor Thorer- Karakul Breeding in South West Africa and the House of Theodor Thorer*, 64–65. The first ‘half-shared’ flocks were established at Oruhungu (district of Windhoek) and Gamis (district of Maltahoehe) and then at Dickdorn (district of Gibeo), Osema (district of Windhoek), Rietfontein (district of Windhoek), Dordabis (district of Rehoboth), Düdoabib (district of Rehoboth), and Gross-Nabas (district of Gibeon).

<sup>468</sup> Silvester, “Beasts, Boundaries and Buildings.” 114.

<sup>469</sup> *Kürschnerzeitung*, nr. 27. 21.07.1931. f. 711. Die Edelpelztierhaltung im Deutschen Reiche 1931.

<sup>470</sup> In contrast, the number of pure karakuls was rapidly declining: about 36,649 pure karakuls were inside South West Africa in 1931 against 14,577 karakuls in 1933.

early 1930s (see figure 1). In the trade balance of mandate South West Africa, the karakul trade assumed a prominent position. In 1933, trade statistics estimated that about one third of the mandate's total exports (£1,400,000) were generated by the karakul trade (£444,000).<sup>471</sup> The karakul industry continued to hold this position throughout the 1930s. Of a total export value of £3,689,800 in 1937, about £2,099,750 (57%) was ascribed to the agricultural sector. The karakul trade accounted for over half of all agricultural exports (58% or £1,222,629, a staggering 33% of total exports).<sup>472</sup> The trade reached its apex when it overtook diamonds in export value in 1938. It remained one of the largest export value creators of the Namibian economy in subsequent decades.

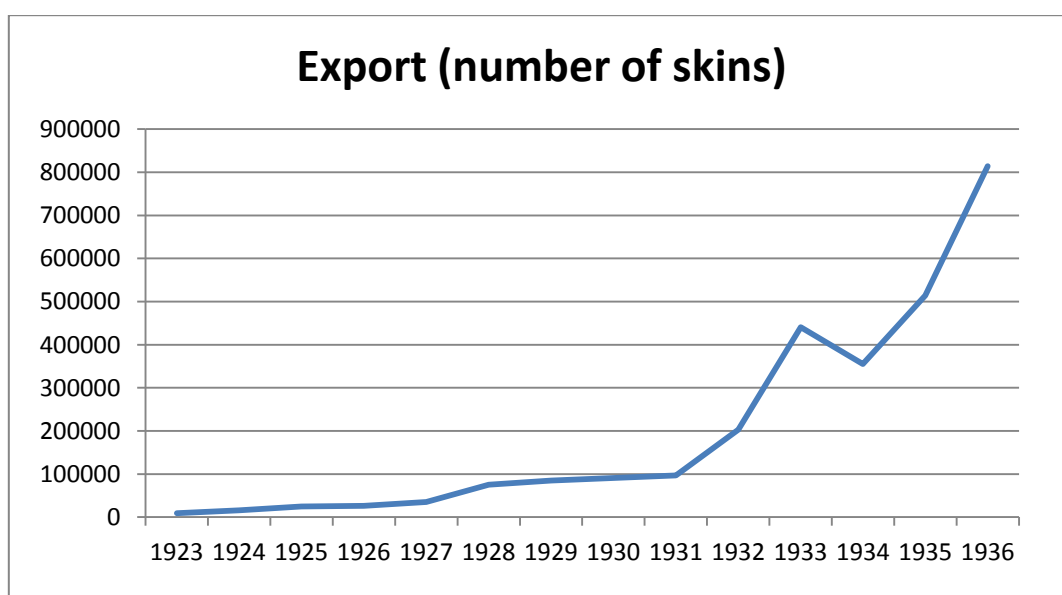


Figure 4-1: Export of karakul skins from South-West Africa 1922-1936<sup>473</sup>

<sup>471</sup> PA AA, Konsulat Windhuk, nr. 92. Mandatsgebiet Deutsch SWA. Ernste Lage der Karakul-Ausfuhr in SWA. 24.11.1934.

<sup>472</sup> BArch, Reichskolonialamt R1001, nr. 8510, f. 180. SPVG, Kalkfeld. 06.06.1936.

<sup>473</sup> BArch, Reichskolonialamt R1001, nr. 8511. f.11. Denkschrift zum Verkauf der südafrikanischen Karakulfelle. Schneider, 21.08.1937.

#### **4.4 British competition in African karakul farming (1931-1939).**

However, the expansion of the karakul trade in South West Africa had a problem of a more unexpected nature. The rise in export figures does not necessarily mean that Leipzig was the main purchaser of African karakul skins. In fact, foreign businesses managed to absorb a large chunk of the new flow of karakul skins. In particular, exports from the mandate to Great Britain increased significantly during the early 1930s: from an export value for karakul skins of £40,900 in 1932, exports climbed to about £192,500 in 1933. In contrast, Germany lost its role as privileged importer in one year: in 1932, it attracted £99,500 of the exports whereas in 1933, German imports were less than those to Great Britain, amounting to £178,600.<sup>474</sup>

Taking into account the arduous efforts of the Thorer business, the Colonial Office, and the agricultural institutes in restoring the karakul business in the former colony, why did flows of this export commodity divert to Great Britain in the early 1930s? The explanation is obviously related to the drastic change in the political climate and the economic circumstances in Germany during the 1930s. The economic crisis severely debilitated the German economy: economic transactions declined and the provision of foreign currencies became scarce. Since German firms like Thorer granted advances on future karakul yields, currency shortages significantly hindered German trade in South West Africa.<sup>475</sup> Furthermore, the economic problems in Germany put serious strains on any 'patriotism' of the German farmer that might encourage him to deliver goods exclusively to the German market. Over the course of the years, German colonists were more or less forced to conduct trade with the British.

However, an explanation that entirely focuses on the political and economic dimensions of the regime change in Germany neglects a major development that took place within the karakul business in South West Africa. Apart from the farms connected to Thorer, a separate association of farmers was formed in the wake of the karakul boom in the 1930s. Despite its German character, this farmers' cooperative played an important role in the loss of the karakul business. These farmers actively sought to upgrade their position in the fur commodity chain by altering the trade parameters set before World War I. Importantly, currency shortages

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<sup>474</sup> PA AA Windhuk, nr. 92. Mandatsgebiet Südwestafrika – Die Produktion von Karakulfellen. 27.10.1934

<sup>475</sup> BArch, Reichskolonialamt R 1001, nr. 8509, f. 242. Deutsches Konsulat Südwestafrika, Windhuk, den 3.09.1934. Devisenschwierigkeiten bei der Einfuhr von Karakulfellen in Deutschland.

among businesses in Germany strengthened the aim of the karakul farmers for better economic and commercial conditions. Thus, the interaction of both financial problems and the social action of colonial farmers accounted for Leipzig's loss of influence. The forces that prevented Leipzig from profiting fully from the 1930s boom in African karakuls have to be sought in the structure of karakul farming inside South West Africa as well as in external socio-economic problems.

### ***4.4.1 The Kalkfeld farmer cooperative.***

At the beginning of the karakul boom in the early 1930s, a large group of mostly German karakul farmers established a new association, the *Südwest Persianer Verkaufsgesellschaft* (SWPVG), which played a growing role in the African karakul trade. The SWPVG was founded by Friedrich, owner of the Zierenberg farm in Kalkfeld: ten other farmers from that area quickly joined.<sup>476</sup> The participating farms were principally situated around Kalkfeld in the north of South West Africa, an area had been largely neglected by the proponents like Thorer and the German colonial administration. Entering the karakul trade much later, the northern farmers rejected the 'Thorer monopoly' and generally recoiled at the principle of 'distributive commerce' that made profits at the 'expense' of the karakul farmer. Anti-capitalism firmly undergirded its radical, if poorly developed, ideology. In one of its explanatory statements, the SWPVG distinguished between resource producers (*Urproduzenten*), the cornerstones of the national economy, and the world of high finance, "the vampire of every nation" that led the market with "cheap buying and expensive sales." According to the SWPVG, the objective of commercial business was the acquisition of a monopoly on trade to keep the producers poor.<sup>477</sup> Based on this ideology, the main rationale of the SWPVG was to challenge the trade arrangements set out by the African fur industry, in particular Thorer. The SWPVG intended to curb the power of intermediate traders and shorten the 'distance' between producers and buyers in order to converge the prices of karakul sold in South West Africa with those on the world market.

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<sup>476</sup> BArch, Reichskolonialamt R 1001, nr. 8509, f. 212. Abschrift. W.v.Schönberg, Rietfontein, an die Überseeische Industrie und Handels-Gesellschaft, Berlin, den 18.4.1934.

<sup>477</sup> BArch, Reichskolonialamt R 1001, nr. 8510, p. 360. Abschrift, Berlin, den 06.11.1936. an das Reichswirtschaftsministerium z.hd. von Herrn Oberregierungsrat Dr. Bertsch.

Whilst these principles sound somewhat vague, the cooperative nevertheless had a clear idea about how to change the parameters of trade, namely by selling karakul skins at auction sales. While auctions constituted a long-standing commercial practice in London, the sales mechanism was increasingly adopted in fur centres all over the world, like in New York, Montreal, and Leipzig. Importantly, the auction companies in these cities were explicitly created to compete on an international level and improve the position of the fur hubs in the commodity chain. For a few decades, newly established auction sales had a strong impact on the world market of furs. The dynamism of auction sales and its meaning for the Leipzig fur industry is analysed in depth in chapter X. For the meantime, it is important to remember that resource-producing entities believed that auctions were a better market institution for their business. The Kalkfeld farmer Schneider declared that “before the ‘intervention’ of the Kalkfeld organisation, traders showed no interest in public auctions. Thorer denounced it as ‘speculation.’ It was the aim of the traders, unaware of the quality of the products, to acquire the skins cheaply and to form the price in semi-darkness.”<sup>478</sup> In 1936, when the currency crisis caused major fluctuations in the price of karakul skins, the Kalkfeld association wrote that “a fixed price for every world market product is in the first place possible through auction sales.”<sup>479</sup> The Kalkfelders had apparently learnt from the main transformations in the international fur industry where auction sales increasingly emerged as the most important market institution.<sup>480</sup>

With their preference for auction sales, the farmers’ cooperative altered the practice that had characterised trade in South West Africa up until that point. While the cooperative lacked the means to establish an independent auction company on the Leipzig market, they initially cooperated with one of the main Leipzig auction companies, the RAVAG (Rauchwaren Versteigerungs AG, an auction company). The RAVAG promised to gain better prices on the world market: “the merger of karakul farmers was based on the idea that, by being freed from the dealers who worked with high profit margins through taking advantage of economic fluctuations (...) and supplying our fur harvest directly to the old city of Leipzig based on our expertise, ‘world prices’ are achieved: as such, great benefit to the farmer will come with this

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<sup>478</sup> BArch, Reichskolonialamt R 1001, nr. 8511, f. 11 Denkschrift Schneider, 21.08.1937.

<sup>479</sup> BArch, Reichskolonialamt R 1001, nr. 8509, f. 335. Abschrift, The Südwest Persianer Verkaufsgesellschaft (PTY, Ltd). Kalkfeld SWA. an den Konsul des Deutschen Reiches für SWA. 10.01.1935

<sup>480</sup> BArch, Reichskolonialamt R 1001, nr. 8510, f. 180, SPWVG. Kalkfeld, 06.06.1936. For instance, the Kalkfeld farmers admired the success of the Soviets in organising the auctions in Leipzig since 1921 themselves. Auctions came to embody a trade practice whereby resource-producers achieved higher prices and eliminated the links in the commodity chain that distanced them with the consumers.

elimination of the middleman.”<sup>481</sup> Cooperation with an auction company constituted a fundamental shift in the German-African karakul trade, since the RAVAG was a competitor of the Thorer company in the karakul farming business.<sup>482</sup>

The cooperation allowed the SWPVG cooperative to change the local system of fur procurement. Firstly, farmers affiliated with the SWPVG exclusively delivered lambskins to Kalkfeld, where their value was established in advance of the auctions. Kalkfeld paid a 60% advance on this estimate.<sup>483</sup> The skins were then sent to the RAVAG in Leipzig. This alternative business model expanded quickly. Despite their belated entry in the karakul industry, the Kalkfeld farmers sold 11,702 skins to Leipzig through the RAVAG in 1931, which represented 11% of total South West African fur production.<sup>484</sup> By 1935, the SWPVG had 650 suppliers and exported 121,700 skins, 23% of the total mandate's karakul production.<sup>485</sup>

The change of the trade parameters was complemented by business practices that typified cooperative ventures, in particular self-help and profit sharing. The SWVPG also reinvested profits in order to strengthen local karakul farming. For instance, it funded a small research laboratory and organised informative meetings about the karakul industry to further its professionalisation. Furthermore, the cooperative installed solidarity mechanisms to support members plagued by financial troubles. In particular, the SWPVG granted emergency loans, the interest rates of which were reputed to be lower than that of the banks. The loans offered an important alternative to troubled farmers who were often forced to sell to non-German farmers or the fur business to make ends meet. By 1939, the SWPVG had granted £10,000 worth of loans to needy German farmers.<sup>486</sup> Between 1937 and 1939, 35 members of the farmers' cooperative were granted a loan.<sup>487</sup> Thus, the SWPVG had become a powerful local actor and an important competitor of the Thorer-dominated trade with Leipzig.

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<sup>481</sup> BArch, Reichskolonialamt R 1001, nr. 8509, f. 207. RAVAG: Rauchwarenversteigerungs AG, Leipzig. 28.04.1934. An den Deutschen Konsul in Windhuk, Herrn Fricke zZT an Bord des Dampfers „Wangoni“. Hamburg.

<sup>482</sup> Thorer co-owned a rivaling auction company in Leipzig the “Rauchwarenlagerhaus”

<sup>483</sup> BArch, Reichskolonialamt R 1001, nr. 8509, f. 212. Abschrift. W.v.Schönberg. Rietfontein an die Ueberseeische Industrie- und Handelsgesellschaft, Berlin. den 18.4.1934.

<sup>484</sup> BArch, Reichskolonialamt R 1001, nr. 8510, f. 180. SWPVG. Kalkfeld. 06.06.1936.

<sup>485</sup> BArch, Reichskolonialamt R 1001, nr. 8511, f. 11. Schneider, 21.08.1937.

<sup>486</sup> BArch, Reichskolonialamt R 1001, nr. 8511, f. 317. Vermerk. 20.05.1939.

<sup>487</sup> BArch, Reichskolonialamt R 1001, nr. 8511, f. 5. Kalkfeld, den 15.03.1939.

#### 4.4.2 *Currency problems in Germany.*

Competition between those two factions explains the decline of the Leipzig fur industry in South West Africa. Indeed, the Kalkfelders initially cooperated with another Leipzig firm. However, the interplay between the association's anti-business motives with the economic and financial problems inside the Reich sharpened the tension between karakul farmers and the Leipzig fur industry.

The currency shortages that severely weakened German business operations abroad began in the twilight of the Weimar republic. In 1931, international short-term funding was withdrawn from Germany: subsequently, the government decided to leave the gold standard and restricted flows of capital from Germany to the outside world.<sup>488</sup> The German government increasingly controlled payments since 1931 and avoided balance-of-payments problems by imposing exchange control and the licensing of imports and exports upon the country's businesses.<sup>489</sup> Later, the Third Reich's plans for rearmament further restricted the availability of foreign currency for the consumer goods industry.

Currency restrictions and import quotas coincided with the sudden swell of African karakul business that took place in the early 1930s. In 1932, £100,000 of a total export value of £141,000 went to Leipzig while £40,000 went to London.<sup>490</sup> A year later, the pendulum had swung in favour of London: £192,000 worth of karakul pelts was shipped to London. The total karakul export in that year was worth £433,000 but only £179,000 from this yield went directly to Leipzig.<sup>491</sup> Despite the government's promise to facilitate the growing output of the German karakul farmers, the lack of South African pounds in Germany became critical in 1934. Afterwards, currency allocation increased but it was insufficient to meet growing demand. In 1936, this arrangement provided the sum of £250,000 for the import of African karakuls, of which Thorer secured "an adequate share."<sup>492</sup> In 1937, the currency consignment

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<sup>488</sup> Ben Wubs, *International Business and National War Interests: Unilever between Reich and Empire, 1939-45* (London: Taylor & Francis, 2008), 47.

<sup>489</sup> Richard Overy, "The German Economy 1919-1945," in *Weimar and Nazi Germany: Continuities and Discontinuities*, ed. Panikos Panayi (Pearson Education, 2001), 42-43.

<sup>490</sup> All values expressed in pounds are in South African pounds, which was on parity with sterling except between 1931 and 1933, when South Africa continued to adhere to the gold standard. In 1933, it abandoned the gold standard and the South African pound was connected once again to sterling.

<sup>491</sup> BArch, Reichskolonialamt R 1001, nr. 8509, f. 352. SWA Karakul Central 1928 Ltd. 30.01.1935.

<sup>492</sup> StA-L, Dresdner Bank in Leipzig 21018, nr. 482, Abschrift, Leipzig, 2.05.1936.



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in this bilateral agreement (the so-called wool agreement) provided £360,000.<sup>493</sup> Despite the absolute increase, the proportion of £360,000 in 1937 allocated to karakul imports represented only 29% of the total amount of exported karakuls. karakul skins thus came to represent an important commodity in the trade with the former colony but it was not sufficient to absorb the overall exponential increase. Figure 2 clearly indicates the increase of karakul imports to Germany. However, yearly imports represented no more than a third of the total karakul yield in relative terms.

	<b>Karakul skins</b>	<b>Total imports</b>	<b>Ores and metals</b>
1931	0.52		
1932	1.11		
1933	1.89		
1934	2.09	3.2	0.96
1935	3.24	5.2	1.41
1936	3	6.7	2.7
1937	4.6	8.6	2.7
1938	4.2	10	3.2
	(Millions of marks)		

**Table 4-2: German import of South West African goods**

Plummeting German exports to the mandate further exacerbated currency problems. While exports averaged around £500,000 annually in the second half of the 1920s, they rapidly declined after 1929. Germany earned only £89,038 in 1932 and £133,582 in 1933, far too little to accommodate for the growing production of farmed karakul skins.<sup>494</sup> This lack of currency undermined the orientation of the former colonists to the German market. The Colonial Office was aware that the currency restrictions put strains on the loyalty of the German farmers to the motherland: “South West African Germans are angry because of the numerous requests to the German government (...), to such an extent that many of them will

<sup>493</sup> £80,000 was provided for the Kalkfeld and the RAVAG.

<sup>494</sup> BArch, Reichskolonialamt R 1001, nr. 8509, f. 300, Generalkonsulat, Pretoria an das auswärtiges Amt. 06.11.1934.

fall to the lure of the South African government and the English firms.<sup>495</sup> Furthermore, the Chamber of Commerce in Windhuk noted that because of the absence of pounds in Germany, prices of karakuls decreased by 50%.<sup>496</sup> German colonists felt abandoned by the Leipzig firms and the German government. The currency problems made it difficult to keep an association like the SWPVG, which was already quite hostile towards German business, within the framework of post-colonial trade.

#### ***4.4.3 Currency policy and the antagonism with Kalkfeld.***

The SWPVG in particular felt deprived by the currency allocation policy of the German government towards individual business. Furthermore, currency restrictions created problems for the Kalkfeld plan to operate more independently on the Leipzig market. In the eyes of the SWPVG, the currency policy favoured the Thorer firm.<sup>497</sup> In the context of the currency crisis in November 1934, the German government agreed that fur firms could ‘convert’ the earnings made from fur exports to other countries in South African pounds for the purchase of SWA karakul skins.<sup>498</sup> Although this arrangement did not exclude other firms, it was clearly advantageous for the Thorer firm, as this was one of the few businesses that remained active in the international fur business on a reasonable scale.<sup>499</sup>

Kalkfeld and Thorer fought a bitter battle over the future of German karakul farming in Africa. Kalkfeld depicted the plan “of currency conversion” as “a cunning way for Thorer to avoid currency restrictions” but damaging overall for German farmers since it “favoured large

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<sup>495</sup> BArch, Reichskolonialamt R 1001, nr. 8509, f. 278. Besprechung im Reichswirtschaftsministerium (Ministerialrat Dr. Hoffmann) am 24.8.1935. in Sachen Karakulfellversteigerungen in London (Herr Hunoldt und Dr. von Oelhafen).

<sup>496</sup> BArch, Reichskolonialamt nr. 8509, f. 242. Deutsches Konsulat für Südwestafrika: an das Auswärtige Amt. 03.09.1934. Inhalt Devisenschwierigkeiten bei der Einfuhr von Karakulfellen in Deutschland. Anlage Handelskammer Windhuk, 31.08.1934.

<sup>497</sup> The Thorer firm was a member of the Gruppe Deutscher Kolonialwirtschaftlicher Unternehmen: Karsten Linne, “Afrika als ‘wirtschaftlicher Ergänzungsraum’: Kurt Weigelt und die kolonialwirtschaftlichen Planungen im ‘dritten Reich,’” in *2006/2: Unternehmenskrisen und ihre Bewältigung im 20. Jahrhundert/Company Crisis and Crisis Management in the 20th Century*, ed. Stefanie van de Kerkhof and Dieter Ziegler (Berlin: Akademie Verlag, 2006), 165.

<sup>498</sup> BArch, Reichskolonialamt R 1001, nr. 8509, Sitzung betr. Die Finanzierung des Aufkaufs des Ertrages des SWA Karakulmarktes. 16.11.1934. On the meeting: Ministerialrat Hoffmann vom Reichswirtschaftsmin, Regierungsrat Ter Nedden. „Min Direktor Roitzsch von der sächsischen Vertretung, Dr. Weigelt von der Deutschen Bank. Dr. Hollender, Leipzig, vom Reichsverband der deutschen Rauchwarenfirmen.

<sup>499</sup> BArch, Reichskolonialamt R 1001, nr. 8509, Allgemeine Zeitung, 5.1.1935. Südwest Persianer für Deutschland.

firms who keep the prices low and are only interested in the best skins.”<sup>500</sup> In addition, the RAVAG protested in 1934 that it needed at least 2,500,000RM of pounds in order to continue its business with Kalkfeld on a reasonable scale. Particularly unpalatable was that the Thorer firm managed to secure £150,000 for the purchase of Karakul skins by its Windhuk department in early 1935. This was reputed to be more than the RAVAG acquired for its dealings with Kalkfeld.<sup>501</sup>

Kalkfeld increasingly used the currency shortages as a pretext for operating on an independent basis. Thorer, its main competitor, was favoured by the government and its business partner, the RAVAG, was unable to secure a large share of currency. Therefore, the cooperative demanded a budget in order to operate independently of the RAVAG. Kalkfeld demanded at least an equal share of £150,000 from the Reichsbank in order to operate on the market independently. However, the German government refused to fund the independent northern farms due to currency restrictions.<sup>502</sup> Eventually, the tight currency policy caused permanent damage to the links between German farmers and business interests in Leipzig.

By the summer of 1935, the link between Kalkfeld and German business was increasingly under pressure since the Hudson’s Bay Company was openly courting Kalkfeld.<sup>503</sup> In November 1935, the Kalkfeld organisation sent 24,000 skins to the Hudson’s Bay Company and was planning to cooperate with the English competitor more closely in the future.<sup>504</sup> The uncertainty about the Kalkfeld cooperative in the German post-colonial trade was reinforced by the noticeable prominence of the Hudson’s Bay Company in South West Africa in 1935. This company, capable of monopolising the entire karakul market in Africa, increased its visibility in the South West African trade press. In the autumn of 1936, the HBC announced

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<sup>500</sup> BArch, Reichskolonialamt R 1001, nr. 8509, f. 333. Abschrift The SW Persianer Verkaufsgesellschaft (PTY) LTd. Kalkfeld SWA 10.01.1935 An den Konsul des Deutschen Reiches für SWA, Windhuk. „Einen gerissen plann“. „Der vorteil aus diesem Abkommen wird nur Einkaufsfirmen zugute kommen (...) Diese bezahlen hier erfahrungsgemäß nur Preise, die ihnen beträchtlichen Gewinn versprechen und ausserdem nehmen sie nur die besseren Qualitäten“. According to Kalkfeld, prices were being kept at an unreasonably low level: in 1933, 442,000 skins for the value of £ 433,000.

<sup>501</sup> BArch, Reichskolonialamt R 1001, nr. 8509, Deutsches Konsulat in Südwestafrika, Windhuk, 07.01.1935.

<sup>502</sup> BArch, Reichskolonialamt R 1001, nr. 8509, f. 184. Konzept. Berlin, den 21.09.1932.

<sup>503</sup> BArch, Reichskolonialamt R 1001, nr. 8510, f. 7. Paul Hollender an Herrn Geheimrat Brückner, Auswärtiges Amt, Berlin, 17.06.1935.

<sup>504</sup> BArch, Reichskolonialamt R 1001, nr. 8510. f.32. Deutsches Konsulat Für Südwest Afrika. Windhuk, den 8.11. 1935. „Gefährdung des Leipziger Marktes für Karakul-Felle.

its future settlement in the mandate on Radio Cape Town and promised to deliver 50% advances to farmers who wanted to sell karakul skins through the company.<sup>505</sup>

Despite protests from Hollender, the manager of the Thorer firm, and the Chamber of Commerce in Leipzig, the colonial administration finally allowed the Kalkfeld farmers to auction lambskin in London, albeit through the hands of the RAVAG's division in London.<sup>506</sup> The RAVAG was thereby the first Leipzig firm that sold 'German karakul' skins on the London market. The permission for the RAVAG to organise auctions in London was repeated in the summer of 1935, since the Ministry of Economics and the Colonial Office noticed the growing dissatisfaction of German farmers in regards to the import restrictions. Thorer meanwhile positioned himself as the defender of the Leipzig-German interest. He condemned the fact that Kalkfeld and RAVAG sold in London and thereby damaged the German-African karakul trade.<sup>507</sup>

Nevertheless, Kalkfeld remained dissatisfied with its operations through the RAVAG in London. The SWPVG used the presence of the HBC in Africa to put further pressure on the German colonial administration to resolve the currency problems and its dispute with the RAVAG.<sup>508</sup> In particular, the auction procedures were a bone of contention. Under threat of losing the German interest in the former colonies to the HBC, the colonial administration negotiated a new agreement between the RAVAG and Kalkfeld. The administration succeeded in forcing the antagonists to create an agreement whereby the SWPVG sold two thirds of its yield via RAVAG auctions both in London and Leipzig: this was signed in November 1937.<sup>509</sup> The agreement, however, failed to calm the relationship between the RAVAG and the SWVPG in the long run. In 1937, the RAVAG claimed that Friedrich, one of the leaders of the cooperative, held back considerable quotas of skins that should have been sold in compliance with the agreement.<sup>510</sup> Moreover, the Kalkfelders finally established an auction company independent of the RAVAG. In September 1937, the Karakul SWA

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<sup>505</sup> BArch, Reichskolonialamt nr. 8510, f. 316. Fachgruppe Rauchwaren und Pelze der Wirtschaftsgruppe Gross, Ein und Ausfuhrhandel. (Paul Hollender) An das Auswärtige Amt, z.Hd. des Herrn vortragenden Rat Geheimrat Dr. Seeger. 19.10.1936.

<sup>506</sup> BArch, Reichskolonialamt R 1001, nr. 8509, f. 246. Abschrift, Berlin, 02.11.1934.

<sup>507</sup> BArch, Reichskolonialamt R 1001, nr. 8509, f. 348. Theodor Thorer Leipzig 18.02.1935.

<sup>508</sup> BArch, Reichskolonialamt R 1001, nr. 8510, f. 158. Abschrift. Der Reichs und Preußische Wirtschaftsminister, Berlin an das Auswärtiges Amt. 17.07.1936.

<sup>509</sup> BArch, Reichskolonialamt R 1001, nr. 8510, f. 52. Ravag an das Reichswirtschaftsministerium, Herrn Landrat Dr. Bertsch, 17.09.1937.

<sup>510</sup> BArch, Reichskolonialamt R 1001, nr. 8510, RAVAG, 17.07.1937, an das Reichswirtschaftsministerium, Berlin.

Auctions Ltd, an agency set up by the Kalkfeld farmers Friedrich and Schneider and the British merchantmen Allan Rodway, organised its first auction in London offering 51,000 skins.<sup>511</sup> Allan Rodway was a former employee of the HBC and was involved in introducing his company to the Karakul farmers in SWA.<sup>512</sup> There was therefore no longer a reason for the northern farmers to cooperate with the RAVAG. The SWPVG failed to deliver karakul skins for a Leipzig auction sale in October 1938, which was then cancelled. The colonial administration now finally joined in on the attack on the Kalkfelders, accusing them of subordinating the 'national interest' to their business in London. Nonetheless, it was clear that German business and the colonial administration had lost their influence over the former colonists.

All things considered, the takeover by the German karakul production was facilitated by a lack of unity among the farmers and the incoherence of foreign trade policy vis-à-vis karakul farming. With the creation of the Kalkfeld cooperative, two models were competing over karakul trading inside Germany. The cooperative, with its focus on solidarity between farms, competed with the Thorer practice, whose subsidiary in Windhuk established prices whilst the firm acquired co-ownership of farmland. The colonial administration, underestimating the grievances of the Kalkfeld cooperative, failed to accommodate the association's desire to have a larger say in the commerce of karakul skins. Combined with the problems of currency restriction, these issues made Germany lose control over the karakul industry in the 1930s.

#### **4.5 Conclusion.**

The chapter has revealed that several district firms were important imperial and post-colonial actors in Germany at the beginning of the twentieth century. With the Fürstenwalde state farm in a pivotal role, business, science, and the state worked together in order to create the karakul industry in the South West African settler colony. While the karakuls and their hardy Turkmen shepherds metaphorically evoked the image of pastoral agriculture, in reality the fur industry and the colonial administration put forward a model of a disciplined and rational farmer who would follow a barrage of Mendel-inspired prescriptions. Expert knowledge on Mendelian breeding was an instrument to mould the colonial farmers in South West Africa

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<sup>511</sup> BArch, Reichskolonialamt R 1001, nr. 8511, f. 148. Aussenhandelsamt an das Auswärtige Amt, 06.12.1937.

<sup>512</sup> BArch, Reichskolonialamt R 1001, nr. 8511, f. 101. Abschrift. s.d.

into part of the supply chain of Leipzig's fur industry. Remuneration depended on the skill of the farmer.

What does karakul farming reveal about the industrial district and its connections to the outside world? The empirical data in this chapter has established the importance of individual lead firms in the creation of karakul farming. The context of the creation of karakul farming were the problems encountered by the Thorer firm in securing supplies from Central Asia. The creation of karakul farming in the colonies was a reaction of a single firm towards global competition, not a collective one. Both the world trade and the organisation of karakul transplantation continued to lie in the hands of the Thorer firm. In the very first stage of experimental karakul farming, Thorer worked behind the scenes. Other firms, like the dyeing factory Herzog and the RAVAG, joined in at a much later stage. As such, the organisation of karakul farming as a frontier activity was not the result of the groups of firms or collaborative networks amongst firm owners that were so typical of the district. Rather, the role of independent lead dynamic firms in the construction of the new source of resources was fundamental. The importance of lead firms, which are best defined as "firms that are characterised by an autonomous strategy, capable of developing strategic decisions with a strong impact on the local level," in processes of innovation and creating links to the outside world has been put forward in the literature on industrial districts.<sup>513</sup> Even though I acknowledged the importance of lead firms in the introduction, my central claim was that reactions of the district towards exogenous developments came from processes of collective action. However, the importance of lead firms has surfaced strongly in this chapter. I should therefore continue to pay attention to lead firms and personalities in certain dynamics of the industrial district and its external relations.

Two more remarks should be made on the actions of lead firms. Firstly, the activities of lead firms did not necessarily disturb firm interdependency in the district. Karakul farming involved a segment of the international fur industry. As such, it allowed those firms specialised in the trade of lambskins to adjust their local specialisation to external changes in resource production. Karakul farming never gave any lead firm a clear edge over competitors in the district. Furthermore, from a more general perspective, the benefits of the karakul farming project were not restricted to the lead firms involved but fertilised the district

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<sup>513</sup> Chiarvesio, Di Maria, and Micelli, "Global Value Chains and Open Networks: The Case of Italian Industrial Districts.," 335.

economy in its entirety. In fact, the alliance of Mendelian genetics and agricultural science opened the Pandora's box of exotic animal domestication. The domestication of such animals led to the creation of fur farming, which remains fundamental to the modern fur industry today. The ability to adapt life forms to the demands of luxury industries marked a new episode in the relationship between the German fur industry and nature. Indeed, although the creation of karakul farming was executed by several 'lead firms,' the spillover effects of creating new sources gave a tremendous advantage to the entire fur industry. The endeavour to create fur farming as a source of resources opened up new production paradigms and new geographies of production. This played a growing role in the future of the industrial district and provided fertile soil for inter-firm cooperation, a theme that is further pursued in the next few chapters.

Secondly, the way in which these dynamic lead firms participated in the colonial project reveals a typical tendency of district firms to externalise risks and share investment with other partners. Companies like Thorer acted as *mediators* rather than as *organisers* of the project. Firms refrained from allocating large investments to karakul farming. Indeed, such organisation went far beyond the expertise of these highly specialised firms. Input of expertise could not be acquired from the agglomeration economy, since agricultural research and the animal trade were lacking in the district. Importantly, the sheer scale of this project required the expansion of networks beyond the local dimension. Partners were found at the regional, national, and imperial level. Nonetheless, risk externalisation alone does not explain 'typical' district behaviour: this was also caused by the strong grip of the Colonial Office, especially after 1906, on the protectorate. Firms like Thorer expanded investments once they lost their main partner, the colonial administration, after the collapse of the empire.

In conclusion, lead firms had been path breaking in the creation of new links between the district and the outside world. They also constructed a blueprint for future cooperation with science. The actions of district firms had a tremendous impact on the geography of globalisation, as their actions led to the incorporation of new territory and social contexts into the capitalist world market in furs. As such, changes in the world market, like the growing demand for sheepskins, initiated a chain of events that had an impact on remote places in the world, a phenomenon typical of nineteenth century globalisation. Moderately sized firms that were part of district economies could play a leading role in opening up new markets.





## 5 The First World War as an External Shock: Resource Substitution and Collective Action (1914-1920)

### 5.1 Introduction.

World War I is often identified as a watershed moment in the development of modern industry and business.<sup>514</sup> This was certainly so in Germany. There, the need to develop alternative business practices and production methods because of shortages in raw materials, energy resources, and labour was comparatively much higher.<sup>515</sup> On the one hand, the war facilitated the renewal of business organisation through methods such as the substantiation of science-industry cooperation and the creation of new production paradigms based on substitute resources. Businesses also rapidly introduced methods of mass production. On the other hand, the state interfered with the organisation of business in an unprecedented manner. The German state rearranged the organisation of business by establishing the so-called war corporations. These were overarching private-public partnerships run by state officials and businessmen that led the planning of production and the allocation of labour and resources.<sup>516</sup> Via the corporations, production quotas were forced on businesses, particularly those situated in strategic sectors. The priorities of the war administration had ramifications for the size of firms since planning and larger production orders favoured big business.<sup>517</sup> In raising wartime production, various industries, even those that were part of non-strategic sectors, were increasingly organised into corporations under stern state control.

However, accounts dealing with the development of business during World War I have systematically narrowed the focus of research on big business and the larger production units

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<sup>514</sup> Margit Szöllösi-Janze, "Losing the War but Gaining Ground: The German Chemical Industry during World War I," in *The German Chemical Industry in the Twentieth Century*, ed. John E. Lesch (Springer, 2000), 92.

<sup>515</sup> Wolfgang J. Mommsen, "Deutschland," ed. Gerhard Hirschfeld, Gerd Krumeich, and Irina Renz, *Enzyklopädie Erster Weltkrieg* (Paderborn; München: Schöningh, 2003), 225.

<sup>516</sup> Michael Stolleis, *A History of Public Law in Germany, 1914-1945* (Oxford: Oxford University Press, 2004), 38.

<sup>517</sup> Stefanie van de Kerkhof, "Public-Private Partnership im Ersten Weltkrieg? Kriegsgesellschaften in der schwerindustriellen Kriegswirtschaft des Deutschen Reiches," in *Wirtschaft im Zeitalter der Extreme: Beiträge zur Unternehmensgeschichte Deutschlands und Österreichs: im Gedenken an Gerald D. Feldman*, ed. Hartmut Berghoff (München, C.H.Beck, 2010), 132.

situated in strategic sectors. For instance, research on business and war is predominantly focused on big businesses in the chemical industry and steel industry. Businesses that procured, produced, and sold goods for consumption stand somewhat in the margins of this research trend. Michael Schäfer has emphasised that this bias has created a vacuum in our understanding of business and war in regions like Saxony.<sup>518</sup> Our general understanding of the impact on the war economy on Saxony is therefore limited to the superficial observation that World War I was particularly unfavourable to the structure of the Saxon economy compared to other German regions, because it was characterised by a multitude of small to medium-sized enterprises that depended on world markets and producing consumer goods.<sup>519</sup> However, major shifts in the production and trade of consumer goods undoubtedly took place in these sectors and industries. According to Nancy Green, the war facilitated the introduction of techniques of mass production and had an impact on business organisation in the garment industry.<sup>520</sup> However, our understanding of how such businesses adapted to the exigencies of the war and its aftermath is limited. The same goes for the effects of the war upon the industrial district formation in the fur industry.

This chapter will pursue two main questions. How did new production paradigms or processes of resource substitution affect the fur industry in Leipzig? And what were the effects on the business organisation in the district? Did the war lead to the institutionalisation of new forms of local collaboration? This chapter will pay attention to both the patterns and impact of resource substitution and the restructuring of local business networks because of pressures of the state-led war economy.

The first part will study the fur industry and processes of resource substitution during the war. The creation of new production paradigms and resource substitution went side-by-side with the integration of the fur industry in the state-led war economy. While the fur industry was granted a relative degree of autonomy at the beginning of the war, the government incorporated the Leipzig fur industry into the war corporation War Fur Ltd (*Kriegsfell*) in 1917.<sup>521</sup> The War Fur Ltd, one of roughly 200 German war corporations, monopolised the

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<sup>518</sup> Schäfer, *Familienunternehmen und Unternehmerfamilien*, 32.

<sup>519</sup> Werner Bramke, "Sachsens Industrie(gesellschaft) in der Weimarer Republik," in *Wirtschaft und Gesellschaft in Sachsen im 20. Jahrhundert*, ed. Werner Bramke (Leipzig: Leipziger Univ.-Verl., 1998), 28.

<sup>520</sup> Nancy L Green, *Ready-to-Wear and Ready-to-Work: A Century of Industry and Immigrants in Paris and New York* (Durham: Duke University Press, 1997), 29.

<sup>521</sup> Momme Rohlack, *Kriegsgesellschaften (1914-1918): Arten, Rechtsformen und Funktionen in der Kriegswirtschaft des Ersten Weltkrieges* (Frankfurt: Lang, 2001), 216.

production of furs and determined what the industry could produce in the context of the war economy. The core of the war corporation was its partnership between the private and public sectors. The impact on the structure, value chains, and production methods of firms participating in war corporations is largely uncharted territory, especially for lighter industries. In particular, I will highlight the role of the war corporation in the emergence of a modern mass-producing fur industry. Mass production was based on the rapidly expanding market for rabbit skins in households throughout Germany. These skins were processed in Leipzig factories as a domestic alternative to the furs acquired on the world market.<sup>522</sup> Rabbit breeding will be analysed as a new production paradigm for the Leipzig fur industry.

In addition, the chapter will also focus on the impact of World War I on business organisation. For sure, the integration of the fur industry into the war corporation had ramifications for local businesses. However, the war corporation never formed an alternative business organisation model. It was only a very temporary stage of intra-firm collaboration and private – public partnership. According to Harald Wixforth, war corporations were simply too inefficient and so associated with nepotism that they could hardly figure as a post-war model for business reconfiguration or an enduring path for private-public cooperation.<sup>523</sup> Collective action and local collaboration during World War I was therefore not limited to the institutions that were created by the state. It went much further: collective action focused on a number of issues that problematised business in the industrial district, such as state intervention, isolation from world trade, and asymmetric developments in business performance in the post-war period. As such, World War I gave an important impetus to inter-firm networks and institutionalised forms of collaboration.

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<sup>522</sup> von Schwerin, *Experimentalisierung des Menschen*, 65–66.

<sup>523</sup> Harald Wixforth, “Gründung und Finanzierung von Kriegsgesellschaften während des Ersten Weltkriegs,” in *Wirtschaft im Zeitalter der Extreme: Beiträge zur Unternehmensgeschichte Deutschlands und Österreichs: im Gedenken an Gerald D. Feldman*, ed. Hartmut Berghoff (München: C.H.Beck, 2010), 105.

## 5.2 Rabbits, Leipzig, and the creation of the corporation War Fur ltd (1914-1917).

### 5.2.1 *The origins of household rabbit keeping in Europe.*

With the invasion of Belgium on 4 August 1914, the German empire finally plunged into a war that many mistakenly believed would end in just a couple of months. Besides the impact of this widespread notion on military considerations, it had also frozen attempts to prepare the economy and businesses adequately for a lengthy struggle.<sup>524</sup> These preparations would have included stockpiling raw materials for industry and foodstuffs for the people and a sophisticated and highly planned war economy to produce and distribute these goods. However, none of these crucial matters had been dealt with when the war machine became the largest consumer in Germany.<sup>525</sup> The result is well known: shortages of raw material jeopardised industrial output and faltering food supplies caused famine in Germany at an early stage in the war.<sup>526</sup> However, the establishment of the Raw Materials Section (*Kriegsrohstoffabteilung*) in August 1914 saved Germany from complete disaster. It was this institution that, to a large extent, designed Germany's wartime economy and organised the allocation of resources or their substitution.<sup>527</sup> The need to substitute resources in particular became more urgent for the medium-term survival of German industry. This was the canvas on which business activities during the war took place.

In the case of the fur industry, available resources finally ran dry in December 1915. An alternative resource was found rather quickly in the backyard of German households: rabbit furs. The advantages of rabbit keeping, both for skin production and nutrition, were fully recognised because of the 'shortage experience' of World War I. As food shortages were endemic in Germany during the war, the German state promoted keeping small animals in

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<sup>524</sup> Hans Ulrich Wehler, *Deutsche Gesellschaftsgeschichte 1914-1949*, vol. 4 (München: Beck, 1987), 47.

<sup>525</sup> Ursula Büttner, *Weimar: Die Überforderte Republik 1918-1933. Leistung und Versagen in Staat, Gesellschaft, Wirtschaft*. (Bonn: Klett-Cotta, 2010), 24–25.

<sup>526</sup> Lothar Burchardt, "Eine neue Quelle zu den Anfängen der Kriegswirtschaft in Deutschland 1914," *Zeitschrift für Firmengeschichte und Unternehmerbiographie* 16, no. 2 (1971): 72. A total breakdown of the economy was avoided when the Prussian War Office (*preussischen Kriegsministerium*) created a department, the *Kriegs-Rohstoff-Abteilung* (KRA), early in the war to monitor resource allocation for the German industry.

<sup>527</sup> Gerald D Feldman, *Army, Industry, and Labor in Germany, 1914-1918*, (Princeton, N.J.: Princeton University Press, 1966), 45.

German households.<sup>528</sup> In other countries, however, household rabbit keeping as a source of nutrition and pelting was already a typical phenomenon in the nineteenth century. In France and Belgium, rabbit keeping developed in the second half of the nineteenth century and a lively skin industry thrived. In Belgium, rabbit skins supplied exports destined for hat felt manufacture in Great Britain.<sup>529</sup> In France, the rabbit skin industry was important as well. Exports reached 400,000 to 500,000 rabbit skins annually by 1888.<sup>530</sup> However, the belated introduction of rabbit keeping in Germany is more comparable to the situation in England, where the circumstances of the Great War caused the practice to expand substantially.<sup>531</sup> Rabbit skin trading had existed in England and Wales since the 1860s, providing supplies for the wool and skin processing industry in London, although this trade was marginal in comparison with Belgium and France.<sup>532</sup> Furthermore, rabbit keeping was not a uniquely European phenomenon. In Japan, there was a mania for buying and selling of homebred rabbits that was supported by the Japanese government well beyond the 1880s.<sup>533</sup>

Given its value as an alternative resource in the wool and skin industry in various neighbouring countries, the belated development of rabbit keeping in Germany deserves further exploration. Even though more systematic research is needed in order to expand our understanding of rabbit mania as a European or worldwide phenomenon, the laggardly development of rabbit keeping in Germany should be explained with regards to socio-cultural factors. German soldiers learnt the practice of rabbit keeping in France during the Franco-Prussian War and introduced the practice in Germany. Rabbit breeding advanced slowly and it became particularly popular among workers. Therefore, rabbit keeping was disregarded as a survival strategy for the lowest social strata and its practitioners often held up for ridicule.<sup>534</sup> Inept animal management and undernourishment, leading to inferior meat and skin, further

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<sup>528</sup> Alexander Von Schwerin, "Tierzucht, Strahlen und Pigmente: Genetik und die Herstellung von Tiermodellen für die Humangenetik. Hans Nachtsheim und die Vergleichende und experimentelle Erbpathologie in Deutschland 1920-1945" (Freie Universität Berlin, 2003), 56.

<sup>529</sup> Frank Caestecker, *Ongewenste Gasten. Joodse Vluchtelingen En Migranten in de Dertiger Jaren* (VUBpress, 1993), 316; Kris De Beule, "Haarsnijderijen in Lokeren. Een Verhaal van Vilt En Vriendschap in Het Vernieuwde Stadsmuseum Lokeren," *Tijdschrift Voor Industriële Cultuur* 117 (2012): 43.

<sup>530</sup> Jean-Pierre Henri Azéma, *Moulins du cuir et de la peau: moulins à tan et à chamoiser en France, XIIIe-XXe siècle* (Place? Editions creer, 2004).

<sup>531</sup> Jenny Marie, "For Science, Love and Money: The Social Worlds of Poultry and Rabbit Breeding in Britain, 1900-1940," *Social Studies of Science* 38, no. 6 (December 1, 2008): 923.

<sup>532</sup> Edward Collins, *The Agrarian History of England and Wales. 7: 1850-1914*, vol. 2 (Cambridge: Cambridge University Press, 2000), 1672. Collins describes the dispatch of rabbit skins from Thetfor Warren to London in the late 1860s for a growing industry employing between 300 and 400 persons.

<sup>533</sup> Pieter S. de Ganon, "Down the Rabbit Hole: A Study in the Political Economy of Modern Japan," *Past and Present* 213, no. november (2011): 238.

<sup>534</sup> GSStA PK, I. HA REP 87 B. nr. 22133. Denkschrift. Zur Eingabe des Bundes der Kaninchenzüchtervereine der Provinz Brandenburg. S.d. 69.

contributed to rabbit breeding's bad reputation.<sup>535</sup> Rabbit meat was perceived as food for the poor and German state institutions saw no future in promoting rabbit meat as a staple for the entire German population. In Hanover, for instance, the Chamber of Agriculture (*Landwirtschaftskammer*) evaluated rabbit keeping in 1906: "today it can still be denied that rabbits play any economic importance in the province of Hanover (...) and it is unlikely it will play an important role later: rabbit meat is simply not in line with North German taste."<sup>536</sup> The sceptical stance of German state institutions towards small-scale rabbit keeping accounts to a large extent for its slow development. Only with the First World War did German state officials embark on a policy of propagating the household production and consumption of rabbits.

The delay and bad reputation of rabbit keeping in Germany had given the practice a dynamic that ran counter to experiences in France and Belgium. This is not without significance for wartime rabbit keeping. Since rabbit consumption developed along the lines of social stratification in Germany, societal and political reluctance imparted a pronouncedly social, perhaps even political, dimension. Firstly, despite the disapproving policy of German authorities, rising meat prices at the beginning of the twentieth century further enhanced the popularity of rabbit keeping among the lower social classes. Cheap rabbit meat became part of the diet in Germany, especially in the kitchens of workers and lower-ranked officials. Secondly, the emergence of various rabbit fancier organisations, mostly local in character, epitomised the success of rabbit keeping throughout Germany. These organisations had grown from the bottom up and fought hard for recognition in comparison to their counterparts in France and Belgium.<sup>537</sup> By the time the magnitude of rabbit keeping became apparent for the managers of the war economy, rabbit fanciers had their own 'self-help' institutions. Local rabbit breeding organisations were firmly established as defenders of the practice, which complicated the integration of millions of rabbit breeders in the war economy after 1917. While war deprivation increased the importance of the role of animal breeding for food subsistence, local rabbit keeping organisations strongly defended the interests of fanciers incorporated into the Prussian War Materials Department. The social dimension of rabbit

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<sup>535</sup> Irene Salaschek, *Vom Notstandstier zum Wohlstandstier: Kaninchenhaltung in Deutschland Geschichte und Bedeutung für die Veterinärmedizin* (Bristol [u.a.]: Tenea, 2009), 28.

<sup>536</sup> GStA PK, I. HA REP 87 B. nr. 22133. Ministerium für Landwirtschaft, Domänen und Forsten. Nr. 22133 „Landwirtschaftskammer für die Provinz Hannover. An den Herrn Minister für Landwirtschaft, Domänen und Forsten. Hannover, 30 november 1906“.

<sup>537</sup> GStA PK, I. HA REP 87 B. nr. 22133. Denkschrift. Zur Eingabe des Bundes der Kaninchenzüchtervereine der Provinz Brandenburg. S.d. 69.

keeping is of crucial importance in understanding the war economy of furs: the integration of rabbit keeping in the maelstrom of the war interfered with household survival strategies. It was therefore highly controversial.

Throughout the war, rabbit breeding gained momentum. By 1918, the practice of rabbit keeping inside Germany began to assume large proportions because of the way in which thousands of households coped with daily life wartime. Rabbit meat in particular was increasingly consumed and rabbit skins were an important product for household husbandry. The agricultural census of 2 September 1918 counted 14,012,618 rabbits in the German Reich, the majority of which were found in the Prussian provinces (8,524,568). Saxony as well had turned into an important region with about 1,152,636 rabbits: there were 366,534 rabbits in the city of Leipzig.<sup>538</sup> These statistics illuminate the fundamentals of the new rabbit fur industry. The increase was quite spectacular: in 1913 there were only 2.5 million rabbits in the German rabbit breeding industry.<sup>539</sup>

### ***5.2.2 Rabbit production and the creation of the War Fur Ltd.***

German rabbit fanciers and the Leipzig fur industry encountered each other at a relatively late stage of the war as both had managed to delay incorporation into the state-led war economy until the final period of the conflict. It was as late as 1917 when the architects of the war economy fully realised the economic potential in utilising rabbit breeding as a source for the production of military garments. The fur industry maintained a certain level of ‘free trade’ until the end of 1915. At the beginning of the war, the non-strategic fur industry was outside the scope of the KRA (*Kriegsrohstoffabteilung*) because their resources and industrial capacity were not of vital importance for the German war economy. Modest quantities of raw furs continued to find their way to Leipzig: they were mainly shipped in via neutral countries or drawn from stockpiled raw furs in Leipzig warehouses. The Easter fair in 1915 was held despite the war. In addition, private business often conducted profitable commerce with the army. For example, Theodor Thorer transformed his factory in Lindenau to process sheepskins for the army, which “successfully replaced the loss in his fur dyeing operations.” The profit of Thorer in the second half of 1914, 870,000Mk, was substantially larger than the

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<sup>538</sup> For the figures of the rabbit census see: BArch, Kriegsfell AG R 8731, nr. 11. Anlage: Viehzählung vom 2.09.1918. Zahme Kaninchen.

<sup>539</sup> Salaschek, *Vom Notstandstier zum Wohlstandstier*, 45.

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profit made before the outbreak of the war, which amounted only to 623,000Mk.<sup>540</sup> For certain firms, business during the war was thus not entirely unprofitable. David Kölner, a fur trader from the Brühl, sold his stock of sheep furs for more than 100,000 marks to the army, a price that exceeded his personal expectations.<sup>541</sup>

The initial ‘persistence’ of the Saxon fur industry in the war economy should not be exaggerated. Unavoidably, the wartime German economic institutions severely damaged the fur market as time went on. First, factories and warehouses belonging to the fur industry were incorporated by the war administration in order to produce armaments needed for the war machine.<sup>542</sup> Second, in order to keep the price levels of fur garments under control, the Prussian war administration decided to auction furs that were confiscated from occupied territories. State-lead auctions meant loss of market control for the Leipzig firms.<sup>543</sup> Third, by early 1916, the stock in the Leipzig warehouses was nearly exhausted.<sup>544</sup> Thorer mentioned that he had difficulties in procuring new furs in 1915 and that commerce largely focused on liquidating the last stockpiled resources and manufactured goods.<sup>545</sup> Fourth, in January 1917, commercial possibilities with neutral countries were further exacerbated when the Reich declared that all import traffic required the permission of the government and prohibited the export of certain types of furs in order to control the strength of the mark.<sup>546</sup>

Furthermore, rabbit skins as resources increasingly entered onto the horizon of public authorities that saw the products as resources for the hide and fur industry. Due to the growing problems related to commerce with neutral countries, the Saxon government lobbied to transform Leipzig into the manufacturing centre of the new rabbit skin industry.<sup>547</sup> Both traders and manufacturers in Leipzig attempted to gain permission from the war administration to import rabbit skins directly from Belgium. Simultaneously, however, the

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<sup>540</sup> StA-L, Deutsche Bank, Filiale Leipzig 21017, nr. 550, f. 10. Theodor Thorer, and die Deutsche Bank, Filiale Leipzig, 01.04.1915.

<sup>541</sup> StA-L, Deutsche Bank, Filiale Leipzig 21017, nr. 386, Bilanzakte D. Kölner, Leipzig, den 29.08.1914.

<sup>542</sup> Sächs. HStA, Außenministerium 10717, nr. 2510, Ministerium des Innern an das Ministerium des Auswartigen Angelegenheiten, Dresden 15.10.1915.

<sup>543</sup> Sächs. HStA, Außenministerium 10717, nr. 2510. Handelskammer Leipzig an das Köniliche Ministerium des Innern Dresden. 18.11.1915.

<sup>544</sup> Stadtal, Messeamt Kap 66, nr. 18, p. 14. Leipziger Abendzeitung 15.01.1916.

<sup>545</sup> StA-L, Deutsche Bank, Filiale Leipzig 21017, nr. 550, f. 11. Theodor Thorer and die Deutsche Bank, Filiale Leipzig, 12.04.1916.

<sup>546</sup> Sächs. HStA, Wirtschaftsministerium, nr. 226, f. 2. Handelskammer Leipzig, an das Königliche Ministerium des Innern, Abteilung für Ackerbau, Gewerbe und Handel. Leipzig, 27.01.1917. In particular it required the permission of the *Reichskommissar für Aus und Einfuhrbewilligung*

<sup>547</sup> Sächs. HStA, Aussenministerium 10717, nr. 2473, Durchslag. Sächsisches Ministerium des Innern an das Königlich Preussische Kriegsministerium, Kriegsamt, Berlin, W 66. S.D.



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war administration of Prussia also began to see the potential in the growing number of rabbits kept by German households as resources for the leather goods needed by the army and navy. By early 1917, the Prussian war administration planned to establish a new war corporation in order to prepare for the registration and confiscation of rabbit skins. Another option that the Prussian administration considered involved the procurement of rabbit skins through the existing war corporation War Leather Ltd, which was composed of leather manufacturing firms.

The creation of a Leipzig-based war corporation now gained momentum. Rather than running the risk of being integrated into the leather industry or face the prospect of a war corporation outside Leipzig, representatives of the trade and dyeing industry in the city preferred to sacrifice their independent position in the war economy and therefore proposed a new war corporation for the procurement of rabbits firmly attached to the Brühl.<sup>548</sup> Supported by Saxon politicians, businessmen in Leipzig promised 1,500,000Mk for the foundation of the corporation.<sup>549</sup> The Saxon and Brühl initiatives eventually resulted in the creation of the ‘War Fur Ltd’ (Kriegsfell AG) in March 1917 with its headquarters in Leipzig.<sup>550</sup> Through this decision, Saxony and the fur industry exerted control over the emerging domain of rabbit skin trade in Germany and avoided their businesses being rendered superfluous.

Before looking at the activities of the war corporation with regard to rabbit keeping, a closer inspection of the function of the war corporations seems in order. War corporations, or *Kriegsgesellschaften*, were composed of business groups and were designed to raise wartime production through cooperation between the state and the private business. In the first stage of the war, the government established war corporations with the aim of centralising all economic activities related to food production and the management of scarce resources needed for armament production. The corporations were often organised alongside internal industry associations with differing degrees of state control.<sup>551</sup> Strategic resources like chemicals (Kriegschemikalien AG) or the production of metal (Kriegsmetall AG) were almost immediately put under state control. The advantage of this type of corporation was that the

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<sup>548</sup> Sächs. HStA, Aussenministerium 10717, nr. 2473. Königlich Sächsisches Ministerium des Innern, an das Königlich Preussische Kriegsministerium, Kriegsrohstoff-Abteilung, Dresden, den 8.02.1917.

<sup>549</sup> Sächs. HStA, Aussenministerium 10717, nr. 2473. Ministerium des Innern an das Ministerium der auswärtigen Angelegenheiten. 01.02.1917.

<sup>550</sup> BArch, Kriegsfell AG R 8731, nr.1. Notarielle Ausfertigung, Leipzig am 19 März 1917. Königliches Hauptzollamt II. Justus Zehme, Königl. Sächs. Notar.

<sup>551</sup> Stolleis, *A History of Public Law in Germany, 1914-1945*, 38–39.

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war administration could make use of the expertise of the private industry (primarily big business) and thereby integrate them in the war economy rather than turning off private initiative completely in the enormous task of war production.<sup>552</sup> The hybrid form that typified the war corporation represented neither the triumph of state capitalism nor the incapacity of the military administration to run the war economy independently. The *Kriegsrohstoffabteilung* (KRA), the raw material division of the Prussian government led by Walther Rathenau, was the central organisation that supervised the activities of individual corporations.<sup>553</sup> The number of resources that the KRA administered grew steadily throughout the war along with the level of military control that was exercised upon individual corporations. Thus, the system of individual war corporations was the backbone of the German war economy and enabled state control in economic matters.

War Fur Ltd, the Kriegsfell AG, the war corporation that controlled the fur industry, was founded on 1 March 1917. It blended together state control and private initiative in a hybrid model akin to those corporations established in an earlier phase of the war. The Kriegsfell AG, created with the aim of supplying the army with garments and controlling the procuring of rabbit skin, was designed as a joint-stock company and many Leipzig fur firms participated in it. To a certain extent, the creation of the war corporation was the result of interfirm cooperation. The Kriegsfell consisted of 25 shareholders from the private industry, who were predominantly fur firms from Leipzig. More than half of the shareholders came from Leipzig while about 10 participants operated in other German cities (such as the renowned furriers Riccius in Munich and Louis Biberfeld in Posen). Some of the leading firms in Leipzig were on the list such as Theodor Thorer and Friedrich Erler: the absence of larger Jewish trading firms like the Eitingons and the Ariowitsch firm is striking.<sup>554</sup> The motives for participation remain unclear but it seems that most of the participating firms possessed some kind of manufacturing plant: the Jewish merchants usually focused on commerce. Profits also played a role, although they were directly limited since profiteering by means of the war economy was controversial. As such, the dividends from Kriegsfell AG profits were limited to a maximum of 5% interest on the shares.

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<sup>552</sup> Regina Roth, *Staat und Wirtschaft im Ersten Weltkrieg: Kriegsgesellschaften als kriegswirtschaftliche Steuerungsinstrumente* (Berlin: Duncker & Humblot, 1997), 21.

<sup>553</sup> Lothar Burchard, "Eine neue Quelle zu den Anfängen der Kriegswirtschaft in Deutschland 1914," *Zeitschrift für Firmengeschichte und Unternehmerbiographie* 16, no. 2 (1971): 72.

<sup>554</sup> BArch, Kriegsfell AG R 8731, nr. 1. Notarielle Ausfertigung. Leipzig, am 9 März 1917. Königliches Hauptzollamt II. opgesteld door Justus Zehme, Königl. Sächs. Notar.

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How did the private-public partnership shape the inner structure of War Fur Ltd? The shareholders of the Kriegsfell AG elected a board of supervisors of 3 to 8 persons: motions were decided by a majority vote. Leipzig's domination can be seen in the board of 1917: there were the Leipzig traders Paul Thorer, Alfred Nauman, Friedrich Dodel, and Richard Schmidt (the president of the Leipzig Chamber of Commerce), two government representatives (Gustav Stresemann and a spokesman for the Bavarian government), and two businessmen who came from outside Leipzig.<sup>555</sup> Nevertheless, the board was obliged to invite representatives of the state to its meetings. With possession of a veto, the voices of state delegates weighed much more than their private counterparts. Moreover, the KRA retained final control over the price setting mechanisms on the new rabbit skin market. In other words, private actors had a large say but the final decision was always in the hands of state representatives. By its incorporation in War Fur Ltd, the fur industry in Leipzig was finally integrated into the straightjacket of the state-lead war economy for the remainder of the conflict.

However, the participation of the fur industry in War Fur Ltd offered a number of opportunities. Most importantly, the location of the war corporation in Saxony was crucial to the fur industry's continuation as one of the key sectors of the regional economy. The Saxon government was particularly pleased that Leipzig was chosen as the host city for War Fur Ltd: "Leipzig was chosen as the headquarters, in particular with regard to the fact that the eligible commercial and industrial sectors exist there, the Saxon government and industry have long promoted rabbit keeping, and the creation of a competitive system to process rabbit skins."<sup>556</sup> Together with the decision to place the corporation in Leipzig, the kingdom of Saxony was promised that the surplus rabbit skins would be distributed to fur firms based in the city. The Kriegsfell auctioned its first surplus of rabbit skins to the private fur industry in March 1918.<sup>557</sup> The auction meant the influx of 1,500,000 rabbit furs into private industry. The decision to locate War Fur Ltd in Leipzig thus contributed significantly to the short-term survival of Saxony's fur industry and perhaps its existence in the 1920s. The next part of the chapter is concerned with how the Leipzig corporation created a new production paradigm

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<sup>555</sup> Ibidem.

<sup>556</sup> Sächs. HStA, Aussenministerium 10717, nr. 2473. Preussische (Kreuz)Zeitung no. 156. Vom 26.03.1917.

<sup>557</sup> Von Schwerin, "Tierzucht, Strahlen Und Pigmente: Genetik Und Die Herstellung von Tiermodellen Für Die Humangenetik. Hans Nachtsheim Und Die Vergleichende Und Experimentelle Erbpathologie in Deutschland 1920-1945," 55.

based on resource substitution. This entailed the creation of a supply chain and involved collaboration with experts and university scientists.

### **5.3 In the rabbit warren? Science, industry, and societal resistance in the making of the rabbit industry (1917-1920).**

#### ***5.3.1 Resource substitution and rabbit skin procurement.***

War Fur Ltd in Leipzig was primarily created with the aim of organising the procurement, distribution, and production of rabbit skins. The transformation of the rabbit skin producers into resource suppliers formed the main challenge. Procurement was chiefly organised via periodic confiscations that forced rabbit keepers to hand in skins. The War Fur Ltd reimbursed producers according to uniform price levels set by the Prussian war administration. However, confiscations and the price caps were highly controversial. According to War Fur Ltd officials, the number of rabbits kept in Germany was, in all likelihood, much greater than the number counted by the official census (14,012,618 rabbits in September 1918). German rabbit fanciers and keepers tended to under-register the number of rabbits in their possession since cloaking the existence of additional animals was held to be an effective way to avoid confiscation. Therefore the administration doubted the correctness of the census and claimed that about 20,000,000 rabbits existed in Germany.<sup>558</sup> As well as the notorious confiscations, rabbit keepers also had the opportunity to trade in skins to collection centres.<sup>559</sup> The procurement of rabbit skins required an extensive network of collection centres covering the entirety of the German Reich. In a short period of time, War Fur Ltd established 4,000 collection centres in about 2,800 localities: however, this was still considered insufficient.<sup>560</sup> From the individual collection centres, rabbit skins were transported to a large warehouse rented by War Fur Ltd in Leipzig, which was situated in the Katzbachstrasse part of the

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<sup>558</sup> BArch, Kriegsfell AG R 8731, nr. 10, Bericht des direktors von Gosen der KF AG in der Aufsichtsratssitzung vom 25 Mai 1918 über die Verteilung oder Beträge zur Abgabe von Zuchttieren an Kriegsinvaliden und beabsichtigte Verwendung der bereitzustellenden Mittel zur Förderung der Kaninchenzucht.

<sup>559</sup> BArch, Kriegsfell AG R 8731, nr. 25. Kriegsfell AG an das Königlich Preußische Kriegsministerium, Kriegsamt, Kriegs-Rohstoff-Abteilung. 08.03.1918.

<sup>560</sup> BArch, Kriegsfell AG R 8731, nr. 11. Gesamtbericht der Aufklärungsabteilung der Kriegsfell AG, f. 16. Sd (probably 1919)

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northwest district, close to the renovated central railway station.<sup>561</sup> The main site of War Fur Ltd employed about 50 male and 70 female labourers. The workforce in the warehouse, who packed and graded thousands of rabbit skins, formed the backbone of this new domestic industry.

Even though rabbit keeping spread rapidly across German cities during the war, expectations regarding the turnover of rabbits skins were somewhat disappointed. Lack of efficiency in particular was a deeply rooted problem. Between 1917 and 1918, breeders provided War Fur Ltd 12 million rabbit skins: only roughly 8 million of these could be used in the manufacture of garments. Inept treatment, decay, loss, and theft in the distribution centres wasted a staggering 33% of this yield.<sup>562</sup> On top of that, animal disease slowed down production. Rabbit breeding in Germany suffered badly from coccidiosis: it accounted for the death of about 90% of young rabbits.<sup>563</sup> Moreover, rabbit production suffered from the same problems that plagued state-led efforts to incorporate agricultural production into the war economy. State dirigisme made household animal husbandry perform far below capacity.<sup>564</sup> The unpopular system of price caps and quantity regulations drove both rabbit breeders and German peasant farmers out of the market.

To a large extent, problems pertaining to inefficiency were located among the rabbit fanciers themselves. Rabbit breeding was notoriously difficult terrain to control as breeders blended modern principles of animal management with deeply ingrained irrational practices. The German historian of science Alexander von Schwerin, for instance, noted that rabbit fanciers preferred killing sick rabbits than applying veterinary prescriptions because they saw “rooting out” as a practical solution. As mentioned above, amateur keepers perceived themselves as the extension of ‘ruthless nature.’<sup>565</sup> A false understanding of artificial selection based on Mendelian selection criteria was another irrationality. Only in the middle of the 1920s did the

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<sup>561</sup> The storehouse continued to be used for the storage of large quantities of Siberian furs throughout the 1920s as it was hired by the Leipzig auction company Rauchwarenlagerhaus AG.

<sup>562</sup> BArch, Kriegsfell AG R 8731, nr. 10, Bericht des Direktors von Gosen der KF AG in der Aufsichtsratssitzung vom 25 Mai 1918 über die Verteilung oder Beträge zur Abgabe von Zuchttieren an Kriegsinvaliden und beabsichtigte Verwendung der bereitzustellenden Mittel zur Förderung der Kaninchenzucht.

<sup>563</sup> Siegfried Jung, *Zucht und Haltung der wichtigsten Laboratoriumsversuchstiere: Kaninchen, Meerschweinchen, Ratte, Maus, Goldhamster, Frettchen, Schaf, Huhn, Kröte, Frosch. Mit kurzer Anatomie der Brust- und Bauchorgane*. (Jena: Fischer, 1958), 130.

<sup>564</sup> Albrecht Ritschl, “The Pity of Peace: Germany’s Economy at War, 1914-1918 and beyond,” in *The Economics of World War I*, ed. Stephen Broadberry and Mark Harrison (Cambridge; New York: Cambridge University Press, 2005), 57.

<sup>565</sup> von Schwerin, *Experimentalisierung des Menschen*, 57.

principles of Mendelian genetics gain some solid ground in the German rabbit keeping industry.<sup>566</sup> Problems were not only related to scientific underpinnings germane to animal breeding: they were present further up the new supply chain as well. Breeders were unaware of confiscation obligations or lacked information about the nearest collection centres. A large proportion of the waste was caused by the keepers' ignorance of the proper way to dry and pack the skins. If rabbit breeding was to be a freestanding industry, War Fur Ltd would have to educate its suppliers more firmly.

Even though the expansion of production suffered from high levels of waste, War Fur Ltd strongly believed in the future of the rabbit skin industry: it was held that rabbit production would reach 27 million skins in one or two years.<sup>567</sup> Furthermore, the fur industry benefited almost immediately from the first yield, as we saw when the Kriegsfell put up a large surplus of skins for auction. The efforts of the War Fur Ltd notwithstanding, the first large reports revealed that, compared to the production figures of neighbouring countries and in terms of efficiency, rabbit skin production was still developing. The Berlin fur trader and publisher Emile Brass estimated that Belgium's rabbit production reached 7 million rabbit skins annually whilst France exported approximately 36 million skins yearly: both figures dwarfed Germany's production. The creation of a rabbit skin industry was an enormous task, one that the Leipzig corporation wished to achieve in a relatively short period of time.

Aiming at both promoting as well as rationalising rabbit keeping, War Fur Ltd established a "department of education" (*Aufklärungsamt*). First, this department went on a propaganda offensive against both rabbit fanciers and the larger public by making itself more visible in the public sphere. A leaflet with summarised information and guidelines on the treatment of rabbit skins was published in about 500 daily newspapers with an edition totalling 3,500,000 million. 600,000 large posters headed with an appeal to patriotism ("supply rabbit furs, the army needs them!") and designed by the graphic artist Julius Gipkens were put up in 15,000 municipalities, mainly in public places and railway stations.<sup>568</sup> Training of the rabbit breeder was seen as an important task. The information department of the War Fur Ltd deployed 96 "teachers" that went around the country to generally promote rabbit keeping and hold lectures

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<sup>566</sup> Hans von Nachtsheim, "Das Rex-Kaninchen und seine Bedeutung für die Pelztierzucht," *Die Pelztierzucht* 4, no. 3 (1928): 45–50.

<sup>567</sup> BArch, Kriegsfell AG R 8731, nr. 10. Bericht des direktors von Gosen der KF AG in der Aufsichtsratssitzung vom 25 Mai 1918 über die Verteilung oder Beträge zur Abgabe von Zuchttieren an Kriegsinvaliden und beabsichtigte Verwendung der bereitzustellenden Mittel zur Förderung der Kaninchenzucht.

<sup>568</sup> BArch, Kriegsfell AG R 8731, nr. 11. Gesamtbericht der Aufklärungsabteilung der Kriegsfell AG, s.d., p. 12.

about the treatment of skins. However, during the war, care for the household's animals were chiefly left to women and children: therefore the Kriegsfell AG brochures were also sent to schools. The Kriegsfell distributed about 500,000 brochures in 13,968 schools entitled "the value of German rabbit keeping, an exhortation to the German youth!"<sup>569</sup> Not only did this information campaign focus on enhancing efficiency, it was also aimed at raising public awareness about the new war corporation.

### ***5.3.2 War Fur ltd and scientific development.***

Aside from its propaganda department, the Kriegsfell also relied on research and innovation in order to make the new production paradigm based on rabbit skins function. Attempts to rationalise production were limited to improving existing industrial process of skin tanning and industrial dyeing.<sup>570</sup> To serve this aim, War Fur ltd formed a tannery commission, which brought together firm managers of the fur and leather industries in order to improve the production process.<sup>571</sup> However, the results that this commission produced appear to be relatively modest. "Georg Korant," a firm in Berlin-Friedenau, developed a chemical procedure to remove fur from the skin. Even though the chemical substance destroyed the leather, the method made it possible possible to use 'wasted' skins that were otherwise impervious to mechanical haircutting. The method reduced waste in the production process and significantly improved the garment industry as rabbit hairs could be used as a substitute in the textile industry.<sup>572</sup> However, aside from the Korant procedure, the new rabbit industry did not spark many innovations or groundbreaking production techniques.

Unlike in other industries, the main scientific contributions derived from the implementation of resource substitutes in the fur industry were not to be found in improved production methods, since manufacturing procedures for rabbit skins already existed. As mentioned above, the main challenge of the rabbit supply line was to reduce waste that occurred at the

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<sup>569</sup> BArch, Kriegsfell AG R 8731, nr. 11. Anlage 7. Nota, s.d. Zusammensetzung der Schulen, denen unsere Broschüre zugestellt worden ist. Handelsschulen 584, Höh. Lehranstalten 3754, Fachschulen 1085, Fortbildungssch. 8565. Total: 13968 Schulen.

<sup>570</sup> Kurt Nestler, *Rauchwaren- und Pelzhandel* (Leipzig: Dr. M. Jänecke, 1929), 46.

<sup>571</sup> Sächs. HStA, Aussenministerium 10717, nr. 2473, Der Reichskanzler an die bundesregierung außer Preußen und an den Herrn Statthalter in Elsass-Lothringen. 2 Juni 1917. In this commission: Hollender, Nitzche (Fa. Flemmig & Nitsche, Kirchhain (Dobriluk), Herr Friedrich Seelig, i/Fa. Jacob & Seelig, Hersfeld, Theodor Simon, Kirn a. Nahe, Max Stecher, i/Fa Moritz Stecher, Freiburg i.

<sup>572</sup> BArch, Kriegsfell AG R 8731, nr. 20. Abschrift: Der Königliche Regierungspräsident, Potsdam, den 21.08. 1917. Urschriftlich nebst Anlage dem Herren Minister für Handel und Gewerbe in Berlin

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start of the production process in the rabbit pens. Solving this problem would require cooperation with experts in animal management and veterinary scientists. Modern animal management can be defined as the method that “integrates the proper feeding, breeding health care, housing, and handling of domestic animals to optimise their production”: it seemed particularly important to professionalise a production paradigm that was largely organised by amateurs in the field of animal husbandry.<sup>573</sup> Veterinary scientists focused on the more pressing task of relieving high mortality levels in the German rabbit colonies. Finally, Mendelian genetics, which used artificial selection to enable breeders to recreate the quality and colour of skins, became more relevant after the war: initially, agricultural experts focused on the task of reducing mortality levels.

The war corporation was relevant for the fur industry as a whole because it constructed networks with university science departments on the one hand and agricultural expertise on the other. Empowered by the state, the fur industry had the capacity to establish and pursue these links. The board of the War Fur Ltd called into being a ‘breeding commission,’ which assembled a clutch of university professors and agricultural experts from various German universities and research institutes. In particular, professor G. Fröhlich of the Agricultural Institute of the Halle University and Hans Raebiger, the founder of the Bacteriological Institute and member of the Agricultural Chamber of Brandenburg (*Landwirtschaftskammer Brandenburg*), were commissioned by the Leipzig war corporation to reduce the impact of parasitic diseases.<sup>574</sup> The largest threat to the rapidly expanding German rabbit population was the parasitic disease coccidiosis, ‘*das grosse Sterben*,’ which threatened young rabbits between 6 and 8 weeks old. Coccidiosis took on epidemic proportions from 1916 to 1917 and constituted the main threat to the ambitious plans of War Fur Ltd. Therefore, Raebiger had started research into the causes and treatment of rabbit coccidiosis by the end of the war.

Whilst studying coccidiosis, Raebiger cooperated with 15 rabbit breeding units across Germany. His research method encapsulated typical veterinary methods such as performing autopsies but he also utilised tools from animal management by investigating nutrition patterns and hygienic conditions in the German rabbit pens, which he found to be in a bad state. The first results of his research offered proof that coccidiosis was indeed a conundrum for the war corporation: it showed that coccidiosis was the cause of death for between 80 and

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<sup>573</sup> *The Canadian Encyclopedia* (Edmonton: Hurtig Publishers, 1985), 58.

<sup>574</sup> BArch, Kriegsfell AG R 8731, nr. 10. Rapport Aufklärungsamt. s.d. see also in this file: Anlage 3.



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88% of the rabbits that had been autopsied. According to Raebiger, the epidemic was mainly caused by poor hygiene, the fraudulent trade of infected animals, and undernourishment. In terms of treatment, Raebiger distributed experimental medicines and nutrition supplements that he hoped would relieve coccidiosis-related death. Between July and August 1917, he tested 15 rabbit nests with medicines and nutrition supplements. The supplements, based on both dried and crystallised calcium chloride (a salt), yielded positive results in terms of decreasing waste: “since the [introduction of the] supplement, disease and death occur less frequently and the animals develop beautifully: they look lively and their furs are smooth.”<sup>575</sup> Nevertheless, nutrition supplements did not offer a cure against coccidiosis: they only reduced the high mortality levels.

