Family Capitalism: Wendels, Haniels, Falcks, and the Continental European Model

Harold James

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The Professor of History and International Affairs at Princeton University, Harold James is the author of several important works of economic history, including studies of the Depression and analyses of the Deutsche Bank during the Nazi period. All of these works involve careful consideration of the interacting cultural, political, and legal factors shaping individual and institutional actors in business and economic life. They are also the fruit of meticulous archival research. In his latest work, *Family Capitalism*, James bring his scholarly skills to bear upon another important and growing area of inquiry—business families and their role in economic development since the advent of modern capitalism—and, in doing so, confirms his reputation as one of the world's pre-eminent historians of finance, banking, and business.

Most histories of business families focus upon the activities of just one family, such as the Rothschilds, and concentrate upon questions of internal family alliances, disputes, consolidation, growth, and decline. James' purpose is refreshingly different. His book explores how family businesses have shaped and been shaped by factors such as technological change, political upheavals, and various personalities in the context of Continental European traditions of business and commerce. James thereby illustrates some of the advantages enjoyed by family enterprises—in this case, quite large businesses—in terms of managing and mediating economic turmoil and risk over long periods of time, not to mention coping with the forces unleashed by Schumpeterian creative destruction. He also presents a formidable argument to indicate that attention to families as social entities and economic actors should cause scholars from a range of disciplines to rethink traditional visions of the dynamic between the market and state institutions.

To explore these themes, James examines three European business families—the Wendels of France, the Haniels of Germany, and the Falcks of Italy—over a more than two hundred year period, beginning in the eighteenth century. His study is divided into five parts: the late-eighteenth century's highly individualist capitalism (part 1); the modern corporations that emerged in the latter half of the nineteenth century (part 2); the heavy state interventionism that followed in the wake of Europe's twentieth-century wars (part 3); the years of Europe's extensive post-World War II reconstruction (part 4); and, last, the contemporary challenges of globalization (part 5). Each part details the history of each family's entrepreneurial decisions, their respective travails, the prominent personalities, and the different challenges faced and, in most instances, overcome by the three business families.

It is not a coincidence that James chose three families who were heavily involved in steel and engineering for most of the period under consideration. The centrality of steel to the development of European economic power in the nineteenth- and twentieth-century places each business family in the epicenter of modern Europe's political and social development. Thus we encounter Wendels', Haniels', and Falcks' interacting with figures such as Kaiser William II, Edouard Herriot, Adolf Hitler, and Benito Mussolini. Perhaps one of the most interesting facts to emerge is that major business families do not always act in accordance with the crude stereotypes commonly associated with business leaders. James illustrates, for example, that the three business families were very solicitous of those in their employ, and often placed other considerations above profit. The Wendels were, for instance, intensely patriotic Frenchmen and committed Catholics who declined a number of business opportunities that may have proved profitable but would have also strengthened the German military in both World Wars. Unfortunately, this did not protect the Wendels from calumnies uttered by French politicians after each World War, despite the fact that every accusation of putting profit before country or even active collaboration with the enemy proved to be false.

James' analysis indicates that the destinies of the Wendel, Haniel, and Falck family enterprises were decisively shaped by strong-minded, intelligent, technologically curious, and enterprising individuals willing to take risks, but who combined this with a talent for long-term strategic thinking and an ability to mobilize capital from a range of sources. Franz Haniel (1779–1868), Giorgio Falck (1866–1947), and François de Wendel (1874–1949) figure prominently in this regard. James points out that some instances of entrepreneurship resulted in considerable setbacks for the family business and occasionally facilitated counterproductive results such as high levels of family friction that in turn undermined business effectiveness. But James also underlines how entrepreneurship enabled each business family to escape the cage of historical commitments that no longer generated sufficient profit.

Interestingly, members of each business family found themselves having to devote considerable energy to politics, initially because the state was an important customer, but increasingly because of the perceived need to ward off government attempts to engage in considerable economic regulation or even nationalization of entire industries. Here James demonstrates that each business family encountered high degrees of antagonism from across the political spectrum in Italy, Germany, and France. The Wendels, for example, were subject to considerable political harassment by officials of Imperial and Nazi Germany, French Marxists, Socialists, and leftist Catholics, not to mention the planners from both the left and right who dominated successive French governments' economic policies after World War II. Likewise, the Falcks had more than their fair share of struggles against Fascist policies of corporatism and autarchy, while having to deal with a variety of leftist-inclined unions after World War II. The Haniels had to cope with Nazi Germany's corporatist policies as well as aggressive political and trade-union agitation in favor of worker codetermination arrangements after 1945. In some cases, resistance by the family proved to be relatively successful. The Haniels managed, for example, to avoid the worst impact of worker codetermination policies implemented in Germany after 1950, though they were far less successful in resisting the encroachments of Nazi corporatism before and during World War II.

Not surprisingly, each family experienced a number of internal conflicts, but this makes all the more impressive the relatively high degree of cohesiveness exhibited by two of the three families over the two-hundred-year period when it came to business strategy. James notes that once the Wendels and the Haniels realized that Europe's comparative economic advantage had shifted decisively away from steel—and that the situation was politically and economically irreversible—there was little resistance within either family to the diversification of family holdings, to investments outside the family's country of origin, or even (as in the Wendels' case), to the company's being transformed from a traditional family business into something more akin to a private equity company. By contrast, the Falck family's inability to resolve its internal disagreements over whether they should diversify or continue to invest almost exclusively in heavy industry (despite mounting losses after the 1970s) ultimately resulted in its subsequent relegation to the peripheries of Italian commercial life.

Family Capitalism's concluding chapter, entitled "Family Entrepreneurship," constitutes an excellent summary of the peculiar challenges faced by business families in the globalized world of the twenty-first century. Prominent among these, James states, is whether a business family is able to look outside national boundaries for new opportunities and markets. Business nationalism, James comments, is something especially tempting for family firms. The irony, James observes, is that the story of the Wendels, Haniels, and Falcks "began with businessmen moving frequently across territorial and state boundaries in the dynamic age of the late eighteenth and early nineteenth century" (384). It follows that if history can repeat itself, there is every reason to expect large-scale family enterprises to persist in a global economic age.

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