Raebiger’s research into coccidiosis challenged traditional veterinary policies and the attitude of agricultural authorities towards rabbit breeders. Raebiger tackled the lack of etiological understanding within circles of breeders and agricultural experts. In his view, agricultural education was biased towards recognising the symptoms of coccidiosis and devoted too little attention to preventing the spread of the disease. According to the Agricultural Chamber of Brandenburg, Raebiger’s home institution, the spread of the disease was mainly caused by contact with contaminated excrement. This meant that the cause of disease was related to the poor hygiene in household rabbit keeping. Raebiger’s assertion about the poor hygienic standards in German rabbit pens shifted the focus of agricultural policy onto breeders’ ineptitude and amateurism.<sup>576</sup> As mentioned above, the ‘practical wisdom’ of the rabbit breeder prescribed rooting out the disease by killing the contaminated. This belief was dispelled by veterinarians like Raebiger (and Mendelian scientists) who warned that many animals survived coccidiosis and that the practice of “slaughter as a solution” removed attention from the disease’s latent form: “one must also be careful with slaughtering, as some of the animals are only mildly infected, (...) they often survive their disease and then, as has been shown repeatedly, even acquire a certain invulnerability and build up considerable resistance against the disease.”<sup>577</sup> The recommendations regarding hygiene and diet formed the linchpin of renewed veterinary policy towards domestic animal keeping. The fur industry

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<sup>575</sup> BArch, Kriegsfell AG R 8731, nr. 11. Anlage 2. Abschrift. Bakteriologisches Institut der Landwirtschaftskammer für die Prov. Sachsen. Halle a.s. den 31.12.1918. An die Kriegsfell AG

<sup>576</sup> BArch, Kriegsfell AG R 8731 Kriegsfell AG, nr. 11. Anlage 2. Bakteriologisches Institut der Landwirtschaftskammer für die Prov. Sachsen. Abschrift. 21 Januar 1919. Betrifft Merkblatt der Landwirtschaftskammer für die Provinz Brandenburg über das Kokzidiosis-Verfahren. Auf den Erlass des Landwirtschaftsministeriums vom 7. XXII 1918.

<sup>577</sup> Ibidem

thus found support for transforming rabbit breeders into producers amongst scientists like Raebiger, who attached more value to implementing practical solutions related to “sound” and rational animal management such as stricter sanitary conditions and proper nutrition.<sup>578</sup>

In sum, the work of Raebiger and others increasingly interfered with the social world of rabbit keeping. This trend continued to be central well after the war as scientists continued to expand their grip on the German rabbit fancier. In 1920, the leading genetic scientist Hans Nachtsheim of the Kaiser Wilhelm Institute for Genetic Science (*Kaiser Wilhelm Institut der Vererbungsforchung*) became the president of the Association of German Rabbit Breeders (*Verein Deutscher Kaninchenzuchter*), one of the largest rabbit breeding organisations. His central task was rationalising breeding methods in order to optimise rabbit skin production. Second, since state authorities had finally embraced the importance of rabbit keeping, disciplining the rabbit breeder according to the principles of animal management surfaced as a vital objective. In 1920, the Prussian ministry of agriculture proclaimed further rationalisation of rabbit breeding, mainly by educating the rabbit fancier on efficient breeding and ways to improve the exploitation of the animal. This new line of policy differed clearly from the *laissez-faire* attitude to rabbit breeding before the war when keepers were relatively independent and their requests for state assistance were usually denied. After the war, the pendulum had clearly swung in favour of intervention: “as a means of promotion, we recommend teaching through lectures, the organisation of training courses, instructions on how to rationally conduct farms, the establishment of facilities which enhance the breeding productions (fur value), the establishment of breeding centres with state support, and granting awards for outstanding achievements.”<sup>579</sup> In addition, the Prussian agricultural authorities started to regulate the flourishing rabbit fairs and exhibitions. It saw in these exhibitions a threat to the economic exploitation of rabbit keeping since these shows promoted the keeping of special breeds that were useless for food and skin production.<sup>580</sup> After the war, business, science, and industry had successfully intruded into the social world of rabbit keepers.

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<sup>578</sup> BArch, R 8731 Kriegsfell AG, nr. 11. Anl. 2. S.d. Raebiger: *Kokzidiosis, das große sterben*.

<sup>579</sup> GStA PK, I. HA REP 87 B. nr. 22137, Niederschrift über Massnahmen zur Hebung der Kaninchenzucht im Ministerium für Landwirtschaft, Domänen und Forsten zu Berlin, am 28 und 29. Januar 1920. Anschrift 1.

<sup>580</sup> GStA PK, I. HA REP 87 B. nr. 22137, Zur Punkt 5 der Tagesordnung über die Beratung der Kaninchenzuchtfrage im Ministerium für Landwirtschaft, Domänen und Forsten in Berlin am 28 bis. 29. Januar. 1920. Von A. Beeck in Halle (Salle) Cröllwitz.

### 5.3.3 *The resistance against the War Fur corporation.*

The activities of War Fur Ltd generated societal resistance in a wide variety of circles and foremost in the world of breeders. In the years running up to the Great War, the emergent practice of rabbit keeping was prevalent among the lowest classes (labourers and low salaried employees) of German society. During the war, the need for an additional source of nutrition became more urgent as the administration failed to provide sufficient food supplies for its population.<sup>581</sup> Food shortages were responsible for rising mortality rates and malnutrition, the impact of which was felt by virtually every German.<sup>582</sup> The transition towards garment production based on rabbit skins meant increased control over this additional food resource and further fuelled class tensions. In addition, the exigencies of the war had universalised the practice of rabbit keeping: “people from all occupational classes, and also people who mocked rabbit breeders before, are now becoming fellows.”<sup>583</sup> The estimate of 20 million rabbits in Germany confirms the exalted status of rabbit keeping as a widespread phenomenon cutting across social strata. This is not the only reason why it would be wrong to treat the battle over rabbits and class war as synonyms. Resistance against the war economy was not unique to the opposition between labour and capital over the control over the means of production: regions opposed centralised ‘Prussian’ production and the world of small business feared the creation of monopolies in the hands of the war corporations.<sup>584</sup>

It is not hard to imagine why rabbit keepers resisted the intrusion of the fur industry. Rabbit fanciers lost control over an additional source of nutrition and the flourishing informal rabbit skin market. The fixed price caps on rabbit skins were the subjects of social controversy, as they were perceived as being too low. The discrepancy between the relatively high prices paid to businesses at the March 1918 auctions added to this controversy.<sup>585</sup> Moreover, the new production process strictly prohibited domestic production of rabbit skin garments.<sup>586</sup> The war corporation was accused of making large profits at the expense of small-scale rabbit breeding.

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<sup>581</sup> Sönke Neitzel, *Weltkrieg und Revolution: 1914-1918/19* (Berlin: Be.bra, 2008), 136.

<sup>582</sup> David Blackbourn, *A History of Germany, 1780-1918: The Long Nineteenth Century* (Malden, MA: Blackwell Pub., 2003), 358.

<sup>583</sup> GStA PK, I. HA REP 87 B. nr. 22137, Niederschrift über Massnahmen zur Hebung der Kaninchenzucht im Ministerium für Landwirtschaft, Domänen und Forsten zu Berlin, am 28 und 29. Januar 1920. Anschrift 1.

<sup>584</sup> D.G. Williamson, “Walther Rathenau and the K.R.A. August 1914-March 1915,” *Zeitschrift für Unternehmensgeschichte* 23, no. 2 (1978): 113.

<sup>585</sup> BArch, Kriegsfell AG R 8731, nr. 11. Gesamtbericht der Aufklärungsabteilung der Kriegsfell AG. Anlage 36.

<sup>586</sup> BArch, R 8731, nr. 25. Kriegsfell AG an das Königlich Preußische Kriegsministerium, Kriegsamt, Kriegs-Rohstoff-Abteilung. 8.03.1918.

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It was the object of persistent accusations in the press that were often pronouncedly anti-Semitic: “breeding circles and the press repeatedly raised the charge (...) that it [War Fur Ltd] constitutes a Jewish society, who are filling their own pockets out of greed at the expense of the breeders and their diligence. Despite the fact that the corporation, both in the press and in speeches, pointed out that it is a mere executive organ of the German war administration and that its surpluses fund the Treasury, which accrue to the public interest, it did not succeed in eradicating this opinion.”<sup>587</sup>

Furthermore, War Fur Ltd encountered significant problems in controlling rabbit keeping organisations. The latter had transformed into bulwarks of resistance. Even the relatively modest task of charting the number of local ad-hoc rabbit keeping organisations proved to be impossible. A report of the War Fur Ltd counted 3,000 such organisations but it remained largely unfinished. A considerable number of these associations were openly hostile towards War Fur Ltd and refused to cooperate, or even communicate, with the war corporation. One of these unwilling partners was the important nationwide association *Reichsverband deutscher Kaninchenzüchter*.<sup>588</sup>

The resistance against Kriegsfell AG had an important regional dimension since the centre of War Fur Ltd was situated in Saxony. Friction between the Leipzig businesses in the corporation and local rabbit keepers surfaced strongly in 1919 when rumours about the profits made by the ‘monopolists’ in Leipzig out of the rabbit skin commerce ran through Germany. According to the Bavarian minister, rumour had it that a profit of 30 million marks was distributed amongst the shareholders of the Kriegsfell AG (the actual profit was 34 million marks).<sup>589</sup> This rumour upset various rabbit keepers in his state and he called for a fair distribution of the spoils: “the rabbit breeders are almost always destitute, often belonging to the poorest districts. It would therefore be an act of justice if the rabbit breeders associations, to which most rabbit breeders belong, received funding to raise their farms through the

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<sup>587</sup> BArch, Kriegsfell AG R 8731, nr. 11. Gesamtbericht der Aufklärungsabteilung der Kriegsfell AG s.d, p. 15.

<sup>588</sup> BArch, Kriegsfell AG R 8731, nr. 11. Gesamtbericht der Aufklärungsabteilung der Kriegsfell AG. Section on: „Verkehr mit Kaninchenzüchtverbänden und Vereinen“. s.d.

<sup>589</sup> GStA PK, I. HA REP 87 B. nr. 22137, f. 69c. Aktenauszug zum anliegenden Schreiben des Reichsministers der Finanzen vom 19.02.1919.

mediation of agricultural central offices.”<sup>590</sup> However, the minister was misinformed: profits of the rabbit industry went directly into the treasury.<sup>591</sup>

Similarly, resistance against the transformation into mass production surfaced within the industrial district as well. Producers of furs continued to view rabbit skins as inferior and as a temporary source of goods for the industry, needed only as long as the war lasted. In 1917, a report on the fur industry in Leipzig noted that the unpopularity had its historical roots: “Twelve years ago, rabbits received little attention on the Leipzig market. Also the furriers did not like manufacturing the rabbit skins as they were inferior in their consideration. This is the reason why prices for rabbits are so low.”<sup>592</sup> The same report notes that the production of rabbit fur clothing was also an expensive procedure “which is actually more expensive than the value of the skins itself.” This narrowed profit margins significantly.<sup>593</sup> Despite these problems in the final stage of the war, the rabbit skin supply line would increasingly stabilise after the conclusion of hostilities.

### ***5.3.4 The stabilisation and pacification of the rabbit skin market in the aftermath of the war.***

Rabbit skins remained an important resource once the war ended and the organisations that ran it became obsolete. War Fur Ltd governed the fur industry in an unprecedented way: it was a powerful organisation in the sense that it could impose measures of production, stimulate local breeding organisations, and attract scientists who were able to modify the supply line. When the war ended, the war corporation lost the ability to conduct business or to steer production of skins for fur clothing production.<sup>594</sup> Peace made the existence of the war corporation obsolete and undesired. However, rabbit skins remained an important commodity for the Leipzig trade as the naval blockade endured well into 1919 and German businesses remained isolated from international markets. Similarly, the breeding of rabbits remained an

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<sup>590</sup> GStA PK, I. HA REP 87 B. nr. 22137. Abdruck: Bayerische Staatsministerium an das Reichsschatzamt (Berlin) München, 30.07.1919.

<sup>591</sup> GStA PK, I. HA REP 87 B. nr. 22137. Der Reichsminister der Finanzen, an das Ministerium für Landwirtschaft, Domänen und Forsten. Berlin 19.02.1919

<sup>592</sup> Hauptstaatsarchiv Dresden, Wirtschaftsministerium, nr. 226. f. 73. Leipziger Rauchwarenhandel. Das Kanin-Geschäft. 1917.

<sup>593</sup> Ibidem.

<sup>594</sup> GStA PK, I. HA REP 87 B. nr. 22137. Der Reichsminister der Finanzen an das Ministerium für Landwirtschaft, Domänen und Forsten, Berlin 19.02.1919

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important source of additional income and nutrition during the post-war predicament. Households continued to produce rabbit skins. What is more, keepers continued to make use of the infrastructure that had been created by War Fur Ltd, such as the local collection centres. However, the organisation of the supply line of rabbit skins underwent several changes when War Fur Ltd was liquidated in July 1919.<sup>595</sup>

The main difference with wartime procurement lay in the fact that rabbit keepers created overarching trade cooperatives that sold rabbit skins in Leipzig directly to the fur industry. The revenues of these cooperatives were in turn redistributed amongst the members. By August 1919, these cooperatives had largely been centralised into the Association of Skin Producing Cooperatives (*Verband der Fellverwertungsgenossenschaften* or VFW). However, this did not include breeders in Kiel and in Saxony. The association of the latter, the State Association of Saxon Rabbit Breeders (*Landesverband Sächsischer Käninchenzüchter Vereine*), was the main obstacle towards forming a nationwide cooperative of rabbit skin producers.

The organisation and sales methods of the VFW were not altogether different from those of War Fur Ltd. The overarching skin cooperative, with a bureau on the Brühl, represented the interests of numerous rabbit breeding organisations throughout the Reich and cooperated with the *Bund Deutscher Kaninchenzüchter*.<sup>596</sup> Oskar Eissing, the president of the VFW, was a former member of War Fur Ltd's propaganda department. The methods of procurement were similar too. The VFW bought the skins per kilo without employing a separate system of valuation. Meanwhile, the Saxon cooperative represented a completely different exploitation model.<sup>597</sup> It traced the skin from keeper to trader rather than selling furs in large ungraded bulks. Therefore, keepers who managed to improve quality were remunerated accordingly. Thus, the Saxon Association was able to reconcile its interests as a rabbit breeding organisation with the demands of the fur industry to improve the quality of skin production. The Saxon cooperative believed that selling skins on the principle of grading would prompt

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<sup>595</sup> BArch, Kriegsfell AG R 8731, nr. 2. Der Registerführer des Amtsgerichts Leipzig, 17.07.1919.. The last meeting of the Kriegsfell to conclude its liquidation, took place on 20.11.1920.

<sup>596</sup> Der Rauchwarenmarkt, nr. 88, p. 3. Verband der Fellverwertungsgenossenschaften deutscher Kaninchenzüchter GmbH. The nation-wide rabbit organisation represented the following rabbit breeding organisations: Fürth, . Bayern, Sachsen Anhalt, Halle A.S; Thüringer Fellnutzungsgenossenschaft, Gera Reuss Märk. Fellverwertungsgenossenschaft, Berlin. Fellverwertung der Provinz Hannover. Württ. Fellverwertungsgenossenschaft, Esslingen. Oldenburger Fellverwertung.

<sup>597</sup> Sächs. HStA, Wirtschaftsministerium 11168, nr. 216. W4. Abschrift. Landesverband Sächs. Kaninchenzüchter-Vereine. Sitz Dresden; Radebeul, an das Wirtschaftsministerium, 22.10.1919..

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the keepers to increase their attention to better animal management and in the end would generate more revenue for their members: “if breeders care for the skins they produce, it will enhance the value of their products and result in better revenues.”<sup>598</sup> The Saxon association was reasonably attractive (it had over 100 members after just few months), partly because of its comparably low entrance fee.<sup>599</sup>

The Saxon Association was also more strongly connected to the Leipzig fur industry since its commissioner was Arthur Hermsdorf, a high-level employee of a Leipzig firm. Hermsdorf attained success during one of the first sales of the association when he acquired prices that were much higher than those of the VFW (averagely 23 marks per skin as opposed to 19 marks). The Saxon cooperative identified itself with the interests with the local fur industry. On the one hand, the Saxon breeders tended to avoid speculation as well as to focus on quality improvement: “it is their duty to use to skins of the fellows to sell them at the highest possible prices, but they should not engage in speculation, which is very dangerous for fluctuating fur products and markets and can put fellow breeders in danger of losses.”<sup>600</sup> On the other hand, the Saxon rabbit breeders were liberated from wartime price caps and were finally able to secure higher prices. As president Reif noted, “with this kind of exploitation, one has finally met the terms which breeders demanded from the war corporation, a matter that ended in strong opposition against the latter.”<sup>601</sup>

However, the Leipzig fur district did not seem to benefit from two opposing factions and a unified sales mechanism was generally preferred. In particular, Leipzig’s most prominent businessmen objected to the alliance between the Saxon rabbit keepers and Arthur Hermsdorf’s firm.<sup>602</sup> In fact, the Leipzigers seemed to prefer working with the national association rather than the Saxon cooperative, whose methods did not lead to the feared speculative price war: “Anyway, the Brühl agrees with the way in which business is done here by the association and also praises the range of product.”<sup>603</sup> This is an indication that the

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<sup>598</sup> Sächs. HStA, Wirtschaftsministerium 11168, nr. 216. Abschrift. Landesverband Sächs. Kaninchenzüchter-Vereine. Sitz Dresden; Radebeul an das Wirtschaftsministerium. 22.10.1919.

<sup>599</sup> Ibidem.

<sup>600</sup> Sächs. HStA, Wirtschaftsministerium 11168, nr. 216. Abschrift Landesverband Sächs. Käninchenzüchter – Verein an das Wirtschaftsministerium V. Abteilung, Radebeul, 08.01.1920.

<sup>601</sup> Ibidem.

<sup>602</sup> Sächs. HStA, Wirtschaftsministerium 11168, nr. 216. Friedrich Dodel, Herrn Gemeinen Kommerzienrat in Firma Gaudig und Blum an Geheimer Rat dr. Klien, Ministerialdirektor, Leipzig, 17.02.1920.

<sup>603</sup> Sächs. HStA, Wirtschaftsministerium 11168, nr. 216. Friedrich Dodel, Herrn Gemeinen Kommerzienrat in Firma Gaudig und Blum an Geheimer Rat dr. Klien, Ministerialdirektor, Leipzig, 17.02.1920.

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relations between the rabbit cooperative, the association, and the Leipzig industry began to calm down: they both benefited from a stable form of market exchange.

With the calming of relations between the social actors in the supply chain, rabbit skins acquired a prominent position within the Leipzig fur cluster. According to Hans von Nachtsheim, rabbit skins constituted 42% of the turnover in the German fur industry in 1924.<sup>604</sup> Rabbit furs continued to propel the Leipzig fur industry. Several of the largest firms in Saxony expanded because of the success of rabbit manufacturing: the Walter AG turned into the largest firm of the district, with 1,400 labourers in 1923, because of rabbit dyeing.<sup>605</sup> Rabbit dyeing was thus responsible for increased labour opportunities in the district, even though the arrival of an elephantine firm in the district disturbed size distribution. Mass production entered into the world of specialised businesses.

Other firms also continued improving the production process for manufacturing rabbit skins and this led to renewed forms of cooperation. In 1920, some Leipzig fur industrialists and traders (Theodor Thorer, Friedrich König, and Theodor Kniesche) established a joint venture, the Vereinigte Rauchwaren Veredlungs Werke GmbH, with the aim of improving the production processes. The common goal of the new joint venture was “perfection (...) by sharing our experience and technical knowledge and by putting aside our special interests. Next, we will cooperate to refine our previous methods and create new ones. The reputation and history of the individual companies guarantees performance and progress.”<sup>606</sup> According to these industrialists, processing rabbit furs presented an opportunity for mutual learning: “for employers and dyers, the risk must be reduced in producing rabbit skins: we will therefore create a communal way of dressing rabbits. This common procedure will be suitable for all dyeing methods and our operations will run consistently and uniformly.”<sup>607</sup> The process of resource substitution had successfully been incorporated into the Leipzig fur industry.

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<sup>604</sup> von Schwerin, *Experimentalisierung des Menschen*, 65.

<sup>605</sup> BArch, Zulassungsstelle an der Berliner Börse, R 3118, nr. 836. f. 89. Prospekt mark 77.000.000 neue Stammaktien der Rauchwaren-Walter & Arnhold AG, Markranstädt. In 1921, it had already 1150 workers. But in 1889, only 450.

<sup>606</sup> Sächs. HStA, Wirtschaftsministerium 11168, nr. 216. Vereinigte Rauchwarenveredlungswerke G.m.b.H. Gesellschafter: A. Herzog, Wilhelm Jeute g.m.b.h., Theodor Kniesche, Dr. Friedrich König, Marquardt & König, G.m.b.H. Theodor Thorer, Leipzig. 01.01.1920.

<sup>607</sup> Ibidem



By 1920, both firms and rabbit keepers had thus successfully abandoned the structures bequeathed by the war corporations. New institutions were successfully created in the postwar period in order to guarantee continuity in the rabbit supply chain. Rabbit skins became the linchpin of trade and mass production in the fur industry.<sup>608</sup> However, rabbit breeders in Germany failed to serve the internal market for rabbit skins. In 1924, Germany imported 12,000,000 gold marks worth of rabbit skins. In 1927 imports almost doubled to 23,038,000 gold marks, which was equivalent to 18 million rabbit skins.<sup>609</sup>

### *5.3.5 The war corporation and science-industry collaboration between 1918 and 1920.*

Just as the rabbit trade had been successfully transformed into a post-war production paradigm, institutionalisation of scientific research for the fur industry followed suit. In the months before its liquidation, War Fur Ltd continued to push for the institutionalisation of scientific research in rabbit keeping. In October 1918, the corporation entertained plans to centralise research in a permanent experimental research station. The economic and political stakeholders in Saxony that dominated the board of War Fur Ltd were able to make sure that the new experimental station would be established in the proximity of the fur cluster: “Saxony has the largest concentration of the fur trade, whose activity has rendered the main profits of the war fur corporation and promoted the breeding of rabbits during the war (...) this alone justifies that such an institute should be in Leipzig.”<sup>610</sup> In July 1919, Kriegsfell AG spent 75,000 marks on installing a research institute in the buildings of the agricultural experimental institution in Leipzig-Möckern: this was far less than 200,000 marks originally planned.<sup>611</sup> The Leipzig Fur Merchants Association offered 10,000 marks to the new research institute.

There were good reasons other than proximity for attaching a rabbit research station to the agricultural centre in Leipzig-Möckern. The research centre had been established in 1852 and was funded by the *Leipziger Ökonomische Sozietät*, the oldest in Germany. It met the increasing need for research in agricultural development and Möckern soon served as a model

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<sup>608</sup> Nestler, *Rauchwaren- und Pelzhandel*, 46.

<sup>609</sup> Salaschek, *Vom Notstandstier zum Wohlstandstier*, 50.

<sup>610</sup> Sächs. HStA, Ausßenministerium 10717, nr. 6772. Abschrift Vereinigter Rauchwaren-Zurichterei und Farbereibesitzer Deutschlands an die Handelskammer Leipzig. 24.09.1918.

<sup>611</sup> Sächs. HStA, Wirtschaftsministerium 11168, nr. 2999, f. 26. Satzungen der Stiftung der Kriegsfell-AG für wissenschaftliche Forschung auf dem Gebiete der Kaninchenzucht. 18.07.1919.

for experimental stations across German states.<sup>612</sup> The research centre was officially recognised by Saxony in 1879. Under the leadership of agricultural scientists Gustav Kühn (1867-1892) and Oskar Kellner (1892-1911), the station built its reputation in the field of animal food systems.<sup>613</sup> Gustav Fingerling, the subsequent leader of the institute, further explored the animal nutrition theories set out by his renowned forerunners, the most famous of which was Kellner's so-called starch equivalent system (*Starkewertlehre*). This expressed the net energy value of food relative to the net energy value of starch, its most common constituent, and was widely used in Europe until about 1970.<sup>614</sup> The rabbit experimental station was thus connected to a leading and well-established agricultural research centre in the region. The funds for research allocated by the fur industry allowed Fingerling to apply the nutrition energy theories developed by his forerunner to rabbits. The first, albeit modest, experiments on optimising rabbit nutrition were carried out in May 1920. The research was directed at discovering the most 'rational' nutrition for rabbits and, more importantly, the influence of food patterns on the quality of the skins, meat, and fat of the animal.<sup>615</sup>

Significantly, the scientific goals of the research institute in Möckern were more closely connected to the interests of the fur industry than those of rabbit fanciers. The objectives of the experimental station reads like a programme tailored to the needs of the fur industry. The institute was commissioned to study the nature and variables that determined the qualities of the skin and hair: "thorough and comprehensive scientific work is required in order to clarify the physiological and biological conditions of the most pertinent questions involving the skin and hair."<sup>616</sup> The research agenda designed by the war corporation was once more disturbed by rabbit breeders, who wanted research to focus on rabbit diseases. Hans Reif, the president of one of the Saxon rabbit keeping associations (*Landesverband Sächsischer Käninchenzüchter Vereine*), preferred that the Möckern centre devote its efforts to studying

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<sup>612</sup> Klemm, "Landbauwissenschaften und landwirtschaftliches Hochschulwesen in Preussen vom Beginn des 19 Jahrhunderts bis in das 20 Jahrhundert," 22.

<sup>613</sup> Lothar Suntheim et al., "Sonderheft zum 150-Jährigen Jubiläum der Landwirtschaftlichen Versuchsanstalt Leipzig-Möckern," *Schriftenreihe der Sächsischen Landesanstalt für Landwirtschaft* 7, no. 5 (2002): 27; Carl Leisewitz, "Kühn, Gustav," *Allgemeine Deutsche Biographie*, 1906. Dates in brackets refer to the terms of office.

<sup>614</sup> Peter MacDonald, *Animal Nutrition* (Place? Pearson Education, 2002), 295; Augustin Christian, "Fingerling Gustav," ed. Martina Schattkowsky, *Sächsische Biografie*, n.d., [http://saebi.isgv.de/biografie/Gustav\\_Fingerling\\_%281876-1944%29#](http://saebi.isgv.de/biografie/Gustav_Fingerling_%281876-1944%29#). Accessed on 24.03.2014.

<sup>615</sup> Sächs. HStA, Wirtschaftsministerium 11168, nr. 2999, f. 51. Niederschrift. Über die 2. Sitzung des Vorstandes der Stiftung der Kriegsfell AG für wissenschaftliche Forschung auf dem Gebiete der Kaninchenzucht am 12 Mai 1921 mittags 12 Uhr im kleinen Saale des Wirtschaftsministeriums, Kaiser Wilhelmplatz 4.

<sup>616</sup> Sächs. HStA, Außenministerium 10717, nr. 6772. Arbeitsministerium V. Hübel, an die Kriegsfell-AG, 15.11.1918.

diseases such as coccidiosis, which inflicted heavy losses upon rabbit keepers, instead of focusing on how to control animal characteristics that could enhance opportunities for economic exploitation.<sup>617</sup>

Scientific research on animal breeding for the fur industry was now institutionalised in Leipzig. Networks between science and the fur industry had acquired a permanent status in Leipzig-Möckern. Eventually, the institutionalisation of the science-industry networks laid the groundwork for further scientification of the fur industry in the interwar period. In essence, the external shock of World War I further revealed the potential of agricultural sciences in finding alternative sources of resources after the first attempt in the colonial project of karakul breeding. The use of agricultural research could relieve pressures on existing supply chains and facilitate business strategies that focused on retrenchment after the exit from the world market. During and after the First World War, scientists also increasingly began to see the advantages of cooperating with the fur industry in the creation of new production paradigms. Via the fur industry, scientists gained access to funding and entry to the social world of small-scale animal husbandry, which was uncharted territory in terms of applying the principles of aetiology, animal management, and Mendelian genetics. This was the foundation of the collaboration between industry and science collaboration in the interwar period, the focus of the next chapter.

### **5.4 Restoring the old order. War, world markets, and local cohesion.**

Thus far, this chapter has placed emphasis on War Fur Ltd and the impetus the war corporation gave to collaboration between agricultural science and the fur industry and to resource substitution. In the war corporation, fur industrialists were more or less forced to cooperate with one another and with actors outside the fur industry. Although some networks continued to exist, the war corporation never served as a basis for continued interfirm cooperation in Leipzig after its liquidation. Despite its control of the fur trade during the last stage of the war, the war corporation did not monopolise the collective action of the fur firms. On the contrary, it will be argued here that intensified cooperation between firms in Leipzig emerged in other contexts as well.

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<sup>617</sup> Sächs. HStA, Wirtschaftsministerium 11168, nr. 2999, f. 37. Niederschrift von Wirtschaftsministerium, Dresden 1.11.1920.

First, the firms of the business community reacted against state interference, epitomised precisely by institutions like the war corporation. At the end of the war, fur firms sought to reconstruct the primacy of business in the district and to escape the stranglehold of state dirigisme. At the same time, businesses saw modifications to the international fur market during and immediately after the war as a collective threat. While the dyeing and processing of rabbit skins expanded very rapidly, the fur industry and trade still overwhelmingly depended upon foreign imports. The loss of foreign markets for Leipzig-produced furs was equally disturbing. Both international competition and state dirigisme set in motion collective action in the fur cluster. These threats are of great importance if we are to understand the international position of the cluster in the interwar period. Through them, the war bestowed an important impulse towards collective action in the district. New collective entities emerged that would set the boundaries of later intra-firm cooperation.

### *5.4.1 International competition and the birth of intra-firm cooperation in foreign trade.*

As was the case for many other German industries, World War I separated the Leipzig fur firms from the world market. At the beginning of the war, with large parts of this industry still operating under quasi free market conditions and the rest supplying the army, optimism about the future of the city was prevalent. However, such a sanguine attitude dwindled quickly.<sup>618</sup> Leipzig lost ground as an international market in the fur trade. Furthermore, the war created new dynamics in the international fur industry, making centres like New York and Saint Louis in America expand rapidly. For Leipzig, trade with neutral countries, mainly in Scandinavia, barely compensated for isolation from the world market. In fact, Scandinavian companies were increasingly competing with Leipzig rather than providing for it. As early as 1917, Danish and Swedish fur traders commenced dyeing and dressing of raw furs in several small-scale production units.<sup>619</sup> The attempts of Scandinavian trading companies to take over the ‘Russian business’ were very far along. For instance, during the course of the war, Swedish

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<sup>618</sup> Sächs HStA, Wirtschaftsministerium 11168, nr. 226, ff. 43-55. Die Handelskammer an den Herrn Reichskommissar für Ein und Ausfuhrbewilligung. Leipzig, am 12.04.1917.

<sup>619</sup> Sächs HStA, Außenministerium 10717, Nr. 2510. Die Handelskammer Leipzig an das das Königliche Ministerium des Innern, Abteilung für Ackerbau, Gewerbe und Handel. 23.08.1917.

trading companies expanding their trading activities in Siberia.<sup>620</sup> In the summer of 1918, leading Danish fur merchants planned to establish a company “with the explicit aim of trading with Russia and Siberia, but also Northern America”: the Danish plan “to replace the old fur marketplace” caused great turmoil in Leipzig.<sup>621</sup>

The emergence of new fur centres in close proximity disturbed not only the Leipzig fur firms but also the regional administration in Saxony. Speculation that German companies themselves were involved in providing technical know-how to their Danish and Swedish counterparts particularly upset regional administrators, labourers, and businessmen. The Saxon government expected a drain on skilled labour and specialised dyeing machinery: thus, they sought to restrict their transfer.<sup>622</sup> For example, in December 1917, Danish businessmen from Copenhagen approached Hollender to ask whether his company would participate in a new dressing and dyeing factory.<sup>623</sup> Hollender made the Danish attempts public so as to prove his loyalty to the district. Another report from September 1918 named a Dutch factory as a sizeable rival and made mention of the ‘desertion’ of three German fur workers.<sup>624</sup> Rumours like these meant that firms were watching each other’s actions and saw business participation in other markets as disloyalty to the community.

The longer the war lasted, the more the firms realised that collective action was required to maintain or reconstruct Leipzig as a fur market. In the beginning of 1916, a meeting held between the Leipzig Fur Merchants Association and Leipzig’s city council centred on the way

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<sup>620</sup> Sächs HStA, Ministerium des Innern 10736, nr. 22670, f. 2. Abschrift aus Nachrichten für Handel, Industrie, und Landwirtschaft. nr. 46.16.06.1917. See also: Sächs. HStA, Ministerium des Innern 10736, nr. 22670. Königlich Sächsisches Ministerium des Innern Dresden, an die Kreishauptmannschaften (Geheim). 18.01.1918. Mentioned were the following companies. Aktiebolaget Handel och Industrie, Aktiebolaget Svenska Oceankompaniet in Gotenburg, Svenska Transatlantiska Kompaniet in Helsingborg, Nordeuropeiska Handelskompaniet in Stockholm, and Svenska Handelsoch Sjöfartskompaniet.

<sup>621</sup> Sächs. HStA, Außenministerium 10717, nr. 6772. Abschrift. Bericht über Finnland, Schweden und Dänemark. Die Erfahrungen meiner sechswöchentliche Reise August-September 1918. von Paul Hollender. 2.10.1918. Hollender inspected samples in Denmark and Sweden and judged the dyeing industry for fur garments to be substandard.

<sup>622</sup> Sächs. HStA, Ministerium des Innern 10736, nr. 22670. Abteilung für Ackerbau, Gewerbe und Handel. An Theodor Thorer. 5.02.1918.

<sup>623</sup> Sächs. HStA, Ministerium des Innern 10736, nr. 22670. Hollender (firma Thorer) an der Regierungsrat Dr. Klien, Dresden, 22.12.1917. The new factory was founded by a wealthy firm in Copenhagen and wanted German knowledge about dressing and dyeing. Thorer feared that if he refused, the Danes might attract another Leipzig dressing firm.

<sup>624</sup> Sächs HStA, Außenministerium 10717, nr. 6772. Abschrift. Pelzhandel in den Niederlanden. der Deutschen Industrie und Handelstag in Berlin an das Königliche Sächsisches Ministerium des Innern und das Ministerium der Auswärtige Angelegenheiten. Dresden, 8.11.1918.

in which Saint Louis profited from the war in Europe.<sup>625</sup> The discussion chiefly focused on thwarting the development of alternative distribution centres like Saint Louis in order to prevent Leipzig becoming a fringe player in peacetime. It was in this context that an old idea resurfaced: the Fur Merchants Association proposed that the city should finance the establishment of an independent auction company in Leipzig. Auctions constituted a market institution that was both disliked and admired in Leipzig. On the one hand, it was the chief market institution of the Anglo-American fur trade. Auction companies had not only laid the foundation of London as a fur centre but had also supported the growth of new primary markets in North America. Through auction companies, traders in Saint Louis and New York had achieved what Leipzig wanted once the war ended. On the other hand, the auction as an instrument of competition was quite controversial in Leipzig. The British auctioneers and their rigid organisation had been particularly galling before the war and had sharpened the Anglo-German rivalry in this sector.<sup>626</sup>

The firm Heinrich Lomer had already undertaken unsuccessful attempts in the 1870s to hold auctions in Leipzig in order to compete with London. The first auction to take place in Leipzig was organised by War Fur Ltd in March 1918 to sell the surplus of rabbit skins to the private industry. Nonetheless, many considered the practice unfair. The trade journal *Der Rauchwarenmarkt* noted that “it is a known fact that when the competition is sitting side by side, as it is the case in the auction hall, prices are quite involuntarily sent high, although not to the insane height of the last August auction, and has a harmful effect on the entire market and thus destroys the free business in the rabbit skins that has recently developed.”<sup>627</sup> The rabbit auction remained the only such experiment for years, as the city council refused to finance a Leipzig auctioneering company: the original plan of an internationally important auction company never materialised.<sup>628</sup> Yet the idea of creating auctions in Leipzig never really left the table. The appeal to auctions also demonstrates that the fur cluster believed that the strengthening of Leipzig as an international market was an objective to be attained through collective action.

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<sup>625</sup> StadtaL, Messeamt Kap 66, nr. 18, Verband der Leipziger Rauchwaren Firmen E.V. Leipzig an den Rat der Stadt Leipzig, 21.02.1916.

<sup>626</sup> StadtaL, Messeamt Kap 66, nr. 18, Ernst Goldfreund: London, St. Louis oder Leipzig? (Deutsche) Tageszeitung 21.12.1915. Goldfreund, a member of the Jewish community in Leipzig, was the first to highlight the emergence of Saint Louis as a rival to Leipzig.

<sup>627</sup> *Der Rauchwarenmarkt* 1919, nr. 6. 21.01.1919. p. 1. Die Jahrestätigkeit der Leipziger Handelskammer und die Kriegs-Fell-AG.

<sup>628</sup> StadtAL, Messeamt Kap 66, nr. 18. Besprechung des Rates mit Vertretern der Handelskammer Leipzig und des Verbandes Leipziger Rauchwarenfirmer über die Rauchwarenauktionen. 13.03.1916.

Secondly, the war also offered opportunities in terms of international trade, the pursuit of which entailed further cooperation between individual businesses. Opportunities for the German industry, especially for those businesses focussed on the Russian trade, emerged when the eastern front disintegrated. The time between the armistice and the treaty of Versailles was called the ‘transitory economy’ (*Übergangswirtschaft*) in German business circles, a period in which businesses hoped to restore commercial relations with the Russians. The revival of economic relations with the east featured prominently in the German economic aspirations. According to Ritschl, the creation of a continental economic empire was one of the most significant aspects of the German wartime economy and it continued to frame postwar German economic policy and thought.<sup>629</sup>

By the same token, firms in Leipzig believed that the city could resume its former position as a depot between east and west. However, external circumstances forced Leipzig firms to cooperate in order to pursue Siberian business.<sup>630</sup> The German authorities especially encouraged intra-firm cooperation in conducting trade after the treaty of Brest-Litovsk: “international negotiations with Ukraine and Austria-Hungary will limit the number of merchants (*Aufkäufer*) and we do not even know if the governments of Ukraine and the new Great Russia will tolerate the activities of free traders.”<sup>631</sup> The urgency of securing the old supply line and the inaccessibility of Russia further stimulated the need for stronger cooperation. In February 1918, the Leipzig fur industry jointly appointed Robert Ehrmann, a fur trader in the service of the German army, as a trade diplomat, charged with starting the first negotiations with Russian fur traders domiciled in Petrograd.<sup>632</sup> The army eventually sent him to Moscow where he continued to represent the interests of Leipzig. In Moscow, Ehrmann started preparations for the establishment of a jointly organised ‘trade institution’ (*Vermittlungsstelle*) that would be responsible for the purchase of Russian furs.<sup>633</sup> By March 1918, the aspiration to rebuild commerce along pre-war parameters had largely been replaced by plans to construct trade consortiums and jointly organised operations. Also War Fur Ltd acquired a modest role: “A number of larger Leipzig fur firms will be taking part in the

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<sup>629</sup> Ritschl, “The Pity of Peace: Germany’s Economy at War, 1914-1918 and beyond,” 42.

<sup>630</sup> Sächs. HStA, Aussenministerium 10717, nr. 2510. Über die Gestaltung des Rauchwarenhandels in der Übergangswirtschaft. 26.02.1918.

<sup>631</sup> Ibidem.

<sup>632</sup> BArch, Reichswirtschaftsministerium R 3101, nr. 21167, f. 126. Carl Lötze, Rauchwarenhändler, an das Reichswirtschaftsamt, Berlin. Leipzig, den 6.03.1918.

<sup>633</sup> BArch, Reichswirtschaftsministerium, R 3101, nr. 21168, f. 78. Verband der Deutschen Rauchwarenfirmer Sitz Leipzig. An den Herrn Staatssekretär des Reichswirtschaftsamtes zu Berlin. Leipzig den 20.09.1918.

procurement of Russian furs (...). These raw furs will be sent to War Fur Ltd, which will transmit the prime furs again to a consortium of fur traders and furriers in order to distribute them over the German market.”<sup>634</sup> In May 1918, such a consortium was about to be established in Leipzig. However, because of the ongoing struggle between Bolsheviks and the Whites, the treaty of Brest-Litovsk remained a dead letter in terms of the much-desired revival of the ‘Russian trade.’<sup>635</sup> Nonetheless, just as with the idea to establish auction companies, the collective action in the transitory economy had opened the door for further measures in this vein in regards to foreign trade. Collective action in the transitory phase would serve as a model for postwar trade relations between German business and Soviet channels.

### *5.4.2 The importance of trade associations in the wake of World War I.*

State intervention in business life also significantly contributed to the development of collective action in the district. Notwithstanding the fact that the Brühl agreed to its incorporation into War Fur Ltd in order to maintain Leipzig as the main German centre in the trade of skins and hides, the firms united against the disturbing impact of proliferating state regulations upon trade. The incorporation of fur firms into the war corporation did not manage to reduce these tensions. Collective action against state control surfaced more strongly once the war ended. Particularly unpalatable to the equilibrium in Leipzig was the perception that state institutions favoured particular businesses. As the Leipzig Chamber of Commerce protested, “it is not right that our state institutions favour one part of the Leipzig businesses. All firms should be treated equally by the state institutions that are involved in the import/export business (the Reichsbank, the Commission for Import and Export, and the Customs Office).”<sup>636</sup> In general, the Leipzig firms remained in favour of ending the disturbing state-led economy and restoring the free economy immediately after the war ended. Thus, trade associations became important in the battle against state interference.

In order to counter state interference, local institutions like the Chamber of Commerce and the Leipzig Fur Merchants Association (*Verband Deutscher Rauchwarenfirmer sitz Leipzig*),

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<sup>634</sup> Sächs. HStA, Aussenministerium 10717, nr. 2510. Durchschlag. am 16.3.1918.

<sup>635</sup> Sächs. HStA, Aussenministerium 10717, nr. 2510. ff. 1-13. Verband der deutschen Rauchwarenfirmer an das Reichswirtschaftsamt zu Berlin. 18.05.1918.

<sup>636</sup> Sächs. HStA, Außenministerium 10717, nr. 2510.. Leipzig, Die Handelskammer an das Königliche Ministerium des Innern Abteilung, Ackerbau, Gewerbe und Handel. 20.12.1917. Reichskommissar für import und export, Hauptzollamt



which united the standpoints of individual commercial firms, acquired a more prominent status in the city, especially during the post-war years of 1918-1922. The membership of the Merchants Association rose spectacularly in the aftermath of the war: from 131 in 1918 to 406 members in 1920, whereas there had been only 42 members in 1908.<sup>637</sup> The Fur Merchants Association appointed a prominent leader to defend the interest of the cluster in the person of Paul Hollender. After the death of his father in law Paul Thorer, Hollender had become the spokesman of the Leipzig industry.<sup>638</sup> In 1921, he was elected as the president of the Leipzig Fur Merchants Association and remained so until the early 1930s. The Fur Merchants Association was not the only institution that defended the interest of the district. As mentioned in chapter 2, representation followed the lines of specialisation in the district. The trade association for the industrial manufacturers, the so-called Association of German Fur Dressers and Dyers (*Verband Deutscher Rauchwaren Zurichtereien und Färbereien*), was a strong association with headquarters in Leipzig. Amongst its members were 120 Leipzig firms and 90 firms outside the city.<sup>639</sup> Finally, the Association of German Furriers (*Verein Deutscher Kürschner*: after 1922, *Reichsbund der deutschen Kürschner*) was a prominent association after World War I.

In the postwar years, the associations in Leipzig had to lobby because of the ongoing state interference in the management of the economy, which became particularly strong when battling the unstoppable inflation that raged until 1923.<sup>640</sup> The Fur Merchants Association continuously negotiated with the Ministries of Finance and Foreign Trade about the position of furs in Germany's international trade.<sup>641</sup> The bewildering number of import/export restrictions, new taxes, and regulations often severely disturbed the business equilibrium in the district. It is almost impossible to reconstruct the details and outcomes of such negotiations with the various state institutions and ministries that took place between 1918-1923, as these negotiations dragged on for years and the results, if any, are often hard to evaluate. Furthermore, it is not my aim to fully reconstruct the complicated post-war state

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<sup>637</sup> Kürschnerzeitung, 1930. Nr. 16. 1.06.1930, p. 542. Reichsverband der Deutschen Rauchwaren-Firmen e.v. Sitz Leipzig und der erste Welt-Pelz-Kongress.

<sup>638</sup> Friedrich Lübstorff, "Paul Hollender," accessed May 17, 2013, <http://www.deutsche-biographie.de/sfz33496.html>.

<sup>639</sup> Rückert, *Leipziger Wirtschaft in Zahlen*, 888.

<sup>640</sup> Hans-Peter Ullmann, "Kriegswirtschaft," ed. Gerhard Hirschfeld, Gerd Krumeich, and Irina Renz, *Enzyklopädie Erster Weltkrieg* (Paderborn; München: Schöningh, 2003), 231.

<sup>641</sup> Barch, Reichswirtschaftsministerium R 3101, nr. 3540. f. 6. Verband der Deutschen Rauchwaren-Firmen, Sitz Leipzig. E.v.an das Reichswirtschaftsministerium. 1.9.1920. In particular, the fur trade remained subordinated to the Leather Trade Institution (*Aussenhandelsstelle Leder*), a department of the German trade administration.

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intervention: rather, I want to demonstrate its effects upon the internal arrangements and foreign trade of the industrial district. Nevertheless, to give an impression of the complications caused by political regulations, I will point to two problems that institutions like the Fur Merchants Association lobbied about to the government.

Firstly, in the aftermath of the war, the Leipzig fur industry was subordinated to the decisions of the Leather Trade Department (*Aussenhandelsstelle der Lederwirtschaft*) in matters relating to import and export. Imports were regulated through such institutions due to the pressing foreign currency shortages in the post-war years. In January 1920, the Leather Trade Department imposed an export tariff on garments produced using rabbit-skins. Unsurprisingly, fur traders, industrialists, and rabbit keepers were irritated. The Fur Merchants Association noted that rabbit-based production would facilitate the foreign trade from Leipzig: “another 20% levy on the rabbit products is burdening the German fur trade, it is making it impossible for the fur industry to re-conquer its position on the world market. This article cannot compete abroad with an increase of 20%.”<sup>642</sup> The tax increase was received in a similar fashion by rabbit keepers. The rabbit industry, as an important factor in food supply for the people, warned about the negative impact on food prices: “rabbits have become a cheap source of tasty and nutritious meat: if the sales of the hides goes down, this will have an upward effect on the price of the meat.”<sup>643</sup> Lobbying eventually forced Berlin to abandon the idea of a new tariff.<sup>644</sup> Furthermore, the Fur Merchants Association even managed to ‘liberate’ the fur industry from the Leather Trade Department in 1923.<sup>645</sup> Instead, a separate Fur Trade Department was set up. The Fur Merchants Association emerged as a powerful lobby in the early 1920s, a status they would maintain throughout the interwar period.

The Fur Merchants Association, which chiefly represented fur traders, was only one of the many business groups and associations that lobbied against new taxes and restrictions in Leipzig. The financial troubles after the First World War pressured the German Reich into issuing new taxes or increase existing ones. One that heavily affected furriers and producers

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<sup>642</sup> Sächs. HStA, Wirtschaftsministerium 11168, nr. 216. Verband deutscher Rauchwarenfirmer an das Reichswirtschaftsministerium zu Berlin. 29.01.1920.

<sup>643</sup> Sächs. HStA, Wirtschaftsministerium 11168, nr. 216. Hans Reif an das Reichswirtschaftsministerium, z.H. Herrn Gesandten Graf von Holtzendorff, Sächs. Gesandtschaft. 30.01. 1920.

<sup>644</sup> Sächs. HStA, Wirtschaftsministerium 11168, nr. 216. Durchschlag. Abschriftlich an Herrn. Dr. Taeger, Hochwohlgeboren, zur Kenntnisnahme an Holtzendorff, Berlin am 21.02.1920

<sup>645</sup> Sächs. HStA, Reichswirtschaftsministerium R 3101, nr. 3540, f. 13. Reichsverband der Deutschen Rauchwarenfirmer, Sitz Leipzig. an das Reichswirtschaftsministerium. Leipzig, den 20.09.1923.

was the so-called 'luxury tax' (*Luxussteuer*), which amounted to 15% on the sale of luxury goods. This affected a considerable number of industries, such as goldsmiths, leather tanners and piano makers, before it was finally abolished on 1 April 1926.<sup>646</sup> The Association of German Furriers disputed the implementation of the luxury tax. From the point of view of consumption history, the fur industry's fight against the luxury tax took an interesting turn. Although the fur industry was perceived as a supplier of luxuries to more affluent consumers in society, its representatives sought to distance their business from such a reputation. Supported by recent developments, they identified furs as a product for mass consumption, arguing that fur garments 'protected against cold' and that 'rabbit furs were for the people.'<sup>647</sup> However, reports on fur consumption during World War I seemed to suggest the opposite. Rabbit fur was initially consumed as an ersatz product by those who could no longer afford the high costs of luxury garments during the war.<sup>648</sup> The identification of the fur industry with alternative patterns of consumption was a strategy that the Leipzig Fur Merchants Association used to protest against the heavy burden of the luxury tax.<sup>649</sup> In contrast to the battle against export tariffs, lobbying here was less successful: it took until 1924 for the government to reduce the luxury tax to 10% with the aim of reducing price levels in Germany.<sup>650</sup>

It should be noted that lobbying was a delicate business. In particular, the absence of a unified trade association that represented all the firms of the district was an Achilles' heel. Separate lobbying caused frictions since regulations or uneven developments disturbed the equilibrium between different sectors of the industry. For instance, in the immediate postwar years, the dyeing industry in Leipzig was able to recover much sooner than the traders, since the latter were dependent on damaged foreign trade networks. The dyeing industry recovered much quicker not only because of the supply of resource substitutes like rabbit skins but also because foreign trade companies placed their orders in Leipzig directly, shipping the raw furs purchased outside the city and receiving back the processed skins. Such actions disturbed the

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<sup>646</sup> Michael Hölzinger, *Strategische Bedeutung von Lobbyarbeit im Spiegel der historischen Entwicklung der verkehrspolitischen Rahmenbedingungen in Deutschland* (GRIN Verlag, 2008), 68.

<sup>647</sup> BArch, Reichsfinanzministerium R 2, nr. 52135, f. 10. Verband Deutscher Rauchwaren-Zurichtereien und Färbereien. 15.11.1919.

<sup>648</sup> BArch, Reichswirtschaftsministerium R 3101, nr. 21167, f. 185. Kriegs-Fell Aktiengesellschaft an das Reichswirtschafts-Amt. Betr. Verteilung von zugerichteten Kaninfellen an die minderbemittelte Bevölkerung. 07.08.1918. The report explicitly mentioned that "demand is not as large as was initially assumed (...) instead of 1,000,000, we will only sell 300,000 prepared skins to the people."

<sup>649</sup> BArch, Reichsfinanzministerium R 2, nr. 52139, f. 23. Verband der Deutschen Rauchwaren-Firmen, Sitz Leipzig, e.v. an das Reichsfinanzministerium, z. Hd. Des Herrn Oberriegeungsrat Dr. Hübschmann Berlin. 5.07.1922

<sup>650</sup> Miriam Brosig, *Die Entwicklung der Umsatzsteuer in Deutschland: Vom Kaiserreich bis zur Gegenwart* (GRIN Verlag, 2008), 7.

traditional link between industry and trade. Inflation made the export of dressed furs much cheaper but caused difficulties for traders importing raw furs. Foreign firms circumvented the traditional traders on the Brühl who were still not able to deal in pre-war quantities. The Leipzig fur traders managed to convince the German government to impose a ‘special tax’ on the export of these ‘foreign furs.’ This decision, initiated by the commercial segment of Leipzig, flew in the face of the Association of German Fur Dyers in Leipzig, as it was in their interest to keep their factories competitive with new dyeing plants abroad.<sup>651</sup> Despite heavy protests, in July 1922 the Aussenhandelsstelle decided in favour of the commercial sector of the Brühl and declared that the tax revenue would be used for “scientific research in the area of fur trade and industry and to support the training of labourers in our sector.”<sup>652</sup> Actors in the district thus prevented one sector from excluding another.

In conclusion, collective action and collaboration had acquired a more prominent position in the Leipzig district. Despite its importance before 1919, the war corporation was not the model used to permanently institutionalise collective action. Rather, collective action was connected to defence against state dirigisme, especially the war corporation itself, since it often disturbed competition between individual businesses.<sup>653</sup> The growing importance of trade associations was part of a wider development in Saxony. The region suffered more from state dirigisme and isolation because of its dependency on world trade. In danger of becoming a ‘problematic or declining region,’ institutions like the Association of Saxon Industrialists (*Verband Sächsischer Industrieller* or VSI) and the Leipzig Chamber of Commerce transformed into a bulwark of resistance against the multitude of social and political changes after the war.<sup>654</sup> The growing awareness that surfaced amongst Saxon entrepreneurs that their region was changing from a powerhouse into a problem region underlied the expansion of the trade associations.<sup>655</sup> The strengthening of trade associations in Saxony thus epitomised a growing regional self-consciousness and a pro-active attitude towards external challenges. Such institutions were able to address problems that were related to re-admission to the world

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<sup>651</sup> BArch, R 3101 Reichswirtschaftsministerium, nr. 382, f. 63. Verband deutscher Rauchwaren-Zurichtereien und Färbereien. 27.06.1922.

<sup>652</sup> BArch, R 3101 Reichswirtschaftsministerium, nr. 382, f. 107. Aussenhandelsstelle der Lederwirtschaft, Abteilung Rauchwaren an das Reichswirtschaftsministerium. Berlin. 10.09.1923

<sup>653</sup> van de Kerkhof, “Public-Private Partnership im Ersten Weltkrieg? Kriegsgesellschaften in der schwerindustriellen Kriegswirtschaft des Deutschen Reiches,” 133.

<sup>654</sup> Jens Adolph, “Die Wirtschaftspolitik des VSI 1928-1934,” in *Wirtschaft und Gesellschaft in Sachsen im 20. Jahrhundert*, ed. Werner Bramke (Leipzig: Leipziger Univ.-Verl., 1998), 158.

<sup>655</sup> Titel Volker, “Wirtschaftsraumliche Orientierung als Unternehmensstrategie. Das Beispiel der Leipziger Handelskammer während der Weimarer Republik,” in *Unternehmen im regionalen und lokalen Raum: 1750-2000*, ed. Ulrich Hess, Petra Listewnik, and Michael Schäfer ([Leipzig]: Leipziger Universitätsverlag, 2004), 91.

market or state intervention slowing down foreign trade. The need for this kind of representation never ceased to exist in the interwar period.

### **5.5 Conclusion.**

The chapter has examined the Leipzig fur cluster during the First World War. In particular, emphasis has been placed on the ramifications of the war on local production regimes and business organisation. In terms of the structure of production and commerce, a number of important transformations have been unveiled. Firstly, the chapter has cast attention on the discovery of rabbit skins not only as a resource substitute for furs but also as an item that enabled mass production. Firms in Leipzig created dyeing processes on new resources that were produced en masse by German households. Whereas the relationship with household rabbit breeders, the pillar of the new production regime, was tense at first, the industry and keeper cooperatives were able to pacify previous conflicts and profited from a stable market exchange after the war. Rabbit skins continued to serve as an important resource for the Leipzig fur industry after the war whilst the industry was still isolated from the world market. Therefore the fur industry had expanded its possibilities significantly through the new production paradigm based on rabbit skins. Old and new factories in Leipzig focussed on the production of this new item.

Secondly, in the construction of the new production paradigm, the war intensified 'scientification' in light industries like the fur industry that were incorporated in the war machinery. The cooperation between science and industry was generated by the war corporation, which had united private and public interests. Once the war corporation was set up, linkages between science, experts, and the industry were more firmly established. In making use of applied agricultural and veterinary expertise to 'manage' the supply line of rabbit skins to Leipzig, the fur industry turned into a more 'science-based industry.' The cooperation with agricultural scientists, Mendelian genetics, and veterinary science in the early twentieth century was one of the key steps in the development of the modern fur industry, which is almost entirely based on the supply of farmed pelts instead of hunted wildlife. The process of resource substitution was successfully completed after World War I, when several factories in Leipzig became specialised in the mass production of rabbit skin

garments. The trading and manufacture of rabbit pelts remained an integral part of the district and alleviated pressures from the world market.

What we have learnt from studying the fur district is that although such processes of scientification were of great importance to small firms and industrial districts, they generated different effects in terms of business organisation. Unlike other industries, however, processes of scientification did not lead to in-house research departments inside individual firms. In other words, an increasingly scientific production paradigm did not leave a trace on individual business organisation. Instead, the fur industry created links with experts and university science in institutions external to the firms themselves. The cooperation with agricultural science was institutionalised in separate, collectively sponsored, and local research centres. This can be seen in the foundation of the agricultural research centre in Leipzig-Möckern. However, even though these institutions were external to the firm, the research was tailored to the needs of the fur industry. As with the karakul breeding project, the importance of science and expert knowledge for the Leipzig fur industry was situated in networks.

Although the war corporation had facilitated business-science networks, War Fur Ltd never became a model for postwar collective action or public-private partnership. In fact, state intervention and interference in the world of business generally triggered alternative forms of collective action in the cluster. The war corporation epitomised the lopsided balance between private and state interests. Collective action of firms focused on reversing the war economy headed by the state. The proliferation of new regulations that concerned trade and industry increased the importance of lobbying for the district firms. Therefore, trade associations in Leipzig surfaced more strongly as pressure groups for the interests of the cluster. Collective action not only focused on the disadvantages produced by state intervention. Intra-firm cooperation emerged in affairs pertaining to foreign trade. Haphazard networks between firms transformed into collective projects that sought to reconstruct the market institutions of Leipzig. This was the case with the trade consortia, business groups that sought to reconstruct the trade with Russia Siberia after the peace of Brest-Litovsk. In particular, the idea to jointly establish an auction company acquired a more prominent position in the minds of urban planners and traders: they were seen as institutions that could facilitate Leipzig's return to its former status as a fur trade centre. Both collaborative networks between firms in the pursuit of foreign trade and the growing importance of agricultural science for the modern fur industry are crucial for understanding the developments of the fur district in the interwar period.

## 6 Fur Farming and the Leipzig Fur Industry in the Interwar Years.

### 6.1 Introduction.

Describing the role of the Leipzig industry in the creation of fur farming in the interwar period is the objective of this chapter. After World War I, fur farming entered Germany at an almost unprecedented pace. Between 1921 and 1931, about 1,000 new fur farms were constructed across the country. By the end of the 1930s, fur farming, primarily centred on the production of silver fox skins, had transformed into an important wellspring of resources for the industry in Leipzig. The fur farming business did not emerge separately from the industrial district in Leipzig. On the contrary, it was the Leipzig industry that initiated the formation of the first experimental farms and firms continued to exert influence over farming well into the 1930s. The industry's support for fur farming ripened because of the postwar problems in international trade. Leipzig businesses encountered difficulties in supplying the district with resources.

An important dimension of fur farming was research and development. Fur farming was an innovation: it entailed the creation, distribution, and application of new knowledge. As such, the creation of a new production paradigm based on fur farming heralded a period of entanglement between Leipzig business and science. The business-science nexus in the creation of fur farming in Germany runs parallel to the previous chapters on rabbit and karakul breeding. Fur farming was especially linked to breakthroughs in experimental and applied genetics, which increasingly unveiled their potential to the agricultural sciences and anthropology.<sup>656</sup> Applied genetics involved the 'improvement' of animals, plants, and humans through artificial selection or sterilisation.<sup>657</sup> Applied genetic science was of paramount importance to the development of fur farming. Breeders used the rules of artificial selection in

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<sup>656</sup> Von Schwerin, "Tierzucht, Strahlen Und Pigmente," 53.

<sup>657</sup> Kelly Rader, "Scientific Animals: Reflections on the Laboratory and Its Human-Animal Relations, from Dba to Dolly and Beyond," in *A Cultural History of Animals in the Modern Age*, ed. Randy Malamud (Oxford: Berg, 2011), 121.

the production of rare and valuable colour variations such as the silver fox, a ‘melanistic’ mutation of the red fox.<sup>658</sup> However, in the 1920s, the institutionalisation of genetic science in Germany was still in a developing stage, especially when compared to the US.<sup>659</sup> Frustration at this state of affairs enhanced the willingness of genetic scientists like the prominent Hans von Nachtsheim to participate in new fields of agriculture like fur farming. However, I will show that the contribution of science to the development of fur farming was not limited to genetic science alone: it also required expertise in animal domestication and management, research into nutrition patterns, and veterinary science. In sum, fur farming was associated with a broad range of experts and scientists who sought to standardise production through the use of artificial selection and to improve efficiency by introducing sanitation methods and animal management.

The literature affirms that one of the advantages of industrial district is that the need for innovation is easily perceived and district firms are able to set in motion new innovation processes.<sup>660</sup> How did these smaller businesses communities organise scientific research and implement innovations in a field that was remote from their commercial activities? The organisation of agricultural research in the context of an industrial district forces us to re-think the classic image of in-house industrial research departments or corporate laboratories. The chapter will focus on alternative approaches that put forwards scientific research as a flexible network activity. Kees Boersma presented a refreshing approach when he argued that firms not only established internal structures in order to conduct research but also created “methods of interacting with the environment that transcended the laboratory’s boundaries.”<sup>661</sup> The acknowledgement that processes of innovation and research can take place outside the business is of great value to this chapter. Here, research into fur farming will be studied as a network activity. Indeed, it never took the form of an in-house department but existed in the form of social networks between district firms, university science, and experts. The chapter will emphasise the alternative ways in which the district organised research on fur breeding and whether it was able to implement the findings of such research into the sourcing of new resources.

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<sup>658</sup> Harald H Roth and Günter Merz, *Wildlife Resources: A Global Account of Economic Use* (Berlin; New York: Springer, 1997), 203.

<sup>659</sup> Jonathan Harwood, “National Styles in Science: Genetics in Germany and the United States between World Wars,” *Isis* 78, no. 3 (1987): 396.

<sup>660</sup> Porter, “Locations, Clusters, and Company Strategy,” 262.

<sup>661</sup> Kees Boersma, “The Organization of Industrial Research as a Network Activity: Agricultural Research at Philips in the 1930s,” *The Business History Review* 78, no. 2 (2004): 256.



In general, the examination of fur farming in Germany and the business-science cooperation it entailed aims to make contributions to two separate fields of historical research. Firstly, the development of farming as a source for the fur industry is part of a larger process whereby science achieved ever-increasing prominence in the function of modern business. Businesses both in Germany and beyond became increasingly science-based, meaning that “scientific research and systematic applications of their results to the process of the production of goods turned into a routine activity of the company.”<sup>662</sup> The position of small and medium-sized businesses in such processes is easily ignored and has been. Research has overwhelmingly focussed on the development of ‘research and development divisions’ and laboratories within big business, focusing on Hechst, BASF, and others. However, business scientification occurred in many more areas than just industrial production. As Szöllösi-Janze rightly pointed out, surprisingly little is known about the institutionalisation of agricultural research and, by extension, the role of business in the development of such research.<sup>663</sup> Fur farming, developing at the intersection between the fur industry and science, is such a case.

Secondly, the examination of fur farming in connection to the Leipzig industry leads us into territory as yet uncharted by the research literature. The chapter is a pioneering contribution to the history of modern fur farming. We know surprisingly little about fur farming on the European continent and only slight more in regards to North America.<sup>664</sup> The creation of fur farming nevertheless constituted a major wider historical development in the conquest of nature and the domestication of new types of animals. In 2007, about 88% of all furs consumed came from farms whereas hunting constituted the major source well into the 1930s.<sup>665</sup> Fur farming of the early twentieth century constituted a major transformation in ecological history: it alleviated the pressures on animal population from fur trapping and hunting, which was a severe problem in North America and Siberia.<sup>666</sup> This research lacuna is all the more astonishing since Europe is currently the number one producer of farmed furs in the world. Moreover, fur farming today is a highly controversial sector of animal-based goods

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<sup>662</sup> Ulrich Marsch, *Zwischen Wissenschaft und Wirtschaft: Industrieforschung in Deutschland und Grossbritannien 1880-1936* (Paderborn: Schöningh, 2000), 23.

<sup>663</sup> Margit Szöllösi-Janze, “Institutionelle Umgestaltung der Wissenschaftslandschaft im Übergang vom Späten Kaiserreich zur Weimarer Republik,” in *Wissenschaften und Wissenschaftspolitik: Bestandsaufnahmen zu Formationen, Brüchen und Kontinuitäten im Deutschland des 20. Jahrhunderts*, ed. Rüdiger Vom Bruch and Brigitte Kaderas (Stuttgart: F. Steiner, 2002), 70.

<sup>664</sup> Roth and Merz, *Wildlife Resources*, 203.

<sup>665</sup> Clive Roots, *Domestication* (Greenwood Publishing Group, 2007), 127.

<sup>666</sup> Delort, *L'Histoire de la fourrure de l'antiquité à nos jours*, 275.

that still features prominently in political debates in European and American societies. By placing the emergence of fur farming in Germany in this wider context, the chapter contributes to the historical understanding of one of the most controversial farming niches in contemporary society.

## 6.2 Fur farming: a new business?

Before turning to the development of fur farming in Germany, I will describe its emergence as an international phenomenon. Fur farming started in a region was already one of the largest fur producers in the world, North America. Prince Edward Island in the Saint Lawrence gulf formed the cradle of modern fur breeding. Fur breeding commenced on the island as early as 1887: apparently, a few pioneer farms had emerged by around 1894.<sup>667</sup> On the eve of World War I, 277 farms operated on the island. However, the war made the number of Prince Edward Farms temporarily shrink to 252 in 1919.<sup>668</sup> The practice accelerated again after 1921 when Canada's environmental policy was heavily influenced by the conservationist movement, which furthered the proliferation of small fur farmers at the local level.<sup>669</sup> As such, the total number of fur farms in Canada reached 1,240 units in 1923. Prince Edward Island remained the Eldorado of North American fur farming with 448 farms: 41% of Canadian ranched fur was produced on the island.<sup>670</sup> Monoculture was the norm. Only 61 farms reared animals other than silver foxes.<sup>671</sup>

By the beginning of the 1930s, fur farming formed a significant sector of the Canadian fur industry. In the procurement of raw furs (table 1), the percentage of ranched furs increased from 3% in 1920/21 to about 19% at the end of the decade. In the early 1930s, when the real value of the raw fur yield decreased, ranched furs represented about 30% of Canadian fur production. This upward trend continued to characterise the Canadian fur trade at least until the beginning of World War II. By 1938, fur farming generated almost 50% of the total value

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<sup>667</sup> Juliet Clutton-Brock, *A Natural History of Domesticated Mammals* (Cambridge: Cambridge University Press, 1999), 192.

<sup>668</sup> Floyd Stilgenbauer, "Geographic Aspects of the Prince Edward Island Fur Industry," *Economic Geography* 3, no. 1 (1927): 116.

<sup>669</sup> George Colpitts, *Game in the Garden: A Human History of Wildlife in Western Canada to 1940* (Vancouver: UBC Press, 2002), 160.

<sup>670</sup> TNA, Hudson Bay Company Archives (Microfilm Copy). Public Record Office, (BH 2639), A92/17/102. f. 32. Dominion Bureau of statistics, fur branch, Fur production of Canada.

<sup>671</sup> Ibidem.

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of production. In addition, farming increasingly diversified when producing silver foxes on Canadian farms decreased.<sup>672</sup> During the 1940s, however, over-production made prices drop and therefore rendered fur farming less attractive. Traditional trapping in North America even regained some of its attractiveness, as its costs were much lower.<sup>673</sup> Nevertheless, in importance and magnitude, Canadian fur production on farms far exceeded that of countries on the European continent.

	<b>Value of Canadian raw fur production (in dollars)</b>	<b>Percentage of farmed furs</b>
1920-21	10,151,594	3
1921-22	17,458,867	4
1922-23	16,761,567	4
1923-24	15,643,817	6
1924-25	15,441,564	4
1925-26	15,072,244	5
1926-27	18,864,126	6
1927-28	18,758,177	11
1928-29	18,745,473	13
1929-30	12,158,376	19
1930-31	11,803,217	26
1931-32	10,189,481	30
1932-33	10,305,154	30
1933-34	12,349,328	30

**Table 6-1: Percentage of farmed furs in Canadian fur production**<sup>674</sup>

Similarly, the rearing of silver foxes had entered the US by the end of the nineteenth century. Although fur farming was big business there as well, figures are scantier than in the case of Canada. In 1922, the Biological Survey registered the presence of 500 breeders farming one or more species of fur-bearing animals.<sup>675</sup> Farmers in the United States also specialised in the silver fox, a mutant of the common fox, a popular item on the world market: they also bred raccoon and mink, although to a lesser extent.<sup>676</sup> By 1940, the US had 2,644 fox farmers.<sup>677</sup>

<sup>672</sup> Arthur J. Ray, *The Canadian Fur Trade in the Industrial Age* (Place? University of Toronto Press, 1990), 119.

<sup>673</sup> George Colpitts, "Conservation, Science and Canada's Fur Farming Industry, 1913-1945," *Histoire Sociale / Social History* 30, no. 59 (May 1, 1997): 106.

<sup>674</sup> LAC. URG 84 A-2-a. File no. U270, pt. 2 (ReeL T 12898),. f. 1105. Canada. Department of Trade and Commerce. Dominion Bureau of Statistics. Furs Statistics Branch. Fur Production of Canada, Season 1933-1934.

<sup>675</sup> Frank Ashbrook, "The Fur Trade and the Fur Supply," *Journal of Mammalogy* 3, no. 1 (February 1, 1922): 6.

<sup>676</sup> Frank Ashbrook, *Fur Resources of the United States* (Washington: United States. Govt. Print. Off., 1930), 9.

<sup>677</sup> Clutton-Brock, *A Natural History of Domesticated Mammals*, 192.

The production of silver fox skins in the US was larger than in Canada. Between 1931 and 1933, Canada produced 95,000 silver fox skins on average, whereas production in the US exceeded the 100,000 benchmark (110,000 skins in 1931, 130,000 in 1932, and 150,000 in 1933).<sup>678</sup> After 1940, however, the dictates of fashion required the furs of other animals like mink, which made fox farming steadily decrease in popularity. While taking these minor differences into account, both Canada and the US were leading countries in the production of farmed furs. The growing success of farming across the Atlantic inspired traders and farmers in Europe. The first fur farms in Europe were created in Scandinavia: in Norway (1913) and in Finland (1916). In the interwar period, Scandinavia emerged as the centre of European fur farming. Norway had around 20,000 relatively small fur farms prior to World War II.<sup>679</sup>

### 6.3 Fur farming in Germany: the first stages (1921-1925)

The first mention of fur breeding in Germany was made shortly after the end of the Great War and was inextricably connected to the name of the Munich professor in zoology, Reinhard Demoll (1882-1961).<sup>680</sup> In all likelihood inspired by the successful foundation of experimental farms in Scandinavia, Demoll published various pamphlets and texts about the potential for a self-sufficient domestic industry in luxury pelts.<sup>681</sup> However, the Bavarian government rejected his plan to establish an experimental farm in the southern German state. Demoll's ideas concerning fur farming resonated more strongly in Saxony. In 1919, *Die Kürschnerzeitung*, one of the leading trade journals in Leipzig, enthusiastically portrayed fur farming as a promising venue to replace the destroyed supply routes from tsarist Russia.<sup>682</sup> In the immediate post-war years, the Leipzig fur industry was still cut off from international fur supplies because of the civil war in Siberia and its isolation from the world market. In contrast to the Bavarian government, several Leipzig firms supported Demoll's plan to create an experimental farm and they formed a partnership with him. In 1921, a Leipzig business group established the Experimental Fur Breeding Farm (Versuchszüchterei Edler Pelztier GmbH & Co). The farm, located near Hirschegg-Riezlern in the Bavarian Alps and close to the border with Austria, was headed by Demoll. The farm was a cooperative venture between several businessmen in Leipzig: Friedrich Erler & Co, Theodor Thorer, Heinrich Lomer, Emil Zahn,

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<sup>678</sup> Der Rauchwarenmarkt, 17.01.1936. Die Aussichten der Pelztierzucht. Ein amerikanisches Urteil.

<sup>679</sup> *The Norway Year Book* (S. Mortensen, 1966).

<sup>680</sup> Karl Bosl, ed., *Bosls Bayerische Biographie* / (Regensburg: Pustet, 1983), 132.

<sup>681</sup> Wiltrud Proske, *Reinhard Demoll, 1882-1960: Zoologe, Universitätsprofessor, Wissenschaftsorganisator* (Uehlfeld: Cyprinus--Verlag, 2005), 267.

<sup>682</sup> *Die Kürschnerzeitung*, nr 9, 27.04.1919. Ein Forschungsinstitut für Pelztierzucht.

and A. Nathan & Co.<sup>683</sup> While Demoll headed the practical management of the farm, Walter Krausse, a manager of the Erler firm, was appointed as the head of the overarching project. The breeding on the experimental farm started at the end of 1922 with the introduction of four foxes purchased in Canada. In 1923, the first ‘German’ foxes were born in captivity.

The fact that the first farm was situated in the Bavarian Alps was not a coincidence: it reflected the widespread idea that the successful breeding of arctic furbearers required the best possible imitation of their living environment. The association between climatic surroundings and the rearing of furbearers bears remarkable similarities to the environmental determinism that held sway over the karakul breeding project. Authorities, not least the Ministry of Economic Affairs, did not believe that fur farming in Germany was technically possible: “the farming of such animals may be possible in America and Canada. In Germany (...) the climate will degenerate the fur of the animals.”<sup>684</sup> Less radical views suggested that only certain areas in Germany were suitable. In a pamphlet that discussed the possibilities of fur breeding for Bavaria, Jean Beck wrote, “Bavaria’s climate is perfect for the breeding of wild furs. This has been confirmed by all German professionals. They refer particularly to Upper Bavaria (...) as the ideal area for this breed,”<sup>685</sup> Just as the plains of Namibia seemed like a natural environment for the steppe Karakuls, the cold and snowy mountains of Bavaria were thought of as the ideal German heimat for subarctic animal species. It may not come as a surprise that the few farms founded in Saxony were located in in the mountains south of Dresden, the so-called ‘Sächsisches Schweiz.’ One of the largest Saxon farms, Edelpelztierfarm Malepartus, was established in the summer of 1925 in Langenhennersdorf in this part of the region.<sup>686</sup>

The belief that Bavaria, or mountainous areas in general, formed the ideal fur breeding environment reflected the popular biological discourse that environmental surroundings determined the ecology of animals. In short, it was based on the functional discourse in German biology that, according to Lynn Nyhart, “viewed the organism as a living being embedded in nature, whose survival depended on its ability to interact successfully with both

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<sup>683</sup> StA-L, Hermelin-Verlag 21098, nr. 644, private notes of Dr. Paul Schöps concerning the company history F. Erler, 30/01/1985.

<sup>684</sup> see: BArch, Reichswirtschaftsministerium R 3101, nr. 3637, Aussenhandelsstelle der Lederwirtschaft an das Reichswirtschaftsministerium 01.11.1920.

<sup>685</sup> Sächs. HStA, Wirtschaftsministerium 11168, nr. 490, f. 14. „Gewilde und Wertfelle. Neue Einnahmequellen von Prof. Jean Beck (München). Artis Verlag, München, 1928“.

<sup>686</sup> Sächs. HStA, Wirtschaftsministerium 11168, nr. 1980, f. 188. Brochure: Edelpelztierfarm Malepartus. Langenhennersorf, bei Pirna Sächs. Schweiz.

its physical environment and the other organisms around it.”<sup>687</sup> The success of farming in Scandinavia and North America had probably nurtured the idea among German farmers that success in domesticating fur bearing animals was determined by the environment in which the animal lived. However, unlike karakul breeding before the war, the importance of functional morphology or environmental determinism lost ground in the 1920s and never formed a hindrance to the expansion of fur farming throughout other regions in Germany. It was, however, important in the initial stages of fur farming’s development.

In the wake of the Bavarian experimental farm and its expanding silver fox population, numerous farms were set up throughout Germany. Figures on the number of fur farms in Germany in the 1920s are patchy. Contemporary publications estimated 44 farms in 1925.<sup>688</sup> There exists a rather detailed publication by Ernst Stakemann, a fur farmer in Eastern Prussia, who counted 56 fur farms in Germany in the summer of 1926. More than anything else, the difference reveals the rapid pace by which fur breeding in Germany grew. Additionally, Stakemann’s numbers illuminate the geographical distribution of fur farms, showing that the majority of farms were situated in Prussia and Bavaria. By 1925, fur farming had clearly descended from the mountains, although 28 farms were at least 500m above sea level.<sup>689</sup> It is noteworthy that altitude was still considered relevant. These first farms mainly focused on the rearing of silver foxes (770 animals) and mink (270 animals). The development of fur farming in Saxony, the heart of the German fur industry, was relatively small.

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<sup>687</sup> Lynn K. Nyhart, *Modern Nature: The Rise of the Biological Perspective in Germany* (University of Chicago Press, 2009), 2.

<sup>688</sup> Ingmar Vogelsang, “Die Tierzucht in der Zeit der Weimarer Republik und des Nationalsozialismus” (Thesis? Tierärztliche Hochschule Hannover, 2006), 204.

<sup>689</sup> Sächs. HStA, Wirtschaftsministerium 11168, nr. 490, f. 15. „Sonderdruck aus der Zeitschrift „Züchtungskunde“. Band 3, Heft 12. 1928. Herausgegeben von der Deutschen Gesellschaft für Züchtungskunde. ff. 1-15. p. 612. Between 1-500 meters, 32 farmers; until 1000 meters, 24 farms; and higher than 1000 meters, 4 farms.

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<b>German State</b>	<b>Farms</b>
Prussia	23
Bavaria	21
Baden	5
Mecklenburg	1
Saxony	2
Thüringen	2
Lübeck	1
Hessen Nassau	1
<b>Germany</b>	<b>56</b>

Table 6-2: Fur Farms in Germany, 1926<sup>690</sup>

Farming as a new source of furs for the industry was still far off in the horizon. In this experimental and expansive phase, fur farmers were hardly concerned at all with pelting for the market in Leipzig: the sale of fur skins represented only a marginal share of the total supply. Stakemann mentioned the symbolic sale of 26 white fox skins to the fur industry in 1926: the ‘best skins’ were sold for 435RM on average.<sup>691</sup> Most of the first farms concentrated on re-selling foxes to provide breeding stock for other farmers. According to Stakemann, profit was mainly derived from such ‘speculative’ commerce in breeding stock. In 1925, 136 silver foxes were sold to fur farms in and around Germany and their commercial value was said to equal 407,600RM, a considerable sum.<sup>692</sup> Advertising about high profit margins was widely circulated in this period, thereby attracting new farmers. Unrealistic expectations were attached to this new line of business. Several villages even hoped that breeding could reverse local unemployment.<sup>693</sup> This all contributed to a gold-feverish attitude to this mushrooming agricultural niche.

The first phase of breeding in North America, which lasted significantly longer than it did on the European continent, had suffered from similar problems. First, profits in Canadian

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<sup>690</sup> Sächs. HStA, Wirtschaftsministerium 11168, nr. 490, f. 15. „Sonderdruck aus der Zeitschrift „Züchtungskunde, Band 3, Heft 12, 1928. Herausgegeben von der Deutschen Gesellschaft für Züchtungskunde EV, Sitz Göttingen“. Stakeman, a farmer in Allenstein and the organiser of the survey, estimated that the number of fur farms was far higher than what he described. A rough estimate was 100 farms in 1926.

<sup>691</sup> Sächs. HStA, Wirtschaftsministerium 11168, nr. 490, f. 15. „Sonderdruck (...) Ernst Stakemann. pp. 614-615“.

<sup>692</sup> Ibidem, f. 15. Stakemann, p. 614.

<sup>693</sup> Sächs. HStA, Wirtschaftsministerium 11168, nr. 489, f. 114. An das Sächsisches Wirtschaftsministerium durch das Amtshauptmannschaftl. Zweigamt, Sayda. 28.11.1927.

farming prior to World War I were mainly extracted from trading with breeding stock and not by selling pelts. So long as the demand for fur-bearing animals remained high, such speculative trade in living animals made considerable profits and attracted an even larger pool of fortune-seekers. In September 1909, a new fur farmer could pay up to \$3,000 for a silver fox pup on Prince Edward Island. Four years later, high demand had pushed prices for a pup up to a staggering \$16,000.<sup>694</sup> George Colpitts demonstrated that this high-profit phase in Canada was particularly pronounced between 1920 and 1929.<sup>695</sup> Similarly, Ashbrook of the American Bureau for Agriculture mentioned that farming had ended its speculative phase by 1930. Prior to this, new farmers in the US paid up to \$11,000 for a pair of foxes.<sup>696</sup> In sum, fur speculation was not a distinctively German problem: rather, it was typical in the early stages of fur farming.

## **6.4 Fur industry and science in the late Weimar period.**

### ***6.4.1 The creation of a research institute as a network activity (1926-1928).***

When the number of fur farms in Germany proliferated, so too did various representative institutions for the farming business. However, the landscape of fur farming increasingly splintered over the years and the federal state remained largely absent as well. Competing factions had emerged from the very start of fur breeding. The major cleavage in the organisation of fur farming occurred because of the conflict between Demoll and the Leipzig fur industry: this forced Demoll to leave the experimental farm in the autumn of 1922. However, Demoll maintained a personal interest in fur farming and established the German Fur Breeding Union (*Die Deutsche Pelztierzüchter-Vereinigung*) in Munich: it unified the majority Bavarian fur farms in 1925.<sup>697</sup> In Eastern Prussia, farmers joined together in the Association of Eastern Prussian Fur Farmers (*Vereinigung Ostpreussischer Edelpelztierzüchter*) with its headquarters in Allenstein. Thus, farming organisations were chiefly established along regional lines. The associations mentioned above operated

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<sup>694</sup> A. B. Balcom, "Fox Farming in Prince Edward Island: A Chapter in the History of Speculation," *The Quarterly Journal of Economics* 30, no. 4 (August 1, 1916): 669.

<sup>695</sup> Colpitts, "Conservation, Science and Canada's Fur Farming Industry, 1913-1945," 86.

<sup>696</sup> Ashbrook, *Fur Resources of the United States*, 16.

<sup>697</sup> Proske, *Reinhard Demoll, 1882-1960*, 281. Unfortunately, Proske does not give an explanation for the conflict between the conflict between Demoll and the Leipzig industry.



independently from the fur industry in Leipzig. Threatened with a loss of influence over the expanding farming business, the Leipzig industry established an organisation, the Association for Silver Fox Breeding (*der Verband für Silberfuchszucht*), which gathered chiefly fur farms in Saxony together.

While the split between Demoll and the Leipzig industry had splintered the emerging farming business, firms tried to transform the city into the centre for the study of farming. The most important development in this respect was the creation of the research centre, the Institute for Furbearing Animals and Fur Research (a rather unwieldy translation of *Reichszentrale für Pelztier und Rauchwarenforschung*, henceforth the Reichszentrale). Founded in 1926, the Reichszentrale hoped to assemble expertise on fur breeding. Additionally, the fur industry hoped to mould the fur breeding movement into an efficient supply source through this scientific institution.<sup>698</sup> The need to influence fur farming stemmed largely from the negative experience during the war when the attempts to rationalise rabbit keeping collapsed in the face of widespread social resistance. Walter Stichel, a member of the Reichszentrale, wrote in 1926: “fur farming falling on the same track as rabbit keeping must be avoided at all costs (...) the invested capital for fur farming is simply too high to allow for experimentation and imperfections.”<sup>699</sup> A central rationale behind the research centre was therefore not only the support of research but also the promotion of an attitude of professionalism in fur farming. For instance, in 1929, the director of the Reichszentrale Paul Schöps wrote pointedly in one of his many newspaper articles that “fur farming means work and not leisure.”<sup>700</sup>

In contrast to the in-house laboratories or research and development centres that typified scientific research in larger corporations, the Reichszentrale resulted from joint firm investments and never resembled anything like a fully independent research division within the walls of one business. The organisational aspects of the institution mirrored the collaborative networks between fur firms in Leipzig. It also revealed links between these firms and those political stakeholders of the region interested in strengthening the local economy. Regional public authorities in fact played a major role in the creation of the

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<sup>698</sup> Sächs. HStA, Wirtschaftsministerium 11168, nr. 489. f. 32, Sitzung 8 März 1927. In Sitzungskammer des Reichsverbandes der Deutschen Rauchwarenfirmer, eV. Sitz Leipzig Handelskammergebäude, Tröndlinring, Leipzig.

<sup>699</sup> Sächs. HStA, Wirtschaftsministerium 11168, nr. 489. ff. 70-82, here 82. Die erste Körreise des Reichsverbandes Deutscher silberfuchs und Edelpelztierzüchter 1926-1927. Bericht von Dr. W. Stichel, Berlin. s.d.

<sup>700</sup> Die Pelztierzucht, 1929, nr. 2, p. 175, 05.09.1929. Pelztierzucht und Viehseuchengesetz. von. Dr. P. Schöps. Leipzig.

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research institution. While the 20,000RM budget of the Reichszentrale was rather modest, it is particularly striking that firms provided only 3,500RM (the Fur Merchants Association 2,000RM and various firms 1,500RM). Regional governments and public institutions raised the remainder of the sum. Both the Chamber of Commerce in Leipzig and Saxony's Ministry of Economy donated 6,000 RM, making them the chief sponsors.<sup>701</sup> It is striking that local industry did not even provide a third of the necessary funds for the research centre. The balance between public and private funding did not change later. In 1927, the total budget was raised to 28,000RM but funding from the fur industry only increased to 6,000RM.<sup>702</sup>

Of course, the rather modest funding was reflected in the organisation of the Reichszentrale itself. The research centre was run by firm personnel and its offices were initially housed in one of the trading houses on the Brühl. The Reichszentrale was closely connected to the Friedrich Erler & Co firm, which specialised in the treatment and sale of fox skins. Paul Schöps, the appointed leader of the Reichszentrale, was neither an agricultural expert nor a fur trader but rather a high ranked official in the Erler firm. When he joined the firm in 1922, Schöps had already established his name in both the academic and commercial field. He prepared a thesis on the German metal industry at the Jena University after he concluded Carl Zeiss' merchant training program in Jena in March 1913.<sup>703</sup> Schöps' appointment demonstrated the role of Erler as one of the lead firms of the district, especially in the field of innovation. I have alluded earlier to Erler's leading position in the development of the synthetic fur dyeing industry in Leipzig with the chemist Stieglitz. The Erler firm embodied a tradition of close cooperation between industry and science. Aside from the leading role of Erler, the meetings of the Reichszentrale were followed by entrepreneurs from the largest trading and dyeing businesses in Leipzig, like Arndt Thorer (Theodor Thorer), Richard König, and Walter Krausse (Friedrich Erler & co).

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<sup>701</sup> Sächs. HStA, Wirtschaftsministerium, nr. 489, f. 32. Protokoll. 08.03.1927. In addition, the Prussian Ministry of Agriculture donated 1.500 RM, the Reichsinnenministerium, 3.000 RM.

<sup>702</sup> Sächs. HStA, Wirtschaftsministerium 11168, nr. 489, f. 44. Reichszentrale für Pelztier und Rauchwarenforschung. Haushaltplan für 1927.

<sup>703</sup> Schöps successfully completed the training program in Jena but his career was interrupted by his military service at the end of the war (August-November 1918). In 1919, he subscribed to the university in Jena and submitted a thesis (entitled "Die Jüngsten Entwicklung der Deutschen Lohnungsmethoden insbesondere in der Metallindustrie") that demonstrated his expertise on the field of labour and commerce after only a year. His connection to the fur industry is missing from his curriculum vitae but in 1922 he finally joined the Erler business.

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The low budget and loose organisational structure of the Reichszentrale flies in the face of the classic image we have of research and development centres in industries at the beginning of the twentieth century. Rather than conducting research independently, the Reichszentrale was intended as the central node inside a *research network* that was aimed at assembling experts who worked on the scientific, economic, and practical underpinnings of fur breeding. The Reichszentrale generally eschewed participating in direct research, with the notable exception of an experimental farm that was set up in Connewitz, a town south of Leipzig.<sup>704</sup> The 500m<sup>2</sup> experimental farm was situated in the local forest and its research focused largely on aspects of animal management like the study of nutrition patterns and finding suitable pens for different types of furbearers. The creation of the experimental farm coincided with a budget increase of the institute in 1928, which almost doubled to 41,975.61RM. Almost half of the budget was spent on the infrastructure of the research institute while 14,736RM was donated to associated professors and institutions.<sup>705</sup>

Aside from having its own experimental farm, the most important feat of the Reichszentrale was assembling an epistemic community of experts. The centre had a more or less permanent body of researchers at its disposal that formed a “commission of experts.” The commission advised on the main issues of contemporary fur breeding. These experts, eleven scientists from German-speaking academia, remained attached to their home institutions. It is not inconceivable that many of them never physically went to the research centre. They did not exclusively author the barrage of works, recommendations, instruction books, lectures, and leaflets published by the centre after 1926 but nevertheless, the expert commission formed the core of Reichszentrale.

Let us focus more closely on the commission of experts in order to study the geography of the research network in the industrial district. Remarkably, the commission of experts was firmly rooted in Leipzig or its immediate surroundings. Five of the eleven experts worked in an academic institution in Leipzig or in one of its neighbouring cities. The fur industry especially profited from the expansion of Leipzig University, then the third largest in Germany, which opened a new veterinary and animal-breeding faculty in 1923. The extended veterinary faculty became an important scientific advocate for the development of fur breeding. Members supported the research network and even incorporated fur farming into teaching

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<sup>704</sup> Sächs. HStA, Wirtschaftsministerium, 11168, nr. 489, f. 110. Neue Leipziger Zeitung, nr. 88. V. 13.4.1928.

<sup>705</sup> Sächs. HStA, Wirtschaftsministerium, 11168, nr. 489, f. 148. Protokoll. Sitzung des Vorstandes, 12.07.1928.

activities for veterinary students.<sup>706</sup> Three scientists of the expert commission had been appointed at the new faculty of the university of Leipzig: Johannes Richter, Carl Scheunert, and Curt Sprehn. Sprehn and Scheunert worked as veterinary scientists at the Leipzig University, though in different departments. Johannes Richter, a veterinary surgeon, was associated with the Leipzig Institute for Animal Breeding and Animal Obstetrics (*Institut für Tierzucht und Geburtskunde der Universität Leipzig*). Richter soon included the diseases furbearing animals suffered by into his research.<sup>707</sup> Two scientists of the network were in the immediate vicinity of Leipzig: one of them was Gustav Fröhlich, who had headed the Institute for Animal Breeding and Dairy in the Halle University (*Institut für Tierzucht und Molkereiwesen der Universität Halle/Saale*) since 1915.<sup>708</sup> Another was Heinrich Prell of the Zoological Institute of Tharandt College (*Zoologisches Institut der Forstlichen Hochschule in Tharandt*), where he was appointed rector in 1927.<sup>709</sup> Prell was awarded one of the first research grants issued by the Reichszentrale in order to visit and report on why the American fur breeding industry was successful.<sup>710</sup> In addition, Prell received a 500RM monthly subsidy to make use of research infrastructure at the Zoological Institute in Tharandt on behalf of the Reichszentrale.

In addition to being strongly embedded within the region, the fur industry's research centre adorned the network with leading scientists throughout German-speaking academia. Two such scientists lived in Munich: Reinhard Demoll, despite his quarrels with the Leipzig industry, and Heinrich Henseler, who was active in Halle between 1910 and 1920 and thereafter was associated with the Munich University, were both members of the research network. In addition, three university scientists lived and worked Stuttgart (A.R. Walther), Innsbruck (Karl Told), and Hanover (Miessner).<sup>711</sup> Last but not least, there was the renowned genetic scientist Hans von Nachtsheim of the Kaiser Wilhelm Institute for Genetic Science (*Kaiser Wilhelm*

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<sup>706</sup> Leipziger Universitätsarchiv, Phil. Fak B3/32.04. Institut für Tierzucht und Molkereiwesen an der Universität Leipzig, Leipzig an seine Spektabilität den Dekan der Mathematisch-Naturwissenschaftliche. Abteilung der Philosophischen Fakultät. 17.06.1927.

<sup>707</sup> Franka Wolter, "Johannes Richter (1878-1943) Leben Und Werk Eines Protagonisten Der Veterinärgeburthilfe." (University of Leipzig, 2011), 105.

<sup>708</sup> "Gustav Fröhlich," accessed February 12, 2014, <http://www.catalogus-professorum-halensis.de/froelichgustav.html>.

<sup>709</sup> See: Nachlass Pr. Heinrich Prell. Archives of the University of Dresden.

<sup>710</sup> Sächs. HStA, Wirtschaftsministerium 11168, nr. 489, f. 32. Sitzung 8 März 1927. In Sitzungszimmer des Reichsverbandes der Deutschen Rauchwarenfirmer e.V. Sitz Leipzig Handelskammergebäude, Tröndlinring Leipzig. The study resulted in the following publication: Heinrich Prell, "Wissenschaft und Pelztierzucht in Amerika und Deutschland," *Vorträge der Reichszentrale für Pelztier und Rauchwarenforschung* 1 (1927): 1–22.

<sup>711</sup> Sta-L, Hermelin Verlag 21098, nr. 644, Anlage: 3. Die Reichszentrale für Pelztier und Rauchwarenforschung; Geschäftsstelle, 30.1.1985.

*Institut für Vererbungsforschung*) in Berlin-Dahlem, whose scientific contribution to the development of animal breeding has been acknowledged in historical scholarship.<sup>712</sup> As a colleague of Erwin Baur, the most renowned genetic scientist in Germany, he ranked as one of the most influential members of the research network.

In sum, the organisation of research showed a few particular traits that should be kept in mind for the remainder of this chapter. First of all, the reduction of costs was apparently paramount. Firms demonstrated a certain reluctance to make large investments in the research institute. This is revealed by the fact that public expenditure dwarfed private funding. Of course, such a corporatist model was not exceptional in Germany. Still, the participating firms refrained from allocating a larger budget to the Reichszentrale, a fact that was incompatible with the ambitions invested in the research institute. Additionally, the institute's management was divided among employees of the participating firms, with the Erler firm in a leading role. No experts or other personnel from agriculture were attracted. Apart from the modest experimental station in the Connewitz woods, the centre hardly performed or funded scientific research in its own name. Rather, it assembled leading scientists throughout German academia into a network with Leipzig as the hub. Secondly, the network was regionally entrenched. The Leipzig fur industry profited from the expansion of the local university and its connections with university institutions in the vicinity, such as Tharandt and the agricultural institute in Halle. The research network typified the organisational underpinnings of the industrial district: such business organisations seek to extract resources from their immediate surroundings. Such was the case with scientific research as well.

#### ***6.4.2 Research in Leipzig from a comparative perspective.***

Scientific research into breeding existed in other regions where fur farming was on the rise. However, the corporatist research model was unique in the worlds of fur farming and international fur business. In the US, scientific research was subsidised and executed by the government and remained largely outside the context of business. In the 1920s, the government established the Fur Animal Experiment Station in the Adirondack area of the state of New York. According to the Department of Agriculture, under whose authority it fell,

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<sup>712</sup> Michael Engel, "Hans Nachtsheim," accessed February 12, 2014, <http://www.deutsche-biographie.de/sfz67745.html>.

the prime object of the station “is to determine the most efficient methods of producing fur bearers in captivity.”<sup>713</sup> In practice, the station’s research concerned nutrition patterns, modern sanitation methods, and disease control. The program did not extend to applied genetics. The connection between genetic science and the agriculture was already more institutionalised in the US than in Germany. American professors were more prone to do fieldwork than the German professoriate. The availability of expertise in agriculture in America was precisely one of the conditions that Hans Nachtsheim and Erwin Baur envied.<sup>714</sup>

In Canadian fur farming, research was connected to business but it was chiefly concentrated in the Hudson’s Bay Company, the firm that dominated the trade.<sup>715</sup> Like in Germany, farming was part of processes of scientification in the fur business. In 1926, the interest in fur farming and other new fields of activity led to the creation of a ‘development department’ within the Hudson’s Bay Company. This ‘development department,’ controlled by a small laboratory in Kent, exemplifies the company’s interest in new production processes and the modernization of business activities relating to fur farming. However, unlike in the German case, research and development was more profoundly institutionalised and was organised as an in-house department. It had a staff of 14 members and the salary bill exceeded £6,000. In order to express its interest in the mushrooming farming industry, the HBC acquired an interest in McLure and Kinnon, one of the largest fur farms on Prince Edward Island: they had been breeders since 1911.<sup>716</sup> Fur farming formed one of the core activities of this development department. In 1928-29, it established several new fur farms, some of which were located far away, such as on the island of Mingan and in Cartwright Newfoundland. The company predominantly focussed on experimentation and improving animal nutrition.<sup>717</sup>

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<sup>713</sup> Ashbrook, *Fur Resources of the United States*, 27.

<sup>714</sup> Harwood, “National Styles in Science: Genetics in Germany and the United States between World Wars,” 404.

<sup>715</sup> It lasted until 1926 when the Hudson Bay Company began to see the potential of keeping fur-animals in a controlled setting. Initially the firm was suspicious about the opportunities presented by fur farming. The quote is in a report from Chipman. TNA, Hudson Bay Company Archives (Microfilm Copy), Public Record Office (BH 2172). A12FT 210. f. 5. The HBC. An WM Ware Esq. Secretary. 12.08.1910. The fur trade commissioner Chipman, one of the officers responsible for renewing the old-fashioned business practices of the HBC, wrote in 1910 on the prospect of fur breeding dismissively, making a strange comparison with the indigenous people: “though exceptions have been recorded, there appears to be a fairly general impression growing out of the experiments made that the fur-bearing animals, like the native Indians, do not prosper under restrictive conditions.”

<sup>716</sup> Who’s who in Canada, 1922, p. 347. McLure W. Chester S.

<sup>717</sup> TNA, Hudson Bay Company Archives (Microfilm Copy), Public Record Office (BH 3457) A94/29. Development Department Correspondence. Letter from Chester McLure, 03.07.1928.

In addition, the HBC's research was also organised as a network activity, although only to a limited extent.<sup>718</sup> The HBC used a small number of 'external members,' the most well known of whom was Charles Elton, founder of the Bureau for Animal Population at Oxford University. Elton, enlisted as the 'ecological consultant' of the HBC, conducted research on animal population and studied cycles in the abundance and scarcity of animal types: this resulted in his seminal publication *Voles, Mice and Lemmings, Problems in Population Dynamics* (1942).<sup>719</sup> In sum, the corporatist research institution of Leipzig and its focus on scientific research as a network activity was a unique model in the world of fur farming.

## 6.5 The activities of the Reichszentrale (1926-1929).

The main activities of the Reichszentrale were the promotion of research into differing aspects of fur breeding and encouraging professionalisation among the numerous new amateur farmers. The latter was seen as an important task since it was the underlying aim of the fur industry to develop farming as a reliable resource supplier. Some scientists saw no harm in reconciling scientific research with commercial aspects. Alexander Sokolowsky, a Hamburg professor who published through the Reichszentrale, defined the field of research as follows: "the domain of the study of furbearers is limited to the keeping and breeding of fur breeding animals and (...) the study of the fur coats of these creatures for the tasks of the fur trade."<sup>720</sup> Other scientists wanted to change practices of animal breeding rather than support the fur industry. The desire to instil an attitude of professionalism in the new farmers was shared by university scientists, mainly from the fear that amateurism would sabotage scientific advances. The practical knowledge of breeders was based on "shared knowledge" derived from "personal experience" with animal keeping rather than scientific principles or the insights of basic animal management.<sup>721</sup> The promotion of Mendelian genetic among amateur breeders was a major motivation for genetic scientists like von Nachtsheim.<sup>722</sup>

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<sup>718</sup> Anne Morton, "We Are Still Adventurers": The Records of the Hudson's Bay Company's Development Department and Fish and Fish Products Department, 1925-1940," *Archivaria* 21, no. winter (1986): 159. Of this £6000, about £1500 went to the director of the development department, Charles Townsend.

<sup>719</sup> Charles Sutherland Elton, *Voles, Mice and Lemmings: Problems in Population Dynamics*. (Oxford: Clarendon Press, 1942). Charles Elton explicitly thanked the HBC for supporting his research. Elton based his results on both the historical records of the HBC and fieldwork at the posts of the company in order to see fluctuations in animal populations.

<sup>720</sup> Alexander Sokolowsky, "Pelztierforschung," *Pelztierforschung*, no. 6 (1926): 2.

<sup>721</sup> von Schwerin, *Experimentalisierung des Menschen*, 58. see p. 59. Von Schwerin pointed out that the revolutionary ideas of Mendelian genetics trickled through only very slowly. The particularity of Mendelian

The Reichszentrale gave an impetus to this new field as the bulk of the expenditure went directly to research. In 1927, the Zoological Institut in Tharandt received 6,000 Reichsmarks and director Prell got 1,200 RM for his research in America. The Reichszentrale did not pay wages but reimbursed travel costs (3,000 RM). Research was not limited to fur farming: dyeing received 2,000 RM and another 2,000 went to various other research projects.<sup>723</sup> So, with only a little spending, the Reichszentrale was able to set several research projects in motion. Curt Sprehn and his assistants at the Leipzig University performed dissections on 940 deceased animals on German fur farms to establish the main causes of death.<sup>724</sup> The Leipzig veterinary facility did not receive any funding for this research. Drawing on support and goodwill from associated academics, stimulating research with minimal investments was a strength of the Leipzig research network.

The role of the Reichszentrale as a facilitator of research can also be seen in its efforts to publish and circulate the research of scholars working on fur farming. These publications also reveal the kind of research being performed. The *Arbeiten der Reichszentrale*, a compilation of the 26 most important publications between 1926 and 1930, dealt with multifarious topics, although animal management clearly stood out as the most important. About 12 publications related to this subject and included reports on experiments into breeding new species and the acclimatisation of furbearing animals in Germany. About 7 publications were devoted to aetiology of furbearers: this was the second largest genre published in the compilation. Like the majority of scientific publications on rabbit breeding during World War I, such publications chiefly focused on the most common causes of death and on diseases or pathogens that affected the quality of the breeding stock. If these scientific publications are to be trusted, farmed animals suffered from parasites most of all and scabies to a lesser degree. Indeed, parasites were the largest cause of death among silver foxes. 23 fox pups died in 1926 because of parasites: the overall total loss from that year was 72 foxes. This was a painful loss

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genetics required a paradigm shift in the everyday experiences and practices of amateur breeding. Genetic scientists like Hans von Nachtsheim pursued such an agenda.

<sup>722</sup> Ibid., 20.

<sup>723</sup> Sächs. HStA, Wirtschaftsministerium 11168, nr. 489, f. 29. Sitzung des Vorstandes der Reichszentrale für Pelztier und Rauchwaren-forschung. 08.03.1927.

<sup>724</sup> Sächs. HStA, Wirtschaftsministerium 11168, nr. 490, f. 182. Reichszentrale für Pelztier und rauchwarenforschung, Leipzig, an das Sächsische Wirtschaftsministerium, zu Hd; Herrn Geheimrat Dr. Klien, Ministerialdirektor. Dresden. 28.07.1930.



of production capital since a new fox would easily cost 3,000 marks.<sup>725</sup> Finally, several contributions can be defined as curiosities, like Pell's publication on the reproduction of brown bears, which was only remotely connected with the development of fur breeding in Germany. A publication of the representation of fur bearing animals on ancient coins was another miscellaneous contribution.<sup>726</sup>

While the previous publications mainly served a public of peers interested in various aspects of fur farming, the results of scientific research were also popularised for laymen and amateur breeders. Leipzig published its own journal, *Die Pelztierzucht*, which had become one of the leading journals on fur farming in Germany since 1924. In addition, an important publication series were the so-called leaflets (*Merkblätter*) designed as instruction notes for fur breeders. They aimed at rationalising fur breeding by suppressing amateurish practices. I have been able to track two of these leaflets and it is not clear if more were issued. The first leaflet explained the necessity of hygienic measures in order to counter the spread of diseases.<sup>727</sup> The Leipzig University scientists Richter and Sprehn issued a second leaflet that demonstrates more clearly the endeavour to professionalise fur farming and safeguard the interests of the fur industry.

The leaflet was written on the subject of slaughtering. The authors insisted that "the killing of furbearers for the extraction of skins has to be done fast while avoiding damage to the value of the skin."<sup>728</sup> Sprehn and Richter rejected the killing methods of amateur breeders, which not only damaged the skins but were also unnecessarily cruel. Amateur methods largely revolved around suffocation: strangling with the knee (*Totknieen*), drowning the animal in buckets of water, or suffocation by carbonic acid. Instead, experts sought to 'refine' killing with 'cleaner' and less cruel methods that involved the usage of chemicals (preferably the

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<sup>725</sup> Sächs. HStA, Wirtschaftsministerium 11168, nr. 490, f. 15. „Sonderdruck aus der Zeitschrift „Züchtungskunde, Band 3, Heft 12, 1928. Herausgegeben von der Deutschen Gesellschaft für Züchtungskunde EV, Sitz Göttingen“. p. 611.

<sup>726</sup> Heinrich Prell, "Bärzeit Und Tragezeit Des Braunbären," *Arbeiten Der Reichszentrale Für Rauchwaren Und Pelztierforschung*, no. 23 (1930): 1–10; Kurt Regling, "Pelztierere Auf Antiken Münzen," *Arbeiten Der Reichszentrale Für Rauchwaren Und Pelztierforschung*, no. 24 (1930): 1–7.

<sup>727</sup> Leipziger Universitätsarchiv, Rep II/I/ LL band. 1. 1932. Merkblatt nr. 1. Hygienische Massnahmen zur Bekämpfung seuchenhafter Erkrankungen unter Pelztieren. Bearbeitet von Prof. Dr. H. Miessner-Hannover und Prof. Dr. C. Sprehn –Leipzig.

<sup>728</sup> Sächs. HStA, Wirtschaftsministerium 11168, nr. 490, f. 221. Merkblatt Nr 2. J. Richter & C. Sphrehn: Das Töten von Pelztieren. Merkblätter für Pelztierzüchter. Herausgegeben vom Sachverständigen-Ausschuss für Pelztierzucht und der Reichs-Zentrale für Pelztier und Rauchwarenforschung in Leipzig.

injection of chloroform) and electrocution that, most importantly, minimised the risk of damage to the skin.

Unfortunately, few such leaflets have survived the passage of time but they did not form the only channels of communication to amateur breeders. Publications in *Die Pelztierzucht* conveyed similar information about the practices and methods of fur farming. Topics ranged from adequate nutrition patterns to the optimal size of animal pens.<sup>729</sup> In one article, von Nachtsheim carefully explained the Mendelian laws that governed the breeding of different rabbit types, the so-called *Rexkaninchen*. Other articles dealt with issues of a commercial nature. An article by the Natural Intelligence Service of Canada on the professional ‘preparation of pelts for the market’ was translated by a Leipzig bureau and appeared in the journal in 1928.<sup>730</sup> However, despite the importance of professionalising their future suppliers, the fur industry refrained from investing in any other educational material beyond the editing of publications and indirectly supporting research. In 1929, it entertained the idea of organising training courses for farmers, since it considered the courses organised by farmer associations insufficient and one-sided. However, the industry was reluctant to invest in teaching and demanded financial compensation for the organisation from the city council, which the latter refused.<sup>731</sup> A one-off course eventually took place at the International Fur Exhibition in the summer of 1930.<sup>732</sup>

The research network also prioritised the fight against speculation. As mentioned above, the resale of fur-bearing animals still generated most of the profits for pioneering breeders. Consequently, it prevented breeders from orienting their production to the market of Leipzig, the so-called ‘pelting stage.’ Von Nachtsheim, for instance, was particularly worried that unrealistic profit expectations would damage fur farming because of the appeal to fortune-seekers: “in several newspapers and journals, fox breeding has been represented as an industry for gold diggers, promising profits of 180% and more. (...) This disinformation campaign is attracting the wrong people to fox farming, thereby turning it in to a fiasco.”<sup>733</sup> In 1927, the Reichszentrale warned animal traders, often representatives of American dealers,

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<sup>729</sup> *Die Pelztierzucht*, 1928; nr. 11, p. 229. Priesner, dr. A. zum Artikel Fuchszange (mit 3 Abbildungen).

<sup>730</sup> *Die Pelztierzucht*, 1928, nr. 10, p. 204. Die Zubereitung der Felle für den Markt.

<sup>731</sup> Sächs. HStA, Wirtschaftsministerium 11168, nr. 490, f. 34. Paul Schöps an den Rat der Stadt Leipzig, den 13.07.1929.

<sup>732</sup> Sächs. HStA, Wirtschaftsministerium 11168, nr. 490. f. 91. Fachkursus für Pelztierforschung (IPA).

<sup>733</sup> BArch, Reichsgesundheitsamt R 86, nr. 3467. Teilabschrift zu 11125. Institut für Vererbungsforschung der Landwirtschaft; Hochschule zu Berlin. Berlin-Dahlem, den 12.10.1925,.

about advertising unrealistic profit margins. The Reichszentrale reported that “if the prospects in fur farming for well-funded and experienced breeders are by no means unfavourable, these exaggerated descriptions on profitability contrasts the realistic circumstances of today.”<sup>734</sup> Equally, Paul Schöps published more ‘realistic’ analyses describing the start-up capital and personnel needed to turn a new fur farm into a sustainable enterprise. Needless to say, Schöps warned speculators that profits would be shortlived: “sales of expensive animals will only grow gradually once money is scarce.” Instead, he argued that the farms should be based on profits derived from the production of skins.<sup>735</sup>

In the fight against amateurism, academics and experts called for more official control over fur farms. Scientists inspected the farms that were associated to the Leipzig Association of Breeders. They were convinced of the benefits to be derived from expanding the system of control: “if it is possible to introduce strict measures and we manage to implement official controls, there will be no fear that the industry of fur animals will suffer from diseases like some other types of animal breeding, which lack uniform and strict supervision.”<sup>736</sup> In addition, scientists looked across the border in order to copy success stories. Heinrich Prell legitimised the intervention of experts and the state in fur farming by referring to the successes of the American government in planning fur farming.<sup>737</sup> In the summer of 1925, von Nachtsheim visited three fur farms in Norway to examine the potential of the new production paradigm and linked success in fur breeding to the personal qualities of the farmers themselves. While only one Norwegian farm was founded with the ‘despicable’ aim of animal trading, the other two farms convinced him of the importance of personal dedication. He linked the best result in breeding in the third farm to the farmer’s “passion for the animals.”<sup>738</sup> According to von Nachtsheim, small fur farms with devoted farmers had to form the basis of farming. The fur industry naturally supported the ‘small is beautiful’ maxim in its demands regarding resource quality.<sup>739</sup> The fight against speculation and the will to

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<sup>734</sup> Sächs. HStA, Wirtschaftsministerium 11168, nr. 489, f. 39. Nochmals Vorsicht bei der Zucht von Pelztieren“. Attached to the „Protokoll, Sitzung des Vorstandes, 8.03.1927“.

<sup>735</sup> Die Pelztierzucht, 1928, nr. 5, f. 89 Dr. Paul Schöps. Kapital und Ertrag in der Pelztierzucht.

<sup>736</sup> Sächs. HStA, Wirtschaftsministerium 11168, nr. 490, f. 70. Reichszentrale für Pelztier u. Rauchwaren-Forschung. R.V. Leipzig. Die erste Korreise (bewertung) des Reichsverbandes Deutscher Silberfuchs und Edelpelztier-Züchter 1926/1927.

<sup>737</sup> Heinrich Prell, “Zur Frage Der Planmässigen Pelztierzucht,” *Sonderdruck aus der Zeitschrift die Pelztierzucht* 2, no. 2 (n.d.): 5–8.

<sup>738</sup> BArch, Reichsgesundheitsamt R89, nr. 3467. Teilabschrift zu 11125. Hans Nachtsheim. Institut für Vererbungsforschung der Landwirtschaftl. hochschule zu Berlin. Berlin-Dahlem, den 12.10.1925..

<sup>739</sup> Der Rauchwarenmarkt. Nr. 140, 22.11.1928. “Der Reichsausstellung für Edelpelztiere“. “It is not be possible (...) to raise many hundreds of animals, although the potenial existed. But the care and maintenance of these

intrude into the social world of breeding formed the groundwork of the business-science alliance after 1926.

University experts also attempted to intrude into the world of breeders when it came to exhibitions. As in other types of animal breeding, exhibitions were landmark events for animal breeders, since awards gave them prestige.<sup>740</sup> Additionally, they attracted a great deal of public interest. In a certain sense, they encapsulated the fur frenzy of the 1920s. The National Fur Exhibition (*Reichsedelpelztierausstellung*), held in Berlin between 16 and 18 November 1928 and organised by the Leipzig farming association, was one of the first large furbearing animal exhibitions.<sup>741</sup> Reports mentioned that women were holding tame foxes “caressingly in their arms and let themselves be photographed with the intelligent animals.”<sup>742</sup> However, the proliferation of fur farming exhibitions was challenged by the Reichszentrale because the events used differing evaluation and price rewarding methods, most of which were not considered beneficial to the development of fur farming.<sup>743</sup> Experts defined fur farming exhibitions as belonging to the traditions of amateur or sport breeders, which saw ‘aesthetic quality’ as the most important outcome of breeding. Prell proposed to create a unified evaluation system that would cover the bewildering number of exhibitions. He stated that this yardstick should take into account biological breeding qualities and the worthiness of the animal for use in the industry.<sup>744</sup> Thus, scientists who were part of the Leipzig network had two important functions. Firstly, they tried to rationalise the field of fur farming and secondly, they were important channels through which the fur industry tried to govern and control the practice of fur farming.

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animals in order to get them healthy requires so much work that a rising number of animals will stop profitability.”

<sup>740</sup> Marie, “For Science, Love and Money.”

<sup>741</sup> Sächs. HStA, Wirtschaftsministerium 11168, nr. 1980, f. 92. die Reichszentrale für Pelztier und Rauchwarenforschung an das Wirtschaftsministerium an das Wirtschaftsministerium. 22.10.1929

<sup>742</sup> Der Rauchwarenmarkt, nr. 140, 22.11.1928. “Das junge Tier war so zahm, dass es auf seinem Stand ruhig liegen blieb und sich von jedem streichel ließ. Die Damen nahmen es liebkosend auf den Arm und ließen sich mit dem schönen klugen Tier ,fotographieren‘.

<sup>743</sup> Sächs. HStA, Wirtschaftsministerium 11168, nr. 490, ff. 61-64. Reichszentrale an das Sächsisches Wirtschaftsministerium Dresden. 23.08.1929.

<sup>744</sup> Heinrich Prell, “Über Die Gruppenbewertung von Edelpelztieren Auf Ausstellungen,” *Sonderdruck Aus Der Zeitschrift Für Pelztierkunde Die Pelztierzucht* 7, no. 6 (1931): 97–104. For the evaluation of biological qualities, individual evaluation or group evaluations were ideally suited: it was clear that group evaluations were tailored to commercial exploitation. Prell proposed that breeders should do both, since organising collective evaluation limited the evaluation of animals too narrowly to the demands of fur dyeing factories and demands in type of skins and colour could vary over time.

## 6.6 Shortcomings of the research network (1928-1932).

### 6.6.1 *Internal struggles and scientific authority.*

Despite the numerous ideas to break into the social worlds of animal breeders, the results were far from spectacular. Attempts to create uniform exhibitions and the fight against the speculative animal trade proved largely ineffective. The Reichszentrale's power was limited because of the decentralised organisation of fur farming in Germany and the state's refusal to set out a legal framework. Each competing fur farming association followed its own agenda, organising separate exhibitions with differing valuation methods. The main competing lobby group, the Union of German Fur Farmers' Associations in Munich (*Bund Deutscher Pelztierzüchter-Vereine*), was led by Reinhard Demoll. They operated independently of the Leipzig-controlled Association of German Fur Farmers (*Reichsverband deutscher Edelpelztier Züchter*, hereafter the Reichsverband). Both organisations heavily competed with one another to gain the widest representation. While most of the agricultural experts had gathered around the Leipzig organisation, the Munich organisation exceeded the Leipzig one in the number of farms. In terms of the number of foxes held, the former (8,000) dwarfed the latter (4,000).<sup>745</sup> Whereas the Leipzig organisation was bent on integrating farming into the city's fur industry, Demoll's organisation assumed the role of defender of the small farmers and breeders.

The Demoll organisation formed an important obstacle to the authority of Leipzig as both a centre of learning and as a lobbying network.<sup>746</sup> The antagonism between Munich and Leipzig was exacerbated in 1928 when contrasting views on the role of animal trade in fur farms surfaced. The main cause for the dispute stemmed from the request of the Munich group to impose veterinary controls over the import of new fur-breeding animals into Germany. Arguing that the increasing animal shipments from North America to Germany led to the spread of infectious diseases, Munich proposed that the government should survey the imports

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<sup>745</sup> BArch, Reichsgesundheitsamt R86, nr. 3467. Deutsche Landwirtschaft Gesellschaft. Aktenvermerk über die am 5.02.1930; 11 uhr im Reichsministerium für Ernährung und Landwirtschaft stattgefunden Besprechung über Pelztierzucht Angelegenheiten.

<sup>746</sup> Sächs. HStA, Wirtschaftsministerium 11168, nr. 489, f. 47. Reichszentrale für Pelztier und Rauchwarenforschung. Sitz Leipzig. An das Sächsische Wirtschaftsministerium. Abt. Für Handel und Gewerbe. Dresden. Königsufer 2. 28.04.1927.

more strictly.<sup>747</sup> To the Leipzig Association, the Reichszentrale, and the Reichsverband, Demoll's request was seen as a pretext to take control over the domestic market of fur farming. If imports of new animals were curtailed, the position of the speculative fur breeders would be reinforced and this would, in turn, extend the phase of breeding animals for resale rather than for their skins.

Veterinary control over the import of furbearers gravely destabilised the plans of the fur industry to transform fur farming into a source for the industry. In 1929, production from German fur farms was still marginal and an import restriction was a further delay.<sup>748</sup> The Reichsverband expressed this line of thought: "the fur breeding industry in Germany is only viable when a sufficiently large breeding base of fur animals is available, so the demand for 'fresh blood' can be satisfied within our country."<sup>749</sup> The chief point, however, is that both commercial interest groups justified their arguments with scientific window-dressing. On the one hand, Professor Demoll and the Munich group suggested a relationship between fur import and the rabies that plagued pets and domestic animals.<sup>750</sup> On the other hand, the Leipzig experts expressed the opinion that current supervision sufficed to prevent the expansion of animal diseases in Germany. Leipzig put forward its own control model instead of border controls: "Through its strict evaluation system, the Reichsverband (...) eliminates inferior breeding material. And our institution is trying to use scientific research more than ever for the needs of fur farming, first to prevent and curb the occurrence of epidemics and diseases."<sup>751</sup> The Leipzig University scientist Curt Sprehn examined official reports on diseases and disclosed his conclusions in a fifteen-page long paper to the government: "I assume that the import of fur bearing animals has brought no epidemic disease whatsoever to the German stock of fur breeding animals and (...) other species and humans as well."<sup>752</sup> Paul

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<sup>747</sup> BArch, Reichsgesundheitsamt R86, nr. 3467. Abschrift Bund Deutscher Pelztierzüchter Vereine, an das Reichsministerium des Innern München, 06.11.1928.

<sup>748</sup> Die Kürschnerzeitung, 1929, nr. 12, 21.04.1929. Rohstoffprobleme des Pelzgewerbes.

<sup>749</sup> BArch, Reichsgesundheitsamt R 86, nr. 3467. Reichsverband deutscher Edelpelztierzüchter Leipzig an das Reichsgesundheitsamt, den 28.2.1929.

<sup>750</sup> BArch, Reichsgesundheitsamt R86, nr. 3467. Abschrift Bund Deutscher Pelztierzüchter-Vereine an das Reichsministerium des Innern. München, den 6.11.1928.

<sup>751</sup> BArch, Reichsgesundheitsamt R 86, nr. 3467. Reichszentrale für Pelztier und Rauchwarenforschung, Leipzig, 21.12.1928.

<sup>752</sup> BArch, Reichsgesundheitsamt R 86, nr. 1486. Dr. C. sprehn. Gutachten zu der Frage der Einschleppung von Krankheiten und Seuchen durch Edelpelztiere. Reichszentrale für Pelztier und Rauchwaren-Forschung. 1-15. Leipzig 13 Juni 1930. Sprehn's Research was based on the post-mortem examination of 940 fur animals sent by fur farms. See also: R 86, nr. 1483. Dr C. Sprehn. Reichszentrale für Pelztier und Rauchwarenforschung an Dr. Wehrle, Direktor der Veterinarabteilung des Reichsgesundheitsamtes, 26.07.1930.

Schöps also wrote a paper in 1930 on the situation of the fur breeding industry and concluded that concerns about importing disease were exaggerated.<sup>753</sup>

However, the Reichszentrale suffered from disloyalty amongst its community of experts. Members of the Leipzig members began to change their opinions on the importing of furbearers. While Sprehn and Schöps had tried to playdown the impact of epidemic diseases from imports, von Nachtsheim turned against the lobbying of the Reichszentrale. He vehemently wrote against the Leipzig network and in particular against the agenda of Schöps: “Dr. Schöps says that the German fur breeders desire to shut off Germany completely from foreign supplies, and not so much because they fear the introduction of diseases, but especially to eliminate foreign competition and thus ease the sales of own their own production.”<sup>754</sup> Moreover, von Nachtsheim revealed that Schöps was personally involved in the transit trade as member of the experimental fur farm. From Nachtsheim’s point of view, the measures to control imports made sense: “on the basis of my experiences and general deliberations, veterinary control over the import of fur-bearing animals is not only desirable but also very necessary.”<sup>755</sup> The consequences of disloyalty were far-reaching, especially since the Ministry of Health (*Reichsgesundheitsamt*) ultimately decided to impose more strict measures upon the imports.<sup>756</sup> The previous discussion shows that membership of the research network was not synonymous with ownership of scientific authority. It is clear that organising research in the form of a network harboured several advantages to the fur industry in terms of cutting costs but this negated the advantages of in-house research like loyalty to the firm or identification with commercial purposes. The research network constructed by the Leipzig industry suffered from internal struggles and failed to produce a unified view amongst scientists who remained independent in the loose affiliation of the Leipzig research network.

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<sup>753</sup> BArch, Reichsgesundheitsamt R 86, nr. 4926 Abschrift. Der Reichsminister der Innern an den Deutschen Landwirtschaftsrat, den 29.08.1930.

<sup>754</sup> BArch, Reichsgesundheitsamt R 86, nr. 4926 Abschrift. Institut für Vererbungsforschung der Landwirtschaftlichen Hochschule zu Berlin an das Preußische Ministerium für Landwirtschaft, Domänen und Forsten durch den Herrn Rektor der Landwirtschaftlichen Hochschule in Berlin. Berlin-Dahlem, den 28.04.1931.

<sup>755</sup> Ibidem.

<sup>756</sup> BArch, Reichsgesundheitsamt R 86, nr. 4926. Abschrift Reichsminister des Innern an die Landesregierungen für Preußen: Ministerium für Landwirtschaft. 8.08.1931. „Es wurde beschlossen, die Einfuhr von Edelpelztier nur mit besonderer veterinarpolizeilicher Genehmigung zuzulassen, die nur erteilt wird, soweit dafür ein züchterisches Bedürfnis nachgewiesen worden ist“.

### 6.6.2 *The internationalisation of autarky.*

Aside from the internal problems that the Reichszentrale suffered, the fur industry itself substantially revised its support for fur farming. The revival of the international fur trade in the second half of the 1920s refocussed the interest of the fur industry away from fur farming. Trade relations with the USSR were fully re-established after the treaty of Berlin in 1925. Whereas initial fur farming projects were clearly inspired by autarkic principles, the German advances in breeding were increasingly being used in the context of foreign trade relations. In particular, the Leipzig experimental farm and several researchers of the network supported the development of fur farming in the Soviet Union.<sup>757</sup> The potential of farmed fur there was deemed much higher, as Schöps wrote in 1928 to the Saxon Ministry of Economics: “[fur farming] will have a totally different meaning for the Russian economy than it would for ours.” In the same letter, he stated that fur farming in the Soviet Union should be supported: “it is after all pleasing to see Russia build its fur farming with the help of the Leipzig district.”<sup>758</sup> This reveals that the Reichszentrale and the fur firms supporting it were sceptical about the potential of fur breeding inside Germany: sourcing farmed furs in the USSR was seen as a viable alternative. This meant a major shift from the initial autarkic visions that had undergirded the participation of the industry in farming. Is the internationalisation of fur farming an explanation for the limited investments made by the Leipzig businesses in scientific research?

An important amount of resources and human capital of the Leipzig research network was indeed invested in the internationalisation of fur farming. The Reichszentrale held support to the USSR to be paramount since fur farming lagged far behind in Russia in comparison to other fur producing countries. Earlier attempts to establish fur farming there had tragically failed. A single fur farm established on the eve of the First World War was inevitably lost in the quagmire of the civil war. In 1925, the Soviet trade agency Gostorg established a new fur farm on a small island on the Enissei river near Dudinka in northernmost Siberia. However, the farm was poorly equipped and later shut down.<sup>759</sup> It took until 1927 before the Soviet

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<sup>757</sup> Douglas R Weiner, “The Changing Face of Soviet Conservation,” in *The Ends of the Earth: Perspectives on Modern Environmental History*, ed. Donald Worster (Cambridge: Cambridge University Press, 1988), 254.

<sup>758</sup> Sächs. HStA, Wirtschaftsministerium 11168, nr. 489. f. 203. Deutsche Versuchszüchterei Edler Pelztier. G.M.B.H & Co an das Sächsisches Wirtschaftsministerium. 12.12.1928. Schöps linked the Russian project directly to the attempts of the German fur breeders to close off the German market.

<sup>759</sup> PA AA, Botschaft Moskau, nr. 467. Durchschlag. Der Verlauf der Rauchwarensaison 1925/1926. 18.02.1926.



## Fur Farming and the Leipzig Fur Industry.

authorities finally decided to pursue a more energetic policy towards fur farming: importantly, they secured the help of the Leipzig associations, foremost the Reichszentrale. With the support of German shipping companies and the Leipzig research network, the Soiuzpushnina (the Soviet fur syndicate) arranged a Canadian animal transport and shipped about 100 silver foxes and 900 muskrats through Hamburg to Leningrad. The animals purchased from Canadian farms were selected by the Deutsche Versuchszüchtereier edler Pelztier GmbH, the firm that was in charge of the Leipzig fur farm in the Alps.<sup>760</sup>

The Leipzig farming association not only supported the organisation of animal transports but also provided assistance for the construction and supervision of new farms. In 1928, Fritz Schmidt, the manager of the abovementioned Leipzig farm, left for the Soviet Union in order to support the establishment of a large farm near Archangelsk. After Archangelsk, Schmidt went to Pushkino (north of Moscow) where he was appointed scientific director at the Central Instructional Farm. There, he devoted himself to the study of Russian sables in captivity.<sup>761</sup> Schmidt stayed in Pushkino until 1934. Other experts travelled temporarily to the USSR: Curt Sprehn followed Schmidt to Pushkino to teach Russian biologists about animal diseases. Friedrich Joppich, a German expert on rabbit breeding, travelled to the Soviet Union as well.<sup>762</sup> Instead of protecting its findings from foreign interests, the Leipzig research network shared them with the Soviets.

The helpfulness of the Leipzig network failed to transform Soviet fur farming into a reliable source for the Leipzig industry.<sup>763</sup> As we will see shortly, the Soviets radically modified their foreign trade policy, abandoning the New Economic Policy (NEP) in favour of Stalin's ambitious five-year plan. Instead of focusing on the export of resources, the five-year plan shifted attention to the export of industrial goods. Consequently, the resource exports from the Soviet Union dramatically decreased. The Leipzigers's gamble to export expertise on autarkic fur farming to the USSR failed not only because of the collapse of the NEP: it was also due to the fact that the USSR failed to convert foreign expertise into practical full-scale fur

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<sup>760</sup> Die Pelztierzucht, 1927. Nr. 1. p. 17. Paul Schöps. Der Russische Pelztierzucht.

<sup>761</sup> Sächs. HStA, Wirtschaftsministerium 11168, nr. 489. f. 193. Nachrichtlich. Oberregierungsrat. 26.10. 1928.

<sup>762</sup> StA-L, Hermelin-Verlag 21098, nr. 644. Friedr. Erlr. 6.2.1985.

<sup>763</sup> PA AA, Botschaft Moskau, nr. 467. Deutsch Russischer Verein zur Pflege und Förderung der gegenseitigen Handelsbeziehungen. an die Deutsche Botschaft Moskau.3.07.1926. „Es wird erzählt dass die Russen nur lebende Zobel nach vorher erfolgte Kastration aus ihrem Lande lassen“.

farming.<sup>764</sup> Whereas the farming business in the Soviet Union reached levels in 1930 that were comparable those in Germany in 1926 (738 silver foxes and 258 blue foxes), growth of fur farming largely stagnated afterwards.<sup>765</sup> In fact, fur farming in the USSR only acquired prominence after World War II. This is rather surprising given the larger agricultural potential and suitable climatic conditions for fur farming. This delay was partially connected to the Soviet Union's negative stance on genetic science. Applied Mendelian genetic science fell into disgrace in Russia: the Soviets adhered to the neo-Lamarckian ideas proposed by the peasant plant-breeder Lysenko.<sup>766</sup> Between 1936 and 1964, genetic science was denounced as capitalist and bourgeois.<sup>767</sup> Only in the late 1950s did experiments with fur farming attain momentum again and state fur farms continued to expand well into the 1980s. Genetic science revived only after World War II: this was epitomised by Dmitrii Beliaev's world famous experiments on taming foxes. With the support of Soviet fur farming and the neglect of domestic fur farming, the Leipzig industrial district and its research network had taken a few fateful decisions in their attempt to use fur farming as a resource base for their businesses.

## **6.7 The collapse of the Reichszentrale and the stabilisation of German fur farming, 1930-1939.**

Let us return to the situation of fur farming in Germany. I have demonstrated that the Leipzig network was plagued by external tensions between farmers' organisations and internal tensions between prominent members of the network. I have also described how fur farming ceased to be a priority in the second half of the 1920s when firms placed their hopes in the revival of international trade and sought to generate fur farming outside Germany. This section expands on these observations by examining developments in the 1930s, during which the link between the industry and fur farming drastically altered. The crisis of 1930 and the

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<sup>764</sup> Roth and Merz, *Wildlife Resources*, 212. "Fur farming was systematically developed in the former USSR only after the Second World War with emphasis on mink, Arctic and Red Foxes. According to various Russian sources state mink farms increased their production from about 2 million/annum during 1961/65 to 11.4 million/annum in 1981/85 reaching a peak of some 14,8 million pelts in 1994 of which 87 % came from the former large state farms and 13 % from smaller farms."

<sup>765</sup> Die Pelztierfarm, nr. 10, den 07.03.1931. Pelztierzucht in Russland (nach amtlichen Material).

<sup>766</sup> Richard Sakwa, *The Rise and Fall of the Soviet Union* (Routledge, 2005), 276.

<sup>767</sup> A. E. Gaissinovitsh and Mark B. Adams, "The Origins of Soviet Genetics and the Struggle with Lamarckism, 1922-1929," *Journal of the History of Biology* 13, no. 1 (April 1, 1980): 51; See also: Maxim W. Mikulak, "Darwinism, Soviet Genetics, and Marxism-Leninism," *Journal of the History of Ideas* 31, no. 3 (July 1, 1970): 359-376, doi:10.2307/2708511.

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continuous expansion of fur farming meant the end of the collective action in the industrial district in terms of agricultural research.

The economic crisis occurred at the point when German fur farming reached significant levels. The fur breeding business grew spectacularly between 1926 and 1934 (see figure 4). From 56 farms in 1926, the figure multiplied to an astounding 1,074 farms in 1931. Their geographical distribution remained largely unchanged. Bavaria and Prussia were still the central hubs of fur farming, although Prussia had clearly achieved predominance by this date. Nonetheless, the Bavarian Alps remained a central location for farming: Upper Bavaria was home to 123, which was significantly more than the two densest farming regions of Prussia, Eastern Prussia (42 farms) and Niederschlesien (about 90 farms).

States	Farms
Prussia	577
Bavaria	254
Saxony	41
Württemberg	74
Baden	13
Thüringen	26
Hessen	29
Others	60
Total	1,074

Table 6-3: Geographical distribution of German fur farms (1931)<sup>768</sup>

The motley variety of furbearing animals on the German farms is a particularly striking post-1926 development (figure 5). German farms domesticated up to six types of fur bearing animals. However, most farms remained specialised in the rearing of silver foxes (8,593) and mink (7,019). Germany's silver fox farming was still dwarfed by Canada (58,000) and Norway (35,000).<sup>769</sup> The popularity of silver fox breeding corresponded with changing patterns in the consumption in the interwar period, which favoured this variety of the common

<sup>768</sup> BArch, Reichsgesundheitsamt R 86, nr. 4926. Edelpelztierfarmen und Edelpelztierbestände im Deutschen Reich nach der Erhebung zu Anfang Februar 1931. Auszug aus „Vierteljahrshefte zur Statistik des Deutschen Reiches“. 40 Jahrgang 1931, 3. Heft.

<sup>769</sup> Die Pelztierfarm, nr. 37/39. 12-19.09.1931. Die Ergebnisse der Edelpelztierzählung im Deutschen Reich zu Anfang Februar 1931.

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fox.<sup>770</sup> Before the Great War, only about 3,000-4,000 silver foxes were sold annually on the world market: by 1931, turnover had climbed to an incredible 330,000.<sup>771</sup> World production of silver foxes continued to climb, reaching 400,000-500,000 skins in 1932, despite the economic crisis.<sup>772</sup> Farming was an important part of the global silver fox industry. Between 1932 and 1933, about 40,000 silver foxes were traded on the autumn and winter auctions in Leipzig: 10,000 of the pelts originated in German farms and the rest came from Austria, America, and Scandinavia.<sup>773</sup> By 1934, German fur farms had a breeding stock of 16,564 silver foxes.<sup>774</sup>

<b>Animal species</b>	<b>Farms</b>	<b>Number of animals</b>
Silver fox	467	8593
Arctic fox (blue fox)	43	306
Mink	441	7019
Raccoon	136	932
Nutria	179	1926
Karakuls	25	1508

**Table 6-4: Species of fur bearing animals raised on German farms (1931)**<sup>775</sup>

However, German fur farming's entrance onto the market coincided with the economic crisis of the early 1930s. This utterly shattered the high profit expectations that many had seen in the business. In the first place, lower demand and significant overproduction created downward pressures on price levels. In the early 1930s, the Reichszentrale feared for the future of fur breeding in its current form and ceased to welcome newcomers into the industry: "it must be noted that employment in fur farming has little future. A very large part of the German and other European fur farms operate today unprofitably. (...) The prices for these

<sup>770</sup> Die Kürschnerzeitung, nr. 2, 19.01.1913. „Die Weisse Pelzmode von Berlin“. The fashion in white furs had already become prominent before World War I.

<sup>771</sup> BArch, Reichsgesundheitsamt R86, nr. 4926. Ausschnitt aus der Deutsche Tageszeitung, no. 46. 18.02.1932.

<sup>772</sup> Sächs. HStA, Wirtschaftsministerium 11168, nr. 1979. Anlage C. Stellungnahme des Reichsverbandes der Deutschen Rauchwarenfirmer Sitz Leipzig EV. in Zusammenarbeit mit der Reichszentrale für Pelztier und Rauchwarenforschung Sitz Leipzig, zu den Vorschlägen vom 30.08.1933. und 26.09.1933.

<sup>773</sup> Sächs. HStA, Wirtschaftsministerium 11168, nr. 1979, f. 54. Dr. Paul Schöps, Leipzig Nikolaistraße 28-32 an Herrn Oberregierungsrat Dr. Grundmann Dresden. 24.11.1933.

<sup>774</sup> Sächs. HStA, Wirtschaftsministerium 11168, nr. 1979, f. 108. Der Freiheitskampf. No. 275. Vom 3/10/1934. 16564 lived in Germany in 1934.

<sup>775</sup> See: Der Kürschnerzeitung. Nr. 27. 21.09.1931. p. 711. Die Edelpelztierhaltung im Deutschen Reiche 1931. The number of animals concerns only the breeding basis that was used to 'produce' for the fur industry.

skins [silver fox and mink] had been increasing for a short time but now the value of silver fox pelts has decreased so drastically that the majority of farms need to cover the cost of farming.<sup>776</sup> Good quality pelts were still sold between 150 and 200RM but this was a massive decrease from pre-1930s levels when they were sold for over 1000RM. Furthermore, it was estimated that 150RM was of the cost raising a fox and lower graded pelts fell under this price level. This meant that many breeders were operating at a loss.<sup>777</sup>

The Reichszentrale sang its usual tune, blaming the various propaganda campaigns for fostering the speculative animal trade and creating an ‘unrealistic’ representation of the breeding industry.<sup>778</sup> Breeders, on the other hand, increasingly held the fur industry responsible for the low price levels. The first auction sale of German silver fox skins organised by the Leipzig fur industry, in November 1931, formed the starting point of the conflict. Fur farmers were largely unhappy about the outcome. The crisis and low price levels made the relationship between the industry and fur farming associations tense. An earthquake struck the relationship when the Association of German Fur Breeders, the organisation of breeders closely affiliated to Leipzig, decided to leave the Reichszentrale. Schöps and Walter Krause (a director of Friedrich Erler & Co), the managers of the Reichszentrale, left the board of the Association of German Fur Breeders.<sup>779</sup> Attempts by members of the research network like Walter Stichel to convince breeders to cooperate with the fur industry failed to bring the conflict to an end.<sup>780</sup> Due to the rupture within the fur farming association, the Reichszentrale and the farms had lost one of their closest and most important allies in the world of farming.

Instead, fur farmers organised a new association independent of the fur industry, the Sales Cooperative of German Fur Breeders (*Fellverwertungsgenossenschaft Deutscher Edelpelztierzüchter*). Its discourse, organisation, and practices were surprisingly redolent of the rabbit breeding organisation established after World War I. The cooperative and its techniques of self-help undermined the creation of a chain favourable to the Leipzig business.

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<sup>776</sup> Sächs. HStA, Wirtschaftsministerium 11168, nr. 490. ff 162-166. Reichszentrale für Pelztier und Rauchwarenforschung Leipzig an das Sächsisches Wirtschaftsministerium, Leipzig. 30.09.1931.

<sup>777</sup> Sächs. HStA, Wirtschaftsministerium 11168, nr. 490, ff. 173-174. Pelztierzucht und Kapitalanlage.

<sup>778</sup> Sächs. HStA, Wirtschaftsministerium 11168, nr. 490, f. 148. Reichszentrale für Pelztier und Rauchwarenforschung an das Polizeipräsidium, Kriminal Abteilung. Berlin. 21.09.1931.

<sup>779</sup> Sächs. HStA, Wirtschaftsministerium 11168, nr. 1979. Mitteilung des Herrn Landw-Rat Dr. Heininchen am 11.11.1931

<sup>780</sup> Wolfgang Stichel, *Fellverwertung. Vortrag Gehalten Anlässlich Der Ausserordentlichen Mitgliederversammlung Des Reichsverbandes Deutscher Edelpelztierzüchter in Hamburg, 1932.*

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First, it formed a forum against business interests in farming. In early 1932, the cooperative continuously blamed the fur industry for deliberately keeping prices down. A farmer from Langenhennersdorf noted in 1934 that the fur industry “succeeded in refining the imitation of furs and the sales of Germany’s farmed furs is obstructed by the imports of skins from [other] countries to lower production costs.”<sup>781</sup> Second, the German fur farmers entertained a plan to serve foreign markets. The London market appeared to be an attractive alternative for the Cooperative: “in contrast to the Leipzig market, the number of silver foxes sold on the London market amounted to 66,000 and 55,000 items in January and February 1932 [respectively]. During both auctions, the entire offer has been fully sold at good prices, while the sales in Leipzig went slow and furs were sold at very low prices.”<sup>782</sup> Mention was made that the fur breeders were negotiating with foreign dealers, and the Theodor Thorer company, one of the founders of the Reichszentrale, would operate as the go-between. The Reichszentrale was infuriated by this development: “the way of dealing proposed by the Cooperative, sending German farm skins to London so that they are then bought again by German fur dealers there, who will have pay the not inconsiderable auction fees to the English, is a preposterous proposal.”<sup>783</sup> If even a firm like Thorer was operating contrary to the interests of its own research institutions, the latter’s influence is questionable.

With its loss of influence over fur farming, the research network became superfluous. In addition, fur firms, plagued by the economic depression, tried to lower their contribution to the Reichszentral. Similarly, state funding, especially that from the City Council, the Leipzig Chamber of Commerce, the Saxon Government, and the Prussian Ministry of Agriculture, was severely curtailed.<sup>784</sup> By 1932, it was clear that the existence of a joint research network was no longer desirable. Hollender and Krausse tried to transfer the institution to the Leipzig University, since it could no long afford to rent its location, let alone perform its basic

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<sup>781</sup> Sächs. HStA, Wirtschaftsministerium 11168, nr. 1979, f. 120. Abschrift. Bericht der Landesfachgruppe Pelztierzüchter, erstattet von Major a.D. Sachsse, Langenhennersdorf, Edelpelztierzucht, Malepartus. s.d.

<sup>782</sup> Sächs. HStA, Wirtschaftsministerium 11168, nr. 490, f. 188. Durchschlag, 24.03.1932.

<sup>783</sup> Sächs. HStA, Wirtschaftsministerium nr. 490, ff. 191-195. Reichszentrale für Pelztier und Rauchwarenforschung, an das Sächsisches Wirtschaftsministerium, Abteilung Handel und Gewerbe, Dresden, 6.05.1932. The reaction noted further: “The pioneers of German fur farming, who came from the main part of the fur industry, were not guided by the idea that in the future a good portion of those now in Germany accrued skins no longer need to be brought in from abroad, but even could represent an important export product.” Again, rewrite.

<sup>784</sup> Stadt-AL, Kap 35, 1406, bd.1. Reichszentrale für Pelztier und Rauchwarenforschung, Leipzig, an den Rat der Stadt Leipzig, neues Rathaus, 17.09.1932.

tasks.<sup>785</sup> However, the university refused to house Reichszentrale within the university walls.<sup>786</sup> The Reichszentrale thus owed its survival to a lack of interest of the university but its role was marginal after 1932. Attempts to push the network towards research into synthetic dyeing were equally ineffective. In times of crisis, no firms or public institutions were willing to fund the research institute.

The rolling back of research funding was an international phenomenon. The Development Department of the Hudson's Bay Company was also shutdown in 1932.<sup>787</sup> A consensus within the firm had grown around the supposition that the company's involvement in fur farming was too costly and not only because of the isolated locations required. It was reputed that the company had lost most of its \$350,000 investment since 1926 without much visible return.<sup>788</sup> The company decided to stop its activities in traditional fox farming and henceforth followed a less intensive variant whereby local governments leased out large preserves of animals populations.

Nevertheless, German fur farming continued to grow unabated, despite the economic crisis and the discordant relationship with the industry. In 1934, the number of fur farms had doubled to 2,015 farms.<sup>789</sup> Therefore, the role of fur farms as a supplier to the fur industry continued to grow. Relations between business and farmers finally calmed when the effects of the crisis petered out and the Nazis started to organise the practice of fur breeding and its commercial exploitation. In contrast to the Weimar administration, the Nazis were sympathetic to the autarkic potential of small-scale animal breeding. Like many other groups of small animal breeders, the Reich Food Corporation (*Reichsnahrstand*) incorporated the fur farmers in an overarching institution, the Reich Professional Association of Fur Farmers (*Reichsfachgruppe Pelztierzüchter*).<sup>790</sup> State dirigisme and the focus on self-sufficiency central to Nazi economic policy made farmed furs increasingly prominent at the Leipzig auctions. In 1935, the RAVAG noted that German products acquired a larger role in the fur

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<sup>785</sup> Leipziger Universitätsarchiv. Rep II/I/LL bd. 1. 1932. Rat der Stadt Leipzig. Schuldamt. An se. Magnifizenz, den Herrn Rektor der Universität, Leipzig, 03.12.1932. In 1932, the city decided that the Reichszentrale had to rent the buildings it previously occupied for free.

<sup>786</sup> Ibidem, Universitätsrentamt, an Seine Magnifizenz den Herrn Rektor der Universität 12.05.1933.

<sup>787</sup> A new bureau was created in 1934 but was limited to study fisheries.

<sup>788</sup> TNA, Hudson Bay Company Archives (Microfilm Copy), Public Record Office (BH 2653) A 92.17.291. London Correspondence: Official/General. Inwards from Canadian Committee, 1.31.1935. f. 44. Enclosure to CCP no. 218. 5.12.1935.

<sup>789</sup> Vogelsang, "Die Tierzucht in Der Zeit Der Weimarer Republik Und Des Nationalsozialismus," 105.

<sup>790</sup> Ibid.

market: “due to the expansion of fur farming in Germany, larger deliveries for auctions are to be expected in the near future.”<sup>791</sup> In 1938, the RAVAG concluded an important deal with two fur farming cooperatives in Berlin. The contract involved the sale of an unprecedented number of farmed skins, 14,000 silver fox and 25,000 mink.<sup>792</sup> In turn, the RAVAG granted a 300,000RM advance to the farmers. It was therefore the first large contract between the German fur industry and the farming business. The contract adequately illuminates the progress of the German fur farming after 1935. The auction company generally sold around 30,000 silver fox skins and 5,000 mink skins annually in the period between 1934 and 1936.<sup>793</sup> In 1936, the RAVAG only sold 3,000 farmed fox skins in Germany but in 1938 they increased the number to 14,000. While firms had failed to establish Leipzig as a centre of expertise, fur farming was now an integral part of the economy of the Leipzig district on the eve of World War II.

## 6.8 Conclusion.

The development of fur farming led to collective action in the industrial district. The result was the foundation of the Reichszentrale, whose function it was to create networks with scientists and experts. The institution was not a traditional research station that worked on behalf of a number of firms. It was never the intention of the industry to fund a fully equipped research centre: rather, it was intended to profit from the formation of an epistemic community of scientists. The structure and geography of the network resembled the way in which the district participants tried to profit from local resources and endowments. The large majority of researchers connected to the centre came from Leipzig or university towns nearby. The industry profited especially from the creation of a veterinary faculty at the Leipzig University. Aside from the two experimental farms in Leipzig and in the Alps, the institute had little infrastructure other than its bureaus in Leipzig. However, it made use of the infrastructure of adjacent research institutions like the Zoological Institute in Tharandt.

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<sup>791</sup> StA-L, Commerzbank 21016, nr. 58, f. 75. RAVAG. Geschäftsbericht 1935, Leipzig, 20.03.1936.

<sup>792</sup> StA-L, Commerzbank 21016, nr. 413, f. 153. Gemeinsame Edelpelztierzucht e.V. Berlin, an die RAVAG Rauchwaren-Versteigerungsgesellschaft, Grabs & Wiesemann. 27.09.1938.

<sup>793</sup> StA-L, Commerzbank 21016, nr. 58, f. 75. Geschäftsbericht 1934, f. 78, Geschäftsbericht 1935, f. 79. Geschäftsbericht 1936. Silver and blue fox skins sales amounted to 28,387 in 1934, 32,444 in 1935, and 34,006 in 1936. The sale of mink was 3,986 in 1934, 4,697 in 1935, and 6,265 in 1936.



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However, the centre's underlying aim, to unify the interests of university scientists, farmers, and industry, largely failed. Firstly, the creation of a production paradigm suffered from problems comparable to those described in the previous chapters. It was not a straightforward task to incorporate and govern new resource producers as suppliers for the industry. Similar tensions between resource producers and the fur industry have been also been unearthed in karakul farming in South West Africa and seemed endemic to fur farming. In addition, processes of rationalisation and professionalisation were difficult to introduce into the social world of breeders. Secondly, the relationship between Leipzig and several of its most prominent scientists was lukewarm at best. Initially, agricultural experts and the industry found common ground in their shared disdain for the speculative animal trade, a practice that endangered the stabilisation of fur farming as a resource supplier. However, in regards to different subjects, scientists followed rationales other than those set out by the institute and the industry. Several scientists refused to accommodate themselves to the desires of the industry. The veterinary protection of the domestic farming industry was a particular bone of contention.

The Reichszentrale never came close to fulfilling the ambitious aim of transforming Leipzig into a centre of fur farming and other related activities. The main reason for this was related to the fact that the Leipzig institute possessed few means of accomplishing this goal. Why did firms not significantly increase the budget for the institute that financed research into agricultural research and synthetic fur dyeing? Firstly, the reluctance can be explained by the unattractiveness of investing in expertise and development that was remote from the specialised activities of their businesses. It proved difficult to transcend individual specialism and join an overarching project. Secondly, it is not unusual for certain innovations to be slowly implemented by district participants. Michael Porter has argued “that a sort of groupthink can suppress new ideas or create rigidities that prevent improvements.”<sup>794</sup> So, whereas firms perceived the potential of fur farming relatively quickly, inertia characterised the further expansion of research and thus the development of fur farming. Firms and members of the institute lost their belief in fur farming within German borders and returned to the traditional perception that saw the sourcing of furs as an object of foreign trade. Thus, members of the Leipzig-owned experimental farm lent their support to the creation of fur farming in the USSR. With the revival of international trade in the late 1920s they saw no

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<sup>794</sup> Porter, “Locations, Clusters, and Company Strategy,” 262.

harm in giving up the prospect of self-sufficiency, which was after all the main advantage of fur farming.

However, comparisons have stressed that the failure to create research and development in Leipzig were not specific to the region. I have pointed out that it was hard for fur firms to generate substantial return on investments in fur farming. Even the Hudson's Bay Company, a company that rested on a comparatively large infrastructure, failed to integrate fur farming into its business activities. In America, universities and the government monopolised research. Without wanting to overstretch this asymmetrical comparison, a few elements of the fur farming's development in Germany should be nuanced. There was the problem of speculation, which delayed fur farming entering a stable pelting phase. Equally important is that reluctance towards investment in fur farming was not a unique feature of Leipzig but was to be found across German borders as well. Returns on investments were generally low. Moreover, there were learning costs as well. Many decisions made in the initial stage led to cost increases. For instance, fur firms in Leipzig and the HBC were inclined to stimulate fur farms in isolated places, an expensive practice. The failure to link fur farming to the world of business had its roots both in the traditionalism of fur businesses and the unstable basis of fur breeding in its early stages. In sum, the problematic relationship with farming was endemic in the international fur business. This has to be seen alongside the tension between the interests of fur breeders and the Leipzig fur industry and the equally troubled relationship between university scientists and industry in explaining the shortcomings of its network-based research and development model.

Nevertheless, the examination of a small institution has shown that processes of scientification can take alternative shapes in the context of an industrial district. Historical scholarship should continue to pay attention to alternatives to the classic models of in-house research, formalised partnerships between business and university, and public-private partnerships. Many processes of innovation were set in motion as a result of network activity. It should be stressed that the functioning of the network was not inimical to the development of fur farming. On the contrary, the network was able to generate research on various aspects of fur farming and its members did influence the farming business in terms of animal management and sanitation. Nonetheless, processes of innovation in the industrial district were messy: they were set up relatively easily but fell into inertia just as quickly since a common strategy for the implementation of innovation was absent.

**PART III:**  
**The Golden but**  
**Turbulent Twenties.**  
**Local Adaptation and World**  
**Market Restructuring.**



## **7 Business as usual? The Leipzig business community and adaptation to world market restructuring, 1919-1925.**

### **7.1 Introduction: a new context for internationalisation.**

During and after World War I, the international fur industry underwent considerable transformations. North American markets and manufacturing centres gained more prominence and the formation of the Soviet Union drastically changed the parameters that governed the trade in Siberian furs. The position of the Leipzig fur industry in the commodity chain was traditionally based on its historical favourable position in the East-West transit trade. Part III of the thesis is entirely devoted to the impact of world market restructuring on the industrial district of Leipzig. What was the future of Leipzig and its SMEs in the post-war trade? How did firms react to the transformations in the world market? What were their effects on local embeddedness? As the title of this chapter indicates, it will stress patterns of continuity in both local arrangements and international trade. These will show how the industrial district carved out a future in the new trade system. However, it is also impossible to ignore discontinuities like the formation of new economic institutions and the spatial developments that characterised the international fur trade after World War I. This chapter is therefore also devoted to examining the changing patterns of the world market and connecting them systematically with the industrial district in Leipzig.

One of the most radical transformations was the creation of the Soviet monopoly on foreign trade. The USSR state monopoly not only changed the parameters of international trade but also caused a process of spatial redistribution in the fur trade. In essence, its creation complicated the international commerce of private firms. Firstly, the firms that controlled the organisation of foreign trade lost their privileged access to raw materials. Secondly, the state monopoly limited the number of potential transactions. Russian private businesses and middlemen were replaced by a complex myriad of Soviet trade institutions. In particular, the trade delegations outside the USSR, primarily those in London (ARCOS), New York

(Amtorg) and Berlin (Handelsvertretung der UdSSR), controlled most exports.<sup>795</sup> The Soviet Department of Trade determined the trade flows and controlled the currencies allocated to import and export.<sup>796</sup> Firms thereby lost control over various stages of the commodity chain and were forced to adjust to this new framework.<sup>797</sup> In sum, transactions no longer took place in a ‘free’ market system in the fairs inside and outside Russia and steered by tariffs, but were hosted by state agencies of various kinds and made subject to the domestic and international political considerations of the new communist state.

Despite the complexity surrounding the trade monopoly, it has often been argued that industrialists during the early years of the Weimar republic remained oriented towards trading with the east. The experiences of the profitable ‘Russian trade’ (*Russengeschäft*) before World War I were central for post-war trade revival: historian Pogge von Strandmann has called this the “pressure of continuity.”<sup>798</sup> However, few attempts have been made to empirically study firms’ strategies in the pursuit of the ‘Soviet trade,’ except for big businesses like Siemens, which managed to adapt their international business strategies to the framework of trade opportunities set out by the Soviet monopoly.<sup>799</sup> The narrow focus on big business has emphasised the formation of international cartels and close ties between businesses and government to revive Soviet trade.<sup>800</sup> Indeed, dealings with the Soviets seemed to favour increases in size. Smaller entities have far largely been neglected in the so-called Russian business of the 1920s and processes of internationalisation. Does the “pressure of continuity” also apply to district participants with a similar track record of trading in Russia? Moreover, what strategies did firms follow to meet the conditions set out by the Soviet monopoly and to profit from opportunities in the changing nature of international trade?

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<sup>795</sup> John B Quigley, *The Soviet Foreign Trade Monopoly; Institutions and Laws* (Columbus: Ohio State University Press, 1974), 35. The Gostorg was responsible for domestic procurement but the transaction with foreigners was conducted through trade delegations. In turn, trade delegations cooperated with procurement agencies.

<sup>796</sup> Lewis, “Foreign Economic Relations,” 202.

<sup>797</sup> Dohan, “Soviet Foreign Trade in the NEP Economy and Soviet Industrialization Strategy,” 151. See FN 96, based on S.A. Prokrovskii: *Vneshniaia torgovlia i vneshniaia torgovaia politika Rossii* (Moscow: Mezhdunarodnaia Kniga, 1947). Prokrovskii systematically analysed Germany’s historical role in Russian foreign trade and described the domination of German traders in the trade in commodities like fur, flax, and platinum.

<sup>798</sup> Hartmut Pogge Von Strandmann, “Großindustrie und Rapallopolitik. Deutsch-Sowjetische Handelsbeziehungen in der Weimarer Republik,” *Historische Zeitschrift* 222, no. 2 (April 1, 1976): 269.

<sup>799</sup> Martin Lutz, *Siemens Im Sowjetgeschäft. Eine Institutionengeschichte der Deutsch-Sowjetischen Beziehungen 1917–1933* (Stuttgart: Franz Steiner Verlag, 2011).

<sup>800</sup> Schröter, “Europe in the Strategies of Germany’s Electrical Engineering and Chemical Trusts, 1919-1929,” 42.

Indeed, despite the “bureaucratisation” of trade, commerce with the Soviets was certainly not impossible. Foreign trade, and therefore connections to trade partners, ranked high among the priorities of the economically troubled USSR. The monopoly was exploited in order to level the balance-of-payments, which was running a problematic deficit. As such, the need for foreign currencies was highly pressing in the USSR: this stimulated the resumption of exports. As a result, the Soviet export trade continued to place the obtainment of credits and advance payments central in foreign trade relations, just like in the tsarist era.<sup>801</sup> In addition, the monopoly created opportunities in other ways. It was heavily contested and attempts to circumvent it initiated the search for alternative trade routes. The power vacuum caused by the civil war opened up competition in the frontier regions of the Soviet Union. In addition, smuggling became a widespread practice because of deficiencies and loopholes in the new trade system. It is important to note that fur firms oriented themselves towards both opportunities and the impositions of the trade monopoly. The district firms had to reinvent the position of Leipzig as an international market with regard to the Russian trade in between the loopholes and official partnerships. In addition, they had to take increased competition from North American business into account.

In the introduction, I noted that reactions towards macroeconomic changes entailed two reactions in the district. On the one hand, the lead firms that acted as gatekeepers in creating links with between the industrial district and the outside world surfaced. On the other hand, the central assumption of this research is that exogenous challenges set in motion processes of collective action in the district. This third part of the thesis encompasses both patterns in the light of the changes in the commodity chain that occurred before the outbreak of the economic crisis in 1930. Although emphasis has been placed upon inter-firm collaboration, the strategies of individual firms mattered, especially in the immediate aftermath of the war when the global economy of furs was being restructured and the new system of trade was still highly unpredictable. As we saw in chapter 2, several lead firms were more active on foreign markets than others. Thus it has been established that several firms had the status of lead firms and linked the industrial district to foreign markets. The chapter will examine the actions of the lead firms of the industrial district in the 1920s and question their role in the re-admission to the world market. In addition, I will also examine the extent to which the function of lead

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<sup>801</sup> Manfred Pohl, *Die Finanzierung der Russengeschäfte zwischen den beiden Weltkriegen: d. Entwicklung d. 12 grossen Russlandkonsortien* (Frankfurt am Main: Knapp, 1975).

firms had ramifications on the social structure of the industrial district. The other two chapters of this section will then examine processes of inter-firm cooperation in the light of exogenous changes.

The chapter is divided in two large parts. In the first part, I devote attention the changing parameters of international trade pertaining to the commodity chain in furs in the aftermath of World War I. I will pay attention to the developments in transatlantic trade, where North American cities and their trade institutions acquired a more prominent position. More profound and vital for the foreign relations of the Leipzig district were the developments in the trade of Siberian furs: this was characterised by the introduction of the Soviet state monopoly. The construction of the Soviet trade and its dealings with Leipzig firms is therefore highly prominent. In the second part, I will consider processes of spatial restructuring in the international fur trade from the point of view of Leipzig so as to acquire a better understanding of its international position immediately after World War I. The section on the new spatial dimension of the post-war fur trade is concluded with reflections on the embeddedness of the Leipzig fur industry and new processes of internationalisation.

## **7.2 Emerging markets and interfering states. The transformation of the international fur commerce in the 1920s.**

### ***7.2.1 Emerging fur industry and trade in North America.***

An important development in the international commerce of furs was the growing importance of North America, not only in commerce and manufacturing but also in terms of consumption. Particular cities across the Atlantic surfaced as leading manufacturing centres either before or during World War I, when warfare obstructed transatlantic trade with London and continental markets. North American cities emerged as new markets and were chiefly constructed around auction sales. A number of New York fur firms established the New York Fur Auction Sales Corporation in 1916.<sup>802</sup> The foundation of the New York Fur Auction had a surprising

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<sup>802</sup> Frank Tough, *As Their Natural Resources Fail: Native Peoples and the Economic History of Northern Manitoba, 1870-1930* (Vancouver: UBC Press, 2011), 258.



connection to the fur business in Leipzig. Many merchants of German or Jewish descent who were involved in the new auction house had ties to the business world in Leipzig. Saint Louis established itself as a centre earlier than New York: both auction centres replaced sales of particular types of furs in London and kept profits in America. In Canada, Montreal came to play an important role in terms of trade and manufacturing: it was joined by Toronto and Winnipeg.<sup>803</sup> Montreal transformed into a prominent fur auction centre when Canadian fur dealers established the Canadian Fur Auction Sales Company in 1920.<sup>804</sup> At the first auction, the company sold 949,565 pelts valued at \$5,037,114.<sup>805</sup>

The development of new buying structures across the Atlantic meant heavy competition for London as a market for international furs. Before World War I, London dominated the organisation of Canadian fur sales. Of the \$5,100,000 of undressed furs destined for the USA and Great Britain, \$3,000,000 went to the latter. Between 1915 and 1930, most of the shipped Canadian raw furs were sent to the United States. At that time, 20 to 40% of the Canadian fur exports went to Great Britain on average.<sup>806</sup> Particularly revealing are the Canadian export figures of 1923: the British market absorbed \$4,473,968 of the \$16,206,225 total while the American merchants purchased most of the rest.<sup>807</sup>

However, London's role as a staple centre of North American furs was not yet over. The loss of market share because of the war had sharpened the collective identity of British firms in the fur industry, particularly so in London. After the conflict, firms there founded institutions to safeguard the interests of London as a primary fur market. In 1919, the London Fur Trade Association was established and it was followed by the nationwide British Fur Trade Alliance in 1924. Both these bodies united the majority of employers and lobbied for matters relating to trade and labour.<sup>808</sup> In the long run, the market share of London was gradually restored and balanced with North American markets. In the early 1930s, the London market once again

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<sup>803</sup> Joan Sangster, "Making a Fur Coat: Women, the Labouring Body, and Working-Class History," *International Review of Social History* 52, no. 2 (2007): 255.

<sup>804</sup> Ray, *The Canadian Fur Trade in the Industrial Age*, 101.

<sup>805</sup> Berenbaum and Skolnik, "Fur Trade and Industry," 2007, 314. According to a census held in the 1930s, approximately 80% of the employees and 90% of directors in the American fur industry were Jews. In Canada as well, the contribution of immigrant Jewish merchants in transforming these cities into primary fur markets was considerable. Here, roughly 50% of the employers were Jewish and Jews constituted 30% of the labour force. However, the new institutions in Canada had few relations with Leipzig businessmen.

<sup>806</sup> Ray, *The Canadian Fur Trade in the Industrial Age*, 65.

<sup>807</sup> TNA, Hudson Bay Company Archives (Microfilm Copy), Public Record Office, BH 2639, A92/17/102 Canada Dominion Bureau of Statistics Fur Branch, Fur Production of Canada, Season 1922-23. Published by the Minister of Trade and Commerce, Ottawa, 1924.

<sup>808</sup> *The Fur World*, 1925, vol. 20, nr. 1. p. 20. Trade Organisation. The Suggested alternative to a trade board.

dominated the trade of Canadian undressed furs. Between 1932 and 1934, London's share in the sale of Canadian raw furs fluctuated at around 64%.<sup>809</sup> Nevertheless, the commodity chain in American furs had changed: it was increasingly characterised by prominent new markets, foremost New York and Montreal.

### ***7.2.2 The creation of the Soviet foreign trade monopoly in the fur trade (1921-1925).***

In the commodity chain of Siberian furs, changes were more far-reaching. On 22 April 1918, Lenin's decree "On the Nationalisation of Foreign Trade" began an earthquake in the international trade. It stipulated that foreign trade was to be conducted by official institutions of the Soviet Union. Therefore, foreign firms that imported or traded with the Soviet Union were forced to deal with the state agencies that replaced Russian traders and foreign firms.<sup>810</sup> The monopolisation of trade by the state theoretically ended the privileged access of foreign firms to fur resources and the organisation of exports. In practice, however, the monopoly of foreign trade remained dead letter, at least until 1923. It was difficult to establish a state monopoly in Russia for numerous reasons. Firstly, exigencies complicated the drastic transformation of economic organisation. The Russian economy had already suffered heavily from the loss of sales markets during the war and the trade deficit had deepened rapidly.<sup>811</sup> The civil war and the accompanying system of war communism further ravaged the economy.

Secondly, there was the refusal in the capitalist world to acknowledge the victory of communism in Russia. Trade relations normalised slightly when the Soviets signed a temporary trade agreement, negotiated by Leonid Krasin, with Great Britain in 1921. As a result, the Soviets established a trade delegation in London, the All Russian Cooperative Society (ARCOS).<sup>812</sup> Although the temporary agreement signified both a commercial and diplomatic breakthrough, it failed to produce a ratchet effect on the USSR's foreign trade. Western businesses and government representatives remained highly sceptical of the Soviet

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<sup>809</sup> LAC, RG84-A-2-a, File no. U270, (Microfilm reel T-12898), f. 824. Fur Production of Canada, Season, 1935-36. British imports continued to overshadow American ones in the following years: in 1933, \$7,122,874 of \$ 11,180,052, in 1934, \$8,723,485 of \$13,944,821, and in 1935 \$ 9,755,922 of \$15,224,342.

<sup>810</sup> Martin McCauley, *The Longman Companion to Russia since 1914* (London; New York: Longman, 1998), 88.

<sup>811</sup> Peter Gatrell, "Poor Russia, Poor Show: Mobilising a Backward Economy for War, 1914-1917," in *The Economics of World War I* (Cambridge: Cambridge University Press, 2005), 271.

<sup>812</sup> M. V. Glenny, "The Anglo-Soviet Trade Agreement, March 1921," *Journal of Contemporary History* 5, no. 2 (January 1, 1970): 80-81.

experiment. Trade relations further ‘normalised’ in favour of the Soviets in the wake of the failure of the Genoa conference in 1922. The Soviets and the Germans signed a separate agreement in Rapallo as an alternative to Genoa: this further disrupted attempts to adopt a unified trade policy towards the Soviet Union and opened the door for international competition over the export of Russian commodities.<sup>813</sup>

For the USSR, the trade monopoly and the search for foreign trade partners were of crucial importance since foreign trade was paramount for economic recovery. The idea was to stimulate the export business in order to gain the currency necessary to import the machinery and goods needed for the construction of an industrial infrastructure.<sup>814</sup> Illustrative are the plans made by officials of Gosplan for yearly exports in the early twenties. Lacking alternatives, the schemes centered on a surge in the export of agricultural commodities and resources. However, due to the assault on ‘kulak’ landownership, grain production slowed and failed to meet the export quotas designed by Soviet planners. However, the share of oil products, flax, and furs in the structure of trade increased spectacularly, largely because underachievement in the production of agricultural commodities. Due to these factors, the fur trade acquired a prominent position within the overall trade structure. In fact, furs came to serve as one of the strategic pillars of the Soviet foreign trade in the 1920s, creating a relative export value that floated around 10% (see figure 1). The strategic role of furs (and not only during the NEP) in the economic consolidation of the Soviet Union is largely overlooked in Soviet economic history.

	Total export (in 1,000 roubles)	Furs export (in 1,000 roubles)	Furs relative to total export
1913	5,297,822	<b>22,597</b>	0.43%
1921/22	221,120	<b>7,709</b>	3.49%
1922/23	466,527	<b>17,702</b>	3.79%
1923/24	1,300,458	<b>64,621</b>	4.97%
1924/25	2,013,555	<b>234,600</b>	11.65%
1925/26	2,450,924	<b>241,493</b>	9.85%

Table 7-1: USSR export value of furs (1921-1926)<sup>815</sup>

<sup>813</sup> Quigley, *The Soviet Foreign Trade Monopoly; Institutions and Laws*, 20–23.

<sup>814</sup> Dohan, “Soviet Foreign Trade in the NEP Economy and Soviet Industrialization Strategy,” 241.

<sup>815</sup> *Vneshnaya torgovlya CCCP za 1918-1940 gg.* (Statisticheskii obzor), chast 1, p. 55, 80, 106. Export value of furs in 1913.

The comeback of furs as a revenue pump in the economic transition of the early Soviet Union was uncannily redolent of pre-Petrine times, when they had been one of the key commodities of the Muscovite tsardom. Furs had lost their strategic value in the long interlude. Whereas export of furs before 1914 represented no more than 1%, the Gosplan gave the Russian fur trade a larger role after 1921: it accounted for up to 5.5% of the Soviet Union's predicted exports. Indeed, between 1923 and 1927, the Russian fur trade exceeded the prospects set out by Gosplan as it contributed an astonishing 10.7% of the actual exports on average. At that time, only grain exports exceeded the value of furs.<sup>816</sup> The strategic value of furs is an aspect to keep in mind while considering the position of Leipzig in the interwar international fur business. The Soviet Union needed foreign sales markets for this strategic resource. This created both opportunities and pitfalls for foreign firms.

How did furs become so important to the Soviets? Firstly, the strategic importance was owed to the comparatively rapid resumption of fur procurement. Expressed in quantities, Soviet fur exports had already reached 70% of pre-war levels in the 1922-23 season, whereas fur procurement was only at 28% in 1921.<sup>817</sup> In comparison, foreign trade in its totality only reached 38% of pre-war levels in 1926. The gap in fur procurement between 1912 and 1924 narrowed because of the ending of the civil war: Siberia had been one of the central stages of the fighting. Secondly, it is possible that the standstill in the Russian fur trade during the war reversed the exhaustion of wildlife in the Siberian woodlands. Unfortunately, this interesting environmental dimension cannot be pursued here due to the lack of source material. In any case, the resumption of fur procurement once again came at the expense of wildlife. The priority given to the export plans overruled the implementation of environmental regulations and the desire to create a sustainable fur trade in several Soviet economic circles.<sup>818</sup> In 1924 and 1925, reports warned about the serious depletion of fur-bearing animals.<sup>819</sup> The 10% export level reached at that time was therefore an almost absolute boundary imposed by ecology. Thirdly and finally, the Soviets profited from price upswings determined by the world market, which largely had their source in the growing demand for furs in the USA. Pelts attained prices on the post-war market that were, on average, 259.9 % higher than in

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<sup>816</sup> Dohan, "Soviet Foreign Trade in the NEP Economy and Soviet Industrialization Strategy," 205.

<sup>817</sup> *Vneshnyaya trgovlya CCCP za 1918-1940 gg.* (Statisticheskiy obzor), chast 1. Quantities next to the relative value are an indication of fur procurement efficiency, since the prices had gone up considerably during the 1920s.

<sup>818</sup> Weiner, *Models of Nature*, 39-40.

<sup>819</sup> *Der Ost-Express*. Politisch-Wirtschaftlicher Nachrichtendienst aus Russland, Polen und den Oststaaten, vol. 7, nr. 27, p. 4. Russlands Rauchwarenexport 1924/1925. Export of furs were under the expectations for that year. Economic intelligence services talked about "serious depletion in numbers of fur-bearing animals."

1913.<sup>820</sup> These were the three defining features that made the fur trade paramount within the Soviet monopoly.

### 7.2.3 *The foreign markets for Siberian furs, 1921-1925.*

Who were the main partners of the new Soviet fur monopoly in furs? Initially, the Soviet government saw Great Britain as its main trade partner, a tendency evinced by the bilateral trade agreement and the establishment of the London trade agency ARCOS in 1921. Great Britain therefore emerged as the principal customer of Russian fur exports in the first half of the 1920s, as can be clearly seen in table 2.<sup>821</sup> Germany took a secondary role, with import levels that were much lower than the years leading up to World War I when German traders imported averagely between 60 to 80% of Russian furs. The efforts of Leipzig firms to re-enter the Russian business, which will be discussed later, only yielded a modest result. The exception was the 1922-23 season when Germany attracted 30% of the Soviet exports. Thus, as table 2 demonstrates, London temporarily turned into the main trade hub for Siberian furs.

Year	To Germany		To Great Britain		To the USA	
	In 1,000 roubles	% of fur exp. value	In 1,000 roubles	% of fur exp. value	In 1,000 roubles	% of fur exp. value
1921/22	<b>0</b>	0%	<b>742</b>	10%	<b>0</b>	0%
1922/23	<b>5,252</b>	30%	<b>1,917</b>	11%	<b>655</b>	4%
1923/24	<b>12,459</b>	19%	<b>20,928</b>	32%	<b>16,174</b>	25%
1924/25	<b>29,156</b>	12%	<b>12,1261</b>	52%	<b>53,747</b>	23%
1925/26	<b>42,320</b>	18%	<b>10,9042</b>	45%	<b>41,246</b>	17%

Table 7-2: Soviet fur exports to Germany, Great Britain, and the US<sup>822</sup>

These observations on the fur trade dovetail with Soviet-German economic relationships in the interwar period, which were only restored systematically in the second half of the 1920s. Initially, the Rapallo treaty between Germany and the USSR, which involved the most favoured nation principle, led to heightened economic activity in 1923 between the two

<sup>820</sup> Weiner, *Models of Nature*, 42. See FN 12. Based on price analysis in: P. A Berlin and V.G. Groman eds. *Ensiklopediia russkogo eksporta*, vol. 3. *Izvestiia Torgovogo predstavitelia SSSR v Germanii pri uschastii NKVT na Ukraine i Tsentrosoiuza* (Berlin, 1925), p. 4.

<sup>821</sup> Glenny, "The Anglo-Soviet Trade Agreement, March 1921."

<sup>822</sup> *Vneshnyaya torgovlya CCCP za 1918-1940 gg.* (Statisticheskii obzor), chast evropa, 423-562, Germaniya, pp. 520-521. Chast 1 Evropa, p. 449. Chast strani severnoy ameriki; p. 1045.

countries.<sup>823</sup> However, economic and political relationships reversed during the next few years. Firstly, after the withdrawal of Belgium-French troops from the Rhine area, Germany followed a course of reconciliation with Western powers that deprioritised efforts centred on the Soviet trade. In addition, other countries also established trade relations with the Soviets out of fear that Germany would dominate trade with the USSR.<sup>824</sup> Second, German relations with the Soviet Union were not good, despite the rapprochement in Rapallo. Germany refused to grant the Soviet trade agency in Berlin (established in 1921) extraterritorial rights. A police raid on the agency in 1924 (it was accused of financing communist activities) and Soviet support for German communist uprisings further disrupted trade relations between the two.<sup>825</sup> Furthermore, domestic developments in the Weimar republic, inflation in particular, had soured the reputation and position of German traders in international trade.<sup>826</sup> Imports were more expensive due to the inflation and had a ratchet effect on the export of manufactured furs.<sup>827</sup>

The result of these developments was that the British market became the principal supplier for the German fur trade. Particularly in the early 1920s, the prominent position of Britain (which it probably owed to the export of Russian furs) is clearly visible (see figures 1 and 2). Despite a decrease in Canadian furs, the British trade acquired a prominent position in the Soviet fur business in the first half of the 1920s.

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<sup>823</sup> Frederick Taylor, *Inflation der Untergang des Geldes in der Weimarer Republik und die Geburt eines deutschen Traumas* (München: Siedler, 2013), 190.

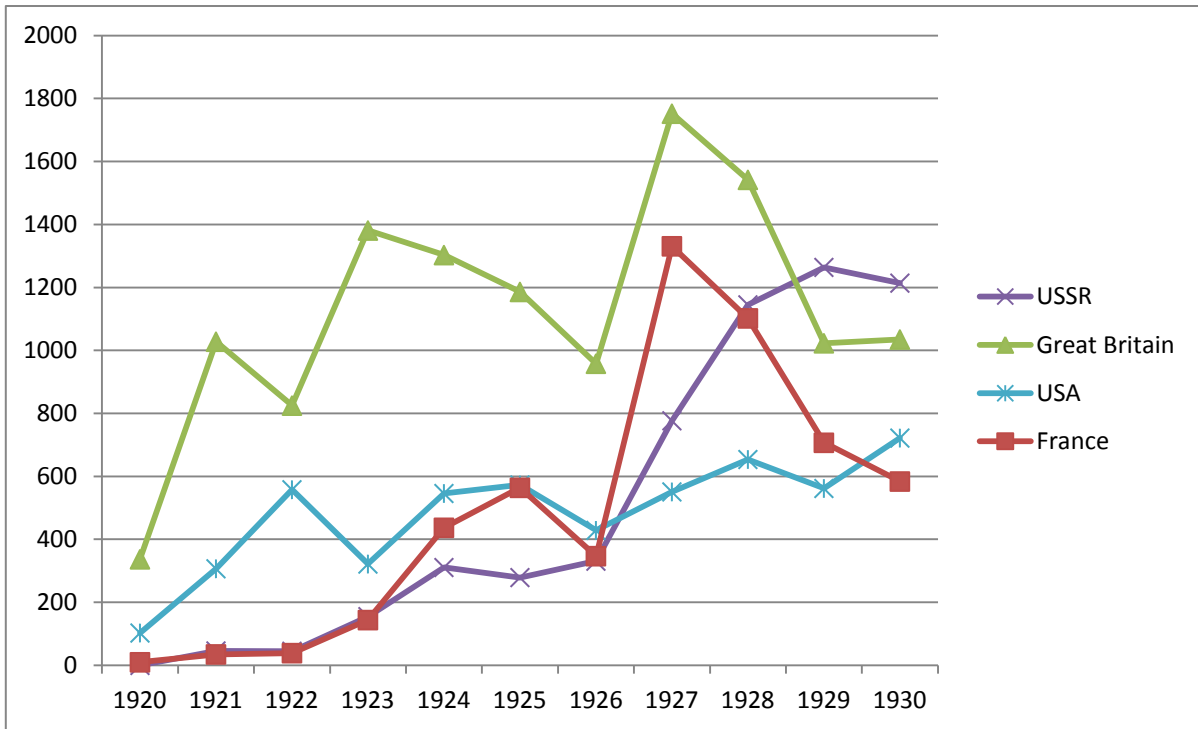
<sup>824</sup> Walter G. Moss, *A History Of Russia Volume 2: Since 1855* (place? Anthem Press, 2004), 280.

<sup>825</sup> Rolf-Dieter Müller, *Das Tor zur Weltmacht: die Bedeutung der Sowjetunion für die deutsche Wirtschafts- und Rüstungspolitik zwischen den Weltkriegen* (Boppard am Rhein: H. Boldt, 1984), 84.

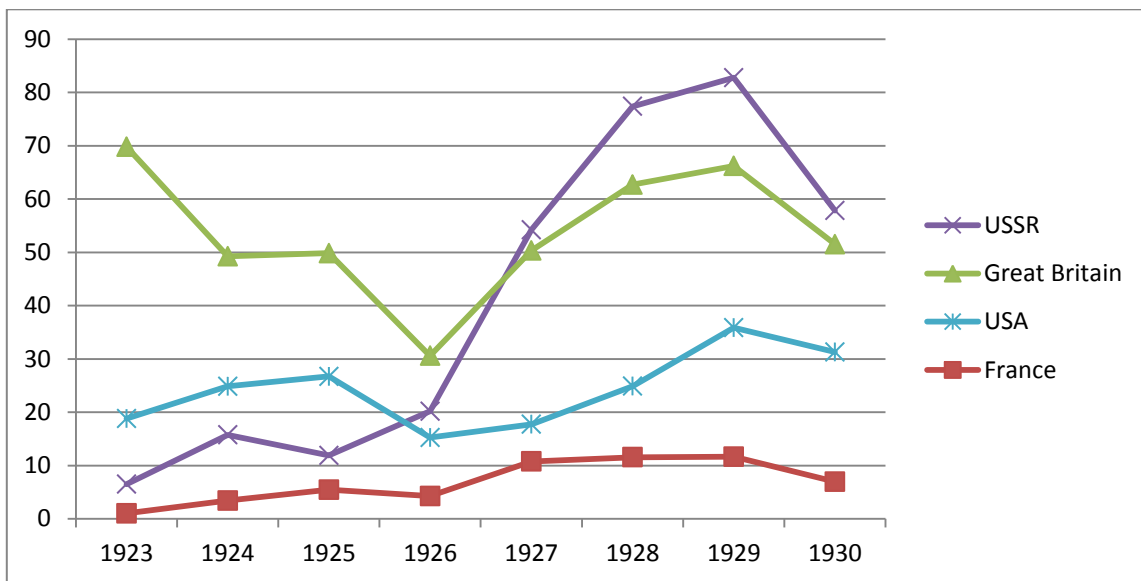
<sup>826</sup> Gross, "Selling Germany in South-Eastern Europe," 28.

<sup>827</sup> Taylor, *Inflation der Untergang des Geldes in der Weimarer Republik und die Geburt eines deutschen Traumas*, 176–177.

## Business as usual?



**Figure 7-1: Suppliers of raw fur to Germany (1920-1925) in tons.**<sup>828</sup>



**Figure 7-2: Suppliers of raw furs to Germany in millions of marks.**

However, the graphs above reveal that the leading position of Great Britain was maintained only for a short period of time. The trade statistics of Germany reveal a continuing preference for trading with the Soviet Union, which manifested itself strongly in the second half of the 1920s. In terms of quantity, Great Britain became the largest supplier. However, in terms of

<sup>828</sup> Based on the section VII Auswärtiger Handel in various statistical yearbooks of the series Statistisches Jahrbuch für das Deutsche Reich, yrs. 1927, 1924, 1923. Trade is given in quantities, since there is no value in currency mentioned to the import/export trade in Germany during the years 1919-1922.

value, Siberian furs represented a larger share after 1925. This suggested that raw furs from Siberian formed a relatively large share of imports to Germany in the second half of the 1920s. Thus, after 1925, the Soviet Union was the main provider of furs for Germany, especially in terms of value. Indeed, after the treaty of Berlin between the USSR and Germany in 1926, the commercial intentions of the Rapallo treaty were finally put into practice. With a subsequent credit arrangement of 300,000,000RM for exports, bilateral trade flows significantly improved. Consequently, fur exports to Germany followed the same upward trend.

The framework sketched out above allows us to examine the actions and strategies of individual fur businesses during this time. From the trade figures analysed, we have learnt that the German fur trade was progressively restored in the 1920s and that the Soviet fur trade assumed in an ever-increasing role in this comeback.<sup>829</sup> International political economy established the framework for trade but how did businesses adapt to the new framework? In the first place, we are interested in trade networks with the east. Given the position of Leipzig in the pre-war Russian fur trade and the resumption of the Soviet-German fur trade after 1925, it is reasonable to expect a similar orientation and “pressures of continuity.”<sup>830</sup> Indeed, prominent actors of the fur cluster had high hopes for the ‘Russian trade’ in the reconstruction of Leipzig’s fur market. The Leipzig Fur Merchants Association, the most important one in the city, stated in one of its 1921 general meetings that “if the Leipzig traders serve themselves from the old sources in Russia, pay for large quantities of Russian and Siberian staple goods in marks, and bring them to Leipzig to be manufactured again and exported, only then Leipzig will fully regain its old place in the world trade of furs.”<sup>831</sup> The idea that Leipzig should link up to the Russian trade was prevalent among businessmen. The next section will study the international orientation of the Leipzig fur firms, paying particular attention to the ‘old ties’ with the Russian market.

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<sup>829</sup> Strandmann, “Großindustrie und Rapallopolitik. Deutsch-Sowjetische Handelsbeziehungen in der Weimarer Republik,” 274.

<sup>830</sup> Ibid., 275.

<sup>831</sup> Malbin, *Der internationale rauchwarenhandel vor und nach dem Weltkriege unter besonderer berücksichtigung Leipzigs.*, 35.



#### ***7.2.4 On fur firms and the trade monopoly: An inquiry into old friendships and the 'nationality' advantage (1920-1925).***

This section will analyse the way in which Leipzig firms were able to reconnect with the Soviet foreign trade institutions. First of all, a certain 'pressure of continuity' will be described at the level of individual firms: the firms that were able to re-create bilateral contacts with the Soviet state agencies had already played a leading role in the Russian fur business prior to World War I. It should of course be noted that the Soviet trade monopoly was a source for inter-firm cooperation in the industrial district. The next chapter is devoted to that topic: here, we restrict ourselves to the initial stages of the monopoly and the actions of individual firms. Amongst the most prominent businesses active in the Soviet fur trade were the businesses created around the Eitingon, Biedermann, Thorer, and Ariowitsch families. Indeed, the trade conditions of the monopoly (bigger contracts and payment in advance) favoured larger businesses. However, the degree of continuity was not solely based on the size of the firm. As I will try to demonstrate, networks and connections, often based on pre-war business contacts in the Soviet Union, played a more prominent role as a pattern of continuity than has been hitherto assumed.

The Eitingon firm in particular had good connections with the London ARCOS export agency that exported approximately 70% of the furs procured in the Soviet Union between 1920 and 1923. The first fur contract issued by the ARCOS was granted to the 'Eitingon-Schild holding,' for the sum of \$1,750,000.<sup>832</sup> The value of this contract cannot be underestimated: it was the first million dollar deal between the Soviets and a western firm and was heralded as a breakthrough in international fur commerce. However, the ARCOS deal also reveals a 'locational' power shift within the Eitingon firm. The deal with the Soviets coincided with the ascent of Matwey Isakovitsch Eitingon, nephew and son-in-law of the founder Chaim Eitingon, in New York. After the war, Matwey Eitingon returned from Moscow to the US to work in the New York branch led by Waldemar Eitingon, the oldest son of Chaim.<sup>833</sup> When Waldemar died in June 1920, the leadership of the New York business was taken over by the ambitious Matwey, who preferred to call himself "Motty," a less Russian sounding name for

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<sup>832</sup> StA-L, Deutsche Bank, Filiale Leipzig 21017, nr. 309. Filiale Leipzig an Deutsche Bank Filialbüro. 27.12.1921

<sup>833</sup> New York Times, Bolsheviki Held Eitingon Family, 25.05.1919.

American ears.<sup>834</sup> It was through his personal networks in Moscow that Motty Eitingon won the first contract in Siberian furs issued by ARCOS. In addition, Monya Eitingon, a cousin of Motty and his former trustee in the Moscow branch, became the head of the important London branch.<sup>835</sup> With Motty as director of the New York branch and mastermind behind the first Soviet fur contract, the centre of power in the Eitingon family moved from Leipzig to New York.<sup>836</sup> I will come back later to what this shift meant for the embeddedness of the Eitingon firm in Leipzig. Let us first concentrate on the dealings of fur firms with the Soviet trade agencies where personal networks played a prominent part.

Motty Eitingon's fur deals with the Soviets show a rather unexpected continuity on the personal level. It is well known that the USSR incorporated a large group of former private entrepreneurs, traders, manufacturers and artisans, in order to speed up the process of economic recovery in the context of the NEP.<sup>837</sup> The historian Alan Ball described these businessmen and traders as "NEPmen" or, more thoughtfully, as "Russia's last capitalists" (since his book on the NEPmen was published before the collapse of the USSR, he could not have known about how inaccurate such a claim ultimately turned out to be). These NEPmen were tolerated by the Soviet authorities so that they could conduct trade and business in a semi-private fashion while their businesses were integrated into trusts or subordinated to state agencies.<sup>838</sup> They also played a leading role in trade agencies and foreign commerce as the need to set up export trade (foreign trade was seminal in economic recovery) forced the Soviets to make use of the expertise of private businessmen. Lenin, for one, realised that the Foreign Trade Commissariat was inefficient because of its inexperienced personnel.<sup>839</sup> Persons with important business functions before the war therefore reappeared both in the lower and higher echelons of the USSR's trade organisation. For instance, both Leonid Krasin, the minister of foreign trade after 1920, and Boris Stomoniakov, the leader of the Soviet delegation in Berlin, were former employees of the Siemens-Schuckert company in

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<sup>834</sup> Mary-Kay Wilmers, *The Eitingons: A Twentieth Century Story* (Place? Verso Books, 2012). When the Moscow branch was liquidated in 1917, Motty Eitingon refused to leave Russia. In 1918, the Bolsheviks locked him into the 'Butaika,' the public prison of Moscow. Only after paying half a million roubles was he released. In terms of his name, he is referred to as Motty Eitingon in almost all correspondence, so we will henceforth do the same.

<sup>835</sup> Ibid. The London house was named after the famous house in Moscow "The Moscow Fur Trading Company".

<sup>836</sup> StA-L, Deutsche Bank, Filiale Leipzig 21017, nr. 309. Filiale Leipzig an Deutsche Bank Filialbüro: 05.06.1920

<sup>837</sup> Alan M. Ball, *Russia's Last Capitalists: The Nepmen, 1921-1929* (University of California Press, 1990), xvi.

<sup>838</sup> Alan Ball, "Building a New State and Society: NEP, 1921-1928.," in *The Cambridge History of Russia. The Twentieth Century.*, ed. Ronald Suny, vol. 3 (Cambridge: University of Cambridge Press, 2006), 169.

<sup>839</sup> Quigley, *The Soviet Foreign Trade Monopoly; Institutions and Laws*, 30.

Germany and Moscow.<sup>840</sup> By the same token, former private fur dealers were integrated into the state agencies that ran the fur trade, especially since furs played a prominent role in Soviet foreign commerce.

A systematic account on NEPmen in the Soviet fur trade is unfortunately not available but several sources do affirm their infiltration of the new economic institutions. Their presence is to be found at every link in the fur chain: NEPmen acted as hunters, the middlemen of procurement agencies, and agents in foreign trade bureaus. According to Douglas Weiner, the implementation of hunting regulations in the USSR was heavily obstructed by “formerly independent fur traders and middlemen who brought not only their expertise but also their ethics to their Soviet positions.”<sup>841</sup> Western fur dealers also described the infiltration of NEPmen in the Soviet agencies, often without revealing their names or the institutions they worked for. The Russian commissioner who organised the abovementioned contract between Eitingon and the Soviets in London was said to be a “former Siberian agent of the Eitingon corporation.”<sup>842</sup> Eitingon had friends in higher places as well. Alexander Tyranovskii, a tsarist fur dealer and acquaintance of Motty, became the leader of one of the Soviet state agencies that procured furs.<sup>843</sup>

Continuity in the Siberian trade meant the continuity of old friendships and personal business relations. The personal connections with ARCOS in London gave Motty Eitingon a tremendous competitive advantage and it formed the basis for subsequent contracts. In 1923, another large share of the Russian raw fur export through London was transferred to Eitingon Schild & Co. The new contract involved the Eitigons paying \$3,000,000 to ARCOS. The Deutsche Bank in Leipzig, an important creditor for the Leipzig fur industry, noted in 1923 that “this contract caused a sensation in the fur trade because the already powerful position of Eitingon is further strengthened and the outlook of their situation is the most promising because of their connection to ARCOS.”<sup>844</sup>

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<sup>840</sup> Strandmann, “Großindustrie und Rapallopolitik. Deutsch-Sowjetische Handelsbeziehungen in der Weimarer Republik,” 276.

<sup>841</sup> Weiner, *Models of Nature*, 42. This observation on the continuity of procurement and traders by former private traders is based on newspapers such as ‘*Sovetskaia Sibir*.’

<sup>842</sup> Sta-L, Deutsche Bank, Filiale Leipzig 21017, nr. 309, Deutsche Bank Filiale Leipzig an Deutsche Bank Filialbüro Berlin, 29.12.1921

<sup>843</sup> Wilmers, *The Eitigons*.

<sup>844</sup> StA-L, Deutsche Bank, Filiale Leipzig 21017, Nr. 309. Abschrift Deutsche Bank Filiale Leipzig (Schönfeld, Naumann) an J. Schröder & Co, 145, Leadenhell street. Leipzig, 07.11.1923.

Another very specific advantage in the early Soviet business, and in international trade more generally, was based on advantages derived from citizenship: many Leipzig entrepreneurs with a migration background profited from this. The Eitingons, originating from Skhlov in Belarus, could travel more freely than their German counterparts in a world that was still inhospitable towards former enemies. Motty and Chaim travelled with their Russian passports after the war.<sup>845</sup> It is important to note that Russian Jews profited from their citizenship in another remarkable way. Despite a military law that ordered citizens of enemy nationalities to leave the city of Leipzig, the law was never strictly enforced against those of vital economic importance. In other words, Russian fur traders were allowed to stay in Leipzig throughout the war.<sup>846</sup> In addition, a special law in Leipzig prevented their possessions from being seen as enemy assets. Clearly, the local government was aware that strict implementation of the laws against enemy citizens would severely damage local business.

The Russian Jewish entrepreneur David Biedermann profited from the same nationality advantage. Biedermann was one of the few fur firms with connections to Leipzig that simply continued the Russian business during the war. When the war broke out, most of the firm's goods were still stockpiled in Russia but, unlike the Eitingons' Russian belongings, they were not sequestered. David Biedermann was therefore able to sell this stock in Britain and America. Furthermore, Biedermann's brother, residing on the other side of the eastern front, continued trading activities and visited the fairs in Nizhnii Novgorod on behalf of the Biedermann firm.<sup>847</sup> Profits reached 1,000,000 roubles in the fur business and 1,400,000 roubles in the wool and animal hair trade between 1914 and 1917.<sup>848</sup> Many of Biedermann's factories and trade posts in Manchuria and Mongolia remained operational long after the war. Biedermann's representatives continued to launch caravans into central Asia to barter for furs with local tribes. In the Far East trade, it was said that "Biedermann dominated the fur trade conducted at the Russian-Chinese border and even the Eitingon Schild concern remains of secondary importance over there."<sup>849</sup> This system remained operational until 1924.

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<sup>845</sup> Manfred Unger, ed., *Judaica Lipsiensia: Zur Geschichte der Juden in Leipzig* (Leipzig: Edition Leipzig, 1994), 270–271.

<sup>846</sup> Jon Gunnar Molstre Simonsen, "Perfect Targets - Antisemitism and Eastern Jews in Leipzig, 1919-1923," *Leo Baeck Institute Year Book* 51 (January 2006): 12.

<sup>847</sup> StA-L, Deutsche Bank, Filiale Leipzig 21017, nr. 257, f. 36. D. Biedermann, 16.10.1916.

<sup>848</sup> StA-L, Deutsche Bank, Filiale Leipzig 21017, nr. 257, f. 41. Für die Bilanzakte, D. Biedermann, Leipzig, den 14. 03.1917.

<sup>849</sup> StA-L, Deutsche Bank, Filiale Leipzig 21017, nr. 257, f. 80, Firma D. Biedermann, 16.09.1924.

While many entrepreneurs with a Russian Jewish background escaped the restrictions imposed upon German citizens and therefore resumed trade much earlier, German fur firms were able to strike similar deals with the USSR at the beginning of the 1920s. In 1922, Arndt Thorer purchased furs first hand in the Soviet Union, mainly the skins of karakul and astrakhan sheep in which his firm specialised.<sup>850</sup> In 1923, Thorer's quota of imported sheepskins grew from 185,000 to 205,000, thereby reaching pre-war import levels.<sup>851</sup> With the dyeing factory running at full speed again, Arndt Thorer and Paul Hollender resumed serving customers in Italy, France, and the US: thus Thorer regained his status as a leading firm in this market sector.<sup>852</sup>

Inside the Thorer business, they were aware of the importance of the "personal continuity" in the organisation of Soviet fur sales. Arndt Thorer mentioned in 1921 that "according to our information in Moscow, the Soviets established a consortium that consists mostly of former fur traders, who managed to get a concession from the government to procure furs in Northern Europe, Siberia, and later also from Central Asia."<sup>853</sup> The Thorer firm easily established connections with the new trade institutions crowded with former Russian fur dealers. Thorer reported on one of Hollender's first journeys in 1923: "the travel of Herr Hollender to Russia in the summer of 1923 was accompanied by good fortune, because significant quantities of karakuls could be acquired at first hand. The transactions with the Russian authorities and the semi state-owned organisations in Moscow were carried out very smoothly and much to my satisfaction."<sup>854</sup>

The connections between other firms and Soviet foreign trade agencies largely followed the same pattern. The Ariowitsch firm in Leipzig, for instance, resumed trade with the Russians during the early 1920s in roughly the same conditions. It was said that this firm profited from associations with NEPmen as well: "Ariowitsch (...) has the best possible dealings with Moscow (...) and a former employee of the Ariowitsch branch in Moscow has now been

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<sup>850</sup> StA-L, Dresdner Bank in Leipzig 21018, Nr. 477, f. 66. Abschrift, Theodor Thorer an die Dresdner Bank in Leipzig. 23.05.1923.

<sup>851</sup> StA-L, Dresdner Bank in Leipzig 21018, nr.477, f. 64. Theodor Thorer an die Dresdner Bank in Leipzig, 20.05.1924.

<sup>852</sup> StA-L, Dresdner Bank in Leipzig 21018, nr. 477, f. 67. "Durch die Wiederanknüpfung der Beziehungen zu den alten Lieferanten der Firma im Ursprungslande, ist auch für das laufende Jahre dafür gesorgt, dass die Firma ihren wiedereroberten Platz als größtes Specialhaus für schwarze Ware behauptet (...).

<sup>853</sup> BArch, Reichswirtschaftsministerium R 3101, nr. 3638, f. 142. Theodor Thorer für das Konsortium zur Beschaffung von Rauchwaren aus Russland an das Reichswirtschaftsministerium. Leipzig, 11.11.1921.

<sup>854</sup> StA-L, Dresdner Bank in Leipzig 21018, Nr.477, f. 64. Theodor Thorer an die Dresdner Bank in Leipzig, 20.05.1924

appointed in the Soviet fur trade.”<sup>855</sup> Owing to the family fortune, the Ariowitsch firm was able to finance the large contracts almost entirely out of its own means. In 1926, it was “making the largest business on the Brühl after the Eitingon family.”<sup>856</sup>

Unfortunately, my analysis is limited to these larger leading firms due to the lack of sources. This is not to say that no other German companies on the Brühl benefited from personal connections: however, Eitingon, Theodor Thorer; David Biedermann, and J. Ariowitsch certainly emerged as leading firms in the Russian trade. To an even greater extent than before 1914, those firms had developed into lead firms in the sense of connecting the Leipzig district to the outside world. As mentioned above, these entrepreneurs continued to profit from pre-existing networks, as many of the personal connections were transplanted into the Soviet state monopoly. In the final part of this chapter, I will come back to the internationalisation these firms were involved in and what this meant for the size distribution of the industrial district and local embeddedness. The activity of lead firms as gatekeepers to international trade seems to be at odds with their embeddedness in local activities. Certainly, for firms like Chaim Eitingon, which underwent significant internal restructuring at the same time as it achieved success in the Soviet business, it was not clear whether the association with the Soviet trade was beneficial to the industrial district as a whole or if the Eitingons profited from being a multinational family firm. We will come back to this dilemma later. Having established the impact of the shifting parameters of trade, I will now examine the position of Leipzig in the changing geography of international trade.

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<sup>855</sup> StA-L, Deutsche Bank in Leipzig 21017, Nr. 207, f. 14. Kreditakte, J. Ariowitsch Leipzig, 03.03.1928.

<sup>856</sup> StA-L, Deutsche Bank in Leipzig, 210171, Nr. 207, f.185. Deutsche Bank filiale Leipzig an die Deutsche Bank Filialbüro Berlin, 20.07.1926.

### **7.3 Contested trade spaces: Leipzig as an international fur centre, 1918-1924.**

#### ***7.3.1 Frontier competition: Pacific currents in the Siberian fur trade***

The Russian revolution and the subsequent civil war were the harbingers of new spatial dimensions in the international fur trade. Throughout the 1920s, new geographical dynamics, alongside changing trade parameters, generally affected the international fur industry and the position of industrial district of Leipzig on the historical East-West trade routes. Such routes were blocked and it was uncertain whether they would reopen. After the revolution in 1917, furthermore, the easternmost parts of the Russian empire turned into one of the main theatres of the civil war and Allied troops controlled the region's main harbour Vladivostok until 1922.<sup>857</sup> The Soviets lost control over resources in these regions because of the intrusion of allied armies and the foreign capital and business interests following in their wake.<sup>858</sup> The monopoly was challenged by the penetration of firms that profited from the chaos of the civil war and the general economic disorganisation.

Foreign business intrusion was particularly well developed in the Russia's Far East and Western Siberia, where British and American business threatened to dominate the fur trade that ran historically across the Urals. The post-war turmoil provided British firms in particular the opportunity to increase their hitherto minimal role in the Siberian and Far Eastern trade at the expense of the Germans.<sup>859</sup> The Hudson's Bay Company seized the opportunity to take over the largely abandoned trade infrastructure. Its fur trading operations in Russia were redolent of the way in which the company ran its business in Canada as an imperial entity. Firstly, the company rapidly installed a series of trade posts along the coast of Kamchatka, often by contracting locals as intermediaries. Like in North America, these posts functioned as collection centres for furs. The majority of these coastal posts were to be found at the side of Kamchatka bordering the Bering Sea, within reach of the Vancouver harbour. In the Oliutorskii district, the small port town of Anadyr (Novo-Mariensk) functioned as the headquarters. Secondly, fur procurement followed the logic of barter. Since the civil war

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<sup>857</sup> Alan Wood, *Russia's Frozen Frontier: A History of Siberia and the Russian Far East 1581-1991* (London; New York: Bloomsbury Academic, 2011), 175.

<sup>858</sup> Evan Mawdsley, *The Russian Civil War* (Place, Pegasus Books, 2007), 233.

<sup>859</sup> Davenport-Hines and Jones, *British Business in Asia Since 1860*, 78.

prevented provisioning the Russian Far East and Western Siberia, the company shipped in supplies directly from Vancouver during the warm season in exchange for furs from Russian and native middlemen (the company did not deploy its own staff in Russia).<sup>860</sup> The supply ship brought back furs to Canada. This was significantly different to the old historical routes that had used trade fairs to dispatch resources to Europe and European Russia.

The looming threat to German trade interests from a Pacific alternative in the Siberian fur trade expired once the Soviets reconquered the Far East. The HBC tried to save their position by concluding procurement deals with the Soviets but the company seriously underestimated the hostile attitude towards foreign intrusion that held sway over communist Russia.<sup>861</sup> Although the HBC and the Soviet agency Vneshtorg concluded a deal, local Soviet customs offices complicated trade with unexpected taxes and duties. In April 1924, local governments further stirred up hostility towards the British fur company with a press campaign against the foreign monopoly: as a consequence, the company's assets in Petropavlovsk and other posts were arrested.<sup>862</sup> Business came to a complete standstill and the Kamchatka business went into liquidation.

The intrusion of British-Canadian business interests in the Russian fur trade, which lasted until the summer of 1924, was a threatening development for Leipzig. Instead of utilising markets that linked Leipzig in Irkutsk, Nizhnii Novgorod and Moscow, the HBC attempted to transform the Siberian commodity chain into a transpacific flow that went through Vancouver into North America. German businesses were relatively powerless in this post-war re-territorialisation process. The Leipzig fur industry was not in a position to set up trade infrastructure in the remote areas of Soviet Russia. Several German firm consortia in other sectors, like the cotton industry, did attempt to obtain resource concessions.<sup>863</sup> However, comparable endeavours were absent from the fur industry, probably because large-scale exploitation structures fell outside their expertise and means. Instead, fur firms had no choice

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<sup>860</sup> TNA, Hudson Bay Company Archives (Microfilm Copy). Public Record Office, BH 2628, A 92/1.1, fo. 42.. Novo Mariensk. Anadyr District, July 10<sup>th</sup> 1922; A 92/1.1, fo.44. Hudson Bay Company Archives (Microfilm Copy). Public Record Office. Agreement Ofshaniokoff. 25.06.1922. Uka, Kamchatka. The village at the Uka no longer exists since it was abandoned in 1974.

<sup>861</sup> Anthony Dalton, *Baychimo: Arctic Ghost Ship* (Surrey, BC: Heritage House, 2006), 47.

<sup>862</sup> TNA, Hudson Bay Company Archives (Microfilm Copy). Public Record Office, (BH 2629), A 92/8/3. *HBC. Vancouver, 6.02.1923. The governor & committee of the HBC. 24 Bishopsgate, London*

<sup>863</sup> See in particular: BArch, Kolonialwirtschaftliches Komitee R 8024, nrs 25 and 26. In the summer of 1923, a German consortium in the textile industry aimed to gain a concession for the support of cotton plantation industry in Central Asia and south of the Caucasus, where cotton production had experienced a sharp backdrop.



but to forge connections with the state institutions of the Soviet monopoly. The stabilisation of the Soviet Union offered more opportunities for Leipzig as a centre in the trade. Once the British left Siberia, the availability of intelligence and market information in Leipzig was a considerable advantage.

### ***7.3.2 Leipzig as a gateway to the East?***

Information and intelligence were of strategic importance in the fur business of the 1920s. In contrast to the trade under the Romanovs that had been organised by foreign merchants, only scant information was available on procurement in Siberia and the size and composition of future yields. Due the elimination of foreign firms in the Soviet Union, Siberia was a blind spot on the maps of Western businesses. Nonetheless, since the fur trade was still a highly speculative business, the need to have an overview of Siberian production was a necessity. An important development that supported the German-Leipzig fur industry was marked by the restoration of consular representation in the USSR. The German consulate in Novosibirsk (the former Novonikolaievsk) re-opened in 1923 and became an important institution for trade information.<sup>864</sup> Headed by consul-general Georg Wilhelm Grosskopf, it was one of the first foreign consulates to re-open in the USSR, and certainly in Siberia. Diplomats replaced, albeit to a lesser extent, the traders and German middlemen who had delivered insights about trade developments prior to World War I.

The reports of the Siberian consulate provided key information on Soviet fur procurement and business opportunities. Firstly, the Germans gained a precise insight into the drop in the absolute number of fur exports. The German Fur Trade Association in Leipzig positively received the reports drafted by consul Grosskopf in Novosibirsk: “if every German representative conveyed such good and well oriented reports as consul Grosskopf, then the German export trade and industry would have a safe guide to evaluate foreign markets and also a valuable aid in the extremely severe competition.”<sup>865</sup> Reports were often published by subsidised newspapers like the *Ostexpress* and the *Ostwirtschaft*, the latter of which existed

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<sup>864</sup> L. P. Belkovets, Sergeï Vladimirovich Belkovets, and Bernd Bonwetsch, *Gescheiterte Hoffnungen: das deutsche Konsulat in Sibirien 1923-1938* (Essen: Klartext, 2004).

<sup>865</sup> PA AA, Botschaft Moskau, nr. 467, Abschrift Reichsverband der deutschen Rauchwarenfirmer Sitz Leipzig, E.V. Leipzig, an das AA, den 26.06.1926.

between 1911 and 1944.<sup>866</sup> These newspapers depended upon novel sources of newsgathering like consular reports. Yet investigations into the Siberian fur market were not a straightforward enterprise and the Soviets disliked the consulate's reports gaining publicity. Grosskopf reported to Berlin: "I beg you to ensure that the reports are treated confidentially: they are certainly not to be published in the *Ostwirtschaft*, as occurred before. Because of the publication of these reports, damage has been done to the consulate, which up until now has been difficult to remedy."<sup>867</sup> Foreign consulates and their information-gathering diplomats were carefully monitored by the Soviet secret police.<sup>868</sup> The impact of information structures and newsgathering on the political economy of the early twentieth century should not be underestimated. Indeed, as has recently been demonstrated, the involvement of global newsgathering was one of the principal elements of German globalisation that survived World War I and continued to render political and economic advantages.<sup>869</sup>

The activities of the consulate were wider than just describing the situation in Siberia. In making thorough analyses, the consulate paid attention to loopholes in the Soviet procurement system, making clear to the business world that the Soviet trade monopoly was largely a utopian ideal. By revealing the loopholes in the system, business opportunities surfaced. Despite the comparatively efficient resumption of procurement in Siberia, the consulate made clear that several districts were unable to meet the export quotas. In the Altai region of Siberia in 1926, hunters apparently were only able to deliver 50% of the Moscow production quotas. The orders placed by Tsentrosoiuz on the district Enissei were lowered by 33% at the instruction of the Siberian institution Sibkraisoiuz a few months later.<sup>870</sup> Furthermore, since the Soviet agencies paid low prices for their furs, there was the suspicion that hunters were holding back a significant part of the harvest.

Widespread smuggling in the long border areas caused another deficiency in the trade monopoly. The Uriankha region close to Mongolia exemplified the lack of control over the

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<sup>866</sup> The *Ostwirtschaft* was a newspaper that focussed on stimulating business activities and opportunities in Eastern Europe, as one can learn from the full title: *Die Ostwirtschaft: Zeitschrift zur Förderung der wirtschaftlichen Beziehungen Deutschlands mit der Union der SSR, Polen, Finnland, Estland, Lettland, Litauen*, Berlin 1911-1944.

<sup>867</sup> PA AA, Botschaft Moskau, nr. 467, Durchschlag. Nowosibirisk, den 12.02.1926.

<sup>868</sup> Hiroaki Kuromiya, *The Voices of the Dead: Stalin's Great Terror in the 1930s* (Yale University Press, 2007), 162.

<sup>869</sup> Heidi Tworek, "Magic Connections: German News Agencies and Global News Networks, 1905-1945" (Harvard University, 2012).

<sup>870</sup> PA AA, Botschaft Moskau, nr. 467, Durchschlag. Der Verlauf der Rauchwarensaison 1926, den 18.02.1926.

geographically dispersed fur trade. Despite Soviet political and economic supremacy, the fur trade was not able to secure a significant share of the production in the Uriankha area because “since autumn 1925, the Soviets had established a subsidiary of the Russian state bank in the capital city Krasnoje [capital city of the Uriankha area]. Yet only 8% went to the Russians. (...) the Russian state trade is therefore making frantic efforts to secure this valuable area and to oust Chinese traders from the area.”<sup>871</sup> In particular, the reports made clear that the long border between the Soviet Union and China was an invitation for smuggling.

Deficiencies in the economic organisation of the Soviet Union created new dynamics in the international fur business. The consulate rightly foresaw the growing importance of China in the legal and illegal transit trade of Siberian furs.<sup>872</sup> Indeed, throughout the 1920s, many international fur dealers opened branches in Manchuria and in the city of Harbin, close to the smuggling areas. Harbin was not just a depot in the illegal fur trade: the border south of Siberia was inhabited by valuable fur bearing animals like the expensive and rare sable and the mid-priced *solongoi* and foxes. Jewish refugees who had fled Russia after the revolution and settled in China organised this irregular commerce in furs. Besides Harbin, Jewish traders settled in the city of Taijin, which exerted a similar function in the irregular commerce in furs. Over 100 Jewish fur firms were domiciled in this city.<sup>873</sup>

Firms sent agents en masse to China, many of them from Leipzig. Ariowitsch and Bromberg in particular participated in a Chinese division, the Siberian Fur Trading company: they jointly invested 2,000,000 RM.<sup>874</sup> As mentioned above, Biedermann remained active in this border zone. It may come as no surprise that Eitingon opened a subsidiary office in China during the 1920s. A report of Martin Lentschner, the German manager of the Eitingon-Schild corporation and an expert on the Soviet trade, reported on smuggling in 1924: “I do not want to leave unmentioned that the smuggling trade is lively this year. Especially at the Chinese and Mongolian border, but also at the Finnish, Latvian, and Polish borders, one finds a flourishing smuggling trade where traders are willing to pay higher prices for the furs [than

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<sup>871</sup> PA AA, Botschaft Moskau, nr. 467. Die Rauchwarensaison, 1924-26, Durchschlag, den 18.02.1926,

<sup>872</sup> Ales Skrivan, “On the Foreign Economic Relations of China in the Interwar Era,” *West Bohemian Historical Review*, no. 2 (2012): 80. Skrivan mentions the visible increase of furs, hides, and leather in the trade structure of China after World War I.

<sup>873</sup> Carol R. Ember, Melvin Ember, and Ian Skoggard, *Encyclopedia of Diasporas: Immigrant and Refugee Cultures Around the World. Volume I: Overviews and Topics; Volume II: Diaspora Communities* (Springer, 2005), 160.

<sup>874</sup> StA-L, Deutsche Bank, Filiale Leipzig 21017, nr. 207. Kreditakte, J. Ariowitsch Leipzig. 3.07.1930

Soviet agencies]. Similar things are happening during the procurement season in Bukhara.”<sup>875</sup> The area bordering China “where procurements are virtually non-existent and where the hunters mainly sell their furs to Chinese smugglers” remained a loophole in the Soviet fur trade well into the late 1920s.<sup>876</sup> The trade in Siberian furs was thus more international than official channels would lead us to believe. Intelligence became highly important if one wanted to profit from such international dynamics.

High quality information and business connections with the trade monopoly fortified Leipzig’s position in more ways than just informing companies as to the availability of opportunities. They also strengthened Leipzig as a centre of trade with the east. This can be seen in the fact that several foreign companies decided to re-establish a presence in Saxony’s commercial hub. As early as March 1921, the Hudson’s Bay Company appointed the German-Russian trader Sascha Hopfenkopf, a former agent of the British auction company A&W Nesbitt in Moscow, as a correspondent in Leipzig. Representation on the Brühl was required in order to keep up with the market in Soviet furs. Hopfenkopf was charged with the task of “keeping in touch with the developments of the Russian fur trade and proceed to Moscow if and when circumstances allowed.”<sup>877</sup> In addition, he was allowed to conduct consignment trade, possessing a budget of £100,000.

Hopfenkopf was part of a wider network of informants in manufacturing cities: correspondents were also appointed in Paris, Vienna, and New York.<sup>878</sup> Nevertheless, Leipzig was considered to be especially interesting because of its international dimension, particularly the links with the Siberian fur trade: “The services of the Leipzig correspondent were retained not merely for the present duty of reporting on the Leipzig market but also to secure the benefit of his experience in regard to Russian furs, and with a view of using his services in connection with the development of Russian business when that becomes feasible.”<sup>879</sup>

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<sup>875</sup> Sächs. HStA, Aussenministerium 10717, Nr. 6772. Martin Lentschner (Leipzig) an Herrn Ministerialrat Wielisch, im Sächsischen Ministerium für Auswärtige Angelegenheiten. 19.02.1925.

<sup>876</sup> *Küschnerzeitung*, nr. 6. 21.02.1929. p. 1895. Vom sibirisch. Rauchwarenmarkt. Organisierung des ostsibirischen Pelztierfanges.

<sup>877</sup> TNA, Hudson Bay Company Archives (Microfilm Copy). Public Record Office, BH 2734, A 92/71/20, fo. V. 37. Letter concerning fur intelligence services. London, 17.04.1924.

<sup>878</sup> TNA, Hudson Bay Company Archives (Microfilm Copy). Public Record Office, BH 2734, A 92/71/20, fo. V. 77. Memorandum for London Manager with reference to Fur Trade Correspondents. 17.01.1924. The London head office noted “it must be borne in mind that without constant and reliable news from the important manufacturing centres it would be impossible to form any sound estimates of the raw fur situation.”

<sup>879</sup> TNA, Hudson Bay Company Archives (Microfilm Copy). Public Record Office, BH 2734, A 92/71/20, fo. V. 77. Memorandum for London Manager with reference to Fur Trade Correspondents. 17.01.1924.

Hopfenkopf stayed despite the malaise on the Leipzig market caused by monetary instability between 1923 and 1924. The HBC refused to withdraw him and stated that representation in Leipzig had become indispensable since “Leipzig had become far too important a fur trade centre.”<sup>880</sup> Once trade with the Soviets expanded, many more firms followed. Frederik Huth & Co, heirs of the German immigrant Frederik Huth who had opened a merchant bank in London in 1809 and were active in the fur trade from 1912, opened a branch in Leipzig in 1927. The Dresdner Bank estimated the capital basis of Huth’s division in Leipzig to amount to £500,000.<sup>881</sup> The renewed interest of several major international fur firms in settling in Leipzig reveals that the city still played an important role in the international trade.

#### **7.4 Internationalisation and embeddedness.**

It is clear that internationalisation remained a defining feature of the fur trade in the 1920s. Firms in Leipzig resumed activities on the international stage relatively early. Businesses made connections to the Soviet Union, there were new promising trade junctions in China, and trade with London was on the rise. Experiencing various degrees of success, Leipzig firms continued to be active in the Soviet Union and in China’s new growth markets. Furthermore, New York was an attractive market, one that Leipzig firms could no longer ignore. A few foreign firms reappeared in Leipzig because of new trade connections and the availability of information about the Soviet market.

While foreign trade was one of the pillars of the success of the industrial district prior to World War I, it is questionable whether the industrial district benefited from patterns of internationalisation pursued by individual firms. In this period of time, the entire German fur trade was at a low ebb. Exports and imports had stabilised but at levels much lower than prior to 1914. However, several Leipzig firms did play an important role in the international fur trade. Did Leipzig firms evolve into more international entities so as to avoid regional and local problems? What was the relationship between new patterns of internationalisation and embeddedness? The question is an important one. A drain on business and human capital is commonly identified as one of the largest threats to decentralised production systems in a

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<sup>880</sup> TNA, Hudson Bay Company Archives (Microfilm Copy). Public Record Office, BH 2734, A 92/71/21, fo. 57. Memorandum with reference to fur intelligence. Mr. S. Hopfenkopf. 26.09.1925.

<sup>881</sup> StA-L, Dresdner Bank in Leipzig 21018, nr. 79, f. 34. Filiale Leipzig an Direktion der Dresdner Bank, Berlin. 27.05.1927.

changing macroeconomic environment. Having suggested that many firms profited from their international organisation, this section will investigate whether the industrial district as a whole profited or lost from new processes of internationalisation. I closely examine the pressures on Leipzig firms to expand their activities outside Leipzig but also ask whether the local area remained a central element of business strategies.

#### ***7.4.1 Finding the epicentre of the Eitingon business (1919-1928).***

The most complex case of an increasingly international Leipzig firm was the Eitingon firm. The Eitingons changed the focus of their business both according to geopolitical transformations and changes in the family. This was already the case before the Great War, when business activities were spatially divided between Moscow, Leipzig, and New York. The Moscow – Leipzig axis was at that time central to the Eitingon business structure. Chaim Eitingon was one of the few Jewish merchants that the Tsar allowed to stay in Moscow after the pogroms in 1882: as a transnational entrepreneur, he divided his time between Leipzig and Moscow. In 1914, Chaim Eitingon finally moved to Leipzig and lived there until his death in 1932.<sup>882</sup> The Chaim Eitingon business was one of the largest firms in Leipzig, running on a business volume of 5 million marks, a size comparable to that of the Thorer firm. The New York business was arguably of minor importance in the pre-war trade, since it was only established in 1912. In 1919, power shifted to Motty Eitingon who had taken over the New York division from Chaim's son Waldemar, who died in 1919. Hereafter, the New York branch transformed rapidly into the main part of the Eitingon business and growth was expansive.

When the firm closed its million dollar deals with ARCOS in and after 1921, the Eitingons gained a clear edge over their competitors. The initially strong position of the company in terms of the import of Russian furs provided the Eitingon-Schild holding with an average annual profit of \$1,454,982 in the years between 1923 and 1925.<sup>883</sup> Profits continued to be

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<sup>882</sup> Curt Elkuss, Chaim Eitingon's son in law, assisted him in the Leipzig branch. His other son, Max Eitingon (1881-1943), chose a profession outside the fur business and established one of the first psychoanalytic clinics in Germany (Berlin, 1920).

<sup>883</sup> New York Times, 7.12.1925. "New Issue: Eitingon Schild Co. Inc. Ten Year 6% Sinking Fund Gold Debenture Bonds". The advertisements mention that the profits made after deduction of federal taxes amounted to \$1,165,031 in 1923, \$1,156,381 in 1924, and \$1,922,287 in 1925. Importantly, these profits left out the business in Poland.

staggeringly high later, amounting to \$1,827,268 in 1926 and \$1,912,310 in 1927. Their advantages on the fur market increased the size of this family business. In 1925, the Eitingon family business was transformed into a holding, the Eitingon-Schild group. However, business remained principally a family matter, since 80% of the Eitingon shares were in the hands of the family.<sup>884</sup> The assets of Eitingon-Schild were estimated to amount to more than 17 million dollars after 1925.<sup>885</sup>

Profits were reinvested in such a way that allowed the Eitingon family to transform their firm into an international business empire. The pre-war axis between Leipzig and Moscow was expanded into a larger network of about 17 branches and agents, with New York as the central node. Noteworthy were the new houses founded in 1920, the Moscow Fur Trading Co (London) and the Société Anonyme de Moscou pour le commerce de pelleterie (Paris).<sup>886</sup> A striking extension of operations was the Polish textile manufacturing plant N. Eitingon & Partners in Lodz, established by two cousins Nahum and Boris: they turned it into one of the leading factories in the region.<sup>887</sup> By the mid-1920s, Eitingon branches covered the most important countries in Europe and their agents procured prime furs across South America, Siberia, and China.

However, the investments of the Eitingon-Schild group overwhelmingly flowed into business operations in North America. Motty followed a policy of expansion in the USA by acquiring important rival trading houses. Notable were the acquisitions of Funston Bros. & Co and Fouke Fur Co, which operated on the market of Saint Louis.<sup>888</sup> Investment banks supported Eitingon's expansion on the North American market. In 1926, the Chicago-based Hasley Stuart and Co (notorious because its bond issuing contributed to the economic bubble of the

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<sup>884</sup> StA-L, Dresdner Bank in Leipzig 21018, nr. 268, Eitingon. 11.11.1927.

<sup>885</sup> StA-L, Deutsche Bank, Filiale Leipzig 21017, Nr. 309 Lt. Wirtschaftsblatt der neuen Leipziger Zeitung (nr. 8) vom 8.01.1926.

<sup>886</sup> StA-L, Deutsche Bank, Filiale Leipzig 21017, nr. 309. Filiale Leipzig an Deutsche Bank Filialbüro, 05.06.1920. Other affiliates in Europe were Betinelli, Mailand, Svensk-Rysk Export-Import (Stockholm), N. Eitingon & Co (Warschau), and N. Eitingon & Co (Lodz).

<sup>887</sup> StA-L, Dresdner Bank in Leipzig 21018, Nr. 271. Dossier. Eitingon & Co/Joint Stock Co. 6.10.1930. Lodz. The textile factory employed about 3,000 Polish labourers. Joseph Marcus, *Social and Political History of the Jews in Poland, 1919-1939* (Walter de Gruyter, 1983), 113. Marcus also interestingly mentions that the Eitingons' clout over local business in Lodz exceeded the activities of their own factory. The duo acquired control over the Discount Bank in Lodz, through which they founded both small and large textile businesses in this city.

<sup>888</sup> StA-L, Deutsche Bank, Filiale Leipzig 21017, nr. 309, Lt. Wirtschaftsblatt der neuen Leipziger Zeitung (nr. 8) vom 8.01.1926. The Funston Bros & co had been granted important concessions for the distribution of the American seal hunt.

1920s<sup>889</sup>), together with the private bank E. Naumburg & Co, issued Eitingon debenture bonds on the market worth about \$4,000,000 at an interest rate of 6%.<sup>890</sup>

Within the international and American expansion of the business empire, the Chaim Eitingon AG in Leipzig represented, in official terms, a separate entity within the Eitingon Schild holdings: its function in the business structure was described as a ‘commissioner.’<sup>891</sup> While the Eitingon firm had undoubtedly become ‘more multinational’ after the First World War, local stakeholders in Leipzig, not in the least the commercial banks and his competitors, still perceived of Chaim Eitingon as the centre of the Eitingon business empire. The Dresdner Bank described the link between the Eitingon family and businesses as “very close.”<sup>892</sup> The Leipzig division was said to profit from “the American business and its close contacts with the Soviets, as Chaim Eitingon was able to draw on large supplies at profitable conditions from the holding.”<sup>893</sup>

It is, however, a difficult task to gain an accurate insight into the flow of goods and capital between the different branches of the Eitingon concern. It is likely that a significant part of the contracted Russian furs ended up in Leipzig. Certainly, once trade relations between Germany and the USSR stabilised, the trade of the Eitingon concern through Leipzig division became more important. The contract of 1928 is one of the few that offers us some insight into the division of furs between the subsidiaries of the Eitingon concern. In June 1928, the Eitingon concern concluded a 12 million dollar deal with the Soviet trade department in Berlin: 50% was paid for in advance.<sup>894</sup> Accordingly, Motty Eitingon purchased raw furs for \$12,000,000, \$5,000,000 (or 22,000,000RM) of which were destined for sale in Leipzig: these resources were “consumed by local traders and the Leipzig fur dressing and dyeing industry.”<sup>895</sup> However, the remaining \$7,000,000 were sold elsewhere. This example shows that the Leipzig division was not unimportant in the multinational structure. But there is no evidence

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<sup>889</sup> Charles R. Geisst, *Beggar Thy Neighbor: A History of Usury and Debt* (Place? University of Pennsylvania Press, 2013), 200.

<sup>890</sup> StA-L, Deutsche Bank Filiale Leipzig 21017, Nr. 309. Lt. Wirtschaftsblatt der neuen Leipziger Zeitung (nr. 8) vom 8.01.1926.

<sup>891</sup> StA-L, Deutsche Bank Filiale Leipzig 21017, Nr. 309. Leipzig Aktennotitz, Eitingon Schild Co, 11.02.1922.

<sup>892</sup> StA-L, Dresdner Bank in Leipzig, nr. 268. Eitingon Konzern, 11.11.1929.

<sup>893</sup> StA-L, Dresdner Bank in Leipzig, nr. 268. LNN. 6.11.1930.

<sup>894</sup> StA-L, Dresdner Bank in Leipzig 21018, nr. 79, f. 128. Abschrift eines Schreibens des Reichsverbands der Deutschen Rauchwarenfirmen Sitz Leipzig ev. Leipzig an die Vorstandsmitglieder dieses Verbandes. Leipzig, den. 9.06.1928.

<sup>895</sup> Sta-L, Deutsche Bank, Filiale Leipzig 21017, nr. 309. Vertraulich, an Herrn Direktor dr. P. Bonn der Deutschen Bank, Berlin. 11.06.1928.



to suggest whether this 1928 deal reveals a recurrent pattern or merely an incidental sales strategy. What we do know is that the Eitingon's business volume in Leipzig still ranked among the most prominent: it fluctuated between 1926 and 1928 at around 25 million RM, twice the volume of the Thorer firm.<sup>896</sup>

The fact of the matter is that Motty Eitingon followed an independent course in New York but the success of the Eitingon empire enabled Chaim to do the same. As long as founding father Chaim lived, the Leipzig division remained an important part of the Eitingon empire. Indeed, Chaim's activism meant that the Eitingon branch in Leipzig remained an active participant in the fur district. In 1920, for instance, valuables of the Eitingon family in bank safes included 2,000,000 marks worth of securities. These assets reveal investments made in various German firms, including several regional companies: Seidel & Naumann (sewing machines, Dresden), Schubert & Salzer (textile machine construction, Chemnitz), and Hansa Lloyd (car construction, Bremen).<sup>897</sup>

More pronounced were investments related to the local fur industry. In 1920, the Eitingon family financed the factory Walter AG, a fur dressing and dyeing company in Markkranstadt, close to Leipzig. Walter AG was one of the largest factories in the wider Leipzig fur district: it employed about 1,400 labourers and 100 white-collar workers in April 1923.<sup>898</sup> It was also the only joint-stock company in the Germany fur industry. By May 1921, the Eitingon family owned about a third of its shares (697 of 2200), which corresponded to an investment of 700,000 marks.<sup>899</sup> Chaim later expanded his investment to 1,500 shares, worth a total of 1,500,000 marks. In addition, the investment granted Chaim and Martin Lentschner, the manager of Chaim Eitingon AG, places on the factory's board.<sup>900</sup> The Eitingon firm invested in the dyeing factory at a point when the exchange rate between dollar and the mark continued

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<sup>896</sup> "Eitingon, Chaim Mordechow," *Juden in Sachsen*, n.d., juden-in-sachsen.de/leipzig/personen/EitingonChaimMordechow.html.

<sup>897</sup> StA-L, Deutsche Bank, Filiale Leipzig 21017, nr. 309, f. 8. Filiale Leipzig an Deutsche Bank, filialbüro, 5.06.1920. Eitingon possessed other shares as well but these companies were not listed.

<sup>898</sup> BArch, Zulassungstelle an der Berliner Borse R 3118, nr. 836, f. 89. Prospekt Mark 77.000.000 neue Stammaktien der Rauchwaren-Walter & Arnhold AG, Markkranstadt. 16.04.1923.

<sup>899</sup> BArch, Zulassungstelle an der Berliner Borse R 3118, nr. 836. Walter AG, Vierte Ausfertigung No. 129 des Notariats Registers pro 1922. Berlin, den 18.05.1922.

<sup>900</sup> BArch, Zulassungstelle an der Berliner Borse R 3118, nr. 836, f. 105. Prospekt. Mark 77.000.000 neue stammaktien. Der Rauchwaren-Walter & Arnhold AG. Markkranstadt. 77.000 Stück zu je M. 1000 nr. 21001 – 98000. 1923. By 1930, Eitingon seemed to have liquidated his participation in this fur dressing and dyeing firm.

to widen.<sup>901</sup> Businessmen like Chaim, who had access to foreign currency, were in an advantageous situation when it came to buying assets in Germany.<sup>902</sup> The family also invested in real estate in Leipzig and, to a lesser extent, in Berlin according to the same principles.

However, investments were not solely limited to opportunities offered by inflation since the Eitingons entertained the idea of founding their own dressing factory in Taucha (a town in the vicinity of Leipzig). The construction of the factory started in 1927. The factory in Taucha meant an additional 1,000,000RM investment.<sup>903</sup> Chaim also invested in developing auction sales companies, several of which emerged in Leipzig during the 1920s. Eitingon joined one particular auction company, the RAVAG. Auction companies were new forms of interfirm cooperation in the industrial district, meant to stimulate foreign trade: they are discussed in the following chapter. Their many investments in the local industry nuances the picture of the Eitingon firm as a multinational business empire growingly detached from the district.

Finally, Chaim Eitingon's interest in Leipzig went beyond business and industry. He was also one of the leading figures of the Jewish society in Leipzig. In 1922, he established and solely financed the Ez-Chaim-synagogue, the largest orthodox synagogue in Saxony with space for 2,000 visitors.<sup>904</sup> Six years later, he opened (with the support of Motty) the so-called 'Eitingon Clinic' (*Israelitische Krankenhaus-Eitingon-Stiftung*), which also treated gentile patients (an explicit demand of its founders).<sup>905</sup> Even if the epicentre of the business undoubtedly moved across the Atlantic, the Eitingons did not disconnect from the Leipzig cluster and the family was not invisible in the social fabric of the city and in its religious community.

#### ***7.4.2 The robustness of embeddedness: examples from other firms.***

The same can be said of other firms in Leipzig: multinational business organisation took more important proportions throughout the interwar period while leaving local embeddedness intact. Ariowitsch established branches in Paris (*Société d'Importation de Pelleteries, Paris*),

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<sup>901</sup> StA-L, Deutsche Bank, Filiale Leipzig 21017, nr. 309. Filiale Leipzig an Deutsche Bank, Filialbüro, 5.06.1920.

<sup>902</sup> Taylor, *Inflation der Untergang des Geldes in der Weimarer Republik und die Geburt eines deutschen Traumas*, 183.

<sup>903</sup> StA-L, Dresdner Bank in Leipzig 21018, nr. 268, Ch. Eitingon AG. den 29.12.1927.

<sup>904</sup> "Ez Chaim-Synagoge," accessed March 20, 2013, [http://www.leipzig-lexikon.de/KIRCHEN/ez\\_chaim.htm](http://www.leipzig-lexikon.de/KIRCHEN/ez_chaim.htm).

<sup>905</sup> Unger, *Judaica Lipsiensia*, 271. The first Jewish clinic in Saxony had 79 beds.

London (Ariowitsch & Jacop Fur Co. Ltd), and Stockholm (Svenska-Norska Pälsvaru-Actiebolaget).<sup>906</sup> However, these branches were mainly used to further interests in Leipzig. Only when the Nazis' ascent to power curtailed Jewish entrepreneurship did Max Ariowitsch gradually turn his London division into the firm's headquarters.<sup>907</sup> Ariowitsch also opened a New York division between 1910 and 1914. Thus, it is somewhat surprising that Ariowitsch remained absent from the American market immediately after the war. Ariowitsch re-entered the American market only at the beginning of the 1930s with the *Anglo-American Fur Merchants Cop*. The embeddedness of the firm in Leipzig was associated with the roots of the Ariowitsch family in the local Jewish community. In 1916, they converted one of their buildings in the Färberstrasse into the Beth-Jehuda synagogue.<sup>908</sup>

In the case of the Thorer firm, the balance between internationalism and embeddedness was clearly in favour of the latter. Despite the limited value of the New York branch of the Thorer firm before the war (see chapter 2), the American branch did gain a more prominent position within the Thorer business empire after the conflict. During the war, Speer, the American manager of the branch, took over business entirely, transforming it into the Speer Fur Corporation. Paul Hollender reclaimed control over the Speer division in 1923.<sup>909</sup> As with the other examples considered, the internationalisation of the Thorer firm did not run counter to district participation. In fact, the New York division played an important part in the recovery of the Leipzig headquarters since the lion's share of the processed furs (garments made from karakul and Astrakhan skins) flowed to the North American market.<sup>910</sup> To give an impression of the importance of the American market, the turnover accounts of 1928 indicate that of the 11,191,000RM total volume, 4,562,000RM came from sales made to the New York branch.<sup>911</sup>

International operations were thus beneficial to the industrial district: Thorer combined international trading activities with manufacturing in Leipzig. His factory remained a typical Saxon firm, dependent upon the world market for the import of raw material and the export of processed consumer goods. The factory in Leipzig-Lindenau, which was a source of

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<sup>906</sup> STa-L, Deutsche Bank, Filiale Leipzig 21017, Nr. 207, f. 223. Bericht über. J. Ariowitsch, Rauchwaren, Leipzig, C1, Brühl 71, Leipzig, 04.09.1929.

<sup>907</sup> Unger, *Judaica Lipsiensia*, 269.

<sup>908</sup> Adolf Diamant, *Chronik der Juden in Leipzig* (Chemnitz-Leipzig: Verlag Heimatland Sachsen, 1993), 182.

<sup>909</sup> STa-L, Dresdner Bank in Leipzig 21017, Nr. 477, f. 64. Theodor Thorer an die Dresdner Bank in Leipzig, 20.05.1924

<sup>910</sup> Ibidem, f. 64.

<sup>911</sup> STa-L, Dresdner Bank in Leipzig 21017, Nr. 477, f. 56. Theodor Thorer, an die Dresdner Bank in Leipzig, 01.03.1928

employment for over 500 workers, remained central as it connected the supply routes of Siberia and Central Asia to consumer markets in Western Europe and across the Atlantic. Furthermore, the Thorer family continued investing in the local fur district. In 1924, just when the hyperinflation had hit the fur industry hard, Thorer expanded his operations in the dyeing industry by taking over Karl Adolf Schneider AG, which specialised in rabbit skin dyeing.<sup>912</sup> A final point to note is that the Thorer firm was traditionally successful in creating new links between the industrial district with the outside world. Before the war, Paul Thorer had established links with the sheepskin market of Bukhara. The Thorer business remained internationally oriented as it managed to establish good relations with the Afghan court, a growing exporter of karakul and Astrakhan skin. These good relations translated into increased commercial activities. Afghanistan increased its karakul farming exports from 100,000 to 150,000 skins per year to about 700,000-800,000 pieces in 1927. In March 1928, the Afghan king Aman Ullah, also known as the 'reformer king,' visited Leipzig and the dyeing factory of Theodor Thorer, the principal consumer of Afghan karakul skins. It was noted that Leipzig promised the Afghan King "to expand the trade relations between the Afghan skin trade and the city of Leipzig."<sup>913</sup> Even though the reformer king was removed from power in 1929, his visit epitomises the importance of the Leipzig fur industry for the growing German commercial influence in Afghanistan after 1923.<sup>914</sup>

In conclusion, the local embeddedness of the leading firms remained robust even while they expanded their multinational business activities. Internationalism did not weaken the industrial district in the way that macroeconomic developments did. In other words, even though internationalisation was an important feature of the fur trade in the 1920s, it is inaccurate to state that firms expanded internationally at the expense of investments in Leipzig. Rather, they did both. However, there was an important delay between the recovery of the German fur trade and that of the international fur trade. It took the German fur trade until the second half of the 1920s to restore its pre-war market share (figure 7). Initially, volumes of imported furs were much lower than pre-war levels. In 1921 and 1922, Germany imported raw furs at levels that were only 25% of those in 1913. In 1924, still facing the after-

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<sup>912</sup> StA-L, Dresdner Bank in Leipzig 21018, nr. 476. Thorer Karl Adolf Schneider AG an die Dresdner Bank in Leipzig, Leipzig, den 6.09.1924.

<sup>913</sup> StA-L, Dresdner Bank in Leipzig 21018, nr. 477, f. 54. L.N.N. 7.3.1928. Afghanistan und der Leipziger Rauchwarenhandel.

<sup>914</sup> Mohammed Taufiq Mokhtarzada, *Entstehung und Entwicklung der deutsch-afghanischen Beziehungen: unter besonderer Berücksichtigung der Entwicklungshilfe der Bundesrepublik Deutschland für Afghanistan während der ersten Entwicklungsdekade* (Berlin: Freie Universität Berlin., 1972), 58.

effects of hyperinflation, import quantities stabilised at 50% of the 1913 level. Only after 1925 did imports reach pre-war levels once again and the level of exports soared, largely because of the stabilisation of bilateral trade relations with the Soviet Union. However, the dynamism of individual firms as players in the world market is but one of the explanations for the recovery of the trade. In order to fully grasp the recovery of the 1920s, we need to examine processes of interfirm cooperation as well. This will be the subject of the next chapter.

Year	Import				Export			
	Raw furs		(Semi-)processed furs		Raw furs		(Semi-)processed furs	
	Million Reichsmark	%	Million RM	%	Million	%	Million	%
1923	151,580	2.5	22,808	0.4	21,319	0.4	109,665	1.8
1924	126,561	1.4	37,226	0.4	21,133	0.3	126,956	1.9
1925	124,795	1	40,025	0.3	32,034	0.3	147,340	1.6
1926	102,486	1	36,068	0.4	38,948	0.4	154,970	1.5
1927	185,323	1.3	61,756	0.4	69,637	0.6	226,389	2.1
1928	235,526	1.7	64,721	0.5	92,552	0.8	305,255	2.5

Figure 7-3: German import and export of furs.<sup>915</sup>

## 7.5 Conclusion.

This chapter has dealt with the restructuring of the international fur industry in the first half of the 1920s. Emphasis has been placed upon the interaction of transformations in the international political economy with the industrial district in Leipzig. I have examined in depth the emergence of competitive North American sales markets and the generally increasing value of trade and manufacturing across the Atlantic as well as transitions in the Siberian business. The situation in the Russian fur trade before 1914 was characterised by dependency on foreign firms and merchants who governed the export trade of Russian commodities. After World War I, the Soviet state agencies assumed ownership over the procurement and export of resources. Initially, the trade monopoly was not a separate entity. It was compartmentalised into various Soviet institutions and agencies that were allowed access

<sup>915</sup> Statistisches Jahrbuch für das deutsche Reich, volumes: 1929, 1927, 1924. The values were recalculated retrospectively in the statistical yearbooks from the old paper mark in the new currency the Reichsmark.

to foreign sales markets under differing terms, like ARCOS in London and the trade representation in Berlin. What is more, the trade in furs had become strategically important to the Soviets, since their export economy was largely based on the extraction of raw materials: here, traditional agricultural products such as grain underachieved and commodities like furs and oil far exceeded the planned quota.

Despite the changes in international trade, there were patterns of continuity that enabled district firms to participate in international trade. In particular, the concept of the “pressure of continuity” adequately describes the enduring focus of German businesses on trade with the east in the interwar period. Firstly, many of the traditional firms active in the pre-war Russia trade were able to restore commercial ties in the trade of Siberian furs relatively quickly. The fact that the Soviets favoured ‘familiar’ trade partners was not a coincidence. With the pressing aim of generating foreign currency, the Soviets incorporated former fur merchants into the institutions that conducted foreign trade and organised procurement. Whilst my source base prevents a complete analysis of the networks between former fur merchants, the NEPmen, and companies in the West, it is clear that several fur firms could rely on ‘old’ trade networks at the first stage of the NEP. In other words, the transition to the Soviet trade monopoly had left several personal networks between private Russian fur traders and German businesses intact. Second, local businesses profited from a well-structured intelligence and trade information network that was seminal important in the re-creation of Leipzig as a commercial junction. Both aspects formed important elements in the recovery of the industrial district in the early 1920s.

Firms specialised in the pre-war Russian trade and fortunate enough to have friends in high places emerged as lead firms of the district. The Eitingons became tremendously rich, along with the Biedermann and the Ariowitsch families. Since many ties with the Soviet agencies were established outside Germany and given the growing market opportunities across the ocean, these leading firms increasingly internationalised throughout the 1920s. There was a danger of firms detaching from the district and economic actors were sceptical of the impact of the internationalisation upon Leipzig as a primary market. Nevertheless, it has been established in the concluding section that these lead firms pursued both international and local strategies. In fact, international successes allowed leading firms to invest in local business activities, real estate, and charity. The examination of investment patterns reveals that these firms, to varying degrees, continued to place the local central. Just as before World War I,

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transborder activities dovetailed with local embeddedness. The businessmen were embedded in a robust social structure that was defined by cultural, religious, social, and economic elements. This tendency will become even clearer as I deal more systematically with processes of cooperation between firms and also between local economic actors. Increased cooperation was aimed at creating links to the outside world during the turbulent 1920s.

Business as usual?



## **8 Market Engineering. Joint-ventures and interfirm cooperation as vehicles of world market re-admission (1922-1929).**

### **8.1 Introduction.**

The period from hyperinflation to the crisis of 1929 could be described as the comeback of the Leipzig fur industry. The number of labourers and firms around 1925 had never been higher: around 11,000 labourers worked permanently in the industry.<sup>916</sup> The growth of the local fur industry was largely due to its reintegration into the world market. As mentioned above, fur firms preferred to be oriented towards the market rather than investing in autarkic alternatives. Moreover, overall economic parameters had gradually improved. The German economy was characterised by an upward trend in this period, especially after the Dawes plan had resolved inflation and restructured German debts.<sup>917</sup> Furthermore, the treaty of Berlin allowed German firms to resume dealings with the Soviet Union at levels that were reminiscent of prewar standards. However, the Leipzig ‘comeback’ cannot solely be explained by pointing to the more favourable economic climate. We have established the importance of Leipzig as a gateway to the east and also pointed to the successful international activities of individual Leipzig-based firms, the so-called lead-firms. Nonetheless, the transitions of the international economy were a source of collective action and interfirm cooperation as well. This chapter is devoted to such processes. I will consider two main themes: bank-business relationships in the 1920s and the inter-firm cooperation that led to the creation of joint-venture auction companies.

Firstly, the cooperation between fur firms became a major component in the construction of links between the outside world and the industrial district during World War I. The growing importance of collective action with regard to foreign trade was represented by the developing role of the Fur Merchants Association in Leipzig immediately after World War I and in the willingness to resume trade after the peace of Brest-Litovsk in a collective framework (see

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<sup>916</sup> Fellmann, *Der Leipziger Brühl*, 116.

<sup>917</sup> Boelcke, *Deutschland als Welthandelsmacht*, 14–15.

chapter 5). This chapter further expands on local collaboration in the pursuit of restoring foreign trade by presenting the most ambitious and effective efforts of collective action in the district: the auction company. Auction companies had a long pedigree in the international fur trade. Auction sales formed the foundation stone of the fur trade in London and in new markets like New York and Montreal. Between 1874 and 1878, some Leipzig firms (Joseph Ullmann, Heinrich Lomer, Dodel, and Joseph Finkelstein) had already attempted to form auction sales in Leipzig.<sup>918</sup> While such attempts were unsuccessful, the idea revived in the 1920s against a background of world market restructuring. Auction companies in Leipzig will be presented as economic institutions that renewed the way in which market transactions were organised locally in order to converge with a world market that was increasingly organised by auctions sales. The chapter will examine how auction companies were formed in Leipzig and in what ways they contributed to the international dimension of the local fur industry.

The symbiosis between banking and the fur industry is a thornier issue. As we have seen, the cross-fertilisation between the competitive bank system in the local economy and the fur industry was one of the major pillars in the foreign trade of the fur district prior to 1914. What shape did this fruitful alliance assume in the 1920s? Academic debates on the role of German banks in the recovery of trade and industry in the interwar period have failed to advance an unequivocal answer. Many have questioned the existence of “symbiotic relationship” between finance and industry and have stressed that firms were forced to find alternative sources of credit.<sup>919</sup> It is certain that monetary instability of the early 1920s, with the hyperinflation of 1923 as its nadir, deeply eroded the ability of the banking system to act as a financier of industry and trade. The relatively prosperous golden years that followed were not sufficient to build up substantial reserves or to restore the troubled banking system.<sup>920</sup> Nevertheless, few would disagree that unstable economic parameters automatically result in conservative banking policies. For instance, the financial historian Harold James noted thoughtfully that “the German banks, weakened because of the standstill of the inflation years, were not able to finance according to pre-war standards, but also took irresponsibly high risks to

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<sup>918</sup> Fellmann, “Schlaufüchse und Blaufüchse vom Brühl,” 441.

<sup>919</sup> Theo Balderston, “German Banking between the Wars: The Crisis of the Credit Banks,” *The Business History Review* 65, no. 3 (1991): 605.

<sup>920</sup> Christopher Simpson and Germany (Territory under Allied occupation, 1945-1955 : U. S. Zone) Office of Military Government, *War Crimes of the Deutsche Bank and the Dresdner Bank: Office of Military Government (U.S.) Reports* (Holmes & Meier, 2002), 258.

compensate.”<sup>921</sup> Depending on the perspective from which one views the problem, the relationship between banking and business in interwar Germany remains a multifaceted puzzle. However, the problem of banking behaviour and its relationship with German economic recovery only interests me to the extent that it reveals collaborative patterns between economic agents in the industrial district.

## **8.2 Banks: the closest neighbours of the fur industry.**

### ***8.2.1 Banking and the fur industry in the aftermath of the war.***

While the position of German banking as a financier of industry and commerce in the interwar period is not unequivocally established, I will attempt to examine the embeddedness of the banks in the district and their role as financiers for the fur industry in the 1920s. Did banks in Leipzig redefine lending conditions and their favourable policy to the fur trade? What was the relationship between banking and district participants? A concept that is often used in clarifying the position of banking operations in a local economic structure is the so-called banking dilemma. The dilemma is foremost represented in the position of the banker: does he adapt himself to specific demands and local customs, thus exposing the bank to the risks of sector fluctuations, or follow a restrictive credit policy with the peril of losing clients to other banks in a competitive environment?<sup>922</sup> The contours of this dilemma have already been shortly discussed in chapter 2, wherein banks and businessmen were presented as part of the same social structure and the competitive banking market facilitated the access of fur firms to credit. How did this system evolve in the 1920s?

First of all, Leipzig remained the largest financial centre of Saxony, larger than Dresden and neighbouring cities. In 1927, Leipzig housed 69 bank divisions, 22 of which were joint-stock banks.<sup>923</sup> In total, the Leipzig banks possessed a capital of 55,099,000RM, much higher than that held by the banks in Dresden. In the capital of Saxony, there were 54 bank divisions (24

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<sup>921</sup> Harold James, “The 1931 Central European Banking Crisis Revisited,” in *Business in the Age of Extremes: Essays in Modern German and Austrian Economic History*, ed. Hartmut Berghoff, Jürgen Kocka, and Dieter Ziegler (Cambridge; New York: Cambridge University Press, 2013), 123.

<sup>922</sup> Bonin and Eck, “La Problématique de L’adaptabilité Du Banquier,” 17.

<sup>923</sup> Walter Leiske, *Leipzig und Mitteldeutschland: Denkschrift für Rat und Stadtverordnete zu Leipzig* (Leipzig: Ratsverkehrsamt, 1928), 212.

of which were joint-stock banks) with a capital of 44,386,000 RM. The Leipzig credit market was thus comparatively large. Secondly, there was the continuity of personal connections, especially between the fur industry and the two largest joint-stock banks, the Deutsche Bank and the Dresdner Bank. Eugen Naumann remained director of the Deutsche Bank and von Klemperer headed the Dresdner Bank until the banking crisis of the early 1930s. As discussed in chapter 2, these men had fortified the new bank branches on the pre-war local market by primarily investing in clustered sectors like the fur industry.

After the war, these banks adopted a similar approach to the fur industry. In the first place, the changing nature of the international fur trade provided new opportunities to the banks. The sudden expansion of the Eitingon holding (see chapter 7) in particular allowed Naumann to compete with the Dresdner Bank, the latter being the exclusive creditor of the Chaim Eitingon holding until 1920. After establishing informal contacts with Motty Eitingon and Martin Lentschner, a highly ranked official of the Eitingon holdings in Leipzig, the Deutsche Bank in Leipzig offered Eitingon a credit line of about 15,000,000 marks.<sup>924</sup> Additionally, Naumann offered the company an extra \$250,000 in order to support its foreign trade.<sup>925</sup> Naumann's competitive strategy failed only because the Berlin office of the Deutsche Bank interfered. Berlin feared the return of a highly competitive situation comparable to that before World War I. After contact with the Dresdner Bank, the head office noted: "the Dresdner Bank cherished (...) the wish that at least the neighbouring banks will not allow themselves to become the victims of an unhealthy competitive struggle and to enter into an extensive exchange of views on the limits of lending in general and in individual cases."<sup>926</sup> After the reprimand from Berlin, the Deutsche and Dresdner Banks jointly provided 15,000,000Mk.<sup>927</sup> Thus, the Deutsche Bank barely prevented Naumann from increasing banking competition in Leipzig even further.<sup>928</sup>

Businesses like that of the Eitingons were attractive investments because Jewish owners resumed trade much earlier than their non-Jewish counterparts. In this regard, the David Biedermann merchant house forms an additional example of rapidly resumed bank

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<sup>924</sup> StA-L, Deutsche Bank, Filiale Leipzig 21017, nr. 309 Filiale Leipzig an Deutsche Bank, Filialbüro, 5.06.1920

<sup>925</sup> In august 1921. The dollars were to be guaranteed by the New York and the Leipzig branch of Eitingon

<sup>926</sup> StA-L, Deutsche Bank, Filiale Leipzig 21017, Nr. 309. Berlin Filialbüro an Leipzig, 28.06.1920.

<sup>927</sup> StA-L, Deutsche Bank, Filiale Leipzig 21017, Nr. 309, Von Filiale Leipzig an Herr Wuppermann, 29.06.1920.

<sup>928</sup> StA-L, Deutsche Bank, Filiale Leipzig 21017, Nr. 309. Aktennotiz, Eitingon Schild Co, Leipzig 11.02.1922. The founding firms were: Eitingon, Eisenbach & Stern, S. Rosenfelder & Sohn, Ferdinand Salm.

investments in the post-war fur trade. Parallels in the relationship between the Deutsche Bank and Biedermann can easily be drawn with the bank's relationship with the Eitigons: both had maintained business in Russia and Great Britain during and after the war. Before 1914, Biedermann was already one of the largest accounts of the Deutsche Bank: they shared it with the Bankhaus Meyer & Co, a private bank, and the Bank für Handel und Industrie. Yet the Deutsche Bank was the chief financier. Naumann was impressed by Biedermann's business and expected the firm to become a major player after the war: "Biedermann maintains the Russian business to the broadest extent and can thus achieve higher profits than ever possible during peace time. After the war, Biedermann will be a customer who will bring us great benefits."<sup>929</sup> In line with these growing expectations, the Deutsche Bank in Leipzig granted an unsecured credit line for 2,000,000 marks in 1920: it had previously been restricted to 400,000 marks.<sup>930</sup> After hyperinflation ended, Naumann restricted the credits to a mere 100,000RM. Nevertheless, Naumann continued to place great trust in Biedermann, even though the firm was plagued by dubious problems. Naumann guaranteed the Biedermann firm's £75,000 debt to the Midland bank in Britain.<sup>931</sup> In 1927, the Biedermann firm was subject to a fraud investigation related to customs and tax evasion.<sup>932</sup> Naumann came to the rescue. He issued a bank guarantee allowing the firm to reimburse the tax claim and fines.

The allocation of credit was not solely confined to the success stories of Jewish fur business. The Deutsche Bank, for instance, increased its commitment towards the Theodor Thorer firm as well. In 1919, Hollender asked the banks to double credit so that his firm could resume international trade. Particularly revealing was the strong position of the Thorer firm in negotiating the lending terms. Hollender, the leader of the Thorer firm, refused to put up additional collateral for the extra credit. The Berlin head office of the Deutsche Bank realised the powerlessness of the banks towards the Thorer firm: "we assume that the other banks did not receive cover for the doubled credits, so our situation is not much better than theirs. The tremendous increase in value of fur products renders the desire for the improvement of financial freedom of the firm more understandable, even though it is not pleasant to see that so much money is used for luxury products (...). However (...) significant amounts seem to be destined for exports again and therefore a corresponding portion of foreign currencies will

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<sup>929</sup> StA-L, Deutsche Bank, Filiale Leipzig 21017, nr. 257, f. 41. Leipzig, den 14. 03.1917.

<sup>930</sup> StA-L; Deutsche Bank, Filiale Leipzig 21017, nr. 258, f. 41. Deutsche Bank, Berlin an die Direktion der Deutschen Bank, Filiale Leipzig. 26.07.1920

<sup>931</sup> StA-L, Deutsche Bank, Filiale Leipzig, 21017, nr. 258, f. 226. Leipzig, 10.01.1927.

<sup>932</sup> The firm was accused of undervaluing a number of fur batches at the German border.

become available.”<sup>933</sup> Again, competition between banks gave way to the softening of lending conditions. Only two of the smaller Leipzig banks refused Thorer’s proposition for unsecured credit. With the support of the Deutsche Bank, the Dresdner Bank, and others, Thorer attained 4,600,000 marks worth of credit.

### ***8.2.2 The short-term credit market and foreign operations.***

The banks not only allowed larger businesses to resume trade by expanding credit lines: the fur industry was probably one the principal recipients for medium and short-term credits issued by the Leipzig banks. The 1924 cashbook of the Dresdner Bank in Leipzig illustrates that the vast majority of short-term acceptance credit flowed to the fur industry. The register mentions the grant of acceptance credit to about 103 firms in that year, 45 of which were fur firms. Many district firms consumed such short-term loans. Such short-term credit was an important instrument for the organisation of transborder trade. For example, most of the acceptance credit granted to the fur industry was issued in pounds sterling, presumably in order to allow for a visit to the auctions in London. Acceptance credit to the fur industry from the Dresdner Bank in Leipzig amounted to £394,600, which represented 66% of the total credit issued. Credit to individual firms ranged from £5,000 to £30,000 on average. The largest sum (£35,000) granted went to Mihran Allalmedjian, a somewhat unknown trader, while Thorer was granted £25,000.<sup>934</sup>

Although we lack an exhaustive overview, the Deutsche Bank similarly enabled Leipzig firms to visit the London auctions by issuing short-term acceptance credit. In 1921, Biedermann, one of the first firms to resume trade in Britain, received short-term loans £10,000 in May and £30,000 in July on the occasion of a London auction. For the May auctions in London in the following year, the Deutsche Bank granted acceptance credit to Biedermann (£20,000), David Dubiner (£20,000), Silberkweit & Goldberg (£15,000), and Adolf Schlesinger Nachf (£10,000).<sup>935</sup> The support for Biedermann is surprising, since it was one of the few Leipzig firms still in the possession of a branch in London. For the winter auctions in 1922, the

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<sup>933</sup> StA-L, Deutsche Bank, Filiale Leipzig 21017, nr. 544. Deutsche Bank, Filialbüro an Direktion der Deutschen Bank Filiale Leipzig, den 14.10.1919.

<sup>934</sup> StA-L, Dresdner Bank in Leipzig 21018, nr. 604. Credit-Liste per 31.12.1924.

<sup>935</sup> StA-L, Deutsche Bank in Leipzig, 21017, nr. 258. Deutsche Bank Filialbüro an die Direktion der Deutschen Bank Leipzig, 24.04.1922.

Deutsche Bank provided Reichenstein, Goldstaub, Dubiner, David Biedermann, and Theodor Thorer the sum of £62,000 between them.<sup>936</sup>

During the years of inflation, the provision of foreign credit was expensive for the German banks and meant a considerable effort. The availability of foreign currencies was of the utmost importance for the fur firms, especially in the first half of the 1920s, when London dominated the trade in Siberian furs. In the provision of pounds, the Deutsche Bank profited from its connections to the merchant bank J. Henry Schröders, one of the leading London bank houses in the beginning of the twentieth century: through this connection, it was able to provide money for fur firms trading in London.<sup>937</sup> Such credit enabled firms to operate on the London market and provide Leipzig with furs at a time when the raw fur market in Leipzig was at a low ebb.

We should also take into account that most of the Leipzig firms profited from multiple bank connections for short-term loans, general banking affairs, and acceptance credits. By early 1926, Thorer made use of acceptance credits in pound sterling sourced from no less than 4 German banks in Leipzig (ADCA £ 25,000, Dresdner Bank £ 25,000, Meyer & Co £ 10,000, and Reichskredit AG £25,000) while 2 other banks provided dollars (Darmstädter und Nationalbank \$100,000 and the Stadtbank \$75,000). Despite the fact that Thorer possessed a branch in London, they mainly relied on the neighbouring bank offices in Leipzig for the provision of pounds. In fact, the head office of Thorer in Germany obtained more credit in foreign currencies than the branch of the firm in London. Only two London banks provided credit to Thorer's London division for the auctions (Japhet £25,000 and Goschens and Cunliffe £20,000).<sup>938</sup> Furthermore, Thorer's bank partners domiciled in London's financial district had German roots. First, Goschens and Cunliffe was the result of a 1920 merger between the bank Fruhling and Goschen and the Cunliffe Brothers. The Fruhling bank was established in 1814 by German merchants whilst the Cunliffe Brothers was a product of British bankers. Secondly, Japhet & Co was established by Saemy Japhet, a Jewish banker from Frankfurt, in 1895.<sup>939</sup> Larger businesses like Thorer obviously profited from multiple

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<sup>936</sup> StA-L, Deutsche Bank, Filiale Leipzig 21017, nr. 544. Kreditakten Theodor Thorer. 16.10.1922. These companies were A. Reichenstein (£10,000), Semi Goldstaub (£10,000), David Dubiner (£15,000), Theodor Thorer (£7,000), and David Biedermann (£20,000).

<sup>937</sup> Richard Roberts, *Schroders: Merchants & Bankers* (Basingstoke: Macmillan, 1992), 190.

<sup>938</sup> StA-L, Deutsche Bank, Filiale Leipzig, nr. 21017, nr. 550, f. 34. Kreditakte, Leipzig, den 6.07.1927.

<sup>939</sup> Youssef Cassis, *City Bankers, 1890-1914* (Cambridge: Cambridge University Press, 1994), 37.

bank connections, both regional and international. Nevertheless, it is clear that banking affairs were centred on Leipzig.

### ***8.2.3 Banking competition in Leipzig (1920-1929).***

The Eitingon firm undoubtedly gathered the highest number of credit lines from various banks. It may very well have been the largest firm account in Leipzig's financial world. By 1929, the Eitingon concern enjoyed a 2 million dollar credit line (or 8,400,000RM) with the Dresdner Bank, substantially more than that of the Deutsche Bank, the ADCA (both \$1,200,000), and the Commerzbank (\$750,000).<sup>940</sup> In fact, the Eitingon family, in particular Martin Lentschner, had refined the art of playing rival Leipzig banks against each other. In 1927, the head office of the Deutsche Bank wrote: "the Eitingons declared to you that they have been served by other banks more accommodatingly. We cannot help but notice that this is a deliberate strategy of the Eitingons to exert pressure on us so as to indulge their wishes and in all likelihood they employ this strategy towards other banks as well."<sup>941</sup> The success story of the Eitingons and their ability to profit from many bank connections substantially expanded the firm's role as a consumer on the local lending market.

Nonetheless, less powerful medium-sized businesses also used more than one bank, albeit usually not more than two. David Kölner, a fur trading business that had a trade volume of almost 2,000,000RM in 1926, received auction credits from both the Deutsche and the Dresdner Banks.<sup>942</sup> The same went for Semi Goldstaub, a Jewish fur trader who divided his bank affairs between the two largest competitors on the Leipzig bank market. Thus, businesses like Goldstaub also made clever use of the competition between the largest joint-stock banks. Goldstaub wrote in 1927 that he opened a credit line with the Dresdner Bank simply because the Deutsche Bank refused to extend his credits: however, "he was willing to withdraw his affairs from the Dresdner Bank if the Deutsche Bank granted him an extra credit of 200,000RM."<sup>943</sup> Goldstaub nevertheless kept both his bank accounts. Additionally, both

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<sup>940</sup> StA-L, Dresdner Bank in Leipzig 21018, nr. 268. Eitingon Konzern (Vertraulich). 11.11.1929.

<sup>941</sup> StA-L, Deutsche Bank, Filiale Leipzig, nr. 21017, nr. 309, Deutsche Bank, Berlin an Deutsche Bank Filiale Leipzig, 7.04.1927.

<sup>942</sup> StA-L, Deutsche Bank, Filiale Leipzig, 21017, nr. 386, f. 14. Kölner. Leipzig, den 6.01.1926.

<sup>943</sup> StA-L, Deutsche Bank, Filiale Leipzig, 21017, nr. 339, f. 18. Semi Goldstaub Leipzig, den 17.03.1927.



banks offered him acceptance credit (unsecured by the Dresdner Bank and partially secured by the Deutsche Bank) to a maximum of £30,000 for the London sales in 1929.<sup>944</sup>

Just as before 1914, the competition on the lending market put strains on the relations between the bank branches in Leipzig and the head offices in Berlin. This was particularly so in the case of the Deutsche Bank. In December 1921, the head office asked Naumann to reconsider the “liberal” agreement with the Eitingon family. According to Berlin, the Eitingon multinational mainly used the credits to ship raw furs directly to New York. Therefore, the impact on trade and industry in Leipzig was smaller than expected: “the gentlemen [of the board] agreed upon the fact that it cannot be the task of a German bank to lend dollars to an ‘American firm.’ We gladly support needs in Germany with our currency but we have to abstain from lending our scant currencies to foreign firms.”<sup>945</sup>

It should be noted that conflicts between the head office and regional offices were not exceptional in the history of the Deutsche Bank. The conflict between the local directors, prone to grant credits to local firms and friendly industrialists, and the bank leaders in Berlin, who were worried about “lenient” credit conditions, loomed large throughout the 1920s.<sup>946</sup> Historical research has never empirically investigated the mechanisms that made this risky bank policy possible nor have issues like local embeddedness been taken into account. Here, the lenient lending behaviour of the Leipzig bank division was coloured by its position as an actor within the district economy. Furthermore, the bank clearly suffered from competition with the other joint-stock banks in the district. Finally, fur firms made it a deliberate policy to establish multiple bank connections in order to ease lending conditions.

In contrast to the board in Berlin, local bank officers did not feel uncomfortable with the fur firm’s strong position on the lending market. On the contrary, it could be argued that the bank division identified itself strongly with the fate of the local industry and endeavoured to be a reliable partner. Bank directors and fur businessmen were on a good footing with each other. Banks and businesses were practically neighbours in downtown Leipzig. The building of the

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<sup>944</sup> StA-L, Deutsche Bank, Filiale Leipzig 21017, nr. 339, f. 25. Semi Goldstaub, Leipzig, den 04.10.1929.

<sup>945</sup> StA-L, Deutsche Bank in Leipzig 21017, nr. 309. Filialbüro, an Konsul Eugen Naumann, Direktor der Deutschen Bank Filiale Leipzig, 21.02.1922

<sup>946</sup> Lothar Gall, ed., *Die Deutsche Bank, 1870-1995* (München: Beck, 1995), 231. In 1926, the autonomy of the subsidiaries were a constant worry.

Deutsche Bank at the Rathausring was within walking distance of the Brühl.<sup>947</sup> Perhaps more important was a shared view on local affairs. Similar to the fur magnates themselves, the director of the Deutsche Bank in Leipzig saw the international activities of successful fur concerns as the launch pad for trade revival in Leipzig. International operations were seen as an absolute necessity for the survival of the fur district. Naumann, for instance, wrote to justify the credit for the Eitingon firm in the early 1920s: “The credit is justified from our point of view because the fur trade is essentially international and it fertilises the dressing industry in Leipzig, where the German fur industry is concentrated.”<sup>948</sup> Naumann personally trusted the fur businessmen, including Motty Eitingon: “Motty Eitingon is an ingenious, and rarely clever man in his best years” and his firm is a “world firm.”<sup>949</sup> The same admiration applied to the Biedermann business. Naumann wrote that the “Russian enterprises of the Biedermann concern, which continued commerce with England and the US during the war, achieved fabulous profits and nowadays ranks amongst the largest and most well-funded fur firms.”<sup>950</sup> It was his personal conviction that an association with these firms would not only increase bank profits but also reanimate Leipzig’s fur agglomeration. Demands for credit were therefore easily permitted, even when the head office in Berlin tried to restrict the link with the fur industry.

The lenient policy of the Deutsche Bank was not altogether different from other local Leipzig bank divisions. The Commerzbank and the ADCA had a large number of customers in the fur industry as well, although they focussed on smaller businesses. The local office of the Dresdner bank was widely known for its lenient lending policy towards the fur industry, especially the larger firms. The difference was that Dresdner Bank’s head office seemed less concerned by the activities of its local branch vis-à-vis the Leipzig fur industry. Was the local division of the Dresdner Bank simply more independent than the Deutsche Bank? A clear answer cannot easily be established. In any case, it should be noted that the Dresdner Bank in Leipzig did not simply throw money at the fur industry but rather employed an assessment system of the firms to which it granted credit. However, the rating system was not very sophisticated: lending conditions were determined by personal networks and subjective assessments. The assessment not only took trade volume and the nature of business into

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<sup>947</sup> Pohl and Raab-Rebentisch, *Die Deutsche Bank in Leipzig*, 52.

<sup>948</sup> StA-L, Deutsche Bank, Filiale Leipzig 21017, nr. 309. Eitingon Schild & Co Inc. New York. 11.02.1922.

<sup>949</sup> StA-L, Deutsche Bank in Leipzig 21017, nr. 309. Deutsche Bank Filiale Leipzig an Deutsche Bank Filialbüro, Berlin. 05.06.1920.

<sup>950</sup> StA-L, Deutsche Bank, Filiale Leipzig 21017, nr. 258. f. 39. Vertraulich, an Filialbüro Berlin, 22.06.1920.

account, but also considered the personal characteristics of the entrepreneur and the relationship between the bank director and business leaders.

The Dresdner Bank did impose restrictions once it found that entrepreneurs were taking too many risks or when doubts were raised about the personal capabilities of the entrepreneur. Leopold Apfel, a fur trader, was graded as “very decent but stupid” and therefore “credit for him is now not in order.”<sup>951</sup> Positive traits were not always a guarantee of favourable credit conditions. Ephaim Kirschner was highly esteemed but his commerce was seen as too risky: he was forced “to show the annual trade balance until 1930” and “no unsecured credit was allowed.”<sup>952</sup> Again, personal friendships and relations played a considerable role. The traders of Wachtel & Eskreis were seen as “very cultivated and a solid firm” and “should be treated very well.”<sup>953</sup> The Dresdner Bank characterised the fur dealer David Chardack as a “trustee” of the bank: “he can acquire any credit he wants; he is very careful and has good customers.”<sup>954</sup> The members of the Fein family - “a solid Jewish family” - were equally considered as “old friends of the Dresdner Bank,” even though they maintained connections to the rival Danat and Commerzbank. The relationship between the bank and its fur customers was therefore highly subjective and reputational. Personal connections and impressions about the character of the entrepreneurs mattered in shaping the local lending market.

It should be stressed that the entanglement between the fur trade and banks was also the result of exogenous developments. The importance of London for the international fur market in the immediate post-war years gave impetus to the short-term lending market in Leipzig. In addition, the dealings with the Soviets were one of the main causes for the growing involvement of the financial sector in the fur trade. Even for a firm like Ariowitsch that operated relatively independently, the credit preferences of the Soviets and the large contracts were a challenge: “the firm J. Ariowitsch represents one of the soundest and strongest fur firms. The firm is (...) able to finance its imports to a large extent autonomously and therefore only seldom makes use of its rather small bank credit. (...) The nature of Russian affairs forces the firm to appeal to a larger amount of bank credit (...).”<sup>955</sup> However, the ever-expanding involvement of the banks in the foreign affairs of the fur firms only added to the troubled

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<sup>951</sup> StA-L, Dresdner Bank in Leipzig 21018, ,nr. 44, f. 426. Leopold Apfel, Leipzig, Rauchwaren.

<sup>952</sup> StA-L, Dresdner Bank in Leipzig, 21018, nr. 44, f. 447. Ephaim Kirschner, Leipzig.

<sup>953</sup> StA-L, Dresdner Bank in Leipzig, 21018, nr. 44, f. 463, Wachtel & Eskreis, Leipzig, Rauchwaren. s.d.

<sup>954</sup> StA-L, Dresdner Bank in Leipzig 21018, nr. 44, f. 433. David Chardack, Leipzig Rauchwaren.

<sup>955</sup> Sta-L, Deutsche Bank, Filiale Leipzig Leipzig, nr. 207. f. 168. Leipzig, den. 10.08.1927

relations between the local bank with the head office of the Deutsche Bank. Berlin presaged deficiencies in the trade with the Soviets: “if Mr. Ariowitsch indicates that he was able to gain special advantages in dealings with the Soviet Russian authorities because of his relations with those officials, we believe indeed that he will make large profits. But the question arises, how much longer? An old proverb says: the pitcher goes so often to the well that it finally breaks. If something should go differently than expected, it could be possible that the good relations of A(riowitsch) with certain Soviets will turn into the opposite and could lead to large losses for your customers.”<sup>956</sup> The head office in Berlin believed that Leipzig was taking enormous risks through its indirect participation in foreign trade while local bankers considered it a necessity. In Leipzig, foreign trade was the compound of business-bank relationships.

Even here it is not clear whether Ariowitsch profited from bank competition or whether the credit was really required. Whereas several Leipzig banks supported his dealings in the Soviet Union, Ariowitsch did not depend on credit to the same degree as Thorer and Eitingon. Up until 1927, Ariowitsch was able to conduct commerce with the Soviets independently, as a report of the Dresdner Bank makes clear: “Ariowitsch arranges his supplies in Russia out of his own means and frequently in cash (...) we estimate the wealth of Ariowitsch to circulate around 20,000,000 RM.”<sup>957</sup> But why should Ariowitsch invest personal capital if he could use unsecured bank credit? Several banks indeed feared that Ariowitsch made use of the favourable lending market to externalise the risks of its international operations on to its bank partners. Nevertheless, banks did not refuse his quest for additional financial assistance. Both the Deutsche and the Dresdner Bank supported Ariowitsch’s growing demand for money.<sup>958</sup> The banking dilemma ended in favour of the fur firms and their international dealings.

### **8.3 Inter-firm cooperation and the creation of new market institutions in Leipzig.**

Having established the important link between banking and the fur industry, let us now turn to collaborative networks between individual fur firms. In the pursuit of restoring links to the

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<sup>956</sup> StAL, Deutsche Bank Filiale Leipzig 21017, nr. 279. Deutsche Bank Berlin an Deutsche Bank, Filiale Leipzig. s;d.

<sup>957</sup> StA-L, Dresdner Bank in Leipzig 21018, nr. 220. Streng Vertraulich. Filiale Leipzig an die Direktion der Dresdner Bank, Berlin. 29.08.1927.

<sup>958</sup> StA-L, Dresdner Bank in Leipzig 21018, nr. 220. Filiale Leipzig an die Direktion der Dresdner Bank. 10.10.1928

outside world, two main axes of collaboration between firms in the fur district surfaced. Collaboration between firms led to the formation of trade consortia and to the creation of co-owned 'auction houses.' While trade consortia turned out to be less successful, the 'auction companies' organised by a large number of fur firms became the most relevant joint ventures in the Leipzig district between the wars. The role of the banks in this chapter does not end here. The local banks acted as important supporters and mediators in interfirm cooperation. Links between banks and firms in the district also centred on trade consortia and auction companies since both institutions had large financial requirements.

### *8.3.1 The failure of trade consortia.*

First, a small note on the phenomenon of the trade consortium in Leipzig as a project of interfirm cooperation. In the early 1920s, only one such consortium appeared and it was unsuccessful. However, it does give insight into the mechanisms of interfirm cooperation in the district. Under Thorer's leadership, a number of traders in Leipzig planned to form a temporary trade consortium in 1920. The consortium was set up with the aim of establishing trade relations between the Soviet Union and Leipzig. In particular, use was made of Thorer's remaining personal connections in the USSR. The consortium appointed Strauven, an employee of the former German firm Dürrschmidt in Tashkent, as a trade representative of the consortium in Moscow. Strauven was an important representative of the Thorer firm in Russia and Central Asia well before the war: he played a crucial role in moving karakul herds from Central Asia to German South West Africa (see chapter 4).

Arndt Thorer, who had just succeeded his deceased father in 1920 as owner of the Thorer firm, made his network resources available to a wider set of local firms. Importantly, he did so because he believed that the restoration of trade networks went beyond the individual interest of the firm he headed. Instead, Thorer believed himself to be part of a broader agenda, one that burdened him with responsibility towards Leipzig. He wrote in 1921 that "it has to be prevented that new Russian exports are sold in England or the USA (...) These exports belong to our trade and dressing industry and will contribute to the recovery of Leipzig's old reputation in the international fur trade."<sup>959</sup> Such motives indicate that a lead firm like Thorer

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<sup>959</sup> BArch, Reichswirtschaftsministerium R 3101, nr. 3638, f. 142. Theodor Thorer für das Konsortium zur Beschaffung von Rauchwaren aus Russland an das Reichswirtschaftsministerium. Leipzig, den 11.11.1921.

adhered to the wider goal of restoring Leipzig as an international marketplace. In other words, strengthening the 'local' was an important motive for firm strategies and stimulated processes of amalgamation into interfirm collaborative structures.

Nevertheless, the trade consortium failed to make a deal in Moscow. In November 1921, the government curtailed the actions of the consortium since it feared that sending Strauven to Moscow at this stage might inflict damage on the still fragile diplomatic relations with the Russian trade representation.<sup>960</sup> The early attempts of the Leipzig district to collectively gain concessions inside Russia were a failure, which worked to the advantage of individual firms like Eitingon and Biedermann, who inserted themselves into 'new' gateways to Soviet trade like New York and London. Not all processes of interfirm cooperation lead to success. Collective action was strongly context-bound and was highly dependent on timing. Failure was the fate of the consortia, despite the fact that it was a common practice by which German businesses organised foreign trade in the period between the wars.<sup>961</sup> Nevertheless, the trade consortium once more reveals the predisposition towards interfirm cooperation in the district.

### ***8.3.2 Auction companies as inter-firm cooperation***

Whereas consortia were a common practice for German businesses in the interwar period, auction houses in Germany were something of a novelty. As mentioned in chapter 7, auction sales had surfaced strongly on fur markets in North America since the turn of the century. While the Anglo-American experience with auctions was undoubtedly inspiring, the formation of auction companies in Leipzig directly followed from the successes of various fur auctions in Leipzig that were organised independently by the Soviet government. The first Soviet fur auction, organised by the Soviet trade representation in Berlin, took place in Leipzig on 28 September 1921. In terms of their readmission to the world market, the symbolic value of the auction for both the Soviets and the Germans cannot be underestimated. The visit of 500 merchants, 57 of whom were from France, reveals a large international interest in the sale of Siberian furs.<sup>962</sup> In the first auction sale, the Soviet government sold furs

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<sup>960</sup> BArch, Reichswirtschaftsministerium R 3101, nr. 3639. Theodor Thorer an das Reichswirtschaftsministerium, 29.12.1921.

<sup>961</sup> Pohl, *Die Finanzierung der Russengeschäfte zwischen den beiden Weltkriegen*, 14–15.

<sup>962</sup> Rauchwaren: UdSSR Export. Handelsvertretung der UdSSR in Deutschland. Informationsabteilung, Berlin 1927. p. 2.

with the total value of 250,000 goldmarks.<sup>963</sup> Although further information on the first auction sales is scarce, the auctions were said to approach world market prices.<sup>964</sup> The next Soviet auction in March 1922 achieved sales worth \$1,000,000.

The symbolic value notwithstanding, the independent Soviet auctions were a particular disadvantage for the district as they put pressure on the trading firm as the traditional intermediary between Russia and the Leipzig industry. Since the Soviet state agency in Germany (*Russischen Handelsvertretung in Deutschland*) organised the sales independently, auctions threatened the specialised trading houses on the Brühl. A quote of Arndt Thorer in 1921 captures the stalemate: “when the Russians organise auctions, the foreigners buy directly in Leipzig and ignore the German fur trade completely. Nevertheless, we want to be, once again, the supplier of the other countries for Russian, Siberian, and central Asian skins and this way will recoup foreign currencies.”<sup>965</sup> While the initial independent sales undoubtedly generated commercial benefits for the industrial district as a whole, it drained activity away from individual fur businesses in the long term. In order to safeguard trade interests, self-organised auction companies were formed as a solution to this problem.

In total, six auction companies were established in Leipzig during the early 1920s: the RAVAG, the Rauchwaren-Lagerhaus GmbH, Geverka, Mucrena, Ramico, and Norsia (Nordische Silberfuchs Auktion). In 1920, the Mucrena was the first auction company established in Leipzig. Upon reading an advertisement for the Mucrena, it becomes clear that the creation of the auction company was deeply rooted in the context of the changing international trade: “in 1920, the need was felt to provide the German and foreign fur trades with new provisions of raw furs.”<sup>966</sup> Additionally, the organisers were clearly inspired by the success of auctions sales in other fur markets in North America; “for Germany these auctions are relatively new, but, in contrast, are common practice in London and St Louis.”<sup>967</sup> However, the Mucrena was not a company established by Leipzig fur dealers: rather, it was a division of a hide and skin dealing firm in Berlin.

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<sup>963</sup> Grażyna-Maria Peter, *Russen in Leipzig: damals, heute* (Europa-Haus, 2003), 66.

<sup>964</sup> BArch, Reichswirtschaftsministerium R 3101, nr. 3637. Die deutsche Rauchwarenbranche in Oktober 1921;

<sup>965</sup> BArch, Reichswirtschaftsministerium R 3101, nr. 3638, p. 142. Theodor Thorer für das Konsortium zur Beschaffung von Rauchwaren aus Russland an das Reichswirtschaftsministerium. Leipzig, 11. 11. 1921.

<sup>966</sup> Tierhaarverwertung Mucrena AG. Abteilung Rauchwaren, p. 224.

<sup>967</sup> Ibidem.

In contrast, the new companies Rauchwaren Lagerhaus GmbH and the RAVAG were the result of inter-firm collaboration in the district. The Lagerhaus (established in 1922) in particular significantly extended the horizon of interfirm cooperation in Leipzig. No less than 39 firms participated in the new auction company, providing capital of 300,000 marks in 1922. Several firms dominated the list of participants. The firm Gaudig & Blum provided the largest sum, 60,000 marks, followed by 20,000 marks from Theodor Thorer and 15,000 marks from Friedrich Erler.<sup>968</sup> The fact that these firms in particular played a leading role in the new auction company reveals an important transnational dimension in the formation of auction companies. Both Thorer and Gaudig & Blum had ties to the new auction business in New York, The New York Fur Auction Sales, established in 1916. Charles S. Porter, the representative of Gaudig & Blum in New York, was appointed president of the New York Fur Auction Sales in 1916. Similarly, Edward Speer, head of New York branch of Thorer, was named treasurer of the same company.<sup>969</sup> It is likely that these businesses' involvement in New York partly explains the foundation of an auction company in Leipzig. The joint venture model was also inspired by the same example, since the New York auction was based upon the participation of many firms. The successes of New York auctions in competing with British auction houses were undoubtedly appealing as well.

Thus, the unifying and participative model was effectively copied. Aside from the three firms listed above, capital investment divided relatively equally between the remaining 36 firms: 11 firms provided 10,000 marks, 10 firms provided 5,000 marks, and the remaining 15 firms provided 3,000 marks each. Over the course of the years, however, a smaller number of firms came to form the core of the auction company. A milestone in the development of the Lagerhaus took place in 1926, when it was transformed into a joint-stock company. This allowed larger firms to assume a more prominent role. By the early 1930s, Theodor Thorer owned 35% of the shares.<sup>970</sup> The firm Friedrich Erler and other trading companies of the Brühl (M. Bromberg & Co, Eisenbach & Stern, and Fein & Co) owned the remainder of the company shares. Initially, the firm epitomised an unprecedented scale of interfirm cooperation within the district but ultimately it came into the hands of a smaller circle of firms.

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<sup>968</sup> StA-L, Dresdner Bank in Leipzig 21018, nr. 305. Zeichnungslist zur Gründung der Rauchwaren Lagerhaus GmbH, s.d. 1923.

<sup>969</sup> Ray, *The Canadian Fur Trade in the Industrial Age*, 100.

<sup>970</sup> StA-L, Dresdner Bank in Leipzig 21018, nr. 305. Rauchwarenlagerhaus AG, In the Aufsichtsrat of this auction company: Friedrich Erler & Co, M. Bromberg & Co, Eisenbach & Stern, Fein & Co, Gaudig & Blum, and Theodor Thorer. See also, StA-L, Dresdner Bank in Leipzig 21018, nr. 476. Sächsische Revisions und Treuhandsgesellschaft AG Leipzig; Theodor Thorer: Leipzig die vom 12 bis 28 september 1932. Bei der Firma Thorer Leipzig, ausgeführte Prüfung der Bilanz und Gewinn und Verlust – Rechnung für den 31.12.1931.



The other new auction company besides the Lagerhaus, the RAVAG (or Rauchwarenversteigerungs AG) was established only slightly later, in March 1923. In contrast to the Lagerhaus, it was formed by only six firms from the Brühl.<sup>971</sup> These were Eisenbach & Stern, Max Feiler GmbH, Rosenfelder & Sohn, Wienwurzels & Lorch, Ferdinand Salm, and Kurt Wachtel. An additional shareholder of this auction company was the Commerzbank in Leipzig, which illustrates the interest of the banks in processes of interfirm cooperation. The RAVAG gained additional eminence when Chaim Eitingon joined the firm as an expert “in the grading of the furs” and as a shareholder. Martin Lentschner was appointed as an additional member of the board. Again, it is important that the participation of larger firms like Theodor Thorer and Chaim Eitingon in interfirm cooperation reveals that business strategies of larger firms were not restricted to individual trade with the Soviets. These firms had appropriated the goal of strengthening commercial activity within the city through collective action.

Both auction sales were organised according to the same principles. First, the Leipzig fur auctions were organised as “English auctions,” which were characterised by selling via ascending bids. Second, the Leipzig auction companies issued advance payments relative to the value of furs put for auction sales. The auction company graded the value of the goods and then paid advances to suppliers.<sup>972</sup> Firms, foreign trade agencies, or farmers could entrust their goods to a wider arena of buyers and diminish the risk of losses. The practice of advance payment naturally attracted trading firms, fur farmers, and the Soviet trade agencies in need of money. The RAVAG, for instance, granted advances to firms and agencies that were interested in placing their furs on auction for about 6 weeks and for 50-60% of its expected value.<sup>973</sup> The Lagerhaus similarly granted “transport credit” (or Lombard credit) to the Soviets and other suppliers with the furs acting as the collateral. In this respect, the auction company corresponded to the development of ascending world market prices and to what could be called a “financialisation” of the fur trade.

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<sup>971</sup> StA-L, Dresdner Bank in Leipzig 21018, nr. 426. Auskunft W. Schimmelpfeng, rauchwarenversteigerungs AG, Leipzig, 23.06.1929. Eisenbach & Stern, Max Feiler GmbH, Rosenfelder & Sohn, die Wienwurzels & Lorch, Ferdinand Salm, Kurt Wachtel.

<sup>972</sup> StA-L, Dresdner Bank in Leipzig 21018, nr. 426. Dresdner Bank an die Direktion der Dresdner Bank 16.03.1929.

<sup>973</sup> Ibidem

Competition between the auction companies, especially the Lagerhaus and RAVAG, was kept at bay. Two factors explain the lack of competition. Firstly, the Jewish firm Eisenbach & Stern, the only business with an interest in both auction companies, made good relations between the two auction houses possible. On the advice of Eisenbach & Stern, the Lagerhaus opened its warehouses and storerooms in 1923 to the recently established RAVAG.<sup>974</sup> The warehouses of the Lagerhaus were located in the north of Leipzig, a few blocks away from the main railway station. Later, the RAVAG rented a depot inside the freight train station. As such, both auction houses were strategically located close to the railway hub. Secondly, both companies focused on different market sectors. The Lagerhaus was arguably much more internationally oriented, in particular to the trade with the Soviet Union. The auctions of the Lagerhaus primarily brought commodities on behalf of the Soviet trade representation to the Leipzig fur market. On the other hand, the RAVAG predominantly, albeit not exclusively, organised the sales of farmed furs, like rabbits and other furbearing animals that were increasingly being bred in Germany as well as in neighbouring countries.

Let us examine the activities of the auction companies more closely. The Lagerhaus was created with the aim of taking over the independently organised Soviet auctions but it also organised the sales of fur trading companies. The Rauchwaren-Lagerhaus commenced auctioning furs in a commission for the Soviet trade agencies as early as 1922.<sup>975</sup> The first auction of the Lagerhaus took place in the prestigious Krystallpalast in Leipzig, an epicentre of the urban bourgeoisie with salons, meeting rooms, and a theatre. Later auctions of the Lagerhaus were held in the Neue Handelsbörse, a large building in the north west of Leipzig that also housed the Chamber of Commerce.<sup>976</sup> Soviet auctions organised by the Lagerhaus were held every six months between 1922 and 1926.<sup>977</sup> The auction sales of the Lagerhaus supplied Leipzig factories and international customers with a variety of prime furs. Take the offering from September 1923 for instance. At this sale, 171,611 grey squirrels, 32,572 ermines, 13,912 karakuls, and almost 1,000 high value Russian sables were sold.<sup>978</sup> The

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<sup>974</sup> StA-L, Commerzbank in Leipzig 21016, nr. 411 Commerzbank an die Direktion Berlin. 19.1.1923.

<sup>975</sup> StA-L, Dresdner Bank in Leipzig, nr. 305. Rauchwarenlagerhaus GmbH, Leipzig verzeichnis der am Donnerstag, den 27.09.1923. Before 1926 it was known as the Rauchwarenlagerhaus GmbH. First Soviet Auction through the Lagerhaus is mentioned in „der Rauchwarenmarkt, 1922“

<sup>976</sup> Kowalzik, *Jüdisches Erwerbsleben in der inneren Nordvorstadt Leipzigs 1900-1933*, 10. Clearly, the construction of the Krystallpalast was inspired by the Crystal Palace in London, constructed for the world exhibition of 1851.

<sup>977</sup> Malbin, *Der internationale rauchwarenhandel vor und nach dem Weltkriege unter besonderer berücksichtigung Leipzigs.*, 28.

<sup>978</sup> StA-L, Dresdner Bank in Leipzig 21018, nr. 305. Versteigerung russischer Rauchwaren, Donnerstag 27.09.1923.

private auction companies revived trade with the Soviets as the market institution of collective sales dovetailed with a number of Soviet preferences, such as payment in advance and the transaction of larger quantities. I will return to this convergence later.

Equally, auction companies tapped into the booming, albeit less international, circuit of farmed furs or subprime furs (foremost rabbits) produced by small scale husbandry in Germany and neighbouring countries. The auction company Mucrena in particular continued selling *Landwaren*, skins produced domestically, a legacy of the wartime economy. Foremost, this concerned the sale of rabbit skins in bulk. Mucrena procured furs not only from German farmers and animal keepers but also functioned as a European sales agency, dealing with suppliers from the Balkans, France, and Switzerland. In addition, its auctions were not only important for fur traders but also for shoe-makers, leather traders, and hat manufacturers, who all bought raw material from these sales.<sup>979</sup>

Second, the RAVAG combined the sales of domestic fur skins with those that were imported. In terms of quantity, skin dealers who procured furs farmed in Germany were the principal suppliers of the RAVAG. This can be seen in table 1. The RAVAG mostly dealt in rabbit skins, 1,952,737 of which were sold at the 1924 sales. Nevertheless, the RAVAG offered significant quantities of imported prime furs as well, like 37,366 foxes and 36,675 skunks. The RAVAG also sold high valued prime furs in very low quantities (like otter skins), ranging from 2,000 to 3,000 items.<sup>980</sup> All these types were sold during a number of irregular auctions throughout the year. For instance, in 1924, the RAVAG managed to hold 10 auctions, in which it sold almost double the quantity from 1923, when 7 auctions were held.<sup>981</sup>

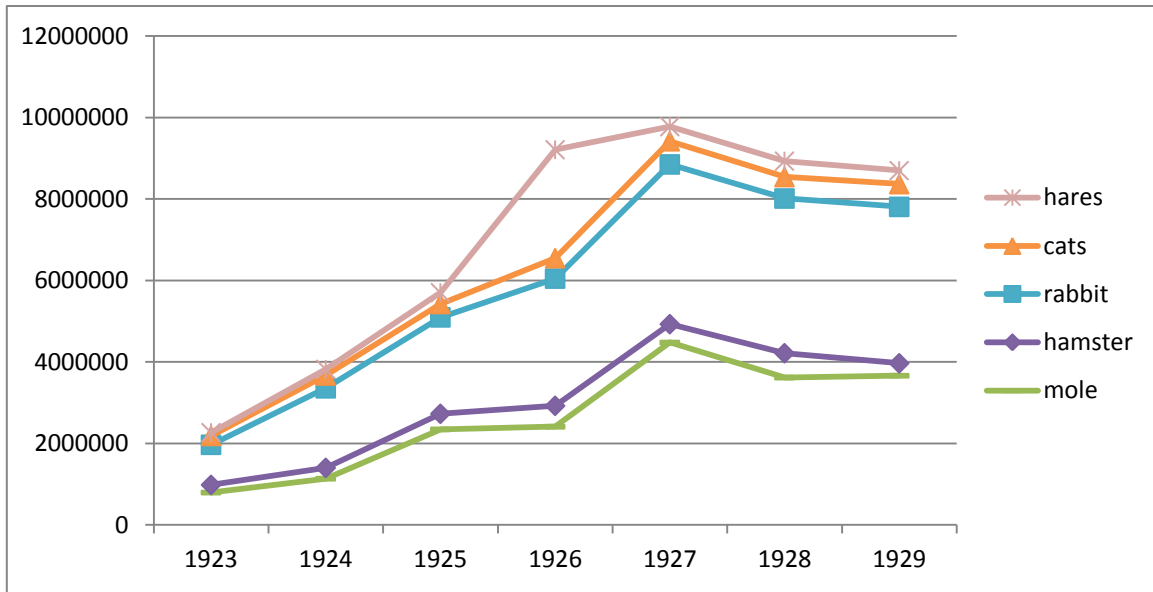
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<sup>979</sup> Die Kürschnerzeitung, nr. 20, 11.07.1929. pp. 707-708. Eine stille Auktion. Bilder von einer Rauchwarenversteigerung in Leipzig.

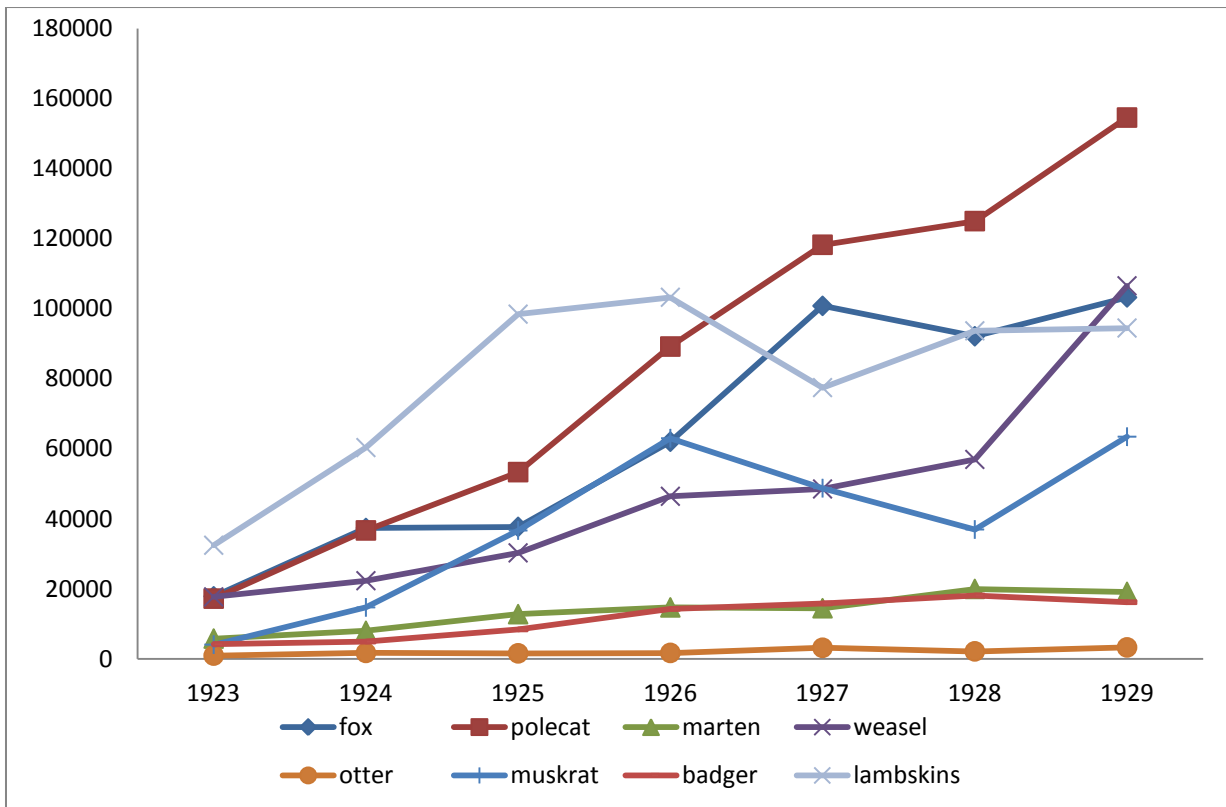
<sup>980</sup> The list of items sold on the auctions is based on the annual reports of the RAVAG, across several files in the archives "Geschäftsberichte": StA-L, Commerzbank 21016, nr. 58 and nr. 413 for the annual reports between 1926-1931. See also: StA-L, Dresdner Bank in Leipzig 21018, nr. 426.

<sup>981</sup> StA-L, Dresdner Bank in Leipzig, 21018, nr. 426. Dresdner Bank and die Direktion der Dresdner Bank in Leipzig, 14.03.1929.

## Market Engineering



**Table 8-1: The sale of subprime furs by the RAVAG (1923-1929).**



**Table 8-2: The sale of prime furs by the RAVAG (1923-1929).**

Since auction companies financed suppliers in advance, the participation of the local bank system was necessary. The financial demands of the Soviets in particular warranted cooperation that went beyond the limits of inter-firm cooperation in the fur sector. In fact, the banks became influential shareholders of the Leipzig auction companies. In the RAVAG,

credit was provided by the Commerzbank, which also acted as a shareholder.<sup>982</sup> A new release of shares in 1928 made the Commerzbank the largest shareholder of the auction company.<sup>983</sup> The Dresdner Bank surfaced as the main financial force behind the Lagerhaus, especially after 1926.

In the spirit of restrained competition between the Leipzig auction houses, the practice of auctioning was neatly divided between the offices of the Dresdner and Commerzbank in Leipzig. The Dresdner Bank supported the Lagerhaus, while the Commerzbank did the same for the RAVAG. The Deutsche Bank, somewhat surprisingly given its interest in the district economy, refrained from participating in the auction hype. However, competition over the auction companies did surface when the Dresdner Bank attempted to establish connections with the RAVAG in 1929. Indeed, several businessmen involved in the RAVAG advocated a second credit line with the Dresdner Bank. However, Georg Kosterlitz, the director of the Commerzbank and representative on the board of the RAVAG, prevented this from happening.<sup>984</sup> Nonetheless, bank competition produced beneficial effects on lending conditions. The Commerzbank offered unsecured credit. The Dresdner Bank refrained from demanding extra securities in their offer to the RAVAG, which consisted of credit to the limit of 400,000RM: “the Commerzbank issues loans in unsecured form, so we will give loans according to the same conditions.”<sup>985</sup> Aside from individual links with fur businesses, the role of local banks was of seminal importance in processes of interfirm cooperation as well.

It should be underscored that the new market institution had to win over the trust of both buyers and sellers. To begin with, the RAVAG appointed an independent auction leader, Büttner, who was “sworn” into office.<sup>986</sup> The practice of auctions was alienating for several observers. A journalist of the newspaper *Leipziger Neueste Nachrichten* visited a Mucrena auction in 1929 and wrote about auctions as if they were something from another world.<sup>987</sup>

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<sup>982</sup> StA-L, Deutsche Bank 21017, nr. 426. Dresdner Bank an die Direktion der Dresdener Bank, Berlin. 16.03.1929.

<sup>983</sup> StA-L, Commerzbank 21016, nr. 411. Commerzbank. Anlage II. Verzeichnis. der in der ausserordentlichen Generalversammlung RAVAG ,16.04.1928 erschienen bzw. vertretenen Aktionäre. The Commerzbank was the largest shareholder, with 55,420RM of shares: this gave them 2232 votes, a clear majority.

<sup>984</sup> StA-L, Dresdner Bank in Leipzig 21018, nr. 426, Dresdner bank and die Direktion. 17.04.1929.

<sup>985</sup> StA-L, Dresdner Bank in Leipzig 21018, nr. 426, Direktion der Dresdner Bank and Dresdner Bank in Leipzig. 18.03.1923.

<sup>986</sup> StA-L, Commerzbank 21016, nr. 411. Konsortial Abt. Betrifft; RAVAG an Centrale, Direktionssekretariat, Berlin. 1.2.1923.

<sup>987</sup> Die Kürschnerzeitung, nr. 20, 11.07.1929. pp. 707-708. Eine stille Auktion. Bilder von einer Rauchwarenversteigerung in Leipzig

The journalist acquired the impression that the auction was something for insiders: “members of the Brühl” dominated the auction room, often by using “secret non-verbal language” and rapid bidding: “The settlement of the auction appears to be mysterious for laymen. Nonetheless, it has the advantage that sales proceeds more rapidly and the swift decisiveness resembles business conduct on the Brühl, from where most of this auction participants come. And as on the Brühl, everything is treated confidentially as possible, so you will also not let the competition know what and how you bought. Hence the secret signs and body language.”<sup>988</sup> The journalist concluded that the auctioneer must know every participant personally, since this mode of sale would otherwise be impossible.

Suspicion of the auctions pervaded widely, especially for actors unfamiliar with the transnational dimension of auction sales and for those outside the Leipzig fur trade. Particularly galling was the perception of artificial price fixing. Leather traders in Germany, for instance, accused the members of the RAVAG of artificial price inflation. According to the HUFA, the Union of the Leather Trade, auctions disturbed the process of price making, leading to price levels that were generally too high. In particular, the leather traders referred to what is known in auction theory as “vendor bidding.” Vendor bidding describes a situation in which sellers of the goods participate in the auction process and thereby artificially increase the price. The practice of vendor bidding was not forbidden by law but naturally caused discontent among the buyers. An article in the *Leather Journal (Lederzeitung)* stated that “the suppliers of skins had been participating at the auctions.”<sup>989</sup> In 1930, the RAVAG and the HUFA made an agreement concerning the practices governing the sale of leather hides, in which the RAVAG abstained from bringing large bulks of hides destined for the leather industry on the market via auctions. Auctions were also not regulated, in contrast to the situation in Great Britain, where laws were in place to monitor them. However, apart from the conflict with this professional group, auctions were relatively easily accepted by the Leipzig fur industry. Auctions were not an alien practice for them or remote from their experiences. The advance of auction sales in Leipzig was therefore irreversible.

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<sup>988</sup> Ibidem.

<sup>989</sup> StA-L, Commerzbank 21016, nr. 411. Abschrift verban des Vereinigten Deutschen Häute und Fellhandels, HUFA ev. Sitz Berlin. an die RaVAG. Rauchwarenversteigerungs AG Leipzig. 11.04.1927



Picture 3: Fur auction in Leipzig (between 1920-1940). Stadtarchiv Leipzig.

#### 8.4 Auction companies and market engineering.

An important dimension of auctions was their ability to compete with rival fur centres. Auctions had a long pedigree in this regard and can be traced back to the ambition of the Leipzig merchant Heinrich Lomer to organise a private auction in order to take over commodity flows to London in the 1870s. The implementation of this market institution reflected the long-standing desire of local firms to maintain and reconstruct Leipzig as a fur capital, capable of competing with other centres. Auctions were a clear rupture with the tradition of selling furs at the fairs and the organisation of foreign trade by individual businesses. In other words, the foundation of auction companies stood central in processes of market engineering by district firms. In contrast, traditional market institutions, especially the Leipzig trade fairs, seemed too outdated to serve this function in the changing international fur trade. The decline of the fairs diverged remarkably with the situation of wholesalers and smaller firms in many other industries: for them, the Leipzig trade fair remained a robust ‘umbrella institution’ for international trade throughout the interwar period.<sup>990</sup> However, the

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<sup>990</sup> Gross, “Selling Germany in South-Eastern Europe,” 29.

Leipzig trade fairs became increasingly less important for the international fur trade, a trend that was already noticeable prior to World War I. Owing to the format of the sample fair that was introduced in 1895, the fairs were more important for the retailing sector than for wholesaling. Sample fairs therefore turned to a more national public. Illuminating is the national success of fur fashion exhibitions organised by the association of German furriers at the Leipzig trade fairs from 1924.<sup>991</sup> Walter Leiske of the Leipzig city administration stated in 1928 that auctions were a more important phenomenon for the fur trade than the fairs.<sup>992</sup>

### ***8.4.1 The international operations of the RAVAG.***

Indeed, auction companies (especially the Lagerhaus and, to a lesser extent, the RAVAG) deliberately followed an international course. Once the practice of auctions sales were firmly established in Leipzig, the RAVAG pursued a more aggressive policy on foreign markets. In 1928, the RAVAG forged plans to overtake the sale of Australian rabbits, which at that moment was in the hands of the British auction company Anning & Cobb.<sup>993</sup> The RAVAG managed to secure support from several Leipzig banks and auctioned 650,000 Australian rabbits in the following winter. In the early 1930s, the RAVAG became the principal partner of the German farmers' cooperative in Kalkfeld (South West Africa), on whose behalf they sold karakul skins and competed with the Thorer firm.

The international policy of the RAVAG also aimed to make Leipzig the centre for furs that were produced and procured in European countries.<sup>994</sup> The RAVAG focused on rabbit-skin producing countries like Belgium and the Nordic countries, where fur farming was developing at a much more rapid pace than in Germany. This internationalisation strategy, a trend of regionalisation expressed by the geography of fur farming, was conducted with the support of the Commerzbank, the main shareholder. By the early 1930s, the RAVAG managed to organise the sale of fox skins farmed in Sweden and Norway. Indeed, the sale of farmed furs from Germany and neighbouring countries would become the core business of the RAVAG (see Chapter 6).

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<sup>991</sup> Die Kürschnerzeitung 1924, p. 412 c. Die Neuheiten Ausstellung 1924 in Leipzig.

<sup>992</sup> Leiske, *Leipzig und Mitteldeutschland*, 306.

<sup>993</sup> StA-L, Dresdner Bank in Leipzig 21018, nr. 426, Dresdner Bank in Leipzig an die Direktion der Dresdener Bank Berlin. Streng vertraulich. Betr. Rauchwaren Finanzierung. 01.08.1928..

<sup>994</sup> StA-L, Commerzbank 21016, RAVAG. an Herrn Direktor Kosterlitz. hd. Commerzbank & Privatbank AG. Leipzig. den 18.07.1928.



#### ***8.4.2 Auctions and market engineering in the Soviet trade.***

The Lagerhaus focused on an entirely different market sector, that of the business of Siberian furs. In order to understand the activities of the Lagerhaus, we need to take into account the development of the international political economy in the second half of the 1920s. The Lagerhaus was able to exploit the opportunities in the Soviet business available at that time.<sup>995</sup> I have already mentioned that the fur trade benefited from the treaty of Berlin (1925) which tremendously improved bilateral trade relations between Germany and Soviet Union. In addition, improved German-Soviet relations occurred simultaneously with a diplomatic crisis between Great Britain and the Soviet Union. An alleged espionage incident involving the Soviet trade firm ARCOS in London caused a complete diplomatic shutdown. On 12 May 1927, about 150 policemen unexpectedly raided the ARCOS buildings in Moorgate looking for documents that would provide evidence that ARCOS was being used by the Soviet government to spy and incite subversive communist activities in Britain.<sup>996</sup> The accusations towards ARCOS should be seen in the context of strong anticommunist sentiments in Britain, stoked by the latest general strike in England and the communist uprisings in China.

Irritated by the actions of the British police, the Soviets immediately reconsidered the role of London in the organisation of foreign trade.<sup>997</sup> Martin Lentschner expected sizeable repercussions: “on the one hand, concerning exports to England, the situation will likely inflict damage; on the other hand, Germany can benefit from it, since the Russians will send all raw products via Berlin, and likewise their financial transactions.”<sup>998</sup> Lentschner’s prediction about the future orientation of the Soviet fur trade towards Germany would turn out to be correct. After the raid on the ARCOS buildings, the Soviets diverted exports normally destined for Great Britain to Germany over the course of several months.

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<sup>995</sup> Fellmann, *Der Leipziger Brühl*, 116.

<sup>996</sup> The Times, “Arcos Raided. Offices Seized by the Police. Thorough Search for Documents”. 13.05.1927.

<sup>997</sup> The Times, “Arcos Raid and Soviet Protest”. 14.05.1927.

<sup>998</sup> StA-L, Dresdner Bank in Leipzig 21018, nr. 79, f. 34. an Direktion der Dresdner Bank, Berlin 27.05.1927 Abschrift. Martin Lentschner Leipzig, den 23 Mai 1927 an Herrn Konsul Eugen Naumann. Z.ZT Bad Schallerbach.

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Year	Export to Germany		Export to England		Export to USA	
	1,000 rbl	%	1,000 rbl	%	1,000 rbl	%
1925/26	42,320	18%	109,042	<u>45%</u>	41,246	17%
1926/27	126,743	<u>42%</u>	103,079	34%	29,697	10%
1927/28	211,124	<u>51%</u>	96,527	23%	31,666	8%
1928	31,003	<u>51%</u>	16,230	27%	3,509	6%
1929	185,338	<u>50%</u>	105,449	28%	41,497	11%
1930	137,388	<u>51%</u>	78,178	29%	17,726	7%
1931	85,029	<u>43%</u>	79,690	41%	3,506	2%
1932	63,394	<u>43%</u>	49,833	34%	9,570	6%
1933	70,626	<u>53%</u>	25,072	19%	11,769	9%

**Figure 8-1: Soviet fur export to Germany, Great Britain and the USA, in thousand roubles.<sup>999</sup>**

Indeed, between 1925 and 1933, German fur merchants and companies assumed a leading role in the Soviet fur trade (as seen in figure 1). However, unlike pre-war trade, domination never tipped into monopolisation. Britain and the US remained vital customers, dividing between them 30 to 50% of Soviet fur exports. Nevertheless, the shift of the Soviet trade towards Germany coincided with a general rise in the export value of furs. Export values of furs almost doubled from 1925 until 1927. In 1925-26, Soviets fur exports totalled 241 million roubles: this jumped to 415 million roubles in 1927-1928. Only 4 years before, the total export of Russian furs was worth no more than 17 million roubles.<sup>1000</sup> In 1921, the quantity of the fur exports represented 835 tons (7,709,000 roubles), whereas in 1927 the Soviets managed to export 3,423 tons (211,124,000 roubles). Put differently, the value of Soviet fur exports increased exponentially (multiplied by 27) whereas quantity only quadrupled. The discrepancy between value and quantity further signalled ascending world market prices. Throughout the interwar period, fur exports from the USSR never achieved levels higher than those between 1927 and 1928.

Auction companies in Leipzig played an important role in the Soviet trade revival after 1926, largely because of their financial capabilities. An important consequence of the sudden change of policy in the wake of the ARCOS raid in London was that auction companies

<sup>999</sup> *Vneshnyaya trgovlya CCCP za 1918-1940 gg.* (Statisticheskiy obzor), chast 1, 2, 3.

<sup>1000</sup> *Vneshnyaya trgovlya CCCP za 1918-1940 gg.* (Statisticheskiy obzor), chast 1, 2, 3.

suddenly needed larger amounts of money in order to seize the opportunity presented by the international political economy. In addition, world market prices were on the rise. In order to expand the financial potential of the auction companies, the local bank system began to play a larger role as a partner in these joint ventures. The Dresdner Bank in particular assumed a much more active role in the auction sales of the Lagerhaus. In the second half of the 1920s, the bank would systematically increase its role in the Lagerhaus company: it became a financial intermediary between the auction company and the Soviet state agencies that organised the export of Siberian furs.

In early 1926, the Leipzig office of the Dresdner Bank acted as a financial intermediary between the Lagerhaus and the Soviet trade agencies. Direct associations were made not only with the Berlin trade representation (the German counterpart of the ARCOS) and the Selskosiuz GmbH in Berlin, but also with the Moscow Narodny Bank Ltd in London. The branch reported in October 1926 that “the relationship [with the Berlin trade representation] has existed since early 1926 and has now expanded considerably, rendering high profits to our branch.”<sup>1001</sup> The activities of the Dresdner Bank in Leipzig differ from the general image of the role of German banks in the Soviet trade during the Weimar Republic. The main role of the banks in the Soviet trade was in the provision of export credit that allowed the Soviets to pay for German imports.<sup>1002</sup> In contrast, the Dresdner Bank in Leipzig issued “import credit” in order to attract raw furs for auctioning.

In October 1926, the Dresdner Bank granted a Lombard credit of 1 million dollars (or 4,200,000RM) directly to the Soviet trade representation in Berlin (*Handelsvertretung der UdSSR in Berlin*). The Lagerhaus pawned furs from the Soviets in exchange for credits. The Dresdner Bank thereby expanded its role in the fur trade by functioning as a financial intermediary. Given its financial investments, the Dresdner Bank even hired extra experts to grade the pawned furs that were stored in the Lagerhaus in Leipzig.<sup>1003</sup> As a rule, 25% of the value of the Siberian furs acted as a collateral in advance loans to the Soviets. The Soviets repaid the loans with earnings made on the auctioned furs. The system of trade relied entirely on Soviet credit requirements. Advances or loans were issued to the Soviets on almost all transactions. Kleiber, the leader of the fur department of the Soviet trade delegation, noted the

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<sup>1001</sup> StA-L, Dresdner Bank in Leipzig 21018, nr. 73. f. 2. Kreditantrag Leipzig den 19.10.1926.

<sup>1002</sup> Hans-Werner Niemann, “Die Russengeschäfte in Der Ära Brüning,” *VSWG: Vierteljahrschrift für Sozial- und Wirtschaftsgeschichte* 72, no. 2 (January 1, 1985): 154.

<sup>1003</sup> StA-L, Dresdner Bank in Leipzig, nr. 73. ff. 6-7. Kreditantrag Leipzig den 19.10.1926.

chief importance of the export of furs: “Russia needs money, it needs advance payment for its exports so it can pay for its imports.”<sup>1004</sup> The main challenge for the Leipzig trade thus lay in financing the Russians, a problem which they had solved by partnering their auction companies with the local banks.<sup>1005</sup>

The Dresdner Bank further expanded its activities as a financial intermediary when it concluded a trade deal with the USSR State Bank in 1927, which exported furs along with the Soviet trade representation in Berlin. The USSR State Bank obtained \$2,500,000 worth of acceptance credit from the Dresdner Bank for sending furs to Leipzig.<sup>1006</sup> The new credit was managed by the head office in Berlin but the goods arrived in Leipzig and were inspected by the officials of the bank in the city. Later, the Dresdner Bank divided credit between the USSR State Bank, the Garantie und Kredit-bank für den Osten (or Garkrebo, a German bank specialised in trade with the Soviet Union), and the Moscow Narodny Bank Ltd. By 1927, the USSR State Bank made use of \$2,000,000 of acceptance credit, the Garkrebo \$1,780,000, and the Moscow Narodny Bank \$1,700,000.<sup>1007</sup> All these institutions delivered furs to be auctioned in Leipzig in exchange for credit. In turn, the Dresdner Bank in Leipzig opened new sources of credit in order to finance in the influx of furs. The bank received \$1,000,000 of credit from the National Bank of Commerce in New York, while the head office in Berlin granted \$2,000,000 to their Leipzig branch.<sup>1008</sup>

The expanding role of the Dresdner Bank in financing Soviet trade agencies on behalf of the Lagerhaus had a ratchet effect on the importance of auction sales as a gateway for foreign trade. The sales of the auctions held by the Lagerhaus were worth roughly \$3,000,000 on average.<sup>1009</sup> In the spring auction of 1927, the Lagerhaus auctioned raw furs for a total value of about \$2,000,000.<sup>1010</sup> During the September auctions of the same year, the value of the total furs almost doubled to about \$3.7 million: most of the goods were sold to Leipzig

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<sup>1004</sup> Die Kürschnerzeitung, nr. 26, 11.11.1927. p. 940. Die Bedeutung der Leipziger Russen-Auktion.

<sup>1005</sup> Sächs. HStA, Aussenministerium 10717, nr. 6772. Gesandtschaft Berlin an Ministerium der auswärtigen Angelegenheiten, Dresden. 18.11.1925.

<sup>1006</sup> StA-L, Dresdner Bank in Leipzig 21018, Dresdner Bank in Leipzig an die Direktion der Dresdner Bank Berlin, 14.04.1927

<sup>1007</sup> StA-L, Dresdner Bank in Leipzig, nr. 75, Die Dresdner Bank in Leipzig an die Direktion der Dresdner Bank, 27.10.1928.

<sup>1008</sup> StA-L, Dresdner Bank in Leipzig, nr. 73. ff. 6-7. Kreditantrag Leipzig den 19.10.1926. From the National Bank of Commerce, the Dresdner Bank in Leipzig in practice used \$68,000; the Dresdner Bank's withdrawal from the credit of the head office never exceeded the sum of \$1,560,000.

<sup>1009</sup> StA-L, Dresdner Bank in Leipzig 21018, nr. 79, Dresdner Bank in Leipzig an Proehl & Gutmann, Amsterdam, 12.10.1928.

<sup>1010</sup> Kürschnerzeitung, nr. 26, 11.09.1927. Die Bedeutung der Leipziger Russen-Auktion.

firms.<sup>1011</sup> According to observers, this was one of the largest auctions ever held in Leipzig.<sup>1012</sup> These two auctions roughly accounted for 10% of the total furs imported to Germany from the Soviet Union in 1927. Seen from a regional perspective, auctions were even more important. The Dresdner Bank estimated that the value of \$2,500,000 imported in furs represented 20-25% of all Soviet fur supplies to the Leipzig district. Auctions continued to deal in large values: \$4,700,000 in September 1928 (7% of all German imports) and \$4,200,000 in the spring auctions of 1929 (or 6.7% of the total German fur imports).<sup>1013</sup>

It should be noted that the figures for 1928 and 1929 are incomplete and the imports through Soviet auctions must have been much higher. Nevertheless, with the creation of auctions as an umbrella institution, the Leipzig fur district clearly reinforced its position as a marketplace in the trade of Siberian furs. Auctions supplied many Leipzig firms and factories and also attracted an international pack of fur dealers. Leipzig firms profited indirectly from these sales: “the sales go, directly or through Leipzig firms, to North American, South American, English, French, Belgian, and Austrian fur traders.”<sup>1014</sup> The auctions attracted international customers and allowed Leipzig firms to supply local factories with raw material.

The auction company brought a relative, if temporary, stability to the dealings with the Soviets. Banks, firms, and Soviet agents seemed satisfied with the way in which trade was organised. The Russian trade representation expressed their satisfaction about the business with the Dresdner Bank and painted a promising picture for possible future trade: “Mr. Kleiber [leader of the fur section of the Russian trade representation] declared his satisfaction regarding the loans issued by the Dresdner Bank (...) he furthermore declared that the trade representation had no loans from other banks at its disposal. Mr. Kleiber held out the prospect of the arrival of more goods next January and February, and made a stronger appeal to the

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<sup>1011</sup> Sächs. HStA, Aussenministerium 10717, nr. 6772, Abschrift. Reichsverband der Deutschen Rauchwarenfirmer, Sitz Leipzig e.V. an das Reichswirtschaftsministerium, Berlin, 08.11.1927.

<sup>1012</sup> According to the *Kürschnerzeitung*, it was the largest auction hitherto held: the quantities that were sold were enormous. The non-exhaustive list mentions: 437,480 grey squirrels, 203,000 pine squirrels, 80,000 trimmed white rabbits, 62,417 astrakhan sheep, 62,156 red foxes, 54,146 prepared mouflons, 50,196 raw black Persian lambs, and 45,200 trimmed ground squirrels. There were also 820 raw sables, 6,840 Persian lambs, 4,308 raw minks, and 7,919 white foxes. This quantity numbers give an indication of the size of the auction. Cfr. Die *Kürschnerzeitung*, nr. 27, 21.09.1927. p. 94

<sup>1013</sup> StA-L, Dresdner Bank in Leipzig 21018, nr. 79, f. 213. Russische Rauchwarenauktion in Leipzig. Frkt. Zt. 29.3.1929.

<sup>1014</sup> StA-L, Dresdner Bank in Leipzig, nr. 79, f. 69. Dresdner Bank, Juristisches Büro, Berlin. 29.12.1927.

services of our bank.”<sup>1015</sup> Furthermore, disputes about trade parameters were settled relatively easy. For instance, Kleiber made attempts to modify the lending conditions to the benefit of the Berlin agency. Instead of 8.35% interest on transport credit, the Soviets demanded that the interest rates be lowered to 7.5%, declaring that other German banks were offering better conditions. The Dresdner Bank therefore dropped the interest rate to 7.75%.<sup>1016</sup> Later, the bank increased interests rates again to 8%. Kleiber accepted the modification without protest. Similarly, Kleiber agreed when the Dresdner Bank increased the collateral from 25% to 35% on the value of the furs.<sup>1017</sup> The business parameters were set by mutual understanding and without much conflict, something German business and banks were wary of.

### **8.5 Auctions: some local and international considerations.**

#### ***8.5.1 Auctions at the service of the district.***

The success of auction companies had an important impact on the local industrial district, both in terms of other forms of collective action and on the relationship between firms and the banking system. Firstly, joint venture auction companies completely overshadowed other forms of interfirm cooperation in restoring foreign trade. In particular, attempts to create consortia were hindered by the success of auction companies. In 1926, several firms of the Brühl, supported by the banks and the government, hatched a plan to forge a consortium in order to attract large volumes of furs. Several Leipzig fur firms pooled capital in order to generate more imports from the Soviet Union and sought \$666,000 (or 2,797,200 RM) to pay an advance to the Soviets. Six firms of the Brühl were at the basis of this consortium: three lead firms (Ariowitsch Biedermann, and Thorer who each put up \$ 100,000) and several smaller firms like Ehrmann, Lotz & Co, Eisenbach & Stern, and David Kölner with smaller amounts of money (ranging from \$20,000 to \$40,000).<sup>1018</sup> A group of banks including ADCA, Deutsche Bank, and Dresdner Bank was willing to provide additional credit of

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<sup>1015</sup> Sta-L, Dresdner Bank in Leipzig, Leipzig 16.12.1926. Ber. Russengeschäfte. Besichtigung der uns von der Handelsvertretung der UdSSR in Deutschland, Berlin. Und von der Moscow Narodny Bank Ltd London.

<sup>1016</sup> StA-L, Dresdner Bank in Leipzig 21018, nr. 73, f. 107. Handelsvertretung der UdSSR. an die Dresdner Bank in Leipzig. 21.02.1927.

<sup>1017</sup> StA-L, Dresdner Bank in Leipzig 21018, nr. 73, f. 152. Dresdner Bank in Leipzig an die Handelsvertretung der UdSSR in Deutschland, Finanzverwaltung. 21.10.1927.

<sup>1018</sup> StA-L. Dresdner Bank in Leipzig 21018, nr. 78, Leipzig, 02.03.1927.

\$1,400,000 to the consortium: thus, it was able to provide an advance of \$2,000,000. The negotiations dragged on until early 1927, when the shape of the consortium became more concrete, thanks to Thorer's intervention.

The reason behind the construction of a trade consortium was that the participating Leipzig firms hoped to secure an influx of Siberian furs through a multiannual deal. The fur businessmen in Leipzig realised that neither scruples nor local infrastructure would prevent the Soviets from diverting their affairs to a more interesting primary market: "a financial arrangement remains in the interest of the Leipzig fur industry in order to firmly attach the Russians to Leipzig, who will otherwise leave at the first opportunity."<sup>1019</sup> In early 1927, the Soviets changed the design of the initial plan because of Anglo-Soviet problems, increasing the quota of furs they put for sale to \$8,000,000, with an advance of \$3,000,000.<sup>1020</sup> The gigantic \$8,000,000 deal was almost signed but was abandoned at the last minute. It seems that the growing success of the Soviet auctions rendered the need for a consortium obsolete. Indeed, the quotas of furs that the Soviets sold on auctions reached record highs in 1927.<sup>1021</sup>

The consortium is nonetheless interesting from the point of view of local collaborative networks. As with the 1921 consortium, firms showed a remarkable willingness to cooperate in order to attract more 'Russian business' to their city. Mechanisms of mutual support were at play here. The fact that solidarity underpinned these consortia was often explicitly mentioned. Although the consortium was not necessary for his business, Ariowitsch nonetheless wished to have his name attached to the project. Naumann of the Deutsche Bank, who closely followed the development of the consortium, noted that "Ariowitsch will not stand on the sidelines for reasons of solidarity."<sup>1022</sup> Ariowitsch was willing to put financial resources at the disposal of the consortium, even though his commerce could function perfectly well without it. However, the success of collective action that led to auction companies overruled alternative forms of collaboration and solidarity.

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<sup>1019</sup> StA-L, Dresdner Bank in Leipzig 21018, nr. 78. Finanzierung von Rauchwarengeschäfte mit Russland. Besprechung am 26.07.1927.

<sup>1020</sup> StA-L, Dresdner Bank in Leipzig 21018, nr. 78, f. 63. Abschrift, Finanzierung von Rauchwaren-Geschäften mit Russland. 27.06.1927.

<sup>1021</sup> StA-L, Dresdner Bank in Leipzig 21018, nr. 78. Finanzierung von Rauchwarengeschäfte mit Russland. Besprechung am 26.07.1927.

<sup>1022</sup> StA-L, Deutsche Bank, Filiale Leipzig 21017, nr. 207, f. 11. Bilanzakte: J. Ariowitsch Leipzig. 04.01.1926.

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Secondly, the creation of the auction companies influenced interfirm networks in a multitude of ways. The auction companies should be seen as one of the most important umbrella institutions for the facilitation of international trade in Leipzig since the fairs. Auctions were engineered in order to attract trade to the city. These commercial spillover effects were central: business profits came only second. The auction companies never became a big revenue pump for the participating firms. Rather, they served as an umbrella institution for the supply of the fur industry. Despite the enormous amounts of furs that were sold under the hammer of the auctioneer, the RAVAG's annual profits between 1924 and 1929 never exceeded the sum of 70,000RM, even when business volume expanded rapidly. Although the profit levels of the RAVAG were stable and increased until 1929, they were much lower than individual profit levels of the larger or even medium-sized firms in the Leipzig district.

	<b>Profits</b>	<b>Business volume</b>
1924	29,732	165,992
1925	15,790	288,630
1926	46,057	454,621
1927	64,899	654,591
1928	69,711	727,200
1929	50,517	608,576

**Table 8-3: Profits and business volume of the RAVAG (1923-1929).**

Profit levels of the Lagerhaus were generally higher, although they fluctuated more. In 1926, a record profit amounted to 124,543RM. In comparison, David Kölner, a typical small-sized firm, attained a profit of 154,305RM in the same year. Thus, even the internationally oriented Lagerhaus never managed to achieve profit levels approaching those of the lead firms in the district. The modest profit level was primarily caused by the nature of the auction sales. First, the auction house acted as an intermediary between sellers and buyer, conveying bulks of furs that belonged to a number of sellers to a sizeable arena of buyers. It only derived revenue from auction fees and commission percentages. Second, the RAVAG and the Lagerhaus chiefly relied on their bank connections, and not on the firm capital, to provide loans and advances to suppliers. It is likely that a large amount of the profits made on advances and credit flowed directly to the banks. They claimed a large share of the profits by issuing credit and arranging payment traffic on the auction. In 1929, for instance, the Dresdner Bank made a profit of \$31,000 (130,200RM) and an additional \$9,000 (37,800 RM) through simply



granting credit to the Russian state bank in exchange for furs. The profits of the banks on loans to the Soviets easily equalled those of a medium-sized firm. In addition, by participating in the auction company, banks wielded substantial influence over the fur business. Whereas the first part of this chapter showed how local traders manipulated competition between banks, banks in turn assumed a strong position on the local market in furs and upon processes of interfirm cooperation. Thus, the observation that fur firms set the terms of commercial banking is nuanced when taking into account the influential role banks played in auction companies and thereby in the local fur trade.

### ***8.5.2 The Leipzig auctions and the magnitude of the Soviet fur trade.***

To conclude this section, I would like to point again to the international dimension of auctions in Leipzig and to the worldwide dynamics produced by this economic institution more generally. Firstly, it should be stressed that the fur trade was a cornerstone in the revival of Soviet-German commerce. The exports of furs to Germany played a huge role in the balance of trade. In fact, the revival of the German-Russian fur commerce noticeably disrupted the trade balance of Germany with its trading partner in the east. After 1926, Germany ran a trade deficit of 36.8 million RM, as opposed to the surplus of 55 million in 1925. As imports like furs increased in value, the bilateral trade balance in 1927 registered a deficit of 103.2 million RM in 1927.<sup>1023</sup> As the following table indicates (table 2), the imports of the German fur trade were to a large extent responsible for this bilateral trade deficit. Fur imports from the Soviet Union burdened the trade balance significantly more after 1925: proportions reached 14% of total imports in 1927 and furs represented one quarter of all German imports from the USSR in 1928 (see figure 2).<sup>1024</sup> As such, furs were big business in terms of bilateral Soviet-German economic relationship, a dimension that is often overlooked. Moreover, the strategic magnitude of furs increasingly impacted upon the local Leipzig fur industry, especially in the 1930s.

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<sup>1023</sup> StA-L, Dresdner Bank in Leipzig, nr. 79, f. 93. Der deutsch-russische Handelsverkehr. Erheblich Belebung – Stark verschlechterte deutsche Handelsbilanz. Auszug Leipziger Neueste Nachrichten, 7.3.1928.

<sup>1024</sup> Statistisches Jahrbuch für das deutsche Reich, years: 1924; 1926; 1928; 1930. Teile: Auswärtiger handel.

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	As % of total imports	In mill. RM
1923	7%	6
1924	13%	15
1925	5%	14.5
1926	6%	23.3
1927	14%	64.9
1928	24%	92.1
1929	23%	100
1930	18%	80.2

**Table 8-4: German Imports from the Soviet Union.**

Secondly, the growing importance of auctions was very much a transnational process. Auctions were being successfully used to transform cities into fur trading markets, especially in North America.<sup>1025</sup> Similarly, the Leipzig auctions allowed firms to resume the trade of Siberian furs and tap into the growing market of subprime and farmed furs in Europe. International markets in the fur industry thus increasingly converged in terms of organisation. Auction sales surfaced as the principal mode of transaction and as the ruling market convention in the wholesale trade for both farmed and hunted furs. Furthermore, auctions commanded new dynamics in terms of governance of the commodity chain. Economic actors around the globe increasingly saw auctions as a key institution in redefining their position in world trade. Auctions diminished the distance between resource producers, markets, and manufacturing. As we have seen in chapter 4, auctions were held to be instrumental by farmer cooperatives in South West Africa in order to improve their disadvantageous position in the commodity chain. The Soviets were also not blind to the advantages of auctions sales. They perceived auctions to be a more modern and advanced business practice than the system of trading through fairs, which had epitomised pre-war penetration of foreign capital into the Russian fur trade.<sup>1026</sup> In 1926, the Soviets also realised that auctions could be instrumental in transforming Russian cities into fur centres. In Soviet trade agencies, Leningrad was increasingly seen as the future centre of the Russian fur trade.

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<sup>1025</sup> TNA, Hudson Bay Company Archives (Microfilm Copy). Public Record Office, (BH 3453), A 93.37. Lectures on the Fur Trade. Delivered at the City of London college, p. 93.

<sup>1026</sup> Die Kürschnerzeitung, 1926, Nr. 9. Leipzig, 21.03.1926. Über die Errichtung von Rauchwarenauktionen in Leningrad.

The Soviet desire to decrease dependency upon foreign fur trade centres also has to be seen in the context of the strategic importance of furs in the Soviet economy. By 1925-1926, exports of furs destined for the international fur market represented over 10% of the total Soviet export structure. However, the Soviets were well aware that earnings through foreign trade greatly relied on the export of furs. *Isvestiia* reported in 1929 that furs represented 15 % of the Soviet export value.<sup>1027</sup> The strategic importance of furs played to the disadvantage of the industry in Leipzig. The Soviet economists realised that foreign trade was based on a few strategic resources like fur and was therefore vulnerable to shifts in global demands. For that reason, the Soviets entertained plans to modify trade institutions even further: “precisely because of the boom, they fear fluctuations in the world market even more, as this will cause severe losses and the collapse of their own foreign trade.”<sup>1028</sup> Firms in Leipzig realised that the Soviets were reluctant to put fur exports into the hands of one single market. The consortium of 1927 made explicit mention of this problem. This observation was justified. The expanding German business interests were flying in the face of economic ideology in the USSR. The Soviet press forcefully attacked the interests of German business: as *Pravda* put it on 3 March 1928, “the Soviet Union will act against the monopolistic attempts of German industrial and financial milieus (...).”<sup>1029</sup> Thus, the Soviet administrators planned to construct auction companies inside the USSR as alternatives to London and Leipzig. Trade with the USSR would therefore never regain its pre-war stability and predictability, despite the flexibility of the new economic institutions and cooperation between actors in the district.

## 8.6 Conclusion.

The purpose of this chapter was to examine processes of interfirm cooperation in the interplay with world market restructuring. Two main areas of cooperation between economic actors have been discussed in depth. One domain of cooperation, that between single businesses and banks, links up to existing pre-war collaboration patterns, whereas the other one, the creation of auction firms by local firms and banks, signalled a breach with trade conventions in the Leipzig district. The suffocating competition between banks on the local lending market was

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<sup>1027</sup> StA-L, Dresdner Bank in Leipzig 21018, Nr. 79, p. 240. Leipziger Neueste Nachrichten, 14.6.1929.

<sup>1028</sup> Kürschnerzeitung, 1926, nr. 13. Leipzig, 01.05.1926. s. 481. Monopolbestrebungen des russischen Rauchwarenhandels. „Zusammenschluss der russischen Exportorganisationen? Beeinflussung des Weltmarktes

<sup>1029</sup> StA-L, Dresdner Bank in Leipzig 21018, nr. 79, f. 90. Moskauer Polemik gegen Deutschland. Moskau, 3 März. (uit Berliner Börsen Courier, 3.3.1928).

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favourable to many fur businesses. Traders and industrialists had access to cheap capital and to acceptance credits in foreign currency. The readmission of the Leipzig fur industry onto the world market was to a large extent based on the availability of local financial resources. The conditions of the lending market were set in by fur firms, which allowed them to play a leading role in foreign trade. It should be noted that the accessible credit market was not solely caused by bank competition. Tension between firms and local bankers were largely absent. Bank directors were personally acquainted with the fur traders and often shared a common view on local business affairs. The view that firms should participate in foreign trade continued to gain the upper hand in Leipzig business circles that included local bank directors.

The local banks were of key importance to the re-admission of Leipzig firms onto the world market, not only by providing credit to individual firms but also because of their involvement in mutually led auction companies. These companies were not only unprecedented in scope, but also changed the way in which market transactions were organised. Auction companies pooled together the capital of a number of firms and they were run by a few entrepreneurs who headed fur firms in the district. The joint venture model enabled economic actors to tap into the new markets that defined the international fur industry of the 1920s. One auction house in particular, the Lagerhaus, specialised in the sale of Soviet furs and was thereby transformed into a central institution of the international fur business. Other auction companies tapped into the equally important and growing circuit of farmed furs. This initially entailed the sale of subprime furs like rabbits but increasingly became centred on prime furs farmed in Europe, foremost fox farming. Auction companies were thus a vehicle to establish Leipzig as a sales market in farmed furs, a key component of the 'modern fur industry.' In that sense, joint venture auctions companies were important instruments in creating links between the industrial district and the new geographies of world trade.

In examining the involvement of the banks as participants in the auction companies, a more nuanced picture than that of the banking sector's role as handmaiden of the fur industry emerges. Certainly, local banks were in a weak position in setting the terms of the credit market. However, because of their contribution to auctions house, fur traders and industrialists became increasingly dependent upon the participation of the banks. In fact, the interests of local banks and businesses became intertwined because of the auction companies. In its activities with Soviet trade institutions as part of its role as the house bank of the Lagerhaus, the Dresdner Bank became an important participant of the international fur trade. In this

regard, the chapter has again made the case that banks should be understood as a participating economic actor rather than a related service industry.

The introduction of auctions, hitherto an institution used in Anglo-American markets, shows that the Leipzig fur district was not an insular community. The practice of auctions was implemented in a wide variety of contexts: from resource-producing areas in South West Africa to emerging markets in North America and declining transit markets like Leipzig. As such, auctions came to structure international competition and provided the playing field for global commerce. Leipzig firms principally adopted foreign business practices in the belief that they could strengthen the locality in which their business was embedded. Interfirm cooperation was able to re-create a foreign economic institution that radically altered commercial practices and market conventions at the local level. Consequently, interfirm cooperation made the embedded economy converge with conventions that governed the global fur market



## 9 The International Fur Exhibition (IPA) as a Joint-Marketing Venture (1926-1930).

### 9.1 Introduction. Exhibition culture and joint marketing.

In the long and rainy summer of 1930, the International Fur Trade Exhibition (*Internationale Pelzfach Ausstellung*; IPA hereafter) held Leipzig under its spell from early June to the end of September. The IPA was one of the last international trade exhibitions of its kind to be held in Saxony and it specifically aimed to promote the Leipzig fur industry both at home and abroad. It appealed to the broader masses as well as international businessmen and experts. Almost 800,000 visitors headed to the fur exhibition, paying for a 1RM ticket that allowed them to visit the ‘educational trade exhibition’ and its related festivities. The exhibition was truly international as well: more than 11 exhibit stands of various countries were to be found in the exhibition halls, including ones from fur centres like the United States, Great Britain, and the Soviet Union. Important multinationals like the Hudson’s Bay Company had stands at the exhibition. On the sidelines, the International Fur Congress was held, which aimed to set up a federation to regulate the conduct of international business. The IPA was arguably the largest national and international promotion campaign the Leipzig industry ever held.

The IPA was part of the venerable tradition of German, and particularly Saxon, exhibition culture. First, a distinction should be made between the classical ‘trade exhibition’ (*Industrie und Gewerbeausstellung*), organised on a national, regional or local scale, and the world exposition. World expositions in Germany were rather rare, with the notable exception of the Berlin world exhibition of 1896.<sup>1030</sup> German exhibition culture centred on organising moderately sized trade exhibitions. Trade exhibitions are either universal, putting the entire regional industry in the spotlight, or specialised, highlighting one particular sector (*Fachausstellung*). Trade exhibitions were popular in Saxony too, the first one being held as early as 1824. Whereas universal exhibitions dominated exhibition culture at first, specialised

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<sup>1030</sup> Thomas Grossbölting, “Im Reich Der Arbeit”: *Die Repräsentation Gesellschaftlicher Ordnung in den Deutschen Industrie- Undgewerbeausstellungen 1790-1914*, Ordnungssysteme, Bd. 21 (München: Oldenbourg, 2008), 26. The next German world exhibition took place more than a century later in Hanover in 2000.

trade exhibitions in Saxony gradually gained the upper hand. These exhibitions have chiefly been analysed from an ‘internal’ perspective, as instruments to support Saxony’s early industrialisation and as institutions that helped form Saxon particularism on a material level by exhibiting the products and practices that typified the region. Exhibitions were analysed as a stage for “Saxon quality” and “as a form of communication to regional customers by giving a clear overview of the range of products made in Saxony.”<sup>1031</sup> The role of exhibitions as drivers in regionalised consumption patterns have somewhat overshadowed the international dimension of such events., Hochmuth has acknowledged the importance of the international function of Saxon exhibitions, which originated from “the pressure to defend regional markets with competitive products against imports as well as finding international outlet markets for local products.”<sup>1032</sup> Kiesewetter noted that exhibitions were necessary instrument for business in Saxony: “the export oriented industries have to compete on international markets (...) exhibitions were therefore necessary to open new ways for technology transfers and communication.”<sup>1033</sup> Thus, the international context was an important dimension in staging Saxon exhibitions, both for international marketing and as ways to diffuse new technologies and products.

Furthermore, the exhibitions in Saxony increasingly gained a transregional dimension because of their size. This was an important aspect in the 1897 universal *Thüringisch-sächsische Industrie und Gewerbe Ausstellung* in Leipzig, which assembled 3,500 exhibits and attracted 2,300,000 visitors.<sup>1034</sup> The universal exhibition of 1897 served to underline the importance of Leipzig as a mercantile and industrial centre of central Germany.<sup>1035</sup> However, this was the last universal exhibition that took place in the city: after this, specialised exhibitions dominated the scene in Leipzig. In 1913, the International Construction Exhibition (IBA or *Internationale Bau-Ausstellung*) took place, assembling the main actors of the German construction industry and attracting an enormous crowd of four million visitors. Industrial districts in Leipzig made use of the specialised trade exhibition for promotional and marketing

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<sup>1031</sup> Manuel Schramm, *Konsum und regionale Identität in Sachsen 1880-2000: die Regionalisierung von Konsumgütern im Spannungsfeld von Nationalisierung und Globalisierung* (Stuttgart: Steiner, 2003), 24.

<sup>1032</sup> Enrico Hochmuth, *Industrie- und Gewerbeausstellungen in Sachsen 1824-1914: ihr Beitrag zur kommunalen und regionalen Standortbildung* (Beucha: Sax-Verlag, 2012), 125.

<sup>1033</sup> Hubert Kiesewetter, *Die Industrialisierung Sachsens: ein regional-vergleichendes Erklärungsmodell* (Stuttgart: Steiner, 2007), 519.

<sup>1034</sup> Frédéric Barbier, “Construction d’une capitale: Leipzig et la librairie allemande, 1750-1914,” in *Capitales culturelles, capitales symboliques: Paris et les expériences européennes, XVIIIe-XXe siècles*, ed. Christophe Charle and Daniel Roche (Paris: Publications de la Sorbonne, 2002), 355.

<sup>1035</sup> Hochmuth, *Industrie- und Gewerbeausstellungen in Sachsen 1824-1914*, 66.



purposes. In 1914, the BUGRA (*Internationale Ausstellung für Buchgewerbe und Graphik*) represented the book-printing industry, the other major industry clustered in the city of Leipzig: it was organised by the Leipzig Book Printing Association (*Buchgewerbe Verein*).<sup>1036</sup> Importantly, the book-printing exhibition was used to promote the city of Leipzig as both a national and international centre of the printing industry. The BUGRA reinforced Leipzig's leading role in the world of book printing by transforming the classical format of the book trade fair into a world exhibition. As such, its appeals to internationalism were in the cultural ("book-printing as a binding cultural force") as well as the economic sphere ("by illustrating the importance of Leipzig as leading world centre in book-printing").<sup>1037</sup> The pre-war exhibitions set useful examples and a high standard for their neighbours in the fur industry.

The 1930 IPA was thus part of a venerable tradition of Saxon exhibition culture that increasingly shifted from supporting regional economic development to international promotion and self-fashioning. The exhibition will be analysed from a local and international perspective. Firstly, exhibitions allow us to gain a deeper insight into the local social structure that organises them. Alexander Geppert noted that "exhibitions are considered historical gadgets (...) under which it is possible to gain immediate insights into societies as they represent and regard themselves."<sup>1038</sup> Due to high investment costs, exhibitions were usually the result of collaborative efforts between local economic agents and the public authorities. Therefore, exhibitions are an important part of my claim that transregional links in the industrial district resulted from local collective action. By analysing the organisation of the IPA, we are provided a window into the organisation of local networks in the industrial district and processes of collective action. Secondly, the exhibition will be analysed as an aspect of translocal connectivity, as a 'pipe-line' to the wider world. I will make the case that the IPA suited Leipzig businessmen's strategies 'to restore the position of Leipzig' within the international fur trade. Exhibitions were a useful form of advertising in that regard. Rather than selling and conducting trade, exhibitions had a magnet function, drawing attention to the sector and attracting people from great distances. This magnet function and its usefulness for constructing translocal connections is one of the principal reasons why firms organise

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<sup>1036</sup> The BUGRA was designed as a temporary extension of the traditional book-printing fair (*Buchmesse*) but the international claim of the exhibition made it quite unique.

<sup>1037</sup> Andrea Paar, "Der österreichische Verlagsbuchhandel auf Buchmessen in Leipzig und Wien sowie auf Weltaussellungen von 1850 bis 1930" (Universität Wien, 2000), 89.

<sup>1038</sup> Alexander C. T. Geppert, *Fleeting Cities: Imperial Expositions in Fin-de-Siècle Europe* (New York, NY: Palgrave Macmillan, 2010), 11.

exhibitions.<sup>1039</sup> In sum, the IPA exhibition allows us to link localised processes of cooperation in the district with the creation of connections to the outside world.

## 9.2 The origins of the IPA (1926-1929) and patterns of local collaboration.

### 9.2.1 Domestic origins, international consequences.

In this part, I will discuss the forms of local collaboration that made the emergence of the IPA possible. The purpose of this section is to situate the exposition plans within the social structure of the industrial district. While the IPA was constructed to advertise the fur industry on the national and the international levels, its immediate emergence was deeply rooted in a regional context. The IPA was primarily a reaction to fur industrialists in Berlin who, in 1926, planned a fur exhibition in Berlin for the near future. After Leipzig, Berlin contained the most significant concentration of fur businesses and furriers in Weimar Germany. Moreover, Berlin, a more cosmopolitan city than Leipzig, was also seen as the national fashion centre. The *Messeamt* in Berlin planned the exhibition as a large national exhibition for the fur industry that would advertise Berlin-made luxury clothing. Needless to say, businessmen in Leipzig felt somewhat threatened by the Berlin plans. They saw no harm in propaganda for the fur retailers of Berlin but feared that an exhibition in the capital would end up being larger than announced and that the Berlin promotion would put the Leipzig fur district in the shade.<sup>1040</sup>

Plans to counter the Berlin exhibition with an alternative Leipzig exhibition were soon discussed in the city's town hall, especially between the City's Economic Department (*Wirtschaftsamt*) and the Leipzig Fur Merchants Association.<sup>1041</sup> In October 1926, it was concluded that "everything must be put in to place in order to counter the plans for a Berlin fur exhibition. The Leipzig plans should illustrate that Leipzig is still the headquarters of the

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<sup>1039</sup> Frank Jefkins, *Advertising* (Pearson Education, 2000), 198.

<sup>1040</sup> StadtaL, Kap 75A, nr. 102. Akten, Internationale Pelzfach Ausstellung. Ergangen dem Rate der Stadt Leipzig, 1929. Seite 1. Am 7. Juni 1926 hat mich (auf Einladung) besucht Herr Rechtsanwalt von Kiesenwetter, der Syndikus des Reichsverbandes der Deutschen Rauchwarenfirmen, Leipzig, EV, Tröndlinring 2

<sup>1041</sup> StadtaL, Kap. 75, nr. 102, f. 24. Leipziger Neuste Nachrichten an herrn Stadtrat Leiske. Leipzig. am 2.11.1926. In this letter, the editors of the LNN excused themselves by claiming that had unknowingly disturbed the IPA plans.

German fur industry and that Berlin is the fashion headquarters.”<sup>1042</sup> The pressure increased when the leading newspaper in Leipzig, the *Leipziger Neueste Nachrichten*, described the intentions of the *Berliner Messeamt* and called the local fur sector to react.<sup>1043</sup> The economic department and the Fur Merchants Association therefore made the plans for a Leipzig exhibition public. However, the schemes soon outgrew the very specific context of rivalry with Berlin. For the Fur Merchants Association, the exhibition had more to do than advertise Leipzig’s national importance. It had to allude to the international magnitude of the local fur industry. This was the official starting point for the creation of an international Leipzig exhibition.

However, the local fur trade’s initial reception of the exhibition plans was lukewarm at best. The furriers and independent retailers in Leipzig, an important part of the district less concerned with internationalisation and whose economic interests differed greatly from the merchant houses on the Brühl, criticised the international concept of the IPA, fearing that it would draw attention to foreign products instead of the German fur industry. Especially galling was the prospect of competing with ‘trend-setting’ French fur producers.<sup>1044</sup> Concern about the promotion of foreign fur production loomed until the beginning of exhibition itself. Only when the organisers finally prohibited selling at the stands and downplayed the commercial dimension of the exposition did the Leipzig furriers more keenly participate in the IPA.<sup>1045</sup> Scepticism was not confined to the furriers alone. The German fur trade was equally half-hearted about the IPA, despite the fact that they were arguably the ‘objective’ allies of the international exhibition. During one of the meetings of the Leipzig Fur Merchants Association in 1927, during which the leaders of the association discussed the terms of the IPA, a majority of members predicted the failure of the ambitious exhibition. These traders feared the lack of interest in the fur industry and lamented the “exhibition fatigue” that held sway over Germany.<sup>1046</sup>

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<sup>1042</sup> Stadt-Al, Kap. 75 nr. 102, f. 15. Am 25 Oktober 1926 fand unter Teilnahme der in der Anwesenheitsliste verzeichneten Personen eine Besprechung über die Pelzfachausstellung statt.

<sup>1043</sup> Stadt-Al, Kap. 75. Nr. 102, 9.10.1926. LNN, nr. 280. The article was written by A. Querido.

<sup>1044</sup> Sächs. HStA, Wirtschaftsministerium 11168, nr. 795, f. 122 Über Vermietungen im Monat Januar 1930. Leipzig den 31.01. 1930.

<sup>1045</sup> Sächs. HStA, Wirtschaftsministerium 11168, nr. 800, Die IPA und die Deutsche Kürschnerschaft 20.02.1930.

<sup>1046</sup> Stadt-AL, Kap 75 A, nr. 102, f. 177. M. Bromberg & Co. Nachf an den Rat der Stadt Leipzig, Wirtschaftsamt, z.H. des Herrn Stadtrat Dr. Leiske. 13.09.1927. The exhibition fatigue of the fur traders seems not to refer to atmosphere of “Ausstellungsmüdigkeit” at the end of the nineteenth century, which signaled a loss of interest in the world expositions. See on the phenomenon of exhibition fatigue: Geppert, *Fleeting Cities*, 220–221.

Despite resistance in the sector, several entrepreneurs were able to push the idea on the fur trading community. Again, the importance of lead firms as facilitators should be stressed. In the early stage of planning, the ‘usual suspects’ (firms like Theodor Thorer, Friedrich Erler, and Chaim Eitingon AG) played a large role. The lead firms were precisely those that had been involved in other forms of inter-firm cooperation, like fur farming and the establishment of auction companies. Members of these firms occupied high positions in the trade associations. Moreover, the organisation of the IPA furthered the ascent of Paul Hollender as the Leipzig fur industry’s leading man. Hollender was the president of the Leipzig Fur Merchants Association and was later appointed to be president of the IPA organisation committee. Walter Krausse, a manager of the Friedrich Erler firm, held the position of vice-president.<sup>1047</sup> At least in the initial stages, the organisation of the IPA depended on figures in leading firms. However, the organisation expanded quickly. As the idea of the IPA further matured, organisational subcommittees were filled with representatives of the dyeing and dressing industry, furriers, and university scientists (like Hans Nachtsheim).<sup>1048</sup> Thus, once a block of lead firms had overcome initial resistance, the IPA organisation came to resemble a microcosm of this local production system.

While domestic concerns and rivalry with Berlin dominated the initial discussions of the IPA’s organisation, the ambitions of organisers soon expanded. It was emphasised that the IPA should not only symbolise Leipzig as the domestic centre of the fur industry, but also support Leipzig’s return to the world stage. The IPA committee described the basic rationale underlying the IPA, which stressed the international dimension: “the IPA should not be a vain reflection of our activities, but an advertisement for labour and a support of our world economic interests.”<sup>1049</sup> The overarching aim was “the propagation of Leipzig as one of the leading European fur metropolises (...) and to regain the position of Leipzig as a centre of the fur trade that was lost after World War I.”<sup>1050</sup> This aim formed the foundation for local cooperation between economic agents of all segments of the industrial district: the fur trade, the industry, furriers, and experts on fur farming. Since selling was forbidden, it was believed that the exhibition would generate benefits for the local industry in an invisible yet valuable

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<sup>1047</sup> Hugo Allfeld was the first to be appointed manager, but he was later replaced by Paul Hollender: see PA AA, Ausstellungswesen, R 117605, The British Fur Trade, November 1928.

<sup>1048</sup> StA-L, Leipziger Rauchwarenfirmen 20931, Carl Gründling, nr. 231. Fachabteilungen und Fach-Ausschüsse.

<sup>1049</sup> Kürschnerzeitung 1930, Nr. 4. 01.02.1930. p. 111. Die IPA kommt!

<sup>1050</sup> Sächs. HStA. Wirtschaftsministerium 11168, nr. 793, ff. 66-70. Drucksache, nr. 367/1929. Betrifft: Garantieleistung für die IPA, Internationale Pelzfachausstellung, Leipzig, 1930., Leipzig, am 11.04.1929.

way. Instead of direct commercial gain generated by a traditional trade fair, “a successful exhibition will strengthen the national as well as the world economic position of the fur industry in Leipzig and will reverse the negative post-war trade cycle.”<sup>1051</sup>

In the pursuit of past glory, the exhibition had to take place on the location that housed the modern trade fairs and the grand pre-war exhibitions, the ‘old fair grounds’ (*Alte Messengelände*). This urban space between the National Library and the Monument to the Battle of the Nations (*Völkerschlachtdenkmal*) was constructed for the occasion of the first large-scale specialised trade exhibition of the IBA, a mass event which welcomed 4,000,000 visitors. The IPA committee and the city council made explicit references to the IBA and BUGRA exhibitions held in this new civic locale.<sup>1052</sup> Since 1920, the infrastructure hosted the Leipzig trade fairs, which it continued to do well into the late 1990s. The IPA was to be held at the same location. The halls could demonstrate the technical aspects of the fur industry and there was sufficient space to organise entertainment. As such, the context and historical precedents were ready and waiting to turn the IPA into a prestigious specialised exhibition capable of hosting a mass public audience.

### ***9.2.2 “In the pursuit of past glory”: The IPA and local collaboration.***

The goal of ‘international revival’ was widely accepted as the underlying aim of the exhibition. Such a goal had been the foundation of earlier projects of local cooperation between firms and other local actors. The exhibition as a ‘pipeline’ to the wider world became one of the most broadly supported events in post-war Leipzig. Public figures, both in the city council and the Saxon government, played leading roles in the IPA committee, its organisation, and financial maintenance. Most important were Walter Leiske in his capacity as head of the Leipzig Traffic Office (*Leipziger Verkehrsamt*) and Dr. Klien, the director of Saxony’s Ministry of Economic Affairs (*Sächsisches Wirtschaftsministerium*). Leiske devoted his career to regional economic planning at a time when this discipline was still underdeveloped. After his appointment as director of the Traffic Office in 1926, Leiske developed ideas to redefine the region of Saxony as part of a new economic geography,

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<sup>1051</sup> Ibidem.

<sup>1052</sup> Ibidem, p. 67.

middle Germany (*Mitteldeutschland*), with Leipzig as the central commercial node.<sup>1053</sup> Leiske published his thoughts on propelling the economy of Leipzig in his influential publication series *Leipziger Verkehr und Verkehrspolitik*.<sup>1054</sup> In 1928, he released a seminal memorandum entitled ‘Leipzig and Middle-Germany,’ in which he proposed to redefine the internal borders of Germany with a strong ‘Middle-Germany’ as its powerhouse. As such, Leiske saw the fur industry as a major regional asset and the IPA suited his scheme for stimulating regional economic activity. He therefore devoted a publication in his series on *Mitteldeutschland* to the IPA and its importance for local economic development at a relatively early stage in the planning.<sup>1055</sup> The commitment of the city administration reflected a more proactive stance towards local economic dynamism.

A more delicate matter was that of finance. The committee hoped to receive contributions from the various political wings of the Reich: the governments in Berlin, Saxony, and the city of Leipzig. This was to be matched by a contribution from local economic agents in Leipzig. These included both the fur sector and the banks, whose involvement in the international business has been underlined before.<sup>1056</sup> The first round of fundraising, an important test for the ambitions of the IPA committee, was held in the spring of 1929. Although the Reich refused to finance the exhibition, the IPA enlisted the support of local public authorities and economic actors. Firstly, the city council’s involvement was more substantial than mere political support. The city guaranteed bank loans to the sum of 250,000RM on behalf of the IPA.<sup>1057</sup> This decision was motivated by the following: “in the city’s (...) economic policy, there will be close help to facilitate the recovery of the lost pre-war position of the important fur trade in Leipzig, which contributes to the labour market in the city and country, and because the inner forces of the industry have been set in motion during recent years to overcome the catastrophic setback of the war years.”<sup>1058</sup> Following a similar kind of reasoning, the government of Saxony offered a guarantee for about 100,000RM. This action

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<sup>1053</sup> Leiske, *Leipzig und Mitteldeutschland*, 29. Leiske’s Mitteldeutschland encompassed Saxony, Thuringia, Anhalt, Braunschweig and the Province Saxony of Prussia.

<sup>1054</sup> Franz Lerner, “Walter Leiske,” *Neue Deutsche Biographie*, accessed September 9, 2013, <http://www.deutsche-biographie.de/sfz50049.html>.

<sup>1055</sup> Walter Leiske, “Internationale Pelzfachausstellung Leipzig 1929. Eine Denkschrift.,” *Leipziger Verkehr Und Verkehrspolitik. Schriftenreihe Des Rats-Verkehrsamtes Leipzig*, 1929.

<sup>1056</sup> PA AA, Ausstellungswesen, R 117065, IPA an Herrn Reichsaußenministerium Dr. Stresemann, 19.11.1928.

<sup>1057</sup> Sächs. HStA, Wirtschaftsministerium 11168, nr. 793. f 18. Neues von der IPA. Leipzig, C1, Brühl 70. (KA). 29.05.1929.

<sup>1058</sup> Sächs HStA, Wirtschaftsministerium 11168, nr. 793. ff. 66-70. Rat der Stadt Leipzig, Drucksache Nr. 367/1929. Betrifft: Garantieleistung für die IPA. Internationale Pelzfachausstellung, Leipzig 1930. Leipzig, 11.04.1929.

was noteworthy because the Saxon government had normally refused to support new exhibitions since the early 1920s. Politicians in Dresden were willing to make an exception for “important locally concentrated industries like the book printing and fur industries in Leipzig.”<sup>1059</sup> In addition, Klien emphasised the role that the fur trade played in the region’s international standing: “the economic goal [of the exhibition] is to strengthen Leipzig’s position in the world fur trade (...) because the value of the pre-war trade (...) has almost been reached again.”<sup>1060</sup>

This picture closely resembled precedents from other local exhibitions. Economic agents and political actors also jointly financed the BUGRA, the 1914 exhibition of the book printers in Leipzig. The contribution of public actors represented 40% of the 1,000,000 marks needed for this exhibition.<sup>1061</sup> Local economic actors supplied the rest. In the case of the IPA, the contribution of private actors was slightly smaller than that of the city and the Saxon government. Banks and fur firms raised the sum of 250,000RM. Participation in the IPA was affordable for all firms, since the amount of contributions apparently corresponded to the size of the business. Contributions never exceeded the sum of 10,000RM, while smaller firms contributed between 1,000 to 5,000RM on average. It was clearly intended to allow for as many firms as possible to make a contribution. This intention was realised: 58 firms transferred sums between 1,000 and 10,000RM to the IPA committee. Judging from the high number of participants, the interest in the IPA had surged in comparison to the indifference in the initial stages of organisation.

Despite the large participation, the actual amount raised by the fur industry was still relatively modest when compared to that of public authorities. Moreover, firms funded only 75% of the 250,000RM raised by private industry. Large firms adhered to the maximum contribution of 10,000 RM. Only three leading fur firms contributed the maximum sum: David Biedermann, Chaim Eitingon AG, and Thorer. Ariowitsch, one of the wealthiest fur businesses of the Bruhl, provided only 8,000RM. Despite the presence of their man Krausse on the IPA committee, the company Friedrich Erler contributed a mere 5,000RM, although its associated dyeing factory Stieglitz & Co paid an equal amount.<sup>1062</sup> In contrast, the largest banks made a considerable contribution to the IPA budget of about 61,500RM: 25% of this sum came from

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<sup>1059</sup> Sächs. HStA, Wirtschaftsministerium 11168, f. 32, Rathaus Besprechung am 19.03.1928.

<sup>1060</sup> Ibidem. It was said that the value of prewar trade amounted to 400,000,000RM.

<sup>1061</sup> Hochmuth, *Industrie- und Gewerbeausstellungen in Sachsen 1824-1914*, 83 .

<sup>1062</sup> Another notable contributor from outside the fur industry was IG Farben.

the Commerzbank, Deutsche Bank, Darmstädter, and ADCA.<sup>1063</sup> The Dresdner Bank donated 7,500RM and several private banks gave smaller sums. As I have already mentioned, the banks had a large interest in the Leipzig fur trade. The financial makeup of the IPA was thus strongly corporatist and locally entrenched, divided between the state and many embedded economic actors. In addition, this first round of fund-raising shows that the organisers had succeeded in gaining local support.

### ***9.2.3 Unwieldy ambitions and pressures on local collaboration.***

Not long after the first round of fundraising, the initial collaborative atmosphere between the city and the IPA committee waned very quickly. The disruption of collaboration was primarily caused by exceeding the terms of budget: misjudgements were made in calculating potential revenue and expenditure. Furthermore, the IPA committee had painted an exaggerated picture of the IPA's promise whilst also entertaining high ambitions. The rental on the exhibition infrastructure (ironically run by the city administration) turned out to be much higher than expected. Expenses amounted to 250,000RM rather than the 50,000RM that the committee had budgeted for. Simultaneously, the committee increasingly realised that revenues from renting out the exhibition spaces would be much lower than expected. Hollender reported that potential partners like the US, Canada, England, and the Soviet Union were not willing to pay the proposed price of 50RM per square metre.<sup>1064</sup>

To a large extent, the overspending was also caused by the ambitious extra plans made by the IPA administration. In the summer of 1929, important additions were made to the original intentions when the committee doubted the allure of a technical exhibition that solely demonstrated the fur manufacturing process. This format was held to be insufficient to attract large masses of the general public to the IPA.<sup>1065</sup> A new plan designed to lure people to the IPA entailed the creation of an expensive 'theme park' (*Vergnügungspark*), which would

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<sup>1063</sup> Sächs HStA, Wirtschaftsministerium 11168, nr. 793, f. 107. Garantiefonds Zeichnungen, s.d. The ADCA, Darmstädter und Nationalbank, Deutsche Bank Filiale Leipzig, and Commerz und Privat-bank AG altogether paid 35.000RM. The Dresdner Bank in Leipzig paid about 7,500 RM. Other participating banks were Sächsische Staatsbank, Stadtbank Leipzig, Kroch jr. Komm. Ges. Girozentrale Sachsen Zweiganstalt Leipzig Leipziger Immobiliengesellschaft, and Bank für Gründbesitz AG, Leipzig.

<sup>1064</sup> Sächs HStA, Wirtschaftsministerium 11168, nr 793, f. 43. Protokoll über die Finanzausschuss am 30.07.1929, nachm. 5 uhr, im Reichsverband der Deutschen Rauchwarenfirmer Sitz Leipzig, e.V. Leipzig Tröndlinring.

<sup>1065</sup> Sächs HStA, 11168 Wirtschaftsministerium nr. 794, f. 40. Paul Hollender an herrn Stadtrat Dr. Leiske, Neues Rathaus, den 23.12.1929.



## The International Fur Exhibition IPA

consist of a restaurant, a swimming pool, and, of course, a beer hall. This emphasis on entertainment ran counter to austere developments in German exhibition culture in the 1920s, where large-scale amusement attractions in specialised exhibitions had been rolled back.<sup>1066</sup>

As a result, the budget skyrocketed under the new plans, a fact that caused friction in the relationship with the town hall. The IPA told the city council in November 1929 that it needed an additional 1,865,000 RM, without which “the IPA could no longer function.”<sup>1067</sup> The city responded to this extra pressure by proposing a plan in which the municipality would take over 1,000,000 of this deficit on the condition that the IPA revised expenses related to the amusement park. When the committee rejected the strongly remodelled plan in December 1929, a nadir was reached.<sup>1068</sup> Walter Leiske, the intermediary between local politics and the organisers of the exhibition, was heavily criticised in person by the IPA committee for his part in the city’s resistance against the budget.<sup>1069</sup> With financial exigencies looming, the relationship with local politics further destabilised when Karl Rothe, the incumbent mayor of Leipzig, declared his resignation after twelve years of service.<sup>1070</sup> Besides the fact that Rothe was one of the most ardent advocates of the IPA, the timing of his resignation, to occur in April 1930 just before the inauguration of the exhibition, was most inconvenient: “the resignation of the incumbent mayor will damage the IPA because it will be read as if Rothe has lost his belief in the successful outcome of the IPA and therefore his resignation now will be less controversial than it would be after an unsuccessful exhibition.”<sup>1071</sup> In the year before the exhibition opened, the relationship with the town hall was far from optimal.

In dire need of new bank loans, which could only be obtained if they were guaranteed by the city, the committee started to approach political factions in the city council separately to persuade them to back its financial plan. The move of the IPA was somewhat surprising since the city council itself only had limited power: it was the College (*Rat*) that controlled city

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<sup>1066</sup> Hochmuth, *Industrie- und Gewerbeausstellungen in Sachsen 1824-1914*, 149.

<sup>1067</sup> Sächs. HStA, 11168 Wirtschaftsministerium nr. 793, ff. 208. Nachrichtlich am 1.11.1929

<sup>1068</sup> Sächs. HStA, 11168 Wirtschaftsministerium nr. 794, f. 97 Protokoll, über die Präsidial-Sitzung am 8.1.1930, 17 uhr im IPA-büro, Brühl 70. The plan was rejected on 18.12.1929. See for the proposed remodeled plan: Sächs. HStA, Wirtschaftsministerium 11168, nr. 793, f.211.

<sup>1069</sup> Sächs. HStA, Wirtschaftsministerium 11168, nr. 794, f. 79. Protokoll, über die Präsidial-Sitzung am 8.1.1930, 17 uhr im IPA-büro, Brühl 70.

<sup>1070</sup> Sächs. HStA, Wirtschaftsministerium 11168, nr. 794, f. 72 G. P Hollender an Oberbürgermeister, Karl Rother am 6.01.1930.

<sup>1071</sup> “Rothe, Karl - Jurist, Bankier Und Kommunalpolitiker in Leipzig,” accessed September 9, 2013, [http://www.leipzig-lexikon.de/biogramm/Rothe\\_Karl.htm](http://www.leipzig-lexikon.de/biogramm/Rothe_Karl.htm).

decisions and supervised the council.<sup>1072</sup> In addition, the *Deutschnationale Volkspartei* (DNVP), controlled city politics from 1929 to 1932 and was the objective ally of the economic bourgeoisie. Paul Hollender nonetheless sought to create a broader political alliance for the extended IPA plans and personally contacted the faction leaders of the Socialists (SPD) and the Leipzig faction of the National Socialists (NSDAP). According to Hollender, such an alliance would prove “the support for the IPA in all layers of society and positively influence indecisive municipal councillors.”<sup>1073</sup>

Given the many Jewish members of the district, the call for support was surprisingly well received in the Leipzig branch of the NSDAP. Klien also exerted pressure on them. Hollender wrote of their meetings: “we have the impression that the National Socialists followed our case meticulously by trying to understand the difficult financial state of affairs.”<sup>1074</sup> While supporting Jewish firms indirectly, the only condition they put forward was proof that the IPA would repay their bank loans. Ernst Frenzel of the SPD fraction in Leipzig gave a similar message. Hollender assured the socialists that the amusement park in tandem with the exhibition would attract two million visitors to Leipzig and thereby generate enough income to repay the loans.<sup>1075</sup>

The strategy of directly rallying support in the Rathaus was eventually successful: in February 1930, the political factions agreed to an additional security of about 1,000,000 RM but they imposed extra conditions on the organisation of the IPA. The Rathaus avoided receiving the final IPA bill and the exhibition’s committee was forced to reserve 70% of the receipts to pay the instalments on this bank loan. In addition, they had to allow inspection of their accounts by bookkeepers working for the city administration.<sup>1076</sup> It can be concluded from the more formalised and conditional support for the IPA that the organisers of the exhibit had

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<sup>1072</sup> Werner Bramke, “Die Burg und die Bürger. Stadtbürgerliche Herrschaft und Kommunale Selbstverwaltung in Leipzig 1889-1929,” in *Wirtschaft und Gesellschaft in Sachsen im 20. Jahrhundert* (Leipzig: Leipziger Univ.-Verl., 1998), 288. The city council was dominated by socialists and communists between 1921-1924 and 1926-1929; they regained power in November 1932. The city council (*Stadtverordnetenversammlung*) was not the main instrument of power in the city of Leipzig. The *Rat*, or city college, controlled local politics.

<sup>1073</sup> Sächs. HStA, Wirtschaftsministerium 11168, nr. 794, f. 91. Paul Hollender an Herrn Oberbürgermeister Karl Rothe, Leipzig 17.01.1930.

<sup>1074</sup> Sächs. HStA, Wirtschaftsministerium 11168, nr. 794, f. 124. Nachrichtlich, Leipzig 20.01.1930.

<sup>1075</sup> Sächs. HStA, Wirtschaftsministerium 11168, nr. 794, f. 142. Paul Hollender an Herrn Ernst Frenzel am 10. Januar 1930.

<sup>1076</sup> Sächs. HStA, Wirtschaftsministerium 11168, nr. 794, ff. 165-166. Rat der Stadt Leipzig an das Präsidium der IPA Internationale Pelzfachausstellung Leipzig 1930, 05.02.1930. The 1,000,000RM was immediately consumed for a temporarily loan. See (nr. 794).

stretched cooperation between the fur industry and the city administration beyond its previous informal limits.

The fact was that it was now too late for the city to withdraw: a cancellation would have damaged the commercial reputation of Leipzig beyond repair. The new mayor of Leipzig Carl Goerdeler (in office from April 1930 until early 1937) found that his predecessor had manoeuvred himself into the uncomfortable position of being responsible for the lion's share of the IPA's outstanding debts and any possible deficit. The ambitious and costly plans for the amusement park therefore remained a constant nuisance to the city council.<sup>1077</sup> The committee was aware that a 'bankruptcy scenario' was increasingly worrying for local public opinion. In 1930, the professional press of the fur industry responded to a growing body of written criticism on the exhibition: "The IPA has nothing to do with all the inflationary and ostentatious exposition politics which caused so much damage in recent years to German municipal finances and which caused the spread of so many false opinions about us."<sup>1078</sup> In the years preceding the exhibition, the local side of IPA story was characterised by dynamism: however, the exhibition gradually became more controversial.

### **9.3 The search for international partners.**

While the original plans for the Leipzig exhibition were connected to the national context, the collective marketing operation gradually outgrew its domestic dimension and increasingly turned more international. The promotion of the local fur industry was to a large extent seen as an international task. Like rallying political and financial support locally, the task of assembling an international exhibition was not straightforward. At the same time as the relationship between the city administration and the IPA worsened, the exhibition committee planned to draw attention to the Leipzig industry abroad, especially from the cities and countries that were the main potential trade partners: Great Britain (London), the US (New York), and the Soviet Union. The promotion campaign would only be effective if leading firms and trade departments in these countries participated at the IPA.

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<sup>1077</sup> Sächs. HStA, Wirtschaftsministerium 11168, nr. 794, Anlage. Wirtschaftsamt, Anfang Februar 1930.

<sup>1078</sup> Die Kürschnerzeitung 1930, nr. 4, 1.02.1930. Die IPA kommt von Dr. Adler. the decision caused only deprecated reactions from the side of the leftist newspapers: see Sächs. HStA, Wirtschaftsministerium 11168, f. 72. Sächsische Arbeiter Zeitung, 11.4.1929. Vorbereitungen zur IPA. Wer bezahlt die Rechnung“

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In its international endeavours, the Leipzig fur industry was supported by an important ally: the diplomatic services of the German Foreign Office. Stresemann, the minister of Foreign Affairs, was known for his pragmatic foreign policy: he realised that German economic power could only be restored by re-entering the world market.<sup>1079</sup> Apart from supporting the return of German business to the world stage, Stresemann enjoyed good connections with the Saxon industry. Before he learnt the political craft, Stresemann worked for the chocolate manufacturing association in Dresden and was one of the founders of the Saxon Manufacturers Association in 1902 (*Verband Sächsischer Industrieller VSI*).<sup>1080</sup> In December 1928, Stresemann's Foreign Office listed the IPA as an "exhibition of national importance," which meant that the organisation could expect support from the diplomatic services.<sup>1081</sup> In practice, this meant that invitations and information were distributed via diplomatic channels to foreign governments.

The promotion campaign in London, which started in the fall of 1928 when the exhibition plans were still vague, was based on two pillars: attention in the British press and the lobbying of Paul Hollender. The transnational dimension of the fur trade press should be highlighted. The British professional fur trade played a leading role in introducing the idea of the IPA to London business community. As early as November 1928, the professional journal *The British Fur Trade* published an interview with some eminent managers in Leipzig and the plans of the IPA. The article downplayed the importance of the exhibition for Leipzig whilst highlighting its international dimension: "And let me emphasise this, that it is not a German, or a Saxon or a Leipzig exhibition and Congress which is being prepared and on which we count; it is an international event, in which we hope to see the British Empire, the United States, France, Russia and Austria taking as prominent and credible a part as the German trade itself."<sup>1082</sup>

The interest of the British press in the IPA should be ascribed to William Purvis, the editor of *The British Fur Trade*. Purvis, who frequently visited Leipzig, was supportive of good Anglo-German relations. Moreover, his role in the specialised fur trade press expanded significantly at this time. Due to a conflict of interest between the journal and the fur industry, Purvis left

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<sup>1079</sup> Berghahn, "German Big Business and the Quest for a European Economic Empire in the Twentieth Century," 15.

<sup>1080</sup> Felix Hirsch, *Gustav Stresemann 1878-1978* (Bonn: Inter nationes, 1978).

<sup>1081</sup> PA AA, Ausstellungswesen, R 117065, Vermerk W 4120, Berlin, 03.12.1928.

<sup>1082</sup> PA AA, Ausstellungswesen, R 117065, *The IPA and World Prestige. Appeal to the international Fur Trade*, in: *The British Fur Trade*, nr. 54. November 1928.

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the editorial office of *The British Fur Trade* and created his own trade journal, *The Fur Record*, which provided even more space for the Leipzig exhibition.<sup>1083</sup> He shared a mutual feeling of nostalgia with the organisers of the IPA, not so much for the strength of Leipzig but rather towards the ‘openness’ that had characterised the pre-war fur trade. Mention should be made of Purvis’ travel reports from Leipzig in the summer of 1929, which were presented as a series called ‘The Anglo-German Fur Trade’ and ‘Leipzig revisited.’ In these reports, Purvis called for the revival of old practices, such as the system of exchange between German and English fur apprentices: “through such reciprocal movements we shall create the best guarantee for the future peace and prosperity of the world.”<sup>1084</sup> Attention to the IPA was of course not limited to the abovementioned journals but it was Purvis who introduced the British fur community to the IPA at a relatively early date.

The second reason for the IPA’s early successes in Great Britain can be ascribed to the individual lobbying of Paul Hollender. Hollender pursued the agenda of the IPA through ‘trade diplomacy,’ which involved attending banquets, delivering speeches, and negotiating. In November 1928, he was invited to the banquet of the London Fur Trade Association and delivered a speech illuminating his plans to organise a large-scale international exhibition. The moment was well chosen, as several international guests were present at the autumn fur auctions that preceded the banquet.<sup>1085</sup> Although mention was made of the success of Hollender’s stay in London, it is difficult to estimate the impact of this kind of diplomacy. To be sure, it did not raise unequivocal support for the IPA. In March 1929, there was resistance among British firm managers convinced that participation in the exhibition would favour their competitors in Saxony.<sup>1086</sup> Moreover, the British government refused to accept the official invitation sent by the German ambassador in April 1929. Participation was thereby restricted to the private British fur trade and industry.<sup>1087</sup> Fortunately for Hollender, the Hudson’s Bay

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<sup>1083</sup> TNA, Hudson Bay Company Archive, BH 2735, A 92.77. 22, f. 188. Memorandum with reference to ‘the Fur Record’. Beaver House, London, 18.02. 1929. William Purvis allegedly left *The British Fur Trade* because of the involvement of Cyril J. Ross, alias Rosenberg the man behind the journal and an influential British fur trader who had acquired interests in all sections of the fur trade. He used his controlling interest in *The British Fur Trade* and was therefore accused of being biased. Purvis created a new ‘impartial’ fur trade journal, which was supported by several important British firms such as PR Poland & Sons, CW Martin & Sons Ltd, The Moscow Fur Trading Co Inc, and George Smith & Sons Ltd.

<sup>1084</sup> *The Fur Record*, September 1929, p. 106. Anglo-German Fur Trade. Leipzig Revisited by William Purvis.

<sup>1085</sup> PA AA, Ausstellungswesen, R 117065, *The Fur World*, 03.11.1928. The LFTA Dinner. A Record gathering.

<sup>1086</sup> PA AA, Ausstellungswesen, R 117065, Deutsche Botschaft. London, den 25.03.1929. An das Auswärtiges Amt. betrifft. Internationale Pelzfachausstellung

<sup>1087</sup> PA AA, Ausstellungswesen, R 117065, Foreign Office London, 18.06.1929.

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Company decided to participate in the Leipzig exhibition. By January 1930, the HBC had reserved about 900 of the available 3,000 square metres of exhibition space.<sup>1088</sup>

The IPA committee largely followed the same set of strategies to lure the Americans to Leipzig: a promotion campaign in the specialised trade press, diplomatic invitations, and a lobbying tour by Hollender, the face of Leipzig's fur industry. A month after his stay in England, Hollender travelled to North America and visited Washington, Chicago, Toronto, and Montreal. He promoted the IPA most intensively in New York by unfolding the detailed plans of the IPA at a luncheon of the Fur Merchants Club.<sup>1089</sup> American dyers and wholesalers were particularly interested: they instantly decided to found an American IPA committee. However, American participation was made possible because of the powerful family networks between Leipzig and New York, most notably those embodied by the Eitingon family. Motty Eitingon, leader of the successful Eitingon-Schild Corporation in New York and a regular visitor in Leipzig, was the president of the American IPA section. He promptly reserved 5,000 square metres of the IPA exposition on behalf of the American committee at his own personal risk.<sup>1090</sup>

An important difference from Great Britain was the official support of the American government for the IPA, particularly from the State Department of Agriculture. Inspired by the uniqueness of the event, the State Department of Agriculture stated that "the fur industry should be suitably represented (...) the United States is the largest commercial fur-producing and fur-consuming country in the world."<sup>1091</sup> The government argued that the IPA offered an unique opportunity to promote the booming American fur business: "the taking of a substantial part of American fur-products by the European market as represented by the valuation of \$31,000,000 placed upon our fur exports, is to the advantage of the American farmer and a Government exhibit at the Leipzig exhibition would without question aid in the

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<sup>1088</sup> PA AA, Ausstellungswesen, R 117067, IPA an das Reichswirtschaftsministerium, zh des Reichskommissars für das Ausstellungs und Messewesen im Reichswirtschaftsministerium, herrn Geheimen Regierungsrat Dr. Mathies, Berlin. 16.01.1930. See also on the British participation: Die Kürschnerzeitung 1930, Englands Beteiligung an der IPA, f. 199.

<sup>1089</sup> Sächs HStA, Wirtschaftsministerium 11168, nr. 792, Ausschnitte aus der Textil Zeitung, nr. 54. Vom 5.3. 1929. „Amerika und ‚ipa‘. Vom Korrespondenten der T.Z. New York, 25.02.1929.

<sup>1090</sup> Sächs HStA, Wirtschaftsministerium 11168, nr. 793, ff. 43- 47. IPA. Protokoll. Über die Finanzausschuss-Sitzung am 30 Juli 1929. Nachm. 5 Uhr, im Reichsverband der Deutschen Rauchwaren-Firmen Sitz, Leipzig, EV. (KA), f. 44. Eitingon acted as a commissioner to further sell exhibition space to American exhibitors.

<sup>1091</sup> PA AA, Ausstellungswesen, R 110766. Document no. 253. House of Representatives, International fur trade exhibition and congress 1930. Message from the president of the US. 13.01.1930.

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further development of this export trade.”<sup>1092</sup> Another reason for participation could be found in the activities of the Department of Agriculture itself. It heavily supported the growth of fur farming as a new agricultural activity: “the Secretary of Agriculture states further that foreign countries look upon the US Department of Agriculture as a pioneer in the field of investigational work in fur-animal production.”<sup>1093</sup> The participation of the US Department of Agriculture gave an important impetus to the international dimension of the IPA.

The attempts to connect to the Canadian fur industry were less successful, even though interest in the IPA was considerable, especially in business circles. Private businesses in Canada saw in the IPA a way to reinforce Canadian market institutions. In particular, they hoped to promote the new Canadian fur auction sales, especially in Montreal. Extremely similar arguments about the usefulness of an international exhibition for the strengthening of local institutions circulated in the Canadian fur trade: “considerable quantities of furs are disposed of through the various auction companies operating in Montreal (...) hundreds of thousands of dollars worth of furs are shipped out of this country, to be sold by the Auction Companies in London, Paris and NY, and the commission on these sales (...) are definitely lost to Canada.”<sup>1094</sup> Nevertheless, the Canadian government refused to fund a “dominion exhibition” for the promotion of these relatively new market institutions, despite significant pressure from numerous firms.

The Soviet Union confirmed its participation in the exposition relatively late, less than a year before the IPA started. Attempts to lure the Soviets to the Leipzig halls looked less persuasive when compared to the diplomatic courtesies extended to representatives in England and North America. Nonetheless, the Soviets responded eagerly and were preparing a section far ahead of other “fur nations.”<sup>1095</sup> The Soviet zeal in participating at the IPA can be explained from their unfavourable position on the world market. Firstly, Soviet trade agencies often found themselves excluded from international business agreements. Moreover, Soviet sales representatives were often manifestly distrusted as secret agents of some sort, as was illustrated by the raid of Scotland Yard on ARCOS in May 1927 (see chapter 8). The Soviet fur trade certainly needed some international advertisement. Secondly, participation in the

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<sup>1092</sup> Ibidem.

<sup>1093</sup> Ibidem.

<sup>1094</sup> LAC, RG 20/55. E.H. Rayner Limited. International Fur Marketing Service. Montreal, Canada, June, 18.06.1929.

<sup>1095</sup> PA AA, Ausstellungswesen, R 110765. IPA an Geheimrat Wiehl, vortragender Rat im Auswärtigen Amt, den 18.10.1929.

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IPA was necessary because of the strategic importance of furs. Narkomtorg, a Soviet trade secretariat, noted that “the fur trade occupies a vast dimension of our economy and in our international trade. Therefore, expectations for the Soviet section at the exhibition is apparently high (...) and we must be careful that we do not disappoint these expectations: [we must] prepare our exhibition in time and reveal an extensive picture of our fur industry so that we take a prominent and honourable place at the exhibition.”<sup>1096</sup> Together with the involvement of the US, the Soviet interest expanded the international dimension of the IPA, even though the British and Canadian governments had refused to participate. The goals set by the Germans regarding the international dimensions of the IPA thereby found a sufficient degree of foreign support. It is important to note that many other countries participated as well. Symbolic for the German fur trade, especially for karakul trading, was the participation of mandate South West Africa. Countries like Austria, Poland, Sweden, Denmark, and Finland also confirmed their participation.<sup>1097</sup>



**Picture 4: The South West African exhibition on the IPA next to the Polish stall. (Stadtarchiv Leipzig, BA 1986 20741).**

<sup>1096</sup> PA AA, Ausstellungswesen, R 117065, IPA. Leipzig, den 15.10.1929. Abschrift. Russlands Anteilnahme an der IPA, Leipzig den 15.10.1929. Aus der Zeitschrift „Rauchwaren, Redaktion Narkomtorg, Korpus G. Moskau, 8 Heft. V, August. 1929. pp. 37-39.

<sup>1097</sup> PA AA, Ausstellungswesen, R 10766, IPA an den Reichskommissar für das Ausstellungs- und Messewesen, im Reichswirtschaftsministerium Herrn. Dr. Matthias. 26.11.1930.



## 9.4 The IPA: between specialisation and universalism.

This part of the chapter is devoted to the actual content of the exhibition. The organisation of the IPA was based on two main pillars. On the one hand, it made reference to the successful pre-war exhibitions in Leipzig, the BUGRA and IBA, which had set high standards as prestigious crowd-pullers. On the other hand, the exhibition was essentially international and aimed to promote Leipzig as an international centre in the commerce, production, and distribution of furs. The public of this promotion campaign were traders, experts, and businessmen in Germany and the wider world. Through the connected fur congress held in Leipzig, the IPA committee hoped to institutionalise an international community of fur businessmen that could collectively deal with problems that pertained to the organisation of the trade. The ultimate aim was that the IPA should become a starting point for a stabilised international fur business. The end result was an exhibition that focused both on advertising furs to the broader public and on the educational aims of a specialised trade exhibition. This dualism was noted in one of meetings of the IPA committee in 1929: “Although the IPA has to be tailored for the big masses, the exhibits have to show what is both fine and rare so that the specialised character of the exhibition is preserved.”<sup>1098</sup>

### 9.4.1 *The IPA as a crowd-puller.*

On 31 May 1930, the IPA officially opened. The 800,000 visitors during the summer found an exhibition space that was divided into five large sections: a general hunting exhibition, the German Hall, the Nation Halls, the Science and Technology Halls, and the Amusement Park. Central to the IPA was the Nation Hall, where exhibits could be seen from 11 foreign countries. Great Britain (900 sqm), France (1000 sqm), and the USSR (2000 sqm) ranked amongst the most visible foreign exhibits. The Austrians had created a separate section, the ‘Wiener Haus.’<sup>1099</sup> However, this classic exhibition format was held to be insufficient to attract the broader masses. Just as during the universal exhibition of 1897 and the IBA exhibition of 1913 in Leipzig, the IPA also built an ‘amusement park,’ designed to be a pure

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<sup>1098</sup> Sächs. HStA, Wirtschaftsministerium 11168, nr. 792, f. 139. Fach Abteilungen, Allgemeines, Fachausschusse 11.1.1929.

<sup>1099</sup> Die Kürschnerzeitung, nr. 14. 11.05.1930, p. 585. Die Eröffnung der IPA.

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crowd-puller, an airy antidote to exhibition fatigue. The centre of the amusement park was the swimming pool but it also possessed a wine bar with music and cabaret acts and a genuine Wiener cafe.<sup>1100</sup> The Austrian exhibition was staged in the amusement park. The IPA also involved other media in order to advertise to the wider public. Notable was the promotion film created by the Leipziger Werk und Werbefilm GmbH. The 72 minute long film was called ‘Fur’s Worldwide Importance’ (*Die weltumspannende Bedeutung des Pelzes*) and was translated into 12 languages. It formed the backbone of the IPA mass advertising campaign, as it was broadcasted across various European cinemas.<sup>1101</sup>

It was clear from the onset that the IPA hoped to reach a large public in Germany not only through the amusement section but also with the specialised expositions.<sup>1102</sup> The hunting hall, an eclectic assemblage of national and international hunting trophies and historical objects co-organised by the Reich Hunting Association (*Reichsjagdbund*), was tailored to fit the need for a broader appeal.<sup>1103</sup> The Soviet provided a major attraction, as they brought along a large collection of live fur-bearing animals. With the zoo, the exhibition began to resemble imperial expositions. Around 56 different species of animals were placed in a decor that replicated ecologies of the fur business’ frontiers. As such, the zoo was a representation of the world fur trade. For instance, one of the main attractions was a herd of about 50 karakul sheep.<sup>1104</sup> In order to spark the imaginations of the public, the herd was housed on a set that imitated the living conditions of the sheep in Bukhara and included Turkmenian shepherds in “native garbs and nomadic huts.”<sup>1105</sup> The natural environment of other fur animals was reconstructed as well in order “to convey a natural image of the original environment in which these animals live.”<sup>1106</sup>

The advertisement of fur work to the broader public not only followed the examples of the preceding local exhibitions as crowd-pullers but also reflected major societal trends. In the

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<sup>1100</sup> Sächs. HStA, Wirtschaftsministerium 11168, nr. 800, IPA. „Ein grosser Vergnügungspark auf der IPA“. 24.04.1930.

<sup>1101</sup> The movie was ordered in 1929: see: Sächs. HStA, Wirtschaftsministerium 11168; nr. 795. f. 20. Protokoll der IPA. Im Reichsverband der deutschen Rauchwarenfirmer. Unfortunately, it is impossible to give a more detailed account on the content of the film as the original reels are untraceable.

<sup>1102</sup> Sächs. HStA, Wirtschaftsministerium 11168, nr. 795, f. 84. Die Belehrung; belehrendes Material. S.d.

<sup>1103</sup> Sächs. HStA, Wirtschaftsministerium 11168, nr. 800, Pressestelle: Internationale Pelzfach und Jagd Ausstellung Leipzig 1930, 27.01.1930.

<sup>1104</sup> Stichel Wolfgang, “Der Tierpark Der Internationalen Pelzfach Und Jagdausstellung,” *Zeitschrift Für Säugetierkunde* 8, no. 5 (1933): 229.

<sup>1105</sup> Sächs. HStA, Wirtschaftsministerium 11168, nr. 800, ff. 48-49. Großartige Ausstellung lebender Pelztier auf der IPA. 19.02.1930.

<sup>1106</sup> *Kürschnerzeitung*, nr. 7. 1930, The IPA today/Wie steht es heut mit der IPA, p. 199.

first place, mass production in recent decades had initiated mass consumption patterns. During the First World War, the industry experimented with the production of garments based on 'substandard' fur and new production processes that enabled the imitation of prime furs. These substitutes expanded existing consumption patterns. Whereas previously access to furs was limited to the bourgeoisie, the consumption of fur garments increasingly expanded to lower ranks of society, especially during the second half of the 1920s. The IPA's appeal to the larger public can thus also be read as a consequence of growing fur consumption throughout the 1920s. During the Weimar republic, the consumer was increasingly identified as a relevant actor and consumerism was recognised as an underlying force both in business and politics.<sup>1107</sup> It was this redefinition of luxury consumption and the emergence of Weimar Germany as a consumer society that pushed the fur industry into advertising to a larger public. As the committee noted, "the IPA entails large-scale propaganda for fur. The public, which nowadays can only be convinced by sizeable advertisement, should be drawn to the beauty and importance of fur, thereby causing a massive uplift of consumption."<sup>1108</sup>

In general, however, European luxury industries struggled to adjust themselves to such new consumption patterns. Simply put, mass consumption and luxury production were conflicting trends. According to Jean-Claude Daumas, mass consumption patterns offered increased sales opportunities but also put pressure on the status of industries within 'the universe of luxury' that justified higher prices and the use of labour intensive production processes.<sup>1109</sup> This trend was all the more complicated for the German fur industry because of the controversial status of luxury products in Weimar Germany. The experience of destitution during World War I and hyperinflation had made German consumers highly sensitive to the availability and price of consumer goods. Consumerism in Weimar Germany was characterised by high expectations and the desire to improve living standards while at the same time the population was traumatised by the fact that basic needs remained unfulfilled.<sup>1110</sup> Luxury thus had negative connotations. Politics also increasingly intervened in consumption, making basic needs accessible while at the same time targeting the consumption of luxury goods through taxes. This tension in the promotion of fur consumption is revealed by the fact that the IPA

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<sup>1107</sup> Claudius Torp and Heinz-Gerhard Haupt, "Einleitung: Die Vielen Wege Der Deutschen Konsumgesellschaft," in *Die Konsumgesellschaft in Deutschland 1890-1990: Ein Handbuch*, ed. Heinz-Gerhard Haupt and Claudius Torp (Frankfurt ; New York: Campus Verlag, 2009), 14.

<sup>1108</sup> StA-L, Leipziger Rauchwarenfirmer 20931, Carl Gründig nr. 231, 05.07.1929.

<sup>1109</sup> Daumas and de Ferrière le Vayer, "Les métamorphoses du luxe vues d'Europe," 14.

<sup>1110</sup> Claudius Torp, "Das Janusgesicht Der Weimarer Konsumpolitik," in *Die Konsumgesellschaft in Deutschland 1890-1990: Ein Handbuch*, ed. Heinz-Gerhard Haupt and Claudius Torp (Frankfurt ; New York: Campus Verlag, 2009), 257.

consciously avoided association between the fur industry and luxury: “the goal of the IPA is to explain to the domestic public about fur fashion, which is by no means ‘luxurious,’ but [consists of] solid, durable, and well made pelts that are beneficial and economical in the long run.”<sup>1111</sup>

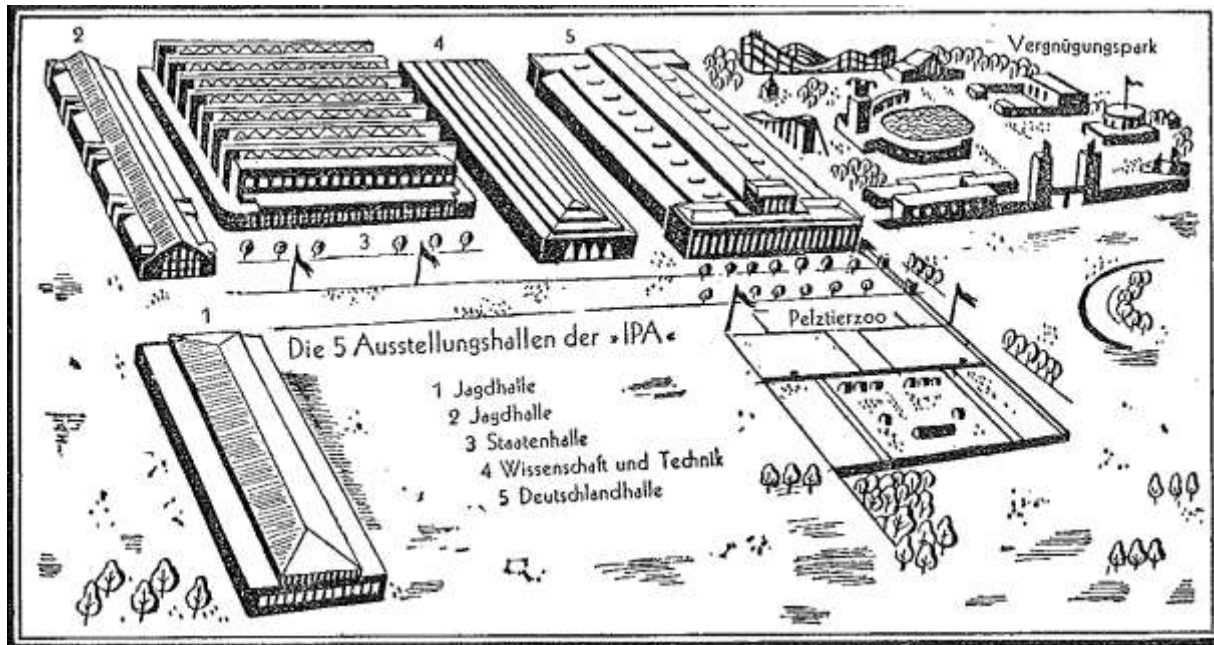


Figure 9-1 A drawing of the IPA exposition (Neue Pelzwarenzeitung, 1930, p. 516).

#### 9.4.2 The IPA as a specialised exhibition.

Having discussed the areas designed for the public spectator, I will now turn to some specialised sections presented for a more select public. The Nation hall, the German hall, and the Halls for Science and Technology formed the main chunk of the exhibition reserved for those interested in the advancements of the fur industry. These sections were created by a number of specialised committees, consisting of industrialists and experts. These reveal some of the developments in the modern fur industry that had defined collective action in the district.<sup>1112</sup> The group responsible for the section on fur farming was made up of members of the *Reichszentrale für Pelztier und Rauchwarenforschung*, the research network in

<sup>1111</sup> BArch, Reichsgesundheitsamt R86, nr. 1486. Der Auftakt der IPA von dr. J. Adler, Leipzig. 27.5.1930

<sup>1112</sup> StA-L, Leipziger Rauchwarenfirmer 20931, nr. 231 Carl Gründling, Fachabteilung – Fach-Ausschüsse. Protokoll über die Sitzung des Fachausschusses C“ Fell-Veredlung“ am 7.1.1930, 17 uhr, im Sitzungszimmer des Verbandes Deutscher Rauchwaren-Züchtereien und Färbereien, Leipzig CA, Nikolaistr. 12-14.

Leipzig.<sup>1113</sup> The *Deutschlandhalle* demonstrated the organisation of fur farming in Germany and the investigations into it sponsored by the industry.

The science and engineering section in hall 4 showcased a dressing and dyeing plant in operation and was organised by industrialists and chemists. Covering about 200 square metres, it showcased a production process that turned raw pelts into processed furs ready to be sent to tailors and retailers. While the imitation plant was at the centre of this hall, individual firms from the dressing and dyeing industries occupied stands as well.<sup>1114</sup> As the backbone of the industrial district, the fur production process was adequately represented at the exhibition. Yet it was difficult to hide the fact that the industry was affected by the economic crisis. One of the largest dressing factories of the Leipzig hub, Walter AG from Märkranstadt, had withdrawn from the IPA in early 1930 because it was on the verge of bankruptcy.<sup>1115</sup>

The German hall similarly devoted attention to the complicated nature of production. Stages in dressing and dyeing were illuminated by exhibits of prime skins and the relatively new processes that imitated prime furs. This general overview of production stages not only served to inform the larger public or to glorify the skilfulness of the German dyeing and dressing factories. According to a report of the Hudson's Bay Company, several aspects of this exhibit achieved their educational purpose by anticipating future developments of the international fur trade, especially in terms of reducing the prices of more luxurious furs and garments: "the German fur trade acted wisely in showing their skilfulness in processing furs (...) the much improved imitations may be having an influence in reducing the price of the fine furs, since to the unpractised eye the imitations are so good that the great [price] difference between them and the real article seems unjustifiable."<sup>1116</sup> Other exhibits in this hall were staged to glorify the history and future of the German fur industry. The committee had given sufficient space to the German furriers guild to present a somewhat pompous glorification of German craftsmanship (*Meistersaal, Kürschnersaal*), exhibiting pieces of art and historical objects related to German fur work.<sup>1117</sup>

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<sup>1113</sup> Ibidem.

<sup>1114</sup> Die Kürschnerzeitung, nr. 7, 01.03.1930. p. 199. Wie es steht heute mit der IPA.

<sup>1115</sup> Sächs. HStA, Wirtschaftsministerium 11168, nr. 795, f. 122. über Vermietungen im Monat Januar 1930, 31.01.1930.

<sup>1116</sup> TNA, Hudson Bay Company Archives (Microfilm Copy). Public Record Office, BH 2735, A 92.77. 22. f. 94. 18<sup>th</sup> June, 1930. IPA LEIPZIG 1930. Report from 31<sup>st</sup> May to 12 June 1930.

<sup>1117</sup> Die Kürschnerzeitung, Nr. 9. 21.03.1930. p. 276. Der Meistersaal auf der IPA.

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Although little is known about the substance of the international exhibits, the impressive Soviet stall was undoubtedly an eye-catcher for contemporary observers. It was composed to impress the general public while at the same time portraying the new organisation of foreign fur trade and the advancement of the USSR's dyeing industry. The Soviet section impressed visitors because of architectural experimentation with the stall's set up. Soviets architects made use of 'futuristic' designs, thereby rendering the Soviet section one of the most surprising and intense parts of the exhibition. A German observer noted that "the Soviet exhibition sets the objects as functions of the form. The Soviets are using the exhibition space to the fullest extent, both in terms of height and breadth (...) the stance exhibits many thousands of raw bundled skins to attract attention (...) the Soviets have designed artefacts that extend to the roof."<sup>1118</sup> For many attendees, the exhibition also offered a unique opportunity to gain insight into the current situation of the Soviet fur industry. The exhibition allowed the capitalist businessmen to gather information about the system of the state-led fur exploitation in Siberia. The Hudson's Bay Company noted the following: "It [the Russian exhibition] is childish, futuristic and clumsy in appearance but when carefully examined is of great interest, especially as so little is actually known in the outside world of what is going on in Russia (...) if the facts shown are accurate (...) the organisation now in existence for collecting the furs is very much larger and better than before the revolution."<sup>1119</sup> The specialised exhibition was thus valued both for the information it provided on new production techniques and for the knowledge given about international markets.

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<sup>1118</sup> Die Neue Pelzwarenzeitung, nr. 1029, 7.06.1930. p. 495. Die Eröffnung der IPA in Leipzig.

<sup>1119</sup> TNA, Hudson Bay Company Archives (Microfilm Copy). Public Record Office, BH 2735, A 92.77. 22. f. 94. 18<sup>th</sup> June, 1930. IPA LEIPZIG 1930. Report from 31<sup>st</sup> May to 12 June 1930..



Picture 5: The exhibition stall of the USSR, IPA 1930 (Stadtarchiv Leipzig, BA 1986 20745).

#### ***9.4.3 The IPA congresses and internationalism.***

The congresses held in the margins of the IPA were at least as important in promoting international trade as the exhibition itself. The congresses gave the IPA an important transnational dimension. Three congresses were organised: the most important was the general assembly held by international fur businessmen and industrialists, the ‘World Fur Congress.’ The Leipzig organisers hoped to construct a more stable international system of trade by taking advantage of the presence of many foreign delegates and businessmen. There were also meetings of the International Garment Workers’ Federation (*Internationale Bekleidungsarbeiter Föderation*) and of the International Rabbit Breeders Congress (*Internationale Käninchenzüchter Kongress*). Debates in the garment workers’ congress, held between 15 and 17 June, mainly centred on the stimulation of labour exchange across national markets and the prevention of occupational diseases. Fur workers were often exposed to longue and skin diseases caused by the chemical substances used in the manufacturing

process.<sup>1120</sup> The conference of German rabbit breeders, suppliers to the fur industry since World War I, was organised by Hans Nachtsheim. Nachtsheim was an ardent advocate of small-scale animal breeding and co-founder of the National Association of German Rabbit Breeders (*Reichsbund Deutscher Kaninchenzüchter*). The international guests conferred about animal diseases, the economic exploitation of rabbit breeding, and on the diet of rabbits.<sup>1121</sup> In contrast to other small livestock keepers, the rabbit breeders had national divisions but lacked an international form of organisation.<sup>1122</sup>

The World Fur Congress was undoubtedly the most important conference. It was a historical congress too. Never before had businessmen of the international fur industry conferred together about issues that related to the global fur trade. The World Fur Congress was arguably the culmination point of a spirit of internationalism in the realm of business that surfaced more strongly in the interwar period. In contrast, prior to World War I problems in international trade had caused conflicts between German and British merchants, especially regarding conflicting fairs and auctions. However, there was now support for international coordination.

For example, collisions between events in the industry calendar continued to have an effect on relations between businesses in London and Leipzig. In the plans for the 1928 season, the spring auctions in London and the Easter fur fairs in Leipzig once again largely overlapped. Instead of a boycott and mutual threats, the problem of colliding agendas now led to bilateral negotiations. They took place between the Leipzig Fur Merchants Association and the London Fur Trade Association. Trade associations had gained significance in both cities in the early 1920s. Besides remedying local issues, these institutions were the principal channels for conducting international negotiations. The Leipzig representatives were able to find a compromise that involved postponing the Leipzig fur fairs for a week.<sup>1123</sup> However, the compromise was rejected by other Leipzig firms. Despite the failure of international coordination in this specific case, a tradition of international coordination was in the making.

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<sup>1120</sup> Sächs. HStA, Wirtschaftsministerium 11168, nr. 800, Internationale Bekleidungsarbeiter-Föderation. Internationaler Kongress vom 15. Bis 17 Juni auf dem Gelände der Internationalen Pelzfach-Ausstellung in Leipzig.

<sup>1121</sup> PA AA, Ausstellungswesen, R 118403, Internationaler Kaninchenzüchterkongress Leipzig, 23-27 August 1930.

<sup>1122</sup> PA AA, Ausstellungswesen, R 118403, Internationaler Kaninchenzüchterkongress Leipzig 1930. S.d.

<sup>1123</sup> TNA, Hudson Bay Company Archives (Microfilm Copy). Public Record Office, BH 2734, A92/77/21, Memorandum with reference to. Fur sales. V. 168. Beaver house, 25.11.1927.



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It was in this context that the World Fur Congress was held and plans to establish an International Trade Association were forged.

By inviting many international guests, the IPA provided the opportunity for the first World Fur Congress. Key figures of the international fur commerce attended the World Fur Congress along with the representatives of the major national trade associations: Curtis Lampson, manager of the large auction company Lampson & co and also president of the London Fur Trade Association, Ch. Hanau, president of the French fur trade association *Fédération de la Fourrure*, and finally J. H. Bleistein of the National Association of the Fur Industry in New York.<sup>1124</sup> As in the earlier meetings, the members of the national trade associations played a leading role on the conference. Representatives of the Soviet fur trade were not invited. Similarly, they had been left out of the international business meetings that preceded the World Fur Congress. Coordination was based upon either inter-firm relations or trade associations, both of which were absent in the Soviet fur trade.

The conference itself lasted 7 days (between 22 and 29 June) and was held in the halls of the Zoological Gardens. It was divided into twelve sections, where no less than 100 papers and speeches were delivered. While a wide variety of issues were addressed, the main thread in the debates concerned removing obstacles to trade. Discussions on how the fur industry could homologate paying conditions and synchronise various cultural-bound trade practices resulted in the ambition to set international standards for transactions. In addition, the debates not only touched upon customs and financial issues but also upon matters of standardisation. For instance, discussions took place on reaching an international consensus regarding the nomenclature of fur products.<sup>1125</sup> Topics ranged from patenting to the trade press and issues related to retailing and consumption. However, these speeches and discussions were infused with a nostalgia for the international trade prior to World War I. This underlying thought instigated debates on reviving “old practices” like the system of exchanging young apprentices or merchants between European fur businesses. International exchange was a common practice in family-run German merchant houses and workshops prior to 1914.<sup>1126</sup>

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<sup>1124</sup> Die Kürschnerzeitung, nr. 19, 01.07.1930, p. 689. Der 1. Welt-Pelz-Kongress in Leipzig.

<sup>1125</sup> Die Kürschnerzeitung, nr. 19, 01.07.1930, p. 689. Der 1. Welt-Pelz-Kongress in Leipzig.

<sup>1126</sup> *Erster Welt-Pelz-Kongress 22.-29. Juni 1930 Tagesordng f. d. Sitzgn = First World-Fur-Congress = Premier Congrès international de fourrures et pelleteries* ([s. l.: [s. n.], 1930). Ausbildung von Rauchwarenhändler und Kürschnern und internationalen Austausch von jungen Rauchwarenhändlern und Kürschnern

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In order to facilitate the revival of the pre-war order and to set international standards, the conference ultimately aimed to establish an international fur federation, an overarching institution for the international fur industry. The shape and extent of such an international institution was a matter of debate between the British and German businesses represented by Lampson and Hollander respectively. Lampson opposed the idea of an international bureau and pleaded for the organisation of annual congresses for representatives of the international fur industry. He promptly proposed that the next session be held during the London auctions. In contrast, Hollander defended the view that the international bureau should form a permanent institution, composed of representatives of national associations. The German fur trade won the vote and Hollander himself was elected as the first president of the international fur federation: its bureau was established in Leipzig.

While the establishment of an international bureau was a victory for German intentions, the spirit of cooperation did not last long. It declined as the economic crisis deepened. The follow-up meeting of the International Association, planned for 1932, never took place.<sup>1127</sup> Internationalism in the fur industry was thus only short-lived. Nonetheless, it preceded the post-war internationalism and the creation of a more robust institution, the International Fur Federation, in 1949. The effects that the IPA hoped the exhibition would generate were also short. The deepening of the international crisis prevented any benefits from spilling over into the fur industry.

### **9.5 The IPA bankrupted.**

This section mainly deals with the financial problems that emerged during the International Fur Exhibition and its aftermath, which burdened local forms of cooperation and effected the promotional aspect. In terms of local relationships, the failure of the IPA was perhaps even more pronounced in its effects. The budget deficit and the additional guarantee of the city council on behalf of the IPA in February 1930 have already been discussed above. The opening of the IPA was not the end but the beginning of a summer full of financial exigencies. Not only did the IPA committee systematically underestimate the expenses, the earnings of the IPA were far less than had been anticipated. The gap was caused mainly by

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<sup>1127</sup> TNA, Hudson Bay Company Archives (Microfilm Copy). Public Record Office, BH 2734, A92/77/22, p. 79. Memorandum with reference to the First World Fur Congress, Leipzig, 1930. S.d.

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the disappointing results in subletting exhibition space to domestic and international fur representatives. Rent revenues had been estimated at 600,000RM but the actual revenues reached only half this amount.

The difficulties in renting exposition sites was principally due to the carefulness of the German firm-owners, who were increasingly unwilling to spend money at the IPA in times of crisis.<sup>1128</sup> Particularly unpalatable to the IPA committee were the attempts of Brühl firms to withdraw the renting contracts they had concluded with the IPA. The same was true for the international participants: in particular, the smaller countries, where the national fur sector was of a minor importance, withdrew their presence. Countries entertaining the prospect of participating, such as Norway, dropped out early 1930.<sup>1129</sup> Others cancelled their agreement. The Belgian fur delegation, *Union Professionnelle des Tanneurs & Teinturiers de Peaux de Belgique*, saw no other solution than to cancel their presence when the Belgian government withdrew its financial support.<sup>1130</sup> Attendance figures were dramatically lower than expected too: only 40 %, or 800,000, of the estimated 2,000,000 visitors showed up. The IPA was by no means a crowd-puller like the prestigious pre-war exhibitions.

So, after the opening weeks of the exhibition, it became increasingly clear that the IPA would end with a considerable deficit. While the IPA committee had continued to hope for a successful exhibition, it was finally forced to reveal the problems to its main partner, the city administration. According to Hollender, the deficit would range between 600,000 to 1,400,000RM, depending on how long the IPA lasted. The public officials had no other choice than to continue their support for the IPA: the exhibition was a source of urban economic growth because it provided a temporary increase in external economies.<sup>1131</sup> An immediate bankruptcy would precisely cause financial problems for both public and private suppliers of the IPA.<sup>1132</sup> Hollender also admitted that the financial section of the IPA had been run haphazardly and problems had been hidden. A month later in July, when it became clear

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<sup>1128</sup> Sächs. HStA, Wirtschaftsministerium 11168, Nr. 795, f. 19. Protokoll Präsidentsitzung. 24.2.1930.. During the months January and February, members of the IPA committee were traveling again through Germany in order to convince the German furriers and firms to rent a space at the IPA.

<sup>1129</sup> PA AA, Ausstellungswesen, R117066, IPA an das auswärtiges Amt, den 13.02.1930

<sup>1130</sup> PA AA, Ausstellungswesen, R117067, IPA an die Deutsche Gesandtschaft Brüssel, 26.03.1930.

<sup>1131</sup> Juan, Rubalcaba-Bermejo, Luis Cuadrado-Roura, "Specialization and Competition amongst European Cities: A New Approach through Fair and Exhibition Activities," *Regional Studies* 32, no. 2 (1998): 133.

<sup>1132</sup> Sächs. HStA, Wirtschaftsministerium 11168, nr. 796. ff. 199-205. Niederschrift über die Besprechung in der Harmonie am 23 Juni 1930 nachm. ½ 4 Uhr, auf Einladung von Herrn Ministerialdirektor Geheimer Rat Dr. Klien mit führenden Häusern der Pelzbranche.

that the building expenses had also been underestimated, it was apparent that the book-keeping was simply not functioning correctly, quite surprising given that city officials had controlled the books since February 1930.<sup>1133</sup>

The IPA tried to postpone payments to its suppliers in a systematic way: therefore, in early August, the creditors decided to jointly put pressure on the IPA's financial department. Before then, the financial problems stayed off the public radar and were largely kept indoors. Hollender in particular was worried that a public controversy about the new IPA deficit would damage the ongoing exhibition. He therefore increased pressure on Carl Goerdeler, the new mayor of Leipzig (who happened to be on a month long vacation), to gain his support in transferring the debts of the IPA to Leipzig's and Saxony's treasury. Again Hollender warned Goerdeler that the IPA would drag the suppliers down with it: "I am defending the private economy and I cannot consciously shift the amount (...) on to the shoulders of these people. Many of them would perish completely, which is of course not to the advantage of Leipzig's tax department."<sup>1134</sup> While Goerdeler refused to return to Leipzig in order to reassure the IPA's creditors, Hollender was able to strike a moratorium with the creditor group. The creditors complied with this secret moratorium on the condition that the IPA promised to refund the creditors equally and make no distinction between them.<sup>1135</sup> Confronted with the problem of exposing numerous regional firms to an IPA bankruptcy, Leipzig and Saxony extended the credit lines. The initial 1928 guarantee of 600,000 marks was largely insufficient (the additional 1,000,000 had been spent on the amusement park) and so an additional guarantee of 360,000 marks was provided by the Rathaus (150,000), the industry (150,000), and Saxony (60,000).

When a barrage of rumours was spreading rapidly about the precarious financial situation of the fur exhibition, Hollender made the financial problems public. He declared that the IPA was facing severe problems in paying its suppliers and that the IPA needed more money from Saxony, the city, and the fur industry. The IPA was unable to close the deficit in the last weeks of the exhibition. The full amount of the deficit aggregated to no less than 1,680,000

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<sup>1133</sup> Sächs. HStA, 11168 Wirtschaftsministerium, Nr. 797. f. 14. Niederschrift. Über die Präsidial-Sitzung am 28.7.1930. 17, 1/Z uhr, im Präsidentenzimmer auf dem Ausstellungsgelände.

<sup>1134</sup> Sächs. HStA, Wirtschaftsministerium 11168, nr. 797. ff.144-150. Hollender an herrn Oberbürgermeister Dr. Goerdler, Ostseebad Rauschen. 20.08.1930.

<sup>1135</sup> Sächs. HStA, Wirtschaftsministerium 11168, nr. 798. Protokoll Über die Vorstands-Sitzung am 26.8.1930, 17.30 Uhr, im Reichsverband der deutschen Rauchwaren-Firmen Sitz Leipzig.

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RM, of which 960,000 had already been cleared.<sup>1136</sup> The committee's main task was finding an acceptable solution for the creditors and clearing the remaining deficit of 720,000.<sup>1137</sup> With additional support from the city council and the state of Saxony, the IPA managed to pay off 76.4% of the claims.<sup>1138</sup> The city and the state continued to support the IPA and provide more means but this was insufficient to close the financial gap.

To be sure, earlier exhibitions in Leipzig had been concluded with similarly large deficits and the city and the regional government had covered the shortages. Few exhibitions had in fact made profit. However, the bankruptcy of the IPA in a time of full crisis was poorly received. When the Rathaus and the government of Saxony continued to cover the deficit bequeathed by the IPA, venomous criticism followed suit.<sup>1139</sup> It broadly targeted the bourgeois alliance between local politicians and industry that characterised Leipzig politics. The socialist newspaper the *Leipziger Volkszeitung* vehemently attacked the IPA as the “International Failure Exhibition” (*Internationale Pleite Ausstellung*).<sup>1140</sup> Other attacks were pitched in a clearly anti-Semitic tone, mocking the failed exhibition as the “Jewish-Bankruptcy Exhibition” (*Jüdische-Pleite Ausstellung*).<sup>1141</sup> Blame went the other way as well. Since the event had witnessed such a poor turnout in terms of visitors, the IPA organisers felt abandoned by the local population. To the astonishment of the committee, the local population had completely misjudged the importance of the event: “A large part of Leipzig's population did not visit the exhibition (...) those who went only at the end of the exhibition were surprised by its beauty. It is in the nature of the *Leipziger* that it takes very long, before he wants to see something new. We have to exhibit them this indictment!”<sup>1142</sup> It did not seem that that the promotion campaign had a positive outcome locally. The fur business had lost goodwill with large segments of the local population and the relationship with public authorities had soured as well.

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<sup>1136</sup> It was cleared by the 600,000RM of the initial guarantee and 360,000 of the additional guarantee in the summer. The security offered by the city of Leipzig in February 1930 was consumed for a temporary loan.

<sup>1137</sup> Sächs. HStA, Wirtschaftsministerium 11168, nr. 800, Der Fehlbetrag der IPA, in: *Dresdner Anzeiger*, 10.10.1930.

<sup>1138</sup> Sächs. HStA, Wirtschaftsministerium 11168, nr. 799, Protokoll Mitglieder-Versammlung des Vereins IPA, am 6 Oktober 1931, 16 Uhr, im Sitzungszimmer des Reichsverbandes der Deutschen Rauchwarenfirmer Sitz Leipzig e.V. Leipzig C1, Tröndlinring 2.

<sup>1139</sup> StA-L, Messeamt 20202, nr. 220. f. 135. Hollender an dr. Köhler, dr Köhler Leipziger Messeamt. 6.09.1930.

<sup>1140</sup> Sächs. HStA, Wirtschaftsministerium 11168, nr. 800, Eine Ipanoptikum für Leipzig. *Leipziger Volkszeitung*, 25.11.1930, 2. Beilage zu Nr. 274.

<sup>1141</sup> StA-L, , Messeamt 20202, nr. 220. Walter Krausse, in firma Friedr. Erler. Leipzig an Herrn Dr. Köhler, IPA, Internationale Pelzfach-Ausstellung mit internationaler Jagdausstellung, Leipzig, 1930, 06.10.1930.

<sup>1142</sup> StA-L, Wirtschaftsministerium 11168, nr. 799, ff. 164-170. Protokoll. Mitglieder Versammlung des Vereins IPA, am 6.10.1931. „Dieses Armutzeugnis muss man ihm schon ausstellen“

## 9.6 Conclusion.

Despite the efforts made by the organising committee, the IPA largely failed to accomplish the ambitious aim of promoting the Leipzig fur industry at home and abroad. Obviously, potential economic and commercial benefits were undone by the harmful effects of the economic crisis. In terms of international business relations, the stimulating effects of the exhibition were almost immediately erased by the economic meltdown. The economic protectionism and autarky that came to characterise the 1930s cast a large shadow over the spirit of pan-national cooperation and the plans to revive a pre-war international fur trade. The economic crisis also accounts for the organisational failure of the IPA, although mismanagement also played a role. Disappointing admission revenues deepened the deficit and the budget gap badly effected the local reputation of the industry.

Still, structure and performance should to be separated. The failure of the exhibition does not mean that it was not the result of district processes. In other words, the exhibition should not be defined by its failure but rather as an umbrella institution organised by local actors as a way to act upon the international stage. Exhibitions remain important for marketing in Germany and controversies about their cost effectiveness still overshadow the organisation of exhibitions.<sup>1143</sup> Regardless of its efficiency, the organisation of the IPA was the result of collective action to deal with challenges from abroad, namely the changing world market of furs. It was an attempt to collectively improve the wellbeing of the local business system. Similar to fairs and auctions, the IPA was a temporary umbrella institution connecting the district to the wider world. The IPA was not meant to conduct trade: rather, it was hoped that it would produce a ‘magnet’ effect on the local industry. In debates about ‘cost effectiveness,’ such considerations gained the upper hand. The goal was to improve the situation of Leipzig in the international commerce indirectly. There was also an important symbolic dimension in Leipzig’s hosting of the international business community. What was salient in the IPA, and particularly in the World Fur Congress, was the desire of local businessmen to construct collaborative networks at the international level. In this regard, the IPA served as an umbrella institution to stimulate business in Leipzig but also to lead in the creation of permanent forms of coordination and a more stable international environment. The foundation of the

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<sup>1143</sup> Jim Blythe, *Essentials of Marketing Communications* (Pearson Education, 2006), 187.

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international bureau was the climax of the spirit of internationalism that was articulated in local collaborative networks.

The way in which the international fur trade was to be organised in the new international organisation was a projection of local forms of governance in Leipzig and, perhaps, in other fur centres as well. Firstly, it reflected the rise of the Leipzig Fur Merchants Association as the dominant trade association in the city and confirmed the role of Paul Hollender as the leading figure of the industry. After the IPA, Hollender was appointed as president of the first International Fur Federation. Trade associations were to form the core of the bureau and act as coordinating institutions, just as they did locally. Secondly, the IPA and the International Fur Federation was about the construction of the international order in the fur trade: it was to be divided between capitals of the fur industry and based on the institutions that organised fur trading in these centres. The IPA reflected a world fur market that was divided into several major districts: business activity pertained to location. Businesses in Leipzig acted accordingly. Ideas that were spread in the World Fur Congress centred on the regulation of international competition in order to create an international order based on coordination between trade associations in the capitals of the fur industry. Leipzigers saw international coordination largely as a matter of 'cluster-to-cluster' relation and to a large extent tried to maintain this world. Surprisingly, little attention was paid to either integrating resource producers or the delegation from the Soviet Union, despite the importance of such actors for the international fur industry. Trade associations in 'visible fur cities' monopolised the movement of internationalism.

There can be no doubt that the IPA was one of the most ambitious forms of collective action in the city of Leipzig since World War I. The strength of the alliance with regional and local politics and the city's fur industry, a dimension of local cooperation that was not expressed so clearly in other forms of collective action, has been revealed in the chapter. The importance of the Rathaus in stimulating local exhibitions had its roots in the precedents of several large-scale exhibitions in Leipzig since the end of the nineteenth century. The close involvement of the city administration, based on its historical commitments to exhibitions, was present in several instances: the initial idea of the exhibition was born in inner circles of city politics and was closely linked to the post-war policy of stimulating local industry. Once the IPA gained shape, financial support followed. However, the good relations between the fur industry and the Rathaus became increasingly troubled when the plans of the IPA became more detailed.

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The first tensions with the city erupted because the incremental planning of the IPA caused a severe underestimation of costs. The city council and the mayor continued their support even though the deficit deepened severely during the exhibition. While the alliance was not broken, the relationship between politics and local industry had taken a severe blow. The spending limits of the government and the loss of goodwill in the local population impinged on the fur industry's ability to tackle problems collectively in the future.

Once more, the importance of the lead firms in the organisation of border-crossing activities has been revealed. A number of firm owners dominated the organisation committee and continued to be at the forefront of the IPA as caretakers of establishing contacts with foreign firms and governments. As mentioned in other chapters throughout this section, lead firms of the Leipzig fur industry integrated local concerns such as 'the international position of Leipzig' into their business and personal activities. While several factions of the local industry were initially opposed to the idea, the lead firms, together with the city administration, managed to convince many other businesses to participate in the IPA. They played the role of facilitators in projects of local collaboration with the aim of improving the status of Leipzig as an international fur centre. The lead firms headed local alliances but were also of seminal importance in constructing international links.

Rather than reviving international trade and stabilising relationships within the international fur industry, the IPA heralded a new international trade system that would be fundamentally dissimilar. The international bureau drowned helplessly in the currents of protectionism and autarky. The plans to create an international bureau that dealt with matters of discordance between the capitals of the fur industry remained a pipe dream. The spirit of cooperation that emerged in the second half of the 1920s did not survive in the 1930s. The disruptive impact of external developments and the new political economy was simply too large to remedy through local collective action. Painfully, the IPA marked the end of the economic order that the organisers had hoped to revive. The Leipzig industrial district entered the different world of the 1930s, one characterised by political and economic instability.



# **PART IV:**

## **Epilogue**



## **10 Collective action and local collaboration in times of political and economic crisis (1929-1939).**

### **10.1 Introduction**

In the preceding part of the thesis, the relationship between internationalisation and the local economy was described as dynamic and interactive. Collective action was brought to the foreground as an important instrument for district participants in the pursuit of re-admission to the world market. In part, local economic institutions and networks were flexible in relation to external challenges stemming from the transformation of the world market in the early 1920s. New forms of inter-firm cooperation led to the creation of novel economic institutions like auction companies that replaced obsolete institutions such as the Easter fur fairs. Local identity led to the creation of ambitious projects like the international fur exhibition, a joint venture in global marketing. Similarly, economic actors intensified cooperation, as we saw in the relationship between the local bank system and the fur industry. Furthermore, firm leaders clearly put the 'local' central in their efforts to restore the locality as an international fur market. Individual business activity was designed with the purpose of strengthening the local market: solidarity was a motivating factor. Such motives were strong and structured the actions of many economic actors and local stakeholders. As such, small firms and economic actors were surprisingly dynamic in preserving the manufacturing hub from the changing tides of international commerce in the early 1920s.

In demonstrating the relative successes of collective action in terms of international trade, the thesis has situated itself in a recent historiographical trend that challenges the view that the beginning of World War I marked a radical breach in terms of economic organisation. According to this view, the 1920s were a period of protectionism and heralded the reversal of world economic integration. However, recent groundbreaking works like Harold James' *End of Globalisation* or Rosenberg's *A World Connecting 1870-1945* have claimed that, from the point of view of economic connections, the period following World War I resembled pre-war

standards rather than being a radical departure.<sup>1144</sup> The fact that the 1920s resembled the pre-war era was the result of deliberate strategies by many businesses across Europe. Previously I have stressed the importance of those intentions and strategies directed at ‘restoring the old ties’ or reviving old trade patterns rather than adapting to what was new. In other words, the ‘old economic order’ shaped mental maps and business strategies. This mental framework also formed the foundation for collective social action in the industrial district and led to collective strategies to restore old trade patterns.

Leaving the “the turbulent and golden twenties” behind us, we have arrived at the 1930s. This is a period when the political and economic developments that disturbed internationalism or transborder business activities can no longer be downplayed or ignored. Three developments will be examined more closely: firstly, the global economic crisis initiated by the Wall Street stock market crash at the end of the 1920s; secondly, the changes in the USSR’s foreign trade policy that turned the main trade partner of Leipzig district into an autarkic entity; and finally, the disruptive impact of anti-Semitism in the Third Reich on the social composition of an industrial district based on a balance between Jewish and gentile firms. Whereas all three developments were damaging, it is their interplay that furthered the decline of the Leipzig fur industry.

It should be remembered that the performance and the features of the industrial district should be strictly separated. Economic decline and the contraction of a local production system do not mean that mechanisms for cooperation and sharing disappeared. It could simply indicate that these mechanisms are not working properly or were ineffective against the challenges faced. In this epilogue, I want to reflect on the impact of political and economic crises upon the social structure of the industrial district. How did the district adjust to these turbulent times? What forms did collective action take or was the impact upon social cohesion simply too disturbing for collective action to form? In this sense, this chapter still places emphasis on the mechanisms of the Leipzig fur industry as an industrial district and to what degree the threefold challenges of the early 1930s eroded or reproduced these mechanisms.

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<sup>1144</sup> The view is defended in the “Emily Rosenberg et.al. A World Connecting.” The title of the German version stresses ‘time coherence’ perhaps even more: Emily S Rosenberg, Maier, and Wirthensohn, *1870-1945: Weltmärkte und Weltkriege* (München: Beck, 2012)., An extended view on the ‘first globalisation wave’ and its periodisation was presented much earlier, albeit in a more indirect way. For instance, see: Harold James, *The End of Globalization: Lessons from the Great Depression* (Cambridge, Mass.: Harvard University Press, 2001).

## 10.2 The stock market crisis in 1929 and the Leipzig district.

### 10.2.1 *The impact of the crisis on the capital intensive fur trade.*

Although it was not the only cause of decline, the years of commercial buoyancy of the Leipzig fur industry ended abruptly in the wake of the stock market crash in November 1929. Many saw the economic backdrop as a temporary interlude, yet matters rapidly worsened. The internationally-oriented Saxon economy was badly affected, just as its reputation as the “storm centre of the trade cycle” would suggest. Between 1926 and 1932, Saxony experienced unusually high levels of bankruptcies: 35.7% of all businesses, much higher than the national level of 25.8%.<sup>1145</sup> Between 1930 and 1931 alone, 131 firms in Leipzig were suspended from the trade register.<sup>1146</sup> In 1932, the labour market in the city reached rock bottom with 185,392 unemployed workers.<sup>1147</sup>

The fur industry suffered from a similar avalanche of insolvencies. Between 1929 and 1933, the local district was drawn into a maelstrom of bankruptcies involving several key firms that affected both trading and dyeing businesses. The crisis hit the fur industry hard. In the mid-1920s, the Saxon fur industry had reached its zenith, registering 11,170 workers in 1,091 firms: in the early 1930s, employment levels dropped sharply. In 1933, the number of firms dropped to 888, which coincided with a dramatic reduction in the work force to 6,119 employees. While the number of fur workers still represented 34.2% of the Reich’s total, about half of all such employees lost their jobs and over 200 firms in Saxony’s industry had disappeared.<sup>1148</sup> The fur industry continued to lose ground at a severe pace. Only one year later, the number of workers decreased again to 5,200. Over the course of five years, the Saxon fur industry lost more than 50% of its workforce.

The crisis had ramifications on the district in a variety of ways. Firstly, as we have seen, the boom in the international fur industry since the late nineteenth century had been largely

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<sup>1145</sup> Julia Paulus, *Kommunale Wohlfahrtspolitik in Leipzig 1930 bis 1945: autoritäres Krisenmanagement zwischen Selbstbehauptung und Vereinnahmung* (Köln [u.a.: Böhlau, 1998), 24.

<sup>1146</sup> *Ibid.*, 23–24.

<sup>1147</sup> Horst Riedel, *Chronik der Stadt Leipzig: 2500 Ereignisse in Wort und Bild* (Gudensberg-Gleichen: Wartberg, 2001), 105.

<sup>1148</sup> Statistisches Jahrbuch für das Land Sachsen, 1931/34, nr. 34, p. 161. Figures are based on the industrial census held on 16.06.1933.

represented by ascending prices. The international depression caused a stunning deflation in fur prices of about 40 to 70%.<sup>1149</sup> The economic crisis thus marked the end of the boom that had characterised the international fur trade since the middle of the nineteenth century and had laid the groundwork for the development of the Saxon fur industry. Second, fur contracts traditionally took a long period of time to fulfill and therefore were particularly vulnerable. If they had been agreed upon before the crisis, the value of the raw furs had almost completely vanished by the time they actually reached the world market. This threatened precisely those firms that specialised in commerce with the Soviets, who had a penchant for large contracts. Finally, the bankruptcies of larger and smaller firms as well as international insolvencies had an infectious effect on the solvency of the surviving firms in the district. The Fur Merchants Association in Leipzig mentioned that 183 firms went bankrupt in the international fur industry in 1931.<sup>1150</sup> Firms contaminated by the defaults of others were unable to respect deals and payment deadlines. Banks and fur firms therefore increasingly called in their debts. More importantly, the defaults also affected the networks and connections that undergirded the social structure of the fur cluster.

The erosion of the social structure because of international insolvencies will be illustrated with the decline of several lead firms in Leipzig: Chaim Eitingon AG, David Biedermann, and the Walter AG. Just as the Eitingon-Schild Co embodied the 1920s boom, the financial problems of this firm came to epitomise the malaise of the international fur industry. Problems in the Eitingon concern had started already in 1929, affecting all the company divisions from New York to Leipzig: the firm finally went into liquidation in 1935. The same goes for David Biedermann, which went bankrupt at the end of 1930. The crisis not only affected firms active in the commercial sector: the spiral of price decline and lower demand put an end to Walter AG, the largest dyeing factory of the Leipzig district. Other lead firms like Theodor Thorer and Friedrich Erler survived the crisis. Nevertheless, losses and mistrust caused by the crisis curbed the ability of the surviving firms to take action. In particular, the crisis in the fur industry put an end to the excellent bank-business relations, one of the pillars of foreign relations in the industrial district.

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<sup>1149</sup> StA-L, Dresdner Bank in Leipzig 21018, nr. 268. Eitingon Concern in: Leipziger Neueste Nachrichte, 6.11.1930.

<sup>1150</sup> StA-L, Dresdner Bank in Leipzig 21018, nr. 108, Bericht Reichsverband der Deutschen Rauchwarenfirmer Leipzig E.v. 04.01.1933.

Take the example of the Eitingon firm, one of the most important for both the Leipzig and international fur trades. By 1929, the Eitingon family had access to a staggeringly large credit line.<sup>1151</sup> Just before the stock market crash, the Eitingon-Schild group enjoyed a credit line of \$4,950,000 (almost 20 million RM) from the banks in Leipzig.<sup>1152</sup> The size of Leipzig bank investment in the Eitingon empire is further illustrated when compared with the support of the American banks, which amounted to \$14,000,000.<sup>1153</sup>

The Eitingon-Schild group took the international crisis very badly. Various types of prime furs, purchased from the Soviets, lost value over the course of a few months and were sold with heavy losses. In 1929, the Eitingon Schild group reported a loss of \$1,100,000. In 1930, the Leipzig division suffered a loss of about 257,326RM. Nonetheless, Motty Eitingon, the director of the international group, managed to convince directors and shareholders to continue business with the Soviets: he was hoping to revitalise profits over the next three years. Initially, the Leipzig banks supported Motty Eitingon's course of action. Believing that the economic crisis was temporary and traditionally having faith in the benefits of international fur trade contracts for the local fur industry, the German bank consortium lent financial support to a contract between the Eitingon Holding and ARCOS to the extent of \$2,950,000: the recently merged Deutsche Bank and Disconto Gesellschaft (the DD Bank) and the Dresdner Bank gave the largest shares (30% each).<sup>1154</sup> The German banks formed the main creditors of this contract whereas Goldman Sachs & Co, the only participating American bank, provided just 10% of the credit.<sup>1155</sup> In October 1930, the same German bank consortium was willing to provide an advance payment of \$850,000 on a \$1,850,000 contract (again this was equally divided between the DD bank and the Dresdner Bank, with each providing 32.5%).<sup>1156</sup> Despite the crisis, the Leipzig banks still placed a great deal of confidence in the Eitingon family.

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<sup>1151</sup> StA-L, Dresdner Bank in Leipzig 21018, nr. 268. Eitingon Schild/ch. Eitingon AG. (Lt. Herrn Dr. Heymann 30.12.1929.).

<sup>1152</sup> While not used in their totality, the Eitingon family obtained credit from the Dresdner Bank (\$2,000,000), the Deutsche Bank and Adca (both \$1,200,000), and Commerzbank (\$750,000). The Discontogesellschaft granted the Eitingon family the sum of \$1,200,000 and both amounts from the Discontogesellschaft and the Deutsche Bank were maintained after the merger in January 1929

<sup>1153</sup> StA-L, Dresdner Bank in Leipzig 21018, nr. 268. Eitingon Schild/ch. Eitingon AG. (Lt. Herrn Dr. Heymann 30.12.1929.).

<sup>1154</sup> The Deutsche Bank merged with the Discontogesellschaft after the banking crisis of 1931.

<sup>1155</sup> StA-L, Deutsche Bank, Filiale Leipzig, 21017, nr. 310. Leipzig, an die Direktion der Ch. Eitingon AG Leipzig den 19.06.1930. See also: StA-L, Dresdner Bank in Leipzig 21018, nr. 273. Eitingon Schild Co. Inc. Leipzig, an die Dresdner Bank in Leipzig. den 03.07.1930.

<sup>1156</sup> StA-L, Deutsche Bank, Filiale Leipzig 21017, nr. 310. Betr. Eitingon Leipzig/NY, Russengeschäft, 10.10.1930. The Eitingon concern did not make use all of the credit as the initial contract was much lower.

However, the Eitingon policy of spending its way out of loss generated an adverse affect. The deflation plaguing the fur market reinforced the hopeless spiral of losses and debt aggregation. The company suffered from losses amounting to \$1,149,354 in 1931 and an incredible \$5,650,000 deficit in 1932.<sup>1157</sup> With losses aggregating and the central European bank crisis in the summer of 1931, German banks at long last refused to grant fresh credit.<sup>1158</sup> In the summer of 1932, the bank consortium agreed upon a moratorium running until 8 April 1933, allowing the Eitingon family to restructure their firm.<sup>1159</sup> The looming threat of bankruptcy put a time bomb under the local bank system in Leipzig. By the end of 1932, Eitingon debts totalled about 8,415,000RM to German banks and roughly 17,000,000RM to their American counterparts. As the largest creditor with a claim of 4,700,000RM, the Dresdner Bank was the most badly affected. Next came the DD Bank with 2,377,000RM and the ADCA with a claim of 1,338,000RM.<sup>1160</sup>

The death of Chaim Eitingon in December 1932 worsened the position of the German banks vis-à-vis the Eitingon family. Chaim was the founding father of the family enterprise and a leading figure of the Jewish community: he had personally kept the interests of the Eitingons in Leipzig alive. Tensions between the Leipzig and New York branch had implicitly been present in the power structure of the family firm. With his father-in-law gone, Motty Eitingon rapidly liquidated the Leipzig division as part of a policy to retrench the firm's activities even more strongly in North America. Under the name of the Eitingon Schild Fur Corp and with the support of the American bank creditors, Motty even managed to avoid bankruptcy and transformed bank claims into long-term credit. Consequently, the move of Motty put an end the hopes of the Leipzig banks that they could place their claims on the entire business empire.

With an international liquidation off the table and the Leipzig branch sold off, German bank claims turned into a matter of American business law. The bank consortium in Leipzig therefore agreed with limiting their claims on the German assets of the Eitingon business,

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<sup>1157</sup> Der Rauchwarenmarkt, nr. 30. 15.04.1933. Eitingon Geschäftsverlust für 1932. s.p. In 1931, An additional depreciation of \$ 6.236.495 was made.

<sup>1158</sup> In the summer of 1932, the insolvent Eitingon-Schild arduously tried to repay his running debts to American and German banks. As such, the Dresdner bank could reduce its interest to the Eitingon concern to 55%.

<sup>1159</sup> StA-L, Dresdner Bank in Leipzig 21018, nr. 268. Leipziger Neueste Nachrichten 22.7.1932. „Eitingon Banken halten still“.

<sup>1160</sup> StA-L, Dresdner Bank in Leipzig 21018, nr. 269. Dresdner Bank in Leipzig an den Herrn Präsidenten des Landesfinanzamts Leipzig, als Stelle für Devisenbewertung. Leipzig, den 01.12.1932.



since a lawsuit against the ‘new’ Eitingon firm was unlikely to be successful. The Leipzig banks partially reclaimed their credit by taking control over the real estate assets of the Chaim Eitingon AG. Chaim Eitingon had placed these assets (including a villa in Berlin-Dahlem, the company buildings on the Brühl, and the Zeisighaus in Leipzig) under a different company, the AG für Geschäftsbau in Leipzig. The real estate of the company was estimated to cover 4,175,000 goldmarks of the debts and so was transferred to the banks.<sup>1161</sup> In the end, the decision to oppose the restructuring of the new Eitingon firm was fortunate. In contrast to the American banks, the Leipzig ones were able to limit losses by disconnecting from the new fully Americanised Eitingon business. The ‘restructured’ Eitingon firm suffered from a record loss of \$5,650,000 in 1933. It finally went into liquidation in 1935. Nevertheless, the Leipzig banks had incurred severe losses by blindly following the success of the Eitingons before 1933.

A second major blow to the fur cluster was delivered by the downfall of the David Biedermann firm. The collateral damage of the Biedermann insolvency for the Leipzig district was much higher than that of Chaim Eitingon’s bankruptcy, especially for the associated fur firms. Biedermann’s bankruptcy was more unexpected as well. Since that the firm was woven around the person of David Biedermann, his unanticipated death in December 1930 hastened the collapse since none of his subordinates had been prepared for the task. Biedermann’s firm ranked as one of the most influential on the Brühl and he also personally managed the Fur & Wool Trading Company, a subsidiary in London. Biedermann enjoyed large amounts of credit from British and German banks for both subsidiaries: just as with the Eitingons, these debts were largely unprotected.<sup>1162</sup> After the sudden death of the firm owner, the Dresdner Bank claimed 5 million RM of the Biedermann inheritance. However, there was not much to recuperate, as the credit was largely unsecured. Concessions and the value of the stock only marginally compensated the Dresdner Bank. Assets flowed to different creditors as well.<sup>1163</sup> The insolvent Biedermann company generally contaminated the Brühl. This was a result of Biedermann’s business practice of including smaller firms in large import contracts. In return, these firms had offered bills of exchange that acted as extra securities to convince creditors.

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<sup>1161</sup> StA-L; Dresdner Bank in Leipzig 21018, nr. 1250. Leipzig, Ch. Eitingon AG, Leipzig. Grundstücke der AG für Geschäftsbau, Leipzig. 24.01.1930.

<sup>1162</sup> StA-L, Dresdner Bank in Leipzig 21018, nr. 225 Biedermann. Abwicklungsentgelt der Filiale Leipzig, 31.12.1936.

<sup>1163</sup> StA-L, Dresdner Bank in Leipzig 21018, nr. 225. Dresdner Bank in Leipzig an die Direktion der Dresdner Bank in Leipzig. 14.12.1933.

The latter now demanded the payment of these securities.<sup>1164</sup> Richard Gloeck, a fur merchant on the Brühl, was one of the firms that went into liquidation because of its connection to the Biedermann business.<sup>1165</sup>

The maelstrom of bankruptcies equally affected the industrial sector of the fur cluster. The bankruptcy of the largest fur factory in the district, Walter AG, exemplified the decline of the Leipzig fur dressing industry during the Great Depression. The crisis dragged Walter AG down at an impressive pace. As well as suffering from lower demand, Walter AG faced sharp competition from French and Belgian dyers even before the crisis, particularly in rabbit skin dyeing. The figures of Walter AG were deep in the red at the beginning of the international crisis, registering a loss of 355,769RM in 1929 and 422,967RM in 1930.<sup>1166</sup> In the summer of 1930, the Walter AG made a desperate attempt to reverse its demise by moving a whole section of the factory from the Leipzig district to Diegem, near Brussels, where labour costs in fur dressing were significantly lower, according to the board.<sup>1167</sup> The Walter AG plant in Naunhof, a town south of Leipzig, was dismantled and the dyeing and dressing machinery moved to the new factory in Belgium. Despite the volte-face in operations, losses nonetheless doubled to the sum of 800,000RM in 1931. Due the economic crisis, a district firm took the radical decision of leaving Leipzig.

The exposure of the banking sector in this firm was less pronounced than was the case with the traders. Total bank debts amounted to about 210,000RM, a low sum in comparison with deficits caused by the lending market for trading firms. In March 1932, Walter AG agreed to a short moratorium with its creditors, the most important of which was the IG Farben cartel, a supplier of synthetic dyestuffs for the factory. By that time, the employment rate within the factory had plummeted dramatically from 1,400 in 1923 to a mere 250 fur workers in 1932. Given the precarious condition of Walter AG and the downward trend of fur consumption, there was little enthusiasm from the side of the banks to finance a restart of the company after the moratorium. It finally went into liquidation in 1934.

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<sup>1164</sup> StA-L, Dresdner Bank in Leipzig 21018, nr. 313. Eitingon schild Co. Inc. Leipzig, 21.10.1931.

<sup>1165</sup> Sächs. HStA, Wirtschaftsministerium 11168, nr. 799. ff. 62-63. Paul Hollender, I FA. Theodor Thorer an Herrn Ministerial Direktor Dr. Klien. Sächsisches Wirtschaftsministerium. Dresden. Leipzig, 26.02.1931

<sup>1166</sup> BArch, Reichskommissar bei der Berliner Börse R 3103, nr. 565. Akten betreffend Ein Rauchwaren – Zurichterei und Farberei Aktien-Gesellschaft vorm. Louis Walter's Nachfolgern in Markranstädt. 1912-1931.

<sup>1167</sup> BArch, Reichskommissar bei der Berliner Börse, R 3103, nr. 565. Akten betreffend (...)Walter AG. An injection of 100.000 Belgian francs to start business (about 12.000 RM)

Despite the avalanche of bankruptcies that eliminated a number of leading concerns, several of the larger firms (Theodor Thorer, Friedrich Erler and J. Ariowitsch) managed to endure the crisis, even with decreasing trade volumes. Arndt Thorer reported that he was able to avoid considerable losses between 1929 and 1930 because the consumption of Persianer and Astrakhan furs remained relatively stable and deflation in these articles was less dramatic. The business in karakul skins took up 70% of Thorer's business volumes. Moreover, at the end of 1929, Thorer had depreciated its stocks so as to ease the impact of price deflation on his firm. During the subsequent crisis years, Paul Hollender and Arndt Thorer managed to keep their business out of the red. Profits in 1929 amounted to 1,997,000RM on a business volume of 21,738,000RM.<sup>1168</sup> Business volume dwindled the following year to 16,537,000RM but profits reached 505,000RM. The managers of the Thorer concern continued to be active in the Russian business, which provided for their factories and branches inside Germany and abroad at levels that were significantly lower than prior to 1930.

### ***10.2.2 A new era of business-bank relations?***

Despite the fact that several firms survived the crisis relatively well, the bankruptcy maelstrom had ramifications for the bank – business relationship in the district. The local bank branches had largely ignored the risks concerning their participation in the international fur trade. Furthermore, credit was given unsecured as a rule. Given their exposure during the fur crisis, local banks now redefined their role in the local economy. The Deutsche Bank in Leipzig lowered its credit portfolio in the fur industry after 1930, which was particularly upsetting to the 'surviving firms.'<sup>1169</sup> Early in 1931, Hollender, in his role as president of the German Fur Merchants Association, discussed the impact of the crisis with the banks, in particular the bankruptcy of David Biedermann. Hollender warned that modifications to the lending conditions would injure business and he requested that "the banks should abstain from credit reduction because of the Biedermann affair."<sup>1170</sup> Nonetheless, the banks did make their lending conditions more stringent and this affected the firms that had survived the crisis.

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<sup>1168</sup> Sta-L, Dresdner Bank in Leipzig 21018, nr. 477, f. 31. Thorer an die Darmstädter & Nationalbank, Kommanditgesellschaft auf Aktien, Filiale Leipzig. 20.03.1930.

<sup>1169</sup> Pohl and Raab-Rebentisch, *Die Deutsche Bank in Leipzig*, 93. Credit policy was already being revised just before the start of the crisis. In an internal document, it was concluded that "credits had to be monitored more carefully given future economic expectations." StA-L, Deutsche Bank, Filiale Leipzig, 21017, nr. 37. Kreditakte 06.09.1929.

<sup>1170</sup> StA-L, Deutsche Bank, Filiale Leipzig 21017, nr. 546, Aktennotiz. 20.02.1931.

Late 1932, the Ariowitsch firm requested credit for the purpose of importing Russian furs. In contrast to previous lending conditions, the Deutsche Bank in Leipzig now demanded to look into the book-keeping of the Ariowitsch firm to see whether such credit was justified. Very few businesses allowed banks to pry into their books prior to the crisis. Only after numerous requests did the Ariowitsch firm reluctantly give permission. On studying these documents, which gave finally insight into activities in London and Leipzig, the Deutsche Bank came to the conclusion that Ariowitsch was perfectly capable of operating independently without new bank credit: “the rumours about the Ariowitsch that say that they have \$1,200,000 at their disposal are true. They can finance the deal through London.”<sup>1171</sup> On this basis, the Deutsche Bank refused to offer finance.

Individual firms lost the ability to profit from multiple bank connections and from the advantages derived from friendship and personal networks with bankers. Banks now made collective arrangements in order to reform the credit market. In 1931, for instance, the Dresdner Bank and the Deutsche Bank made a secret agreement to increase the interest rates on acceptance credit for the medium-sized firm Semi Goldstaub. Even though the increase was minimal (0.125%), Goldstaub considered it an insult from his ‘friend’ Naumann of the Deutsche Bank and a breach in business practice: “For a quarter of a century we have worked together. The personal impression I have of you was the best possible and I have sincerely appreciated you as a true friend of my company. For some time you are no longer the old man I used to know. (...) It seems that you want to break with the good old traditions.”<sup>1172</sup> The request that Goldstaub should make his accounts transparent was met with similar hostility. Personal networks mattered less and less in bank-business relationships after the economic crisis.

In case of the Thorer firm, the Leipzig branch of the Deutsche Bank first reduced acceptance credit in pound sterling for the auctions in London from £60,000 to £30,000.<sup>1173</sup> Later, banks collectively revised their strategy towards Thorer. In November 1932, the German banks in Leipzig demanded extra securities in return for bank credit.<sup>1174</sup> As we have seen with the downfall of other major fur firms in Leipzig, the banks had been faced with the problem that

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<sup>1171</sup> StA-L, Deutsche Bank, Filiale Leipzig 21017, nr. 209. Betr. J. Ariowitsch, Rauchwaren, Leipzig, Brühl, 71. Besprechung mit Herrn Dr. Kehl und Herrn Direktor Kretschmar in Berlin am 1.12.1932.

<sup>1172</sup> StA-L, Deutsche Bank, Filiale Leipzig 21017, nr. 339. Goldstaub, Semi and Eugen Naumann. 04.02.1931.

<sup>1173</sup> StA-L, Deutsche Bank, Filiale Leipzig 21017, nr. 546, Aktennotiz. 20.02.1931.

<sup>1174</sup> StA-L, Dresdner Bank in Leipzig 21018, nr. 482, f. 279. Leipzig und Berlin, an Theodor Thorer, Leipzig, den 12.11.1932.

securities on the loans were largely insufficient to claim assets from liquidations. Particularly galling to the Dresdner Bank was the structure of the Theodor Thorer firm, the so-called “Thorer KG.” In a nutshell, the Thorer KG was the overarching holding concern of the Thorer business. But only the trading section, with relatively few assets, belonged directly to the Thorer KG firm. The important factory in Leipzig-Lindenau as well as the branches in London and New York operated relatively autonomous of the Thorer KG. In other words, the Thorer branches belonged directly to the Thorer family and not to the Thorer KG. As such, individual firms and factories fell outside the securities, which related primarily to the Thorer KG. As the Dresdner Bank noted, “it is difficult for us to put claims on the valuable fur dyeing factory in Leipzig-Lindenau because our debtor does not possess shares in its individual companies. The control over these firms belongs to the private assets of the associates Paul Hollender and Arndt Thorer, and even parts of these firms may belong to other persons unknown to us. It is therefore doubtful how far the property of the associates can be liquidated to our benefit.”<sup>1175</sup> Hollender immediately assuaged the worries of the banks and included two new assets as securities for loans. Firstly, the assets of Marie Thorer, his wife and a silent partner in the firm, were forward as security. The new collateral included real estate in Leipzig and its environs. Secondly, Hollender put up the assets of the London subsidiary Raw Furs Ltd as a collateral for the loans.<sup>1176</sup>

Still, the new security arrangements failed to renew trust. In the summer of 1933, the largest credit providers of Thorer (the ADCA, DD Bank, Dresdner Bank, and the Reichskreditgesellschaft) organised a meeting in which they collectively agreed upon the fact that Thorer should provide extra guarantees in exchange for commercial credit. A few hours after the banks had agreed upon stricter restrictions, the bank directors jointly received delegates of the Thorer firm. Paul Hollender had brought along Graf, a new director of the firm, and his son, Gerhard, who was being trained in the business according to the family tradition. Hollender probably presumed that this was a regular meeting with the bank directors, one of the many in which the financing of future deals was discussed. In the meeting, Hollender informed the banks that he needed roughly 2,500,000RM for future affairs. The banks, however, declared that without any additional securities, Hollender could

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<sup>1175</sup> StA-L, Dresdner Bank in Leipzig 21018, nr. 478. Dresdner Bank an die Dresdner Bank in Leipzig. 14.06.1933.

<sup>1176</sup> StA-L, Deutsche Bank Filiale Leipzig, nr. 549, Kreditakten 1933. Deutsche Bank und Discontogesellschaft an Herrn Oberfinanzpräsident-Devisenstelle, Leipzig. 11.06.1937.

only enjoy credit under 1,000,000RM. The banks demanded that extra securities should be yielded in the form of imported goods.

A bitter discussion followed. Vernickel of the DD Bank noted the hostile reaction of the Hollender to the proposition of the banks: “Mr. Hollender looked surprised at the new security request, since he believed to have met the wishes of the banks to the fullest extent through the guarantee of his wife. The discussion now took some quite unpleasant forms. Mr. Hollender initially bluntly refused the request for coverage and stated that he would prefer to reduce or even close down his company.”<sup>1177</sup> Alfred Weinkrantz of the Dresdner Bank registered the tension at the meeting in similar terms: “Hollender reacted to our demand (...) by declaring that he would liquidate his business in Leipzig.”<sup>1178</sup> Hollender calmed down later but nevertheless argued that the extra securities damaged the reputation of his business: “all other creditors, particularly abroad, will be surprised by the extra collateral on my goods, especially after decades of having unsecured credits at my disposal. They will see it as a weakness of my firm and the perception on my business affairs will be pessimistic because of the demands of the German banks.”<sup>1179</sup> However, the new bank directors were no longer susceptible to this kind of reasoning. During what should have been a typical business meeting, Hollender’s son witnessed a drastic change in the social structure of the local economy as his father was forced to accept the new demands of the banks.<sup>1180</sup> The above discussion may seem theatrical but it reveals much of the changing nature of networks between banks and the fur business. The pendulum had clearly swung in favour of the banks, which had resolved their unfavourable position in relation to the fur firms.

The dramatic meeting of 1932 is all the more interesting because it reveals much about the previous mechanisms of bank-business relations. From the reports of the collective meeting, it becomes clear that Hollender used to play the banks off against each other. In particular, Hollender often blamed the Deutsche Bank for being disloyal to the interests of the local fur

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<sup>1177</sup> StA-L, Deutsche Bank Filiale Leipzig 21017, nr. 522. Betr. Theodor Thorer, Rauchwaren, Leipzig. Leipzig, den 11.07.1933

<sup>1178</sup> Ibidem

<sup>1179</sup> StA-L, Dresdner Bank in Leipzig 21018, nr. 482, f. 203. Leipzig an die Direktion der Dresdner Bank, Berlin. 27.09.1933. A letter that dealt retrospectively with the arduous Thorer negotiations during the summer of 1933.

<sup>1180</sup> StA-L, Dresdner Bank in Leipzig 21018, nr. 478. Dresdner Bank an die Direktion der Dresdner Bank. 22.02.1934. Hollender had little choice but to accept the new terms. However, the lending restriction contrasted with the efforts the latter made in decreasing its debts with the banks. The Thorer firm was able to reduce a 3,900,000RM debt in 1931 to 2,836,000 RM by the end of 1933. While business loan conditions were under revision in 1933, a net profit of 500,000RM was attained.

industry. This explains the passive role of Vernickel of the Deutsche Bank in the meeting, who carefully avoided accusations of spoiling the lending market: “for a very long time, Mr. Hollender has known the opinion of our bank and he also loves to blame us as a ‘troublemaker’ (...) and to represent us as the driving force behind these negotiations. Therefore I kept a low profile during the meeting so as to give Mr. Hollender no cause to go to the head office in Berlin and ask for an intervention.”<sup>1181</sup> The block between the banks was thus not as solid as it seemed at first glance. The careful attitude by Vernickel, who avoided being named as the mastermind behind the credit restrictions, was not left unnoticed by Weinkrantz of the Dresdner Bank: “I have noticed that Mr. Vernickel did not say a word during the meeting with Mr. Hollender (in contrast to the internal meeting beforehand) (...)Mr. Vernickel declared that the DD Bank already had separate meetings with the Mr. Hollender that made its position clear,”<sup>1182</sup> The DD Bank clearly avoided being associated with the new credit restriction: thus the ‘bank coalition’ against the fur industry was not entirely watertight.

Nonetheless, the meeting marked a landslide in a relationship that used to be characterised by powerful firms on the one hand and competing banks on the other hand. Now banks agreed upon lending conditions collectively. The continuity in personal relationships, a central foundation for the good relationships between banks and businesses, had disappeared as well. The highest echelons of the banks in Leipzig were replaced in the wake of the crisis. Paul Vernickel took over from Eugen Nauman as head of the DD bank in 1930. Although von Klemperer still headed the Dresdner Bank in Leipzig, Alfred Weinkrantz, who had moved from the Danzig branch, was clearly the coming man since he replaced von Klemperer in that particular meeting.<sup>1183</sup> These men personified the new lending policy of the local banks towards the fur industry.

Only after a few years did the situation on the lending market slightly improve. The Dresdner Bank especially was an advocate of making the lending conditions less strict, in particular

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<sup>1181</sup> Sta-L, Deutsche Bank Filiale Leipzig 21017, nr. 552. Betr. Theodor Thorer, Rauchwaren, Leipzig. Leipzig, 11.07.1933.

<sup>1182</sup> Ibidem.

<sup>1183</sup> Herbert Lindenberger, *One Family's Shoah: Victimization, Resistance, Survival in Nazi Europe* (Palgrave Macmillan, 2013), 194. Alfred Weinkrantz was considered to be an important figure in the German financial world. Hjalmar Schacht personally protected his position at the Dresdner Bank until late 1933.

with regard to the Thorer firm.<sup>1184</sup> The Dresdner Bank in Leipzig noted, in a vein reminiscent of earlier times, that “the banks should not further restrict the freedom of this firm – except perhaps for the Russian business – by imposing further claims on his business and goods (...) It should be added that the Thorer business is one of the few firms that is still able, because of its connections towards Russia and other countries, to attract raw furs to Leipzig and thus provide employment for the dyeing and dressing industry.”<sup>1185</sup> In 1937, the banks reversed restrictions upon the Thorer firm by again granting unsecured loans for daily affairs: “the general situation has changed to such an extent that the German creditors are in the position of granting unsecured loans to the firm Theodor Thorer just as before the crisis.”<sup>1186</sup> By then, however, the Thorer firm was the only remaining firm of international importance in Leipzig.

### **10.3 The external threat posed by the first Soviet Five Year Plan.**

The economic and financial crisis was not the only cause behind the decline of the fur industry in Leipzig. The first Soviet Five Year plan in 1928 posed an additional exogenous challenge for the industrial district. From the perspective of the Soviet Union, a volte-face in economic policy was necessary. In 1928, the economic situation of the Soviet Union was less favourable than compared with 1913. Production per capita lagged far behind pre-war levels.<sup>1187</sup> In addition, foreign trade was essentially flawed. With the exception of Germany, the Soviet Union ran a trade deficit with its main partners. Moreover, export-led economic growth was highly unpredictable. Significant problems occurred when exports fell below what was expected or when terms of trade turned against the Soviet Union.<sup>1188</sup>

In order to understand the impact of the new Stalinist economic policy upon the fur district, we need to separate the general characteristics of the Five Year Plan, especially its foreign trade dimension, and the particular changes in the Soviet fur trade. In general, Stalin envisioned a self-sufficient industrial economy. The Politburo therefore initiated import

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<sup>1184</sup> StA-L, Dresdner Bank in Leipzig, nr. 481. Aktennotiz. Berlin, 01.02.1933. See for the regional office and new credit application also in nr. 481. Leipzig an die Direktion der Dresdner Bank, 26.01.1933.

<sup>1185</sup> StA-L, Dresdner Bank in Leipzig 21018, Theodor Thorer, Leipzig, 14.12.1935.

<sup>1186</sup> StA-L, Deutsche Bank, Filiale Leipzig 21017, nr. 549. Deutsche Bank und Discontogesellschaft an Herrn Oberfinanzpräsident-Devisenstelle, Leipzig. 11.06.1937.

<sup>1187</sup> R.W. Davies, “Changing Economic Systems: An Overview,” in *The Economic Transformation of the Soviet Union, 1913-1945*, ed. R. W. Davies, Mark Harrison, and S. G. Wheatcroft (Cambridge ; New York: Cambridge University Press, 1994), 9.

<sup>1188</sup> Lewis, “Foreign Economic Relations,” 205.



substitution in order to decrease dependency upon the import of industrial goods. The Soviet Five Year Plan was thus accompanied by a surge in industrial production.<sup>1189</sup> At the same time, the USSR planned to attain larger trade surpluses by a surge in production and exports of agricultural and other commodities. The new foreign trade policy under the Five Year Plan was “aggressive” in contrast to the flexibility that characterised the NEP.<sup>1190</sup> The sudden surge in exports further added to the process of price deflation on the world market, much to the despair of capitalist countries, which saw the practice as “dumping.”<sup>1191</sup> Indeed, because of the tremendous efforts through collectivisation and forced labour, Soviet produced-commodities growingly detached from world market prices. Although the targets of the Five Year Plans were never fully achieved, the change in economic policy had profound effects on Soviet society and international commerce.<sup>1192</sup>

### ***10.3.1 A double threat: dumping and Soviet auctions.***

The Soviet fur trade was part of the Five Year Plan but its outcome differed slightly from general picture. Import substitution in the fur industry was not crucial in the eyes of the planners. Like agricultural commodities, furs were central in the surge of exports. The Soviets therefore profoundly transformed fur exporting and its trade parameters. First of all, the Soviets tried to replace the export of raw furs with manufactured furs (dressed and dyed) in order to realise larger added value and incorporate labour-bound processes in the commodity chain into the USSR. In the first stage in 1930, manufactured furs were introduced onto the world market rather aggressively whilst waging a price war. Industrialisation, the more aggressive policy on the world market, and the rolling back of raw material exports obviously jeopardised the Leipzig cluster in its traditional role as a fur market and manufacturing hub.

Catching up in fur dressing and dyeing was a lengthy process in Soviet Russia. Before World War I, fur manufacturing in Russia was an infant industry at best, consisting mainly of a putting-out system in the countryside, with concentrations in Vladimir, Perm, Viatka, Kazan, and Samara. At this time, there were 550 dressing companies employing about 3,690 workers:

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<sup>1189</sup> Ibid., 206.

<sup>1190</sup> Michael Repplier Dohan, “The Economic Origins of Soviet Autarky 1927/28-1934,” *Slavic Review* 35, no. 4 (December 1, 1976): 604.

<sup>1191</sup> Lewis, “Foreign Economic Relations,” 209.

<sup>1192</sup> Paul R. Gregory, *The Political Economy of Stalinism: Evidence from the Soviet Secret Archives* (Cambridge, United Kingdom ; New York: Cambridge University Press, 2004), 118–119.

there were another 22 workshops with 115 workers in Russian Poland.<sup>1193</sup> Therefore the pre-war Russian fur industry was incapable of serving the internal market for fur garments. However, fur manufacture for the purpose of exporting gradually expanded in the USSR throughout the 1920s.<sup>1194</sup>

Initially, the Leipzig community felt only slightly threatened by the surge in industrial fur production in the USSR. German reports on the Soviet fur industry in 1928 described the products being churning out of the new dressing factories as substandard.<sup>1195</sup> However, by 1930, the attempts to industrialise fur manufacturing in the Soviet Union were taken more seriously. In addition to the export of specialised machinery from Germany, mention was made about the outflow of qualified German labourers attracted by the Soviet industry. Hollender, as president of the German Fur Merchants Association, noted in the summer of 1930:

“(...) large orders and deliveries of machines for the dressing industry to Russia have lately been made on the account of the Soviet fur syndicate [*Soiushpushnina*]. German fur dressers, dyers, and qualified employees are systematically passed over to Russia. These facts are consistent with occasional utterances from the men of the Russian fur syndicate about the Russian government’s intentions to manufacture raw furs themselves and to throw these finished goods at dumping prices on the European market. The official Russian authorities like to trivialise these operations. However, the opposite is the case.”<sup>1196</sup>

The report on labour drain was largely exaggerated. A special report of the German ambassador in Moscow on the experts active in Soviets industrial niches stated that the Soviet dressing and dyeing industry employed only one German labourer: Arthur Brocks, an engineer specialised in machinery for the fur dyeing industry, worked for *Mosmechprom*, a Soviet fur industry agency.<sup>1197</sup> Even so, the observation on increased exports of manufactured

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<sup>1193</sup> Rowald, *Die deutsche Rauchwarenveredelung, eine Lohnindustrie, Inaugural-Dissertation. Erika Rowald,...*, 108.

<sup>1194</sup> Kürschnerzeitung, nr. 3. 21.01.1928. p. 104. Die Entwicklung der russischen Fellbearbeitung-Technik.

<sup>1195</sup> *Ibidem*.

<sup>1196</sup> Sächs. HStA, Aussenministerium 10717, nr. 6772, Abschrift der Eingabe an das Reichswirtschaftsministerium und das Auswärtige Amt. von Reichsverband der Deutschen Rauchwarenfirmer Sitz Leipzig. vom 23.08.1930

<sup>1197</sup> PA AA, Botschaft Moskau, nr. 247. Listen Deutscher Fachleute in sowjetischen Diensten (app. 1930-1931). Besides the strategies of individual firms, Hollender also acted as the representative of total Leipzig fur industry.

furs did correspond with trends in the Soviet trade structure (see figure 1). Since 1925, Soviet trade agencies systematically increased exports of dressed furs to the world market, a development that reached its climax in 1929. After the launch of the Five Year Plan and the price deflation in the fur trade, the value of raw fur exports declined rapidly. Exports of manufactured furs and raw ones converged towards 1933. Nonetheless, in the second half of the 1930s, the export value of raw furs continued to rank above manufactured furs, albeit by a much thinner gap than in the 1920s. Figure 2 shows the ratio of processed – unprocessed furs in the trade between Germany and Russia. Imports of manufactured furs increased in size between 1926 and 1929 but were still dwarfed by the value of raw furs. The ratio between raw and manufactured furs changed drastically after 1931, when manufactured Soviet furs represented almost 50% of the total fur exports to Germany.

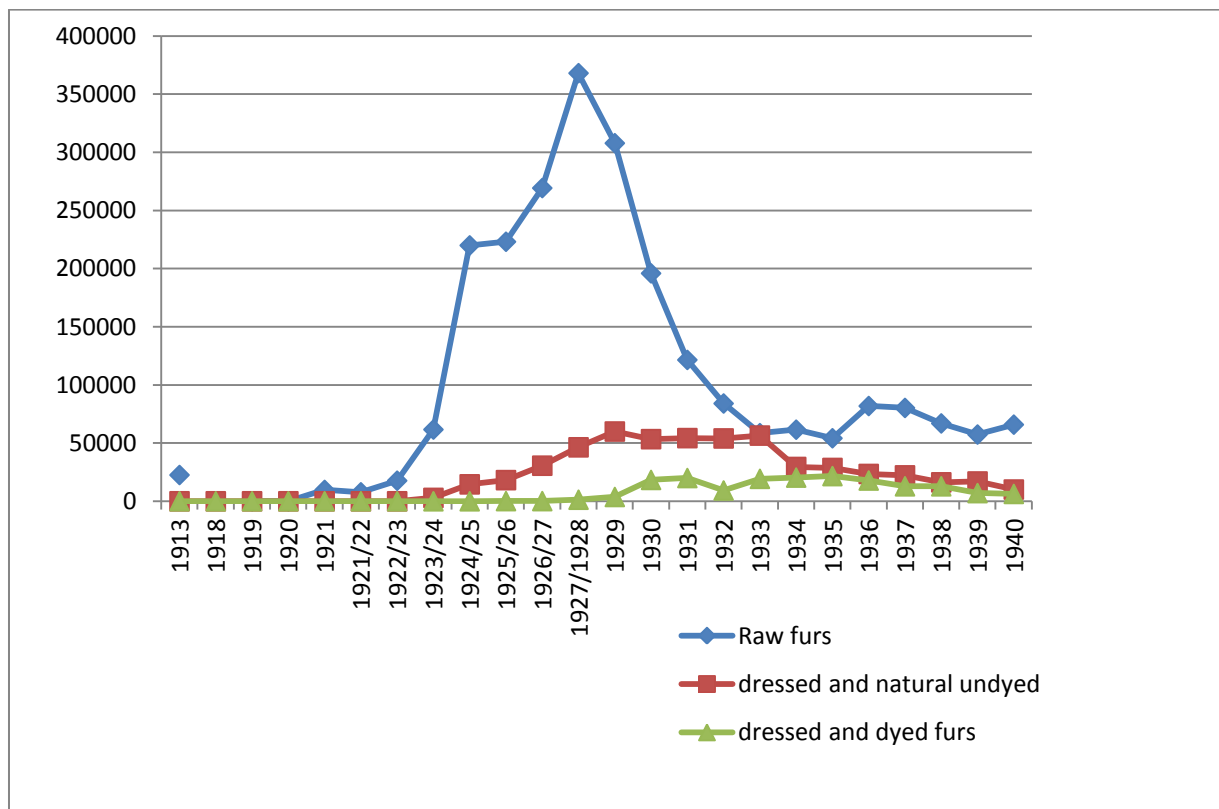


Figure 10-1: Soviet total fur exports, dressed and raw furs.<sup>1198</sup>

<sup>1198</sup> *Vneshnyaya trgovlya CCCP za 1918-1940 gg. (Statisticheskiy obzor), chast 1*

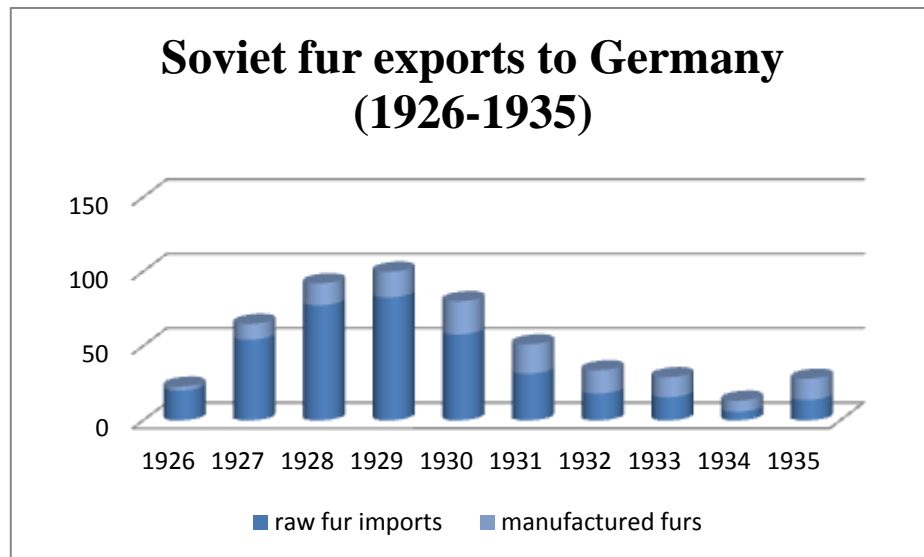


Figure 10-2: Soviet imports (raw furs vs manufactured).<sup>1199</sup>

Soviet manufacturing proved to be a powerful competitor for the Leipzig fur district since price-cutting was used as a tactic to introduce fur garments on the world market. Indeed, Soviet export commodities ceased to correspond with world market prices during the depression years.<sup>1200</sup> The surge in Soviet exports coalesced with the general tendency of falling world market prices. Soviet exports therefore added to declining prices. The term ‘dumping’ was used to describe the sale of agricultural goods on the world market by the Soviets.<sup>1201</sup> The same was said of furs. In 1930, the Thorer firm predicted that the Soviets would compensate for the lack of quality by systematically undercutting world market prices: “Russian fur products can balance differences in terms of quality by their appropriately cheap pricing.”<sup>1202</sup> In order to promote the domestic fur industry, Soviet manufactured furs were delivered more cheaply than raw furs, thereby threatening firms on the Brühl, especially those involved in manufacturing.<sup>1203</sup> Reports described the arduous efforts of the Soviets to price the Leipzig fur industry out of the market: “Some of the prices for finished furs are so low that they do not even reach the regular prices for raw hides and can be justly called dumping prices: e.g., a squirrel coat made by the Russians is offered for 238RM while German

<sup>1199</sup> Ibidem, chast 2.

<sup>1200</sup> James, *The End of Globalization*, 159.

<sup>1201</sup> See in this regard: PA AA, , Sonderreferat Wirtschaft R 94389. Auszüge aus: Berliner Börsen Courier, 25.09.1930. Vossische Zeitung, 24.09.1930. Die Russen wehren sich Gegen Dumping-Vorwürfe. Moskaus Dumping-Feldzug 25.09.1930;

<sup>1202</sup> Sächs. HStA, Wirtschaftsministerium 11168, nr. 630, f. 26 Abschrift: Thorer an das Reichswirtschaftsministerium. Betrifft: Export-Förderung, Ausfall-Garantie des Reiches im Russlandgeschäft. 19.08.1930.

<sup>1203</sup> PA AA, Sonderreferat Wirtschaft R 94389. Reichsverband deutschen Rauchwarenfirmer, Sitz Leipzig. an das Reichswirtschaftsministerium. 5.04.1930.

manufacturing cannot sell these for under 800RM. *Peshaniki* [the fur of a suslik] are to be offered for 95RM while the minimum cost price in Germany is 160RM.”<sup>1204</sup> The arrival of large quantities of manufactured furs meant heavy competition for the crisis-ridden Leipzig fur industry.

The final result of the new foreign trade policies resulted in changes on the level of international commerce. The Soviet’s long-standing wish to gain more systematic control over the trade in furs and reverse dependency on foreign sales markets has been mentioned before: now words were increasingly put into practice. Like in Leipzig, auctions were seen as the instrumental economic institution that would allow control over the organisation of the fur trade. An earthquake struck the international fur trade when the first international fur auction in Leningrad was held in March 1931. In 1932, a second auction took place and was visited by representatives of 8 German, 6 English, 4 American, and 3 French firms.<sup>1205</sup> The auctions in Leningrad gradually replaced the large Soviet auctions that had been held in Leipzig, affecting the latter’s status as an international market. In 1933, the Soviets held two auctions in Leningrad instead of one. It was visited by 50 international firms, 12 of which were German. After 1934, the Leningrad auctions became a permanent institution.<sup>1206</sup>

The creation of auctions in the USSR was remarkably similar to the process conducted in Leipzig earlier in the 1920s. The *Soiushpushina* attracted foreign experts to transform the first auctions into an efficient international market institution.<sup>1207</sup> It was painfully clear that the intention was to replace the Leipzig auction: the first Leningrad auctions were even held in German.<sup>1208</sup> Almost uncanny was the presence of the Leipzig RAVAG auctioneer Büttner, who was now lending his services to the Leningrad auction.<sup>1209</sup> Firms in Leipzig that had invested in economic institutions, the system of trade privileges, favouritism, and concessions

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<sup>1204</sup> Sächs. HStA, Wirtschaftsministerium 11168, nr. 6772. Beschluss der Vertretung in Berlin and dem Ministerium der auswärtigen Angelegenheiten. den 30.06.1932.

<sup>1205</sup> StadtA-L, Kap 66. nr. 18. press clippings: die Ostwirtschaft. Jg. 1932, nr. 4. April 1932, p. 61.

<sup>1206</sup> StA-L, Dresdner Bank in Leipzig 21018, nr. 75. Durchdruck, deutsches Generalkonsulat Leningrad. Leningrader Rauchwarenauktion. 14.03.1933.

<sup>1207</sup> The fur auction in Leningrad continued to be one of the central institutions of Soviet foreign trade. Immediately after World War II, furs were the second export commodity after oil. Only in the 1980s did the importance of the Leningrad fur auction start to decline. See: Eugene Potapov and Richard Sale, *The Snowy Owl* (London: T&AD Poyser, 2013), 248.

<sup>1208</sup> StA-L, Dresdner Bank in Leipzig, 21018, nr. 82, f. 283. Rauchwarenauktion in Leningrad. Bericht des Herrn Heinrich Hepner über seine Reise nach Leningrad anlässlich der kürzlich dort stattgehabten russischen Rauchwarenauktion. den 16.03.1931.

<sup>1209</sup> StadtA-L, Messeamt Kap. 66. nr. 18., Akten Rauchwarenwirtschaft, Ostwirtschaft. Jg. 1932, nr. 4. April 1932, seite 61.

from the state monopoly were directly exposed to this new form of competition. Aside from the international crisis, the modifications in international trade by the USSR constituted the main source for business failure and unemployment in the industrial district. How could businesses reverse this unpalatable trend?

### ***10.3.2 Self-help as crisis management. The limits of collective action (1930-1933).***

The competition posed by Soviet manufacturing and auctioneering motivated collective action in the Leipzig cluster. Impulses for collective action against this external threat originated from the German Fur Merchants Association and its president Paul Hollender. However, the task at hand was almost impossible. Firstly, the exports of Soviet manufactured furs had to be restricted without disturbing the Soviets. Secondly, and perhaps more importantly, the trade in furs was embedded in fixed bilateral trade relations. Furs were a highly strategic resource both for Berlin and Moscow. Modifications that might disturb the balance of trade could have ramifications for business interests far beyond those of the Brühl. Nevertheless, local key figures lobbied for changing trade arrangements with the Soviets to the advantage of the fur industry. Leipzig's mayor Carl Goerdeler asked the Ministry of Economic Affairs to bargain for a better deal for the fur industry in its discussion of German deliveries to the USSR.<sup>1210</sup> Hollender also reported to the German government about the deplorable situation the Leipzig fur industry that had been caused by Soviet dumping.<sup>1211</sup> Hollender asked that the government to impose restrictions on the import of manufactured furs.

However, the Leipzigers were unable to bend government policy largely because of the strategic importance of furs. Furs were part of a carefully negotiated and interconnected trade structure, the modification of which could not be achieved without damaging intertwined business interests. In fact, the interest of the Leipzig fur industry ran directly counter to those of German heavy industry. In order to explain opposing interests, we need to examine the development of the bilateral German-Soviet trade. In contrast to the period between 1926 and 1929, the deficit of Germany faded and the trade balance was more or less restored in 1930. In

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<sup>1210</sup> StadtaL, Messeamt Kap.66, nr. 18. Rat der Stadt Leipzig Dr. Goerdeler an das Reichswirtschaftsministerium. 13.03.1931.

<sup>1211</sup> BArch, Akten der Reichskanzlei R 43, Die Kabinette Brüning I und II. Dokumente, nr. 268. Ministerbesprechung vom 20 März 1931, 11 uhr. 1. Wirtschaftspolitische Angelegenheit (Russengeschäft). Requests for assistance were made already in April 1930. See: PA AA, Sonderreferat Wirtschaft R 94389. Reichsverband deutschen Rauchwaren firmen, Sitz Leipzig. an das Reichswirtschaftsministerium. 5.04.1930.

1931, German exports (762.7 million RM) far exceeded Soviet imports (303.5 million RM).<sup>1212</sup> Since German exports to the USSR had grown by such large proportions, tipping the balance of trade over in favour of Germany, it was not in the government's direct interest to tolerate import restrictions on fur garments processed in the Soviet Union. Indeed, a drop in imports would curtail the financial abilities of the Soviets to pay for German exports, especially those produced by heavy industry. Here, the fur trade was paramount. Fur imports accounted for roughly 18% (one third of which were processed furs) of goods imported from the USSR in 1930.<sup>1213</sup> The German government realised the importance of the fur trade for Soviet earnings.

Restricting the flows of furs would automatically disrupt bilateral trade that was already shifting out of balance. A statement from a meeting of the German government in the summer of 1931 illustrates the fear of disturbing the trade balance with the USSR: "German imports will only amount to about 280 million RM. Von Raumer [a prominent member of the *Zentralverband der Deutschen Elektrotechnischen Industrie* (the German Electro-technical Industry Association)] is worried that this will lead to a standstill in the trade with Russia, since it will no longer be able to pay for its exports (...) One could say that the entire German industry, in particular the electro-mechanical industry, is now living from the trade with Russia."<sup>1214</sup> Thus, rather than cutting back, the government ideally wanted to *expand* imports from the USSR by additional 250 million RM. The strategic position of furs in the Soviet foreign trade now turned into a major disadvantage for the Leipzigers. The Ministry of Economic Affairs (*Reichswirtschaftsministerium*) stated that "sharp restrictions on fur imports will incline the Russians to revise their orders with the German machine industry."<sup>1215</sup> In other words, the particular interests of the fur district were at odds with the interests of the more influential heavy industry, particularly those of the powerful German electrotechnical industry.

In the highest political echelons, the fur industry in Leipzig was sacrificed on the altar of industrial exports to the USSR. The Saxon ambassador in Berlin noted the failure of high

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<sup>1212</sup> Statistisches Jahrbuch für das deutsche Reich, 1930, Teil Auswärtiger Handel, p.233.

<sup>1213</sup> Ibidem.

<sup>1214</sup> BArch, Akten der Reichskanzlei R 43, Die Kabinette Brüning I und II. Dokumente. Vermerk des Staatssekretärs Pünder über eine Besprechung wegen der Russengeschäfte vom 29.09.1931.

<sup>1215</sup> StadtaL, Messeamt Kap.66, nr. 18, Wirtschaftsamt. 6.05.1932. Heute hat in der Handelskammer die neulich vertagte Aussprache über Finanzierungsmöglichkeiten verstärkter Einfuhr von russischen rohen Rauchwaren nach Leipzig stattgefunden.

politics: “The negotiations between Germany and Russia have now been completed. With regard to the supply of the *Leipziger Platz* with Russian raw furs, an agreement was not reached. The matter therefore remains suspended for subsequent trade negotiations (...) What result these negotiations will have is uncertain.”<sup>1216</sup> With a political solution off the table, the question of importing raw and manufactured furs was increasingly left to businesses and local actors. Hollender, for one, strongly encouraged fur firms in the cluster to follow a strategy of ‘self-help.’ The policy of self-help was an appeal to individual firms to protect the local industry in their dealings with the Soviets by restricting the proportion of manufactured furs in business dealings. The strategy was of a pragmatic nature. Instead of refusing to import ‘substandard’ Soviet garments altogether and thereby most likely lose his deals with the Soviets, Hollender tried to negotiate coupling the exports of a small percentage of manufactured furs to a larger percentage of raw furs. He called this practice ‘allocation’ and implemented it in his own business. He explained his strategy in an exposé:

“The way of self-help [Selbsthilfe] will be enforced by commanding a large supply contract for raw furs with a corresponding advance on a defined quota of manufactured Soviet products for the European market. In this sense, I believe I will get a detailed insight into *the extent* of exports of manufactured goods and also will be able to contractually limit the efforts of these exports, at least for a time.”<sup>1217</sup>

It is clear that Hollender believed that the strategy had some specific advantages. In particular, the Thorer concern kept control over the distribution of a quantity of Soviet fur garments on the European markets. However, the execution of the allocation policy was another matter. In 1931, Thorer cooperated with the Chaim Eitingon AG in order to make a large deal for karakul skins, organised according to the principles of his allocation policy. The ratio between raw and manufactured skins was set at 3 to 1. The deal compromised of the import of 600,000 raw Persianer coupled to 200,000 dyed karakul skins, divided between Thorer (60%) and the Eitingon concern (40%) for the sum of \$3,600,000.<sup>1218</sup> Unfortunately for Thorer, Eitingon dropped out and closed a separate deal with the Soviets. Furthermore, Hollender had overestimated the size of karakul production. He was therefore forced to accept a less

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<sup>1216</sup> Sächs, HStA, Auswärtiges Amt 10717, nr. 6772. Sächsische Gesandtschaft, Berlin, 14.10.1931.

<sup>1217</sup> StA-L, Dresdner Bank in Leipzig 21018, nr. 477. Exposé, über das Vertragsprojekt der Firma Theodor Thorer mit dem Push-Syndikat Moskau. Leipzig, den 15.2.1930

<sup>1218</sup> StA-L, Dresdner Bank in Leipzig 21018, nr. 481, f 195. Dresdner Bank an die Direktion 29.01.1931.. The preparations involved the import of 600.000 raw and 200.000 dyed Karakul skins.



lucrative deal, 200,000 raw karakuls linked to a corresponding 100,000 dyed karakuls skins. This contract represented 60% of the total Soviet karakul export (500,000 skins).<sup>1219</sup>

Importantly, Hollender tried to apply the principles of the allocation strategy to the collective deals of the district firms: “because the Foreign Office and the Ministry of Economic Affairs are, for political reasons, not able to implement quotas in trade negotiations on the quantity of processed fur products in Russia, Leipzig and the Leipzig industry must proceed to help themselves.”<sup>1220</sup> Collective self-help was put into action once the first auctions in Leningrad were held in March 1931. The auctions in Leningrad were in fact the result of reluctance to accept a larger quantity of manufactured furs for the Leipzig auctions.<sup>1221</sup> The Leipzig firms embarked on an independent ‘diplomatic’ mission to Moscow with representatives of the fur industry. The aim was to establish a limited quota of manufactured furs for sales at the Leipzig auctions. Hollender was joined by Max Ariowitsch, who had good connections in Moscow, consul Schlesinger of the German foreign office, and several bank officials who were closely involved in the auction business. The individual negotiations were a complete fiasco. Moscow easily kept the attempts to fix a quota on imports at bay. In fact, it was able to press its claims against the Leipzigers. The Soviets demanded that the German banks should expand their financing of the import of manufactured furs for the Leipzig auctions.<sup>1222</sup>

The policy of self-help thus ran aground on the Soviets’ steadfastness. Hollender’s Fur Merchants Association made a last attempt to reconcile with Russians and pursued the Leipzig banks to restrict financing of manufactured furs at 25% against 75% raw furs at the auctions in Leipzig. In Moscow, the bank proposal was again denied. The same fate befell a counterproposal of the diplomatic mission suggesting a ratio of 66% against 33%. The Soviets played hardball: trade representatives refused any restrictions on the export of manufactured furs and threatened to withdraw the Soviet auctions from Leipzig altogether.<sup>1223</sup>

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<sup>1219</sup> StA-L, Dresdner Bank in Leipzig, nr. 481. f. 188. Dresdner Bank Leipzig an die Direktion der Dresdner Bank, 25.02.1931.

<sup>1220</sup> Sächs. HStA, Wirtschaftsministerium 11168, nr. 630, f. 199. Thorer. Theodor Thorer, an das Sächsisches Wirtschaftsministerium, Abteilung Handel & Gewerbe. Dresden. Betr. Ausfall-Garantie des Landes Sachsen für Vorschüsse auf russische Rauchwareneinfuhr. s.d.

<sup>1221</sup> StadtAL, Messeamt Kap.66, nr. 18. Paul Hollender an OBM: Dr. Goerdeler 12.03.1931. In the opening banquet of the first auction held by the Soviets, the Leningrad representative of the foreign commissariat reassured them that the auction was not held against auctions of Siberian pelts in Leipzig or London. However, the representative made it clear to the Leipzig delegation that future auctions would be cancelled altogether if the German banks imposed quotas on processed furs.

<sup>1222</sup> StadtAL, Messeamt Kap 66, nr. 18. Paul Hollender, OBM: Dr. Goerdeler, 12.03.1931.

<sup>1223</sup> StadtAL, Messeamt Kap 66, nr. 18. Dr. Goerdeler an den Rat der Stadt Leipzig, 13.03.1931.

Clearly, Hollender had overestimated the power of the self-help strategy and his own abilities to influence his Moscow contacts in a matter of high strategic importance both for Germany and the USSR. In addition, his approach and his personal single-handed pursuit were increasingly being questioned on the home front. The foreign office (*Auswärtiges Amt*) heavily criticised Hollender's obstinate behaviour towards the Soviets: "the ministries of the Reich, especially the Ministry of Foreign Affairs, are of the opinion that it would have been better if the representatives of Leipzig's fur industry, especially Mr. Hollender, had not embarked on their own in a fight with the Russians and left the whole matter to a question of power of the Russian trade policy."<sup>1224</sup> What is more, neighbouring firms also doubted the allocation strategy. In particular, the solidarity of firms specialised in commerce rapidly dwindled after the failed conference with the Soviet trade representatives. Max Ariowitsch, for instance, would no longer run the risk of losing the Russian business altogether. He wrote: "it is better to import processed furs than no furs at all."<sup>1225</sup>

The banks were also unable to execute a policy that protected local manufacturing. Banks and auction companies were forced to abandon the allocation policy in an early stage. As mentioned above, the Soviets continuously exerted pressures on the Leipzig banks to grant credit for the sale of dressed furs on the Leipzig auctions.<sup>1226</sup> The Dresdner Bank was unable to withstand the pressure from the *Soiuzpushnina* and abandoned the 75 -25% quota in March 1931.<sup>1227</sup> In contrast, it was more successful in imposing the 75 – 25% restriction on the State Bank of the USSR, apparently a less 'aggressive' organisation than the *Soiuzpushnina*. The Dresdner Bank maintained the import quota in the contract with the State Bank until 1934, when it was lowered to 45% raw furs and 55% manufactured furs.<sup>1228</sup> In contrast to earlier projects of collective action, external developments failed to provide a framework for collective action involving all economic actors.

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<sup>1224</sup> Sächs; HStA, Aussenministerium 10717, nr. 6772. Beschluss der Gesandtschaft Berlin an dem Ministerium der auswärtigen Angelegenheiten. 20.03.1931.

<sup>1225</sup> Sächs; HStA, 10717 Aussenministerium, nr. 6772. Beschluss der Gesandtschaft Berlin an dem Ministerium der auswärtigen Angelegenheiten. 20.03.1931.

<sup>1226</sup> StA-L, Dresdner Bank in Leipzig 21018, nr. 75. Dresdner Bank in Leipzig. 09.04.1932.

<sup>1227</sup> Kürschnerzeitung, nr. 12, 21.04.1931. p. 362. Export Politik Russlands und das Leipziger Rauchwarengewerbe.

<sup>1228</sup> StA-L, Dresdner Bank in Leipzig 21018, nr. 75. Dresdner Bank an die Direktion der Dresdner Bank, 05.06.1934.

In subsequent collective negotiations, the fur firms also accepted larger quotas of manufactured furs.<sup>1229</sup> In 1932, the Soviets sold furs for 10 million RM to a consortium in Leipzig, which predominantly consisted of the Jewish trading firms Felsenstein, Ariowitsch, Ehrmann, L & W Fuchs, Mautner & Ahlswede, Gebrüder Neugass, Paul Poser, and Siegried Poser. They were joined by several gentile firms: Theodor Thorer, Robert Ehrmann, and Heinrich Koenigswerther.<sup>1230</sup> Leading trade firms owned 80% of the contract: J. Ariowitsch (32%), Theodor Thorer (20%), Robert Ehrmann (16%), and Heinrich Koenigswerther (12%).<sup>1231</sup> The contract represented 34% of the total fur exports from the Soviet Union to Germany (which amounted to 18,090,000RM raw furs and 15,700,000RM manufactured furs in total). This consortium accepted the same ratio as the auction company: 55% of dyed furs against 45% of unprocessed furs, a further indication that the policy of keeping the ratio of raw furs higher than processed furs had largely failed.

An alternative strategy to remedy the impact of Soviet fur manufacturing lay in international policy coordination. Such attempts were based on the internationalism in the fur trade that had been institutionalised in the International Fur Trade Association in 1930. However, the rampant international crisis and the subsequent retreat from internationalism made this option seem unrealistic. Hollender travelled as president of the International Fur Trade Association to London but his attempts to coordinate international business against the ‘Soviet dumping’ largely failed. Internationalism in the fur industry existed at the level of labour associations as well. The actions of the international workers unions reached a more advanced stage but were, in the end, equally ineffective. In 1931, Rhys Davies (1877-1954), a British Labour Unionist for the garments union and a Member of Parliament, visited Leipzig in order to discuss the possibilities for international action against the Soviets. Davies’ visit stirred hope that an international solution could curb the ‘dumping.’<sup>1232</sup> His sojourn led to an international garment union conference in Leipzig visited by Belgian, German, and British delegates.

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<sup>1229</sup> StadtaL, Messeamt kap 66, nr. 18. Abschrift: im RWM über Reichsfallgarantie am 10.11. 1932. In November 1932, Hollender and Poser, respectively president and vice-president of the German Fur Merchants Association, negotiated a deal with Belenki of the Soviet Trade representation that would bring the total of fur imports to 40 million marks annually in addition to the contracts signed by Ariowitsch and Eitingon, in which processed furs should not exceed 40%

<sup>1230</sup> StadtaL, Messeamt kap 66, nr. 18. Wirtschaftsamt. 23.11.1932. See for the participants of the consortium: Hollender Paul an Dr. Goerdeler. 29.09.1932.

<sup>1231</sup> StA-L, Dresdner Bank in Leipzig 21018, nr. 220. Leipzig, den 30.01.1933.

<sup>1232</sup> StadtaL, Messeamt Kap 66, nr. 18, Leipziger Volkszeitung: 11.4.1931 „Schluss mit dem Russischen Pelzkrieg“

During the conference, workers supported a policy of import restriction instead of tariffs.<sup>1233</sup> However, the international fur workers protocol was not able to exercise any influence on government policy. In fact, all hopes for an international solution were erased when countries resorted to protectionist measures. Great Britain constructed a high tariff wall of 30% on the import of manufactured furs in the early 1930s, which was even more damaging to the Leipzig industry.<sup>1234</sup> In sum, both local and international coordination failed. The international economic system had taken a profound turn that paralysed economic action.

#### **10.4 Anti-Semitism and the erosion of the industrial district (1932-1936).**

Squeezed in a pincer movement between the economic crisis and the changing parameters of the Soviet fur trade, the emergence of the Third Reich, and its anti-Semitic program in particular, further destabilised the social underpinnings of industrial district. Over the course of the five years between 1933 and 1938, Jewish businessmen in Leipzig were systematically driven out of economic life. Jewish businesses were almost immediately attacked by the new regime and the situation continued to worsen as time went on.<sup>1235</sup> On 1 April 1933, a national boycott against Jewish business was held across Germany, which heavily affected the fur business in Leipzig. In addition to pillaging businesses, SA men forced certain Jewish traders to walk on the Brühl holding signs saying “don’t buy from Jews, shop at German stores!”<sup>1236</sup> Other actions were more cynical. A specific measure in Leipzig was implemented against gathering on the streets. This malicious rule affected commerce because it was a habit of Jewish businessmen to conclude business deals standing in front of their firms.<sup>1237</sup> The Nazis described the measure as a traffic and security issue. Hollender, as president of the Leipzig Fur Merchants Association, hesitantly defended the measure against trading on the streets in the interests of “law and order.” He did little to protect the traditions of his Jewish colleagues other than vaguely formulating an idea of creating indoor meeting rooms, emulating business practices in the London fur trade.<sup>1238</sup>

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<sup>1233</sup> Stadtal, Messeamt kap 66 nr. 18. Protokoll der internationalen Konferenz der Zurichter und Kürschnerbranche. Am 14.08.1931 in Leipzig.

<sup>1234</sup> C.W. Martin & Sons, *Under Eight Monarchs; C.W. Martin & Sons, Ltd., 1823-1953*. (London, 1953), 40.

<sup>1235</sup> Riedel, *Chronik der Stadt Leipzig*, 106. The NSDAP also became the largest party in Leipzig, with about 37 % of the votes

<sup>1236</sup> Monika Gibas, “‘Aryanization’ in Leipzig. Driven Out. Robbed. Murdered.” (presented at the Touring exhibition “aryanisation in Leipzig,” Leipzig, 2010 2007), 9, [http://www.juedischesleipzig.de/arisierung\\_engl09.pdf](http://www.juedischesleipzig.de/arisierung_engl09.pdf).

<sup>1237</sup> Stadtal, Messeamt Kap 66, nr. 18, Verkehrsamt, 27.03.1933.

<sup>1238</sup> StA-L, Dresdner Bank in Leipzig 21018. Nr. 108. Reichsverband deutscher Rauchwarenfirmer. 25.03.1933.

News about the hostilities against Jews crossed the German borders rapidly and stirred international sentiment. Jewish fur traders in Great Britain were outraged, denouncing the recent incidents as “medieval savagery.” By the end of March, the English Jewish fur traders decided that the Leipzig trade should be boycotted.<sup>1239</sup> In July 1933, the overarching National Council of Fur Trade Organisations in the US boycotted German firms.<sup>1240</sup> Since Jewish businessmen held key positions in the international fur industry, gentile businessmen on the Brühl experienced the disruptive impact of anti-Semitic outbursts on international trade. Moreover, the uncertain status of the Jews and their property in Germany discouraged more foreign merchants of Jewish origin from travelling to Leipzig.

The damaging effects on foreign trade initiated a barrage of complaints from stakeholders in the industrial district. However, such official complaints against excesses were hesitant and careful. One of the first reactions came from the heavily affected Association of German Fur Dyers, an almost exclusively gentile association of industrialists. These industrialists depended upon the supply of raw furs from the Brühl, which was to a large extent organised by Jewish traders. The representatives of the association wrote to chancellor Adolf Hitler, demanding the protection of Jewish individuals and a guarantee of the rights of foreign traders.<sup>1241</sup> It was not the only action to protect the Jewish community in Leipzig. Carl Goerdeler, the mayor of Leipzig, was known for his resistance against anti-Semitic policies. According to his own testimony, he crossed SA pickets during the April boycott and went inside Jewish fur businesses trying to avoid plunder and vandalism. Allegedly, Goerdeler also deployed the city police to liberate Jews who had been detained by the SA.<sup>1242</sup>

With the Saxon government as mediator, representatives of the fur industry continued to petition to the *Reichskanzlei* to put an end to the excesses against the Jews: “the representatives of the fur trade, under the guidance of Hollender and the mayor Dr. Goerdeler, intend to visit the Reich Chancellery, the Ministry of Economy (*Reichswirtschaftsministerium*), and possibly the Secretary of State Dr. Pfundtner and ask for

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<sup>1239</sup> StadtaL, Messeamt Kap 66, nr. 18. Leipziger Neueste Nachrichten, 30.03.1933. Orgien des Deutschenhasses auf einer Versammlung der jüdischen Pelzhändler in London.

<sup>1240</sup> Ray, *The Canadian Fur Trade in the Industrial Age*, 135.

<sup>1241</sup> StadtaL, Messeamt Kap 66, Nr. 18, Verband Deutscher Rauchwaren-Zurichtereien und Färbereien, Leipzig an Adolf Hitler, Reichskanzler. 25. 03.1933.

<sup>1242</sup> Peter Hoffmann, *Carl Goerdeler and the Jewish Question, 1933-1942* (Cambridge; New York: Cambridge University Press, 2011), 42; Ines Reich, *Carl Friedrich Goerdeler: ein Oberbürgermeister gegen den NS-Staat* (Köln: Böhlau, 1997), 130.

uniform, clear, and unambiguous guidelines and instructions for lower-ranked party officials, because of the treatment of Jewish fur traders in Leipzig.”<sup>1243</sup> The Saxon government, sensitive to the problem of regional industrial decline, instructed their ambassador in Berlin to support the delegation. However, the role of the ambassador was carefully limited as it was noted that: “Count Holtzendorff [the Saxon ambassador] should be induced to join only for the purpose to express how important the fur trade is for Saxony’s industry. Holtzendorff, however, should not touch upon the political side of things.”<sup>1244</sup> In sum, gentile businessmen did defend their Jewish colleagues but their reactions were limited to letters of complaint and concealed criticism. An open confrontation with the new regime was clearly not an option.

What is more, several reactions with the aim of helping Jewish colleagues were in fact highly ambiguous and deeply coloured by anti-Semitism. In defending Jewish fur businesses, the Chamber of Commerce in Leipzig divided the Jewish population of the city into a desirable and an undesirable part:

“Why should it not be possible in trade and industry that similar guidelines should be valid for German Jews as they apply to lawyers and doctors. Everyone, even the Jews who lived in Germany since before the war and have become German, fully understand that deceivers, pests, and Jewish pirates who migrated here during and after the war must be eradicated, but [the integrated Jew] does not understand (and I must confess I do not either) that he who feels and thinks as a German and has often bled for Germany should be seen as unpatriotic at this time and thus be outlawed. Should it not be possible to mitigate this situation, Leipzig will lose its meaning as a fur city in the shortest possible time: Paris, Prague, and London are the beneficiaries of this German anti-Jewish attitude, without distinction of person”<sup>1245</sup>

This strong reaction of the Chamber of Commerce has to be set in the context of the evolving Nazi policy towards the Jewish population in Germany, which increasingly targeted Jews of Eastern European origin. This culminated in a regulation in the summer of 1933 that enabled

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<sup>1243</sup> Sächs. HStA. Aussenministerium, 10717, nr. 6772. Nachrichtlich. 28.03.1933

<sup>1244</sup> Ibidem.

<sup>1245</sup> Sächs. HStA, Aussenministerium 10717 Nr. 6772. Teilabschrift. Industrie und Handelskammer Leipzig, Leipzig am 29.4.1933. an das Sächsische Wirtschaftsministerium, Abteilung für Handel und Gewerbe. Betr. Abwanderung deutscher Betriebe in das Ausland.

the de-naturalisation of recently arrived Jews from Eastern Europe.<sup>1246</sup> The regulation particularly affected the Jewish community in Leipzig. One of its characteristics, when compared to other middle-sized Jewish communities in Germany, was the rather high level of foreign-born Jews.<sup>1247</sup> In 1925, 68% of the Jews in Leipzig were born abroad. The request of the Chamber of Commerce was intended to protect the older generation of “German-born” Jews. The families that stood at the foundation the Saxon fur industry’s success were seen as more important.

The Chamber of Commerce was not alone in employing such a discourse. Without the insulting language employed by the Chamber of Commerce, Hollender also focused on preserving the rights of the oldest generation at the Brühl. Families like the Eitingons, Felsensteins, and Ariowitschs, all of which were established in Leipzig at the end of the nineteenth century, were arguably the most successful: “The stance of the NSDAP authorities and party members is unchanged (...) however, distinction should be made between the ‘long established’ (*alteingesessenen*) Jewish firms and the Jewish merchants from the East who arrived here after 1919.”<sup>1248</sup> In separating German Jews from Eastern European Jews, businessmen represented reigning anti-Semitic discourses. Although industrialists and traders appropriated a substantial part of discourse of the new rulers, they were not able to gain protection for even the most “valuable” businessmen. At no point did protests attain a subversive pitch or become systematic.

In early 1934, the devastating impact of the political transition upon the local fur trade and industry had become clear to Hollender. The migration of Jewish entrepreneurs was especially damaging: “there is no question that not only many members of our industry have migrated abroad, but they also took along their customers. The migration of these Jews has strengthened the markets with which Leipzig is competing.”<sup>1249</sup> London turned into a hotspot for the refugee entrepreneurs. By the summer of 1938, about 8,000 German refugees lived in

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<sup>1246</sup> Hoffmann, *Carl Goerdeler and the Jewish Question, 1933-1942*, 38.

<sup>1247</sup> Robert Allen Willingham, “Jews In Leipzig: Nationality and Community in the 20th Century” (The University of Texas, 2005), 19. The Jewish community in Leipzig stood out because of its much large proportion of foreign born Jews when compared to other cities like Frankfurt (19.6%), Königsberg (8.6%), and Breslau (8.6%). The ratio of foreign born Jews in Saxony as a whole (22.2%) was also much lower than in Leipzig.

<sup>1248</sup> Sta-L, Dresdner Bank in Leipzig, nr. 108, Bericht des Reichsverbandes der Deutschen Rauchwarenfirmer Sitz Leipzig über die Lage in der Rauchwarenbranche im Jahre 1933. 6.02.1934.

<sup>1249</sup> *Ibidem*.

England, 187 of which persons were classified as refugee entrepreneurs.<sup>1250</sup> The British Home Office made attempts to send refugee entrepreneurs to ‘declining’ areas in Britain, ‘special zones,’ that were in need of entrepreneurs. However, most of the fur refugees ignored the preferences of the government and settled in London, overwhelmingly so in the case of Leipzig’s fur merchants.

A special report about refugees in Great Britain in 1939 singled out the importance of refugee entrepreneurs in the fur industry as one of the most important niches transplanted from Nazi Germany: “One specific example is shown by the fur trade in which there are about sixty refugee firms in Great Britain working as commission agents and brokers which were formerly established in Leipzig or Berlin. In addition, there are some three or four manufacturing furriers now in London employing fifty or sixty workers who previously ran business in Germany. At least one firm exists in London for the dressing and dyeing of furs, many of which were formerly prepared in Leipzig; this firm is managed by a German refugee but gives employment to some 160 British employees.”<sup>1251</sup> Apart of the refugee entrepreneurs, merchants like J. Ariowitsch & Co moved their headquarters to London, where they had already a branch. What remained of Ariowitsch’s business in Leipzig was finally liquidated in 1938.

The refugee movement from Leipzig harboured a social dimension as well, one that pertained to the generational division referred to above. The older generation of firm owners that fled Leipzig were clearly wealthier. Moreover, firms like Ariowitsch could draw on an existing network of branches outside Leipzig. The poorer and smaller Jewish entrepreneurs stayed in Leipzig but soon found themselves in a precarious situation. Reports in 1936 still mention the presence of Jewish owners of smaller firms but the opportunities to settle abroad rapidly dwindled. The emigration officer of Leipzig’s Jewish community reported on those who wanted to leave:

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<sup>1250</sup> Werner Eugen Mosse, *Second Chance: Two Centuries of German-Speaking Jews in the United Kingdom* (Tübingen: J.C.B. Mohr, 1991), 22.

<sup>1251</sup> John Hope Simpson, *The Refugee Problem, Report of a Survey* (London: Oxford university press, 1939), 142–143.



“The majority (...) are dealers and traders, commercial workers. Of the craftsmen, shoemakers, and tailors, many are older people who were previously self-employed but have lost their Aryan clientele and cannot find sufficient replacements in the Jewish community. Furriers and fur workers are out of work because of the decline of the fur business. Unfortunately, there is no prospect of bringing them to the new larger centres of the fur trade, such as London, New York, although they are often efficient professionals.”<sup>1252</sup>

After damaging Jewish economic life and the community elite, the next stage involved liquidating Jewish enterprises (“Aryanisation”), which was executed in 1938.<sup>1253</sup> However, Jewish business activities had already systematically decreased before this. In 1933, about 100,000 Jewish enterprises were domiciled in Germany: in 1935, numbers plummeted to 75-80,000 in 1935 and then 40,000 in April 1938.<sup>1254</sup> Many cases demonstrate that German businesses profited from taking over Jewish competitors. However, it has been shown that the debilitating effects on commerce were much higher in Leipzig than the profits gained by such an operation. The Deutsche Bank in Leipzig reported in 1939 that it still had investments of 500,000 to 600,000RM in the Jewish part of the Leipzig fur industry. It was stated that: “Discontinuance [of investing in Jewish business], together with the loss of the ancillary business associated with credit (turnover, bill discounting, guarantees, etc.), will also result in a certain diminution of returns.”<sup>1255</sup> The Aryanisation was therefore unprofitable. More importantly, Jewish merchants had taken their most valuable asset with them: connections. At the end of 1936, 113 fur firms, specialised in foreign trade, had moved their business to London, New York Paris, Prague, or Milan.<sup>1256</sup> Aside from the economic crisis and the Soviet industrial policy, the anti-Semitic policy in the Third Reich heavily disturbed the social structure of the district. All three developments eroded the effectiveness of collective action.

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<sup>1252</sup> Götz Aly and Wolf Gruner, *Die Verfolgung Und Ermordung Der Europäischen Juden Durch Das Nationalsozialistische Deutschland, 1933-1945* (München: Oldenbourg, 2008), 567. Dok. 230 Der Auswandererberater bei der jüdischen Gemeinde Leipzig berichtet am 12. März 1936 über die Ratsuchenden und deren wirtschaftliche Lage.

<sup>1253</sup> Ludolf Herbst and Thomas Weihe, *Die Commerzbank und die Juden 1933-1945* (München: Beck, 2004), 81.

<sup>1254</sup> Avraham Barkai, “Die deutschen Unternehmer und die Judenpolitik im ‘Dritten Reich,’” *Geschichte und Gesellschaft* 15 (1989): 230.

<sup>1255</sup> Harold James, *The Nazi Dictatorship and the Deutsche Bank* (Cambridge: Cambridge University Press, 2004), 122.

<sup>1256</sup> Karl-Heinz Ehler, *Der Leipziger Rauchwarengroßhandel Im Letzten Jahrzehnt* (Leipzig: Buske, 1938), 148. Ehler estimated that, by 1946, 113 Jewish fur trade firms had moved abroad. These firms represented a business volume of 80 million RM in 1928, 93 million RM in 1929, 57 million RM in 1930, and 60 million RM in 1931.

### **10.5 The decline Leipzig district in the 1930s: some concluding remarks.**

The abovementioned developments destroyed the equilibrium that existed between the industrial and commercial sectors as well as the harmony between the gentile and Jewish firms. Even worse was the exodus of Jewish business. After 1933, migration had a deleterious effect on the value of German fur commerce. Imports and exports shrunk to figures under 50 million RM. After 1935, Germany was no longer the main importer of Russian furs. The export business in raw furs dwindled and imports of raw and processed furs converged: prior to this, the success of the Saxon fur industry was largely based on importing large quantities of raw furs and exporting processed furs abroad. Governmental economic policy equally disturbed the balance in the district. From February 1935, the government put the import of furs under strict control in order to monitor spending in foreign currencies. Firms had to pay on special accounts (*Sondernkonto*) and transfers to the Soviet trade representation only occurred with the permission of the Currency Bureau (*Devisenstelle*).<sup>1257</sup> The German Fur Merchants Association in Leipzig noted that this discriminated against the smaller firms in the district: “the new arrangement, as it resulted from payment agreements with Russia, is not to the benefit for the entire sector as it will obstruct the import of furs from Russia for middle and small-sized firms rather to the few larger firms which import from Russia and which have already concluded large deals before 15.02.1935.”<sup>1258</sup>

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<sup>1257</sup> StA-L, Dresdner Bank in Leipzig 21018, nr. 107, Anlage zum Rundschreiben vom 18.02.1935.

<sup>1258</sup> StA-L, Dresdner Bank in Leipzig 21018, nr. 107. Tätigkeitsbericht des Reichsverbandes der Deutschen Rauchwaren-Firmen Sitz Leipzig Ev. Für den Monat Mai 1935.

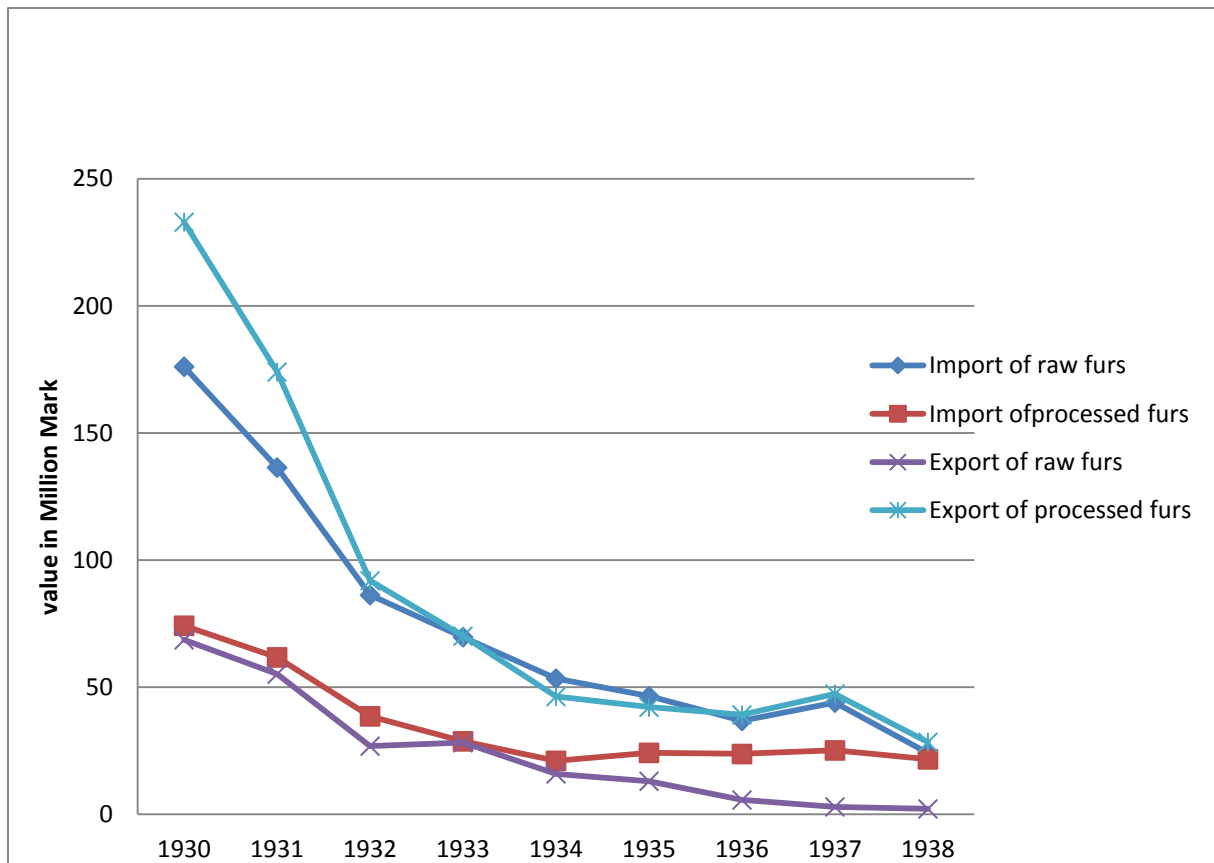


Figure 10-3: Import and export of furs, Germany (1930-1938).

Economic exigencies, the migration of the Jews, and the restrictions on the foreign trade eroded the trade in Leipzig to such an extent that it is questionable whether one can still characterise the local fur industry as an industrial district. Is it still valid to speak of the fur industry in terms of the defining aspects of the industrial district, like local collaboration, mutual learning, and a balanced size distribution between primarily small and medium sized firms? It is a question that cannot be unequivocally answered: firms continued to construct collaborative networks but developments in the early 1930s had undoubtedly disrupted size distribution in the district. In terms of the latter, there is little doubt about the fact that Theodor Thorer was now the largest firm and the only one remaining of international importance whereas the district was previously characterised by few lead firms and an arena of successful smaller businesses. This imbalance eventually led to a reaction from the smaller firms. In October 1939, several of the smaller firms in Leipzig merged into the RIAG (*Rauchwaren Import Actiengesellschaft*), which was based on a starting capital of 1,000,000RM. These firms shared the motive of competing at the level of the Thorer firm: “Less pronounced, but therefore not a lesser motive, is a certain unease about the superior position of the company Theodor Thorer on the Brühl. With all due respect to the person of

Mr. Hollender and his services to the fur industry, the superiority of his company is uncomfortably felt by all other fur dealers. The deliberation to occasionally form an approximately equal partner is likely to have caused the idea of the merger of several companies into a larger company in the first place.<sup>1259</sup>

On the other hand, collective action continued to structure business behaviour in the industrial district, whether carried out by new initiatives or old institutions. Firstly, the last, albeit modest, feat of the Leipzig Fur Merchants Association was the promotion of air transport for fur commerce. The rapid expansion of air transport through the Leipzig/Halle airport, which opened in 1928, offered the opportunity to improve the logistics of the Leipzig district. In 1935, the Fur Merchants Association closed a deal with Lufthansa, which offered temporary lower rates for airfreight. The Fur Merchants Association hoped that its members would make use of the rapidly expanding airport. After 1935, Lufthansa organised night transports from Russia to Leipzig for use by the fur industry.<sup>1260</sup>

Another evolution was that the dumping of furs in 1930s entailed sharing innovations and techniques in industrial fur dyeing so as to render the fur industry more competitive. Projects that were staged in this regard were however of marginal importance. Noteworthy was the creation of a highly specific codicil called *Der Rauchwarenveredeler* (the Fur Producer) inside the journal *Der Rauchwarenmarkt* that consistently discussed the latest advancements in the processing of raw furs. It was explicitly created in order to counter outsourcing from the regional fur dyeing industry.<sup>1261</sup> In a similar vein, the research institution *Reichszentrale für Pelztier und Rauchwarenforschung* re-oriented its research focus onto production methods in the fur dyeing and dressing industry in contrast to its original research into fur breeding. For this purpose, the RZ established connections with IG Farben and the Institute for Organic Chemistry at the Leipzig University.<sup>1262</sup> The Reichszentrale wanted to expand its research into industrial chemistry in order to compete with foreign fur dyeing manufacturing: “More and more, other nations outclass our fur dyeing industry (...) and often they have shorter delivery times than the Leipzig district. Many of our dyeing and dressing plants, which often are

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<sup>1259</sup> Sta-L, Deutsche Bank in Leipzig 21017, nr. 203, den 14.10.1939.

<sup>1260</sup> Sta-L, Dresdner Bank in Leipzig 21018, nr. 10, Reichsverband der Deutschen Rauchwarenfirmer, Sitz Leipzig EV, Leipzig, 04.05.1935.

<sup>1261</sup> StadtaL, Vereine, Innungen, Genossenschaften Kap. 35 nr. 1406, f. 269, Reichszentrale für Pelztierforschung, 18.07.1932.

<sup>1262</sup> StadtaL, Vereine, Innungen, Genossenschaften Kap. 35, nr. 1406, f. 273, Unterredung mit Herrn Dr. Wagner von der I.G. Farben Industrie, AG, 15.07.1932.

operating with handwork, do not have laboratories at their disposal.”<sup>1263</sup> However, the expansion of the RZ was troubled by a lack of financial support from local actors.

One of the last collaborative efforts was the somewhat surprising involvement of several Leipzig firms in the creation of a shipping company, the Nordmeer Studien und Reederei GmbH. The company, with a jointly invested capital base of 160,000RM, was created in order to organise seal hunting in the North Sea and the Atlantic Ocean. The joint venture consisted of 35 firms in Leipzig, including Theodor Thorer.<sup>1264</sup> The joint venture was not far-fetched since sealskins formed an important submarket in the fur trade. The Leipzig fur industry entered maritime seal hunting with the purchase of the ship *Sachsen* in 1938. In 1939, the shipping company purchased an additional ship *Storis* from the Norwegian fleet that was better equipped for seal hunting.<sup>1265</sup> Even if it is important to note the existence of such cooperative initiatives in the 1930s, they were unable to reverse the damage done by economic exigencies and adversarial government policy. Still, district-like elements continued to characterise the declining Leipzig fur industry.

It would be easy to conclude that the Second World War, the destruction of the Brühl in 1943, and the collectivisation of the private fur industry by the DDR was the end of the story of the Leipzig industrial district. This is true in a literal sense, although some ‘fur companies’ remained active in Leipzig after collectivisation in the DDR. I would like to finish by pointing out that the Leipzig industrial district continued to have influence as a model. The ‘Leipzig-model,’ in which the fur commerce and industry had organically grown through the proximity of firms, inspired post-war reconstruction policy at the local level. A clone of the Brühl was created in Frankfurt-am-Main. The city attracted many of the German fur traders and industrialists who left the Soviet occupation zone. Frankfurt was also home to former influential members of the industrial district. In 1946, Walter Leiske, the former member of the Leipzig council and one of the masterminds behind the International Fur Exhibition, was appointed president of the Chamber of Commerce in Frankfurt.<sup>1266</sup> Leiske, who had nurtured the idea to develop “regional economics” in central Germany, demonstrated a similarly

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<sup>1263</sup> StadtA, Vereine, Innungen, Genossenschaften Kap 35, nr. 1406, f. 273. Unterredung mit Herrn Dr. Wagner von der I.G. Farben industrie. AG. 15.07. 1932.

<sup>1264</sup> StA-L, Deutsche Bank, Filiale Leipzig 21017, nr. 203. Auszug aus dem Artikel Deutscher Robbenfang. Ein gemeinschaftsunternehmen der Leipziger Rauchwarenwirtschaft. Von . Dr. A Paulsen. Stellv. Geschäftsführer der Industrie und Handelskammer Leipzig. Abgedruckt in der Mitteldeutschen Handelsrundschau. vom.04.02.1938.

<sup>1265</sup> Sta-L, Deutsche Bank, Filiale Leipzig 21017, nr. 203. Auszug aus der LNN, 07.06.1939

<sup>1266</sup> Lerner, “Walter Leiske.”

creative attitude towards the local economy when he subsequently became mayor of Frankfurt. He was successful in luring Leipzig entrepreneurs to his new home. The book printing and, to a lesser extent, the fur industry were successfully transplanted there. In 1946, Paul Hollender purchased an old leather manufactory in Offenbach, close to Frankfurt, and established a new firm called Thorer and Hollender KG. Other Leipzig firms were said to have established businesses in the Niddastrasse, close to the railway station. With the support of the town hall, the Leipzigers in Frankfurt revived their old trade institutions. One of them was an annual Frankfurt fur fair: as with the Leipzig fair, the new institution took place in the first week after Easter.<sup>1267</sup> Moreover, attempts were also made to reconstruct international links. Thorer restored its branches in London, New York, and South Africa. In the summer of 1950, Hollender died in an accident while on a business trip in South Africa and Namibia.

The history of the remarkable transplantation of the Leipzig printing and fur industries, their impact upon the post-war economic recovery, and the extent to which Leipzig arrangements were reconstructed in Frankfurt remains to be written. The same goes for the historical trajectories of decentralised economic activities and the impact they had on future policy makers and a new generation of entrepreneurs in rebuilding the post-war German economy. More generally, the legacy of such historical and organically grown production systems in processes of industrial reconversion remains opens for future research projects that can link history writing with contemporary economics, geography, and politics.

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<sup>1267</sup> LAC, RG 25 A 5, volume 1315, file no. T -8-561. Canadian bureau of trade and commerce, to Agricultural and Fisheries Branch, Bonn am Rhein. 05.05.1953.



**Picture 6: The Thorer buildings after the bombing of the Brühl, December 1943 (BA 1977 1187 Brühl 70.  
Ritterstrasse 3/33 bis 35. Geschäftshaus der FA. Thorer.**





## **11 Conclusion.**

In this thesis, I have addressed the apparent paradox of the historical persistence of decentralised economic organisation in Saxony, marked by the concentration of large numbers of small to medium-sized and highly specialised firms, when the region was simultaneously at the forefront of processes of globalisation. In other words, why did a decentralised production system in Saxony prevail despite being the ‘storm centre of trade cycles’? This problem was the foundation for the study of the history of the fur industry in Leipzig between 1880 and 1939. The fur industry in Leipzig emerged during the long nineteenth century as an industrial district and it was one of the most open sectors in Saxony. The Leipzig fur industry depended on the organisation of transborder activities for the supply of resources whilst also being open to export markets. I conducted the research in order to remedy the lack of understanding of how regional business systems interact with the outside world. It was argued that historical research has not yet fully taken into account the position of industrial districts within the global economy since usually industrial districts have been discussed within the debate about the history of industrialisation. The research lacuna relates to the internationalisation of the firms in the district on the one hand and the impact of macro-economic developments on the industrial district on the other.

### **11.1 The international roots of the industrial district.**

One conclusion to surface in this research is that the assumed mismatch between regional systems and world market openness does not adequately capture the interaction between the industrial district and the outside world. The industrial district in Leipzig did not grow in spite of its transnational connections and world market dependency but because of it. The life cycle of the district was inextricably connected to the expansion and contraction of the international fur business. The growth and consolidation of the industrial district in Leipzig was to a large extent due to the expansion of international trade in the long nineteenth century whereas its demise was caused by the economic turmoil of the 1930s. The initial growth of the industrial district required little protection from external forces since global manufacturing was in its initial stages. The industrial district managed to emerge in Leipzig because of the city’s

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historical role as a trade centre in furs and its successful entry into a phase where capitalist business came to dominate the global trade. The growth of the district coincided with the boom in world market prices and global competition after 1900. Even after World War I, the firms of the district managed to reintegrate themselves into the flows of world trade. Only in the 1930s did the impact of macroeconomic and geopolitical changes prove too disruptive for the district to reproduce itself.

In other words, the importance of transborder activities and transnational connections lay at the very roots of the industrial district. Saxony as a region stood at the forefront of global economic interdependencies that were created by the forceful impact of revolutionary transportation methods, new patterns of human mobility, and the economic boom that typified the long nineteenth century. International railroad networks replaced river shipping and the wandering merchants that had previously joined Saxony to Russia. Human mobility in particular stimulated the formation of the district. Artisans came to Leipzig in the wake of freedom of commerce in 1861, epitomising internal mobility in Germany. The currents of modern mass migration brought entrepreneurs of Jewish origin who connected Leipzig more firmly with the trade in the east. These migration movements helped transform the local fur industry into an industrial cluster.

Mobility continued to impact on the growth of the district. The phenomenon of national and transnational entrepreneurship was at the root of the industrial district. Whereas first generation merchants drew on international networks in order to organise the procurement of raw furs, the tremendous possibilities proffered by the conquest of foreign markets lay within the reach of expanding Leipzig fur manufacturing. Transnational entrepreneurship led to the capture of the Brussels and (possibly) the Paris market for processed German furs. In particular, transborder business activities between Leipzig and Brussels were successfully managed through personal connections with members of the immigrant community in Brussels. The organisation of transborder activities through transnational entrepreneurs had a twofold advantage for the firms in Leipzig. Firstly, foreign business adventures were costly affairs and so it made economic sense to consider the option of partnerships with furriers or entrepreneurs on the move. This practice enabled smaller firms to participate in transborder activities. Secondly, this alternative form of transborder business activities kept decentralised activities in the district intact. Entrepreneurs profited from links with foreign markets without having to expand the organisational basis of the firm. By utilising transnational

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entrepreneurship, the social structure of the district was maintained and patterns of concentration that usually go hand in hand with increases in scale were avoided.

Whereas transnational entrepreneurship signified a viable alternative to firm branching, especially in proximate markets, several district firms did however assume a multinational organisation, in particular the 'lead firms' of Leipzig. However, multinational organisations of Leipzig fur firms were structured through family connections. Branches emerged in important fur centres like New York, London, and Moscow and were usually run by sons and brothers of the firm owner in Leipzig. Through kinship rather than managerial pressure, the link of the firm with Leipzig remained central in the affairs of the business. Even in the 1920s, family multinationals remained organised in such a way that the Leipzig division retained the status as the head office in the family firm network. Only particular circumstances, like the personal and unforeseen ambitions of family members, disturbed the balance in the multinational organisation of the Leipzig businesses. In general, the pursuit of internationalisation through multinational business organisation left local attachment and district participation largely unaffected. In sum, the translocal activities of the industrial district should be conceptualised along lines of scale, even in multinational organisations. Key drivers of transborder connections were individuals, family members, former labourers, or acquaintances.

By emphasising personal connections, the thesis has therefore added to a growing body of literature that stresses the important yet understudied layers of economic globalisation at the 'micro-level,' concealed in a web of transnational ties between a multitude of smaller businesses, brokers, migrants, representatives, and travelling merchants. The organisation of such transnational ties is hard to reconstruct. In unravelling the many links that connected the firms in Leipzig to the outside world, the almost momentary and fragile character of translocal activities should be stressed. Small offices abroad were easily abandoned, partnerships with brokers as easily set up as cancelled. Agents resided in a particular area for as long as it was interesting. The presence of Leipzig firms abroad did not leave an indelible print on the cities in which they settled, in contrast to the presence of multinationals in the early twentieth century. Rather, it was shadowy and ephemeral.

Even though ephemeral, global links and transnational connections were remarkably robust. After World War I, most of the largest Leipzig fur firms were able to restore their presence in foreign fur centres. Unlike larger firms that suffered from sequestration, the physical removal

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of representation and low-asset branches abroad did not constitute an insurmountable loss. Furthermore, despite the state monopolisation of foreign trade in the USSR, the Siberian trade was characterised by a continuity of personal connections. Some of the Jewish merchants of foreign descent in Leipzig profited from having a nationality other than the German. This is an argument that has been stressed particularly within the context of the Russian trade, where officials of the state agencies were often the same men that ran the tsarist business. Therefore, the scale of translocal connectivity remained situated, to a large extent, on the level of personal connections. In any case, the particular issue of former 'capitalists' in the garb of state officials and their links to foreign business during the early years of the Soviet Union certainly deserves further research.

### **11.2 The power of collective action: adaptation or modification?**

Aside from the robustness of personal connections in fabricating transnational ties, this research has also put forward the hypothesis that the industrial district built up capacities to deal with exogenous pressures in the district as a social structure. Economic actors of the industrial district used the same resources that coordinated its internal system of decentralised production, like collective action and collaboration, to adapt to external challenges and to participate in processes of internationalisation. The same local collaborative mechanisms that characterised the success of districts in the industrialising world, the argument ran, shaped the interaction between the district and the outside world.

The capacity to adapt to global competition or macro-economic challenges indeed was a major source for dynamism in the industrial district. The industrial district did not simply follow the tides of expansion of the international fur business. On the contrary, it managed to adapt at several crucial moments of intensified competition and contraction in international trade. Firstly, the flexibility of the local financial market in Leipzig and the networks between bankers and businessmen in the district allowed the firms to pursue an expansive policy at the turn of the century. At that time, businesses and banks in Leipzig adapted to world market prices that were virtually exploding both in the Siberian and in the North American market segments. After World War I, the nexus between local banks and the fur industry continued on largely the same lines. With a generous credit policy, local bankers allowed the Leipzig fur industry to pursue an expansive international strategy. The banks have therefore been

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portrayed as economic actors that were closely related to the fur district. Secondly, the Leipzig fur industry adapted to a major modification in the international fur business, namely the establishment of state capitalism in the Soviet Union, most particularly in the case of the foreign trade monopoly. Firms in the district jointly created auction companies, a new sales mechanism that were especially designed to lubricate deals with the Soviets trade agencies.

What can we learn from the historical trajectories of the industrial district that resulted from external challenges? Firstly, the importance of the 'lead firms' has been stressed. Literature on the industrial district has focused on the individual strategies of lead firms in their creation of links between the industrial district and the outside world. This dimension is certainly true for our case as well. Nevertheless, lead firms were also involved in, and initiated processes of, collaboration and collective action. Secondly, there is an important distinction to be made in the nature of collective action between that which adapts to changes and that which seeks to create alternatives to global problems and the modification of the international system. Certainly, external challenges led to increased collaboration and both categories share the aim to remedy the effects of macro-economic changes. However, collective action can be adaptive to external challenges in the sense that local institutions are re-modified. The examples given above belong to the latter category. The bank – business nexus adjusted to the financial requirements for foreign trade and the auction company replaced the Leipzig trade fairs, one of the most important regional institutions. The system of trading on the fairs had become increasingly redundant and therefore firms jointly created new market institutions capable of accommodating changes on the world market.

Collective action can also be the stage for alternatives and the modification of the supply chain in order to alleviate external pressures. The creation of a new international order in the International Exhibition and Congress in Leipzig was probably the most ambitious form of collective action in the district. The exhibition was not a response to a specific event but rather was designed by Leipzig businessmen to create new mechanisms for international business coordination and to jointly promote the Leipzig business world to a national and international public. New production paradigms featured prominently as alternative projects, entailing the creation of new supply lines that lightened the dependency of the industrial district on the 'capriciousness' of the world market. However, this happened only in extreme circumstances. Processes of resource substitution were introduced during World War I, when the industrial district was separated from the world market. Immediately after the war, when

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the revival of international trade was still in the distant future, businessmen set their hearts on the creation of fur farming in Germany. Such alternative production paradigms were hard to realise and lost support when firms in the district re-oriented themselves towards the more accessible world market. Moreover, strategies of modification and adaptation could even go hand in hand. Several firms participated in both adaptive and alternative projects.

I would like to formulate some additional remarks with regard to the capacity of the industrial district to deal with external challenges. Firstly, the progressive expansion of collective action had ramifications for the spatial extent of collaborative networks. Evidence has been provided that firms in the district cast a much wider net in terms of collaborative networks. Processes of collaboration were not limited to proximate actors. This was certainly the case in the creation of new production paradigms. Firms in Leipzig created links with the imperial state for the introduction of fur farming in the colonies. In the 1920s, the firms created a research institution in Leipzig that was set up primarily to extract advantages from the creation of fur farming in Germany. Businessmen were able to assemble a strong network that not only profited from the opening of the veterinary faculty of the Leipzig University but also assembled some of the leading agricultural experts across Germany's academic landscape. The epicentre of the network was undoubtedly regional, yet it also included the support of leading national scientists.

Secondly, processes of adaptation had ramifications on the local organisation of business. Although solidarity was an important motive, local collaboration forged imbalances or asymmetries within the industrial district. In particular, the growing prominence of the financial sector in the industrial district generated such asymmetries. Banks have an important function in local business entities as the credit market sets the framework for local business growth and strategies. However, the clustering of local banking and fur businesses in Leipzig took on peculiar proportions. Due to the growing financial requirements on the international fur market, the local bank system gradually extended its role as financier of these international operations. The lenient lending market allowed the firms to expand their activities on the international stage before and after the war. The heavy losses incurred by the local banking sector in the wake of the economic meltdown in 1929 demonstrated how unhealthy local clustering of finance and business was. Instead of purifying the district with moderate credit rules and restricting dependency on foreign trade, the leniency of the credit market created a fur industry bubble. Once the international expansion halted, banks corrected lending

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conditions abruptly, which then disrupted the size distribution of firms in the industrial district. Local bank policy was therefore neither moderate nor consistent, reinforcing upward but also exacerbating downward trends. Due of their involvement in the auction companies, several of the local banks stepped out of their traditional field of financial activities. A few banks became actively involved in fur trading, thereby further expanding bank activities that were dependent upon the international fur market. Furthermore, the growing importance of bankers in the process of wholesale auctioning meant a decline of entrepreneurial power in fur commerce.

Finally, creative collective action is not a guarantee of effectiveness. Certainly, district firms were diligent in creating new projects, but since every single participant could profit from the result of collective actions, participation often failed to reach higher levels. The fact that firms relied on maximising effects born from new combinations and actions explains the reluctance to force investments up. This reluctance to assume additional risks has been described in various sections throughout the thesis. In the creation of karakul farming in South West Africa, costs were largely externalised and placed upon the colonial administration and agricultural science, although this did not specifically lead to a loss of effectiveness. This stood in sharp contrast to the project of fur farming inside Germany, where the industry missed the opportunity to extend funding into agricultural expertise or professional fur farming. The research network in Leipzig never received the means to achieve its goals of controlling the fur farming business, which increasingly revealed itself as the future of the modern fur business. Similarly, the disproportionately small investments made by firms in the IPA and the externalisation of costs upon the already heavily burdened city treasury painfully revealed reluctance to invest in the common good. As such, although new collective actions were easily constructed and existing ones reconstructed, promising collective actions often failed to develop much further. This “tragedy of the commons” dilemma and the externalisation of risks demonstrated the limits of the collective action of the district.

An important conclusion seems to be the presence of a common goal as the precondition of collective action. Whereas individual business needs are translated into strategies by the business leader and management, the identification of external threats and its translation into a common goal is largely an invisible matter. It is based upon a sense of local belonging, of being part of a business group in which individual businesses are faced with similar problems. The translation of such a sense of belonging into collective action is to be ascribed to a broad

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range of institutions, in particular the trade press and collective bodies like trade associations. A number of individuals such as local politicians, prominent businesses, and lead firms also exerted such a function. These actors created a mindset suited for initiating processes of local collaboration. One of the most meaningful mindsets that enabled collective action was the so-called 'comeback' notion, which described the collective desire to re-claim the leading position of the Leipzig industry as an international fur trade and manufacturing centre after World War I. The 'readmission strategy,' or rather strategies, that stemmed from the comeback notion reveals that the industrial district existed in the mindset of contemporaries. The 'readmission strategy' gained momentum in Leipzig from the end of the war as a concept that was collectively discussed by city officials, businessmen, and other economic actors. The 'restoration discourse,' as vague and incoherent as it often sounded, structured collective action and solidarity mechanisms. The goal of readmission allowed for businessmen to conceptualise the local as a business strategy within the context of their international activities. This intangible point of departure very much illustrates that the joint ventures, trade consortia, auction companies, and exhibitions are social constructions.

Furthermore, the pursuit of world market readmission as a common goal highlights the problem of periodisation of economic globalisation from an actor-oriented perspective. Much of the academic debate nowadays centres on the question of whether World War I formed a rupture in terms of world economic integration. Even if there were major differences in economic organisation before and after World War I, I would like to open the debate here on whether pre-war idealisations, or "pressures of continuity," in the post-war period played a much larger role in international business strategies than hitherto assumed. Collective action in the district was strongly inspired by the aim to restore old pre-war connections, especially in regards to the Russian trade. What did such visions mean for other economic actors in between the wars? Did this orient business behaviour throughout Europe or were 'pre-war idealisations' something specifically German? The predisposition of economic actors towards restoring 'the old' may be an aspect in the robustness of global networks, collective action, and post-war business patterns that is perhaps too easily overlooked.



### **11.3 The construction of the world market: the local and the global.**

A final question that needs to be addressed here concerns the parts and the whole. In what ways was the small cosmos of entrepreneurs in the industrial district constitutive of the structures of world trade? The way in which the macro and micro-level interact remains a thorny issue. To begin with, this thesis adheres to the view that markets are, just like industrial districts, social constructions. Generally, the transnational dimension of local business practices and collective action on the macro level has been stressed in this thesis. Such a transnational view has been put forward by using the concept of the commodity chain. Due to processes of entanglement, the organisation and practices embedded in local structures interacted with the way in which market transactions were organised and strongly influenced the spatial and economic organisation of the international fur trade.

Firstly, on the level of individual businesses, lead firms in the district with their highly mobile personnel were usually lead firms in the governance of the commodity chain as well, especially prior to World War I. To a large extent, the fur merchants in Leipzig set the parameters of trade in the Siberian commodity chain. Individuals, merchants, and businessmen lent trust and shaped market transactions. These merchants had adjusted themselves to Russian credit preferences, possessed great knowledge of the market, and had contacts inside Russia: they were therefore in a position to dominate the internal market. Moreover, the organisation of the international fur trade by individuals was robust and created long lasting dependencies and ties. The German-Soviet fur trade was initially based on personal contacts between German traders and former tsarist traders. In addition, the Leipzig fur industry was able to coordinate with the early phase of Soviet state capitalism by adjusting its underlying institutions. The importance of fur trading in the economic recovery of the Soviet Union was made possible by the connections, persons, firms, and institutions that had shaped its foreign fur trade. Especially in the second half of the 1920s, the ties between the strategically important Soviet fur trade and the local industry in Leipzig were inextricably close.

Not only did the actions of individuals determine the trade flows but collective action in the district also shaped the geography of the global commodity chain. This was especially the case for fur farming by Leipzig firms. Certainly, the fur industry became less global because

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of resource substitution through fur farming. Nevertheless, although fur farming was meant to replace global supply chains, it incorporated new geographies and social contexts into the world market of furs. Fur farming as initiated by the Leipzig fur industry brought the arid pastures of South West Africa, colonised by German farmers and Boers, within the structures of world trade. Furthermore, fur farming was responsible for the regionalisation of the fur trade and incorporated farming in old producing areas like North America and 'new' ones like Scandinavia. The construction of new market institutions in Leipzig as joint ventures, such as the auction companies, cemented these spatial developments.

In itself, the concentration of the fur business in the industrial district also contributed to the spatial distribution of the international fur business. The fur trade not only occupied immense frontier spaces but was also at the same time densely concentrated in a limited number of markets in city regions like Leipzig, London, and New York. Subarctic resource frontiers supplied several international centres where trading was connected to manufacturing and from whence distribution links spread across a hinterland. The emergence, regeneration, and decline of trade within city markets determined the structure of the international fur trade and manufacturing. The transformation of cities or city regions into fur capitals was determined to a large extent by their market institutions. Salient were the organisation and modification of large-scale sales event, like fairs and auctions. These institutions enabled the temporary concentration of the international trading community, or at least a substantial part of it, and organised the supply of raw material to manufacturers. Tremendous benefits were derived from the fact that a large portion of the international community was brought together in these instances. It made the international fur trade predictable, had an influence on price-setting mechanisms, and generated learning effects in local firms. Thus, Leipzig's market institutions, which were formed by collective action, gave shape to the geography of world trade. It helped maintain the structures of the international fur business, divided into frontiers, hinterlands, and dominant city markets.

An important conclusion follows with regard to regional particularism and translocal connectivity from the significance of local market institutions. Corporate umbrella institutions in Saxony like the trade fairs and exhibitions have usually been framed as elements that pertained to Saxony's economic uniqueness within Germany. The fairs and particularly the exhibitions were seen as elements pertaining to economic particularism, employed to exemplify regional economic power within the national context. However, exhibitions and

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fairs not only rendered regional production and consumption visible within the national context, but also were of seminal importance in constructing international connections. Regional economic institutions constructed the boundaries of the region within the national context, established links to the wider world, and were in part created by the external developments. Regional umbrella institutions often intertwined regional, national, and international interests.

Regarding the above remark on regional particularism, the narrative of this thesis has generally called for a better historical understanding of the federalisation of economic policy as a historical process (or the historical process of the discovery of regional economics as a policy tool). The discovery of regional and district economies generated remarkable patterns of continuity and has inspired subsequent generations of policy makers and entrepreneurs in processes of industrial reconstruction. Firstly, district economies were an important aspect of post-war economic thought, formed the object of a deliberate economic reconstruction policy, and determined migration flows of economic elites from East to West Germany. As such, Frankfurt-am-Main welcomed the arrival of many Leipzig district activities, like book printing and the fur industry. The creation of Frankfurt as a new fur centre went side by side with the re-creation of its old institutions. Such transplanted operations certainly deserve further attention. Secondly, the belief in systems like clusters and districts or, more generally, in the benefits of proximity has recently strongly re-surfaced in Leipzig, especially after German reunification. A new media cluster emerged in the wake of the establishment of the *Mitteldeutsche Rundfunk* in 1992. The fact that the Saxon state provides a framework for generating cluster effects shows that preceding historical trajectories continue to guide patterns of urban economic planning and contemporary processes of federalisation.

Since the political economy of the international fur trade was initially a matter of competition between fur centres, regional politics and local action had a strong influence upon the course of the world market. Global competition existed in the sense that local actors in fur markets actively remodelled institutions. This political economy was pronounced during the interwar period when firms and local administrations more consciously constructed market institutions that reinforced the position of their centres. At this time, awareness about the malleability of market institutions was 'discovered' by local stakeholders throughout the world and also in Leipzig. The intervention of regional and local administration also became more frequent. The city administration in particular favoured the creation of new economic institutions as

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part of a wider regional economic policy. However, this locally managed political economy in furs was increasingly overrun by state capitalism and modifications to the international political economy, especially in the period between the wars. When Stalin's new economic order replaced the NEP and state-led protectionism gained the upper hand, the regional and local institutions through which the Leipzig firms governed the chain proved ineffective. National and international political considerations came to rule over transnational business practices and exogenous effects could no longer be remedied effectively by local and regional action.

The intrusion of state capitalism that heralded the marginalisation of regional economic policy and the disruptive impact of economic protectionism on the industrial district may be valid lessons as well. In particular, it seems to throw new light on the nature of contemporary exogenous challenges on the industrial district. For instance, contemporary political strategies in the EU, as can be seen in texts like the Regions2020 or the Small Business Act of 2008, seem to focus on protecting regional business structures from global challenges and stimulating international expansion of small and medium-sized business. However, is this focus correct? To a large extent, historical actors and businesses in industrial districts were able to construct their own mechanisms for internationalisation and capacities to resist exogenous pressures. However, the industrial district seemed unable to cope with the rise of state capitalism, especially after 1930. Whereas the first phase of state capitalism in the USSR, in the garb of the NEP, already brought radical modifications to the industrial district, the political economic developments of the 1930s could not be remedied by local and regional collective action. By no means do I want to draw a literal parallel between the 1930s and the current situation. Nevertheless, many have argued that state capitalism in the contemporary world economy is on the rise again, especially after the economic crisis of 2008 and seems to be given analytical priority over earlier conceptions like the flattening world and economic globalisation.<sup>1268</sup> At this very moment, for instance, Europe and Russia are on the verge of an escalating trade war, which submerges business interests to political considerations. The main challenge to contemporary industrial districts or regional small businesses in Europe seems to come from the renaissance of state capitalism and the discordance in scale when regional economies deal with international political considerations. The real task for supranational administrations like the European Union is perhaps not so much located in what it defines as

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<sup>1268</sup> Rawi Abdelal, "The Profits of Power: Commerce and Realpolitik in Eurasia," *Review of International Political Economy* 20, no. 3 (2013): 421–56.

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‘global competition’ but in protecting regional small business from calculated political considerations produced by state capitalism.

Having discussed the interaction between the industrial district and the outside world, I would like to write a few final words on processes of incorporation and the spatial expansions and contractions of the world economy. Incorporation processes are (correctly) often seen through the lens of frontier perspectives and have dealt with the question of how remote entities or non-capitalist structures were integrated into the world economy. However, not only frontier regions are incorporated into global capitalism. It seems important to note that the core was far from a monolithic entity and that ‘core structures’ like industrial districts or industrial regions in the world economy underwent processes of incorporation and disconnection too. The core of the world economy is marked by heterogeneity, harbouring very dynamic entities that follow a life cycle connected to the expansion and contraction of global commerce. Regions and business communities can be disconnected even though spatially they are located at the ‘heart of global capitalism,’ and thus become frontiers of capitalism once again. Furthermore, entities in the core of the world economy share with their frontier counterparts aspects of communal agency within processes of incorporation. Small communities in both contexts were constituent of world market integration as well and were able to ‘negotiate’ their integration in the world market to a certain extent. In addition, incorporation processes are not always to be seen within the dichotomy of frontiers or communities against the system. A commodity chain perspective makes clear that incorporation was not always a process that connected ‘a system’ and a community but is rather the connection of multiple geographically disparate communities and social systems in frontiers as well as ‘core’ regions of the world economy. Core entities were relying on new connections too and processes of industrial decline were caused in part by disconnection. Fortunately, the complicated fabric of global capitalism can be unearthed by scrutinizing the creativity of local economic actors .

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