



## Bank and History

### Historical Circular

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#### Deutsche Bank in East Asia

*On June 23, 2003, 5:30 p.m., there will be a public lecture event of the Historical Association of Deutsche Bank on "Deutsche Bank in East Asia 1872-2003" in the towers at Taunusanlage 12, Frankfurt. After an introduction by Rolf-E. Breuer, Werner Plumpe, professor at the University of Frankfurt, will hold the main speech. Passages read from Hermann Wallich's memoirs and historical film sequences will provide insights into the East Asia of the past. Present and future business in the region will be the topics of Jürgen Fitschen's remarks.*

With youthful energy Deutsche Bank, shortly after its foundation, started implementing its ambitious programme of promoting German foreign trade. That London, Bremen and Hamburg were the first branches was an obvious development, but that the expansion led to Shanghai and Yokohama was less so. The experiment ended soon as the expectations placed on the East Asian business did not come to fruition. The two branches with capital totalling three million "Taler" were victims of the sinking of price of silver after Germany's transition to the gold standard. When Deutsche Bank liquidated these branches in 1875, one tenth of the founding capital had been lost.

The next start-up in the Far East was no longer an exclusive undertaking of Deutsche Bank: Deutsch-Asiatische Bank was established in 1889, with headquarters in Shanghai, but organized according to German law. It started business in China at the beginning of the following year. Its capital based on silver was invested by the thirteen banks that formed the syndicate of founders. The largest portion – approximately sixteen percent – was held by Disconto-Gesellschaft

followed by S. Bleichröder & Co and Deutsche Bank, each with about eleven percent. The remarkable aspect of the new bank – and this was an important difference from the bank establishments for business in South America – was that Deutsch-Asiatische Bank could be regarded as the representative of all German banks seeing as the "syndicate for Asian transactions" belonged to the most renowned German institutions, in addition to the group of founders. On top of this, support came from the Reich government, which had displayed a great deal of interest in its foundation.

The initial period was difficult and, as two decades previously, it was the development of the price of silver that caused concern. There was no stopping the certain but unsteady disappearance of silver's importance as a backing of currency. At the beginning of the 1890's, China and India still had silver-backed currencies and in the United States there were strong, although ultimately futile, efforts to retain the silver standard. Furthermore, competition was strong, whereby Hong Kong and Shanghai Banking Cooperation had the strongest position: they issued most Chinese bonds. Starting in 1907, Deutsche-Asiatische Bank – known in stock market jargon as "Asiatenbank" – even issued its own banknotes until the Chinese government revoked the banknote concession in 1917.

During WW I, the bank was severely affected. Most foreign branches, including the representative offices in Calcutta and Singapore, had to discontinue operations. Only a few could be reopened after the war. It was first in 1920 that plans could be made for presenting an Annual Report for the years since 1915. It had to include the reassessment of all asset positions, seeing as a continuous record of the pre-war financial accounts was impossible. Due to political

instability entailing upheavals in China during these years, it was, however, difficult to gain an overview of the assets still existing there.

Business in Japan had steadily declined since an earthquake in 1923 had destroyed the branch in Yokohama. The remaining representative office in Kobe was therefore closed in 1932, so the bank then concentrated on its Chinese business. At this time, Germany was actually still in fourth place in trade with China: approximately six percent of Chinese foreign trade involved Germany.

After World War II, Deutsch-Asiatische Bank was once again faced with ruins. Hamburg became its new headquarters, where a branch had first been opened in 1906 in order to – according to the Annual Report – “be able to maintain more active and more intimate business relations with our most important clientele, the main offices of the companies established in East Asia.” It was from Hamburg, at the only branch that could continue its activities, that the slow rebuilding process was initiated, which was to take place over many years. In 1958, a branch was opened in Hong Kong, and in 1962 in Karachi. Thus the bank grew beyond the original region, seeing as it had to find a compensation for the business it had lost in China.

Movement came into the handed-down structures of the East Asian business in the early seventies. Deutsche Bank had, in line with the “Abs doctrine”, displayed little interest in going abroad again with its own branches. After it had issued a bond of the City and Prefecture of Osaka in 1962 – not only the first Japanese bond in Germany but

### **Office Chaos: Inflation in 1923**

In 1923, inflation in Germany after the First World War reached its peak. The reeling currency shook the foundations of the economy and placed companies before insoluble problems. The economic catastrophe had brought operational chaos with it.

Already in 1920, Paul Mankiewitz, member of Deutsche Bank’s Board of Managing Directors, described the situation in the offices “such as I never would have thought possible in such an orderly corporate Group as Deutsche Bank.” At that time, the country was only at the beginning of almost four years of inflation, during which the bottom dropped out from under the value of the mark again and again.

also even the first in Europe after World War II – a representative office was opened in Tokyo together with the subsidiary Deutsche Ueberseeische Bank. In 1971, this was transformed into a branch of Deutsche Ueberseeische Bank, which was actually a stranger in Asia. This construction was also a precursor of a change in branch policies, seeing as Deutsche Bank had made an agreement with the Japanese government that it would continue to operate this as its own branch as soon as it became active in another country. This occurred with the opening of the London branch in 1976, so a branch of Deutsche Bank commenced business in Tokyo already during the same year.

The second important event during this period was the founding of the Europäisch-Asiatische Bank in 1972. Deutsch-Asiatische Bank was merged into it during the same year after the group of shareholders, which still included banks that had founded the bank back in 1889, had previously become smaller. It was no longer German but European partners from within the EBIC structure who participated in the new bank. In 1977 the name of the bank was anglicised to European Asian Bank. With the turning away from syndicate banking and the resulting loss of importance of EBIC, Deutsche Bank step-by-step acquired the equity capital of the European Asian Bank and changed its name to Deutsche Bank (Asia) in 1986. In the following year it was merged into Deutsche Bank.

Due to the flight into tangible asset equities, the stock exchange was experiencing a never before seen volume of trading – the bank publicly criticized the “equity gambling fever” of a broad group of people. Again and again, trading free days had to be declared to handle the flood of orders. In like manner, the cashless payment transactions already demanded during the war continued to increase; in parallel, the number of accounts grew. At the height of inflation, checks were presented that did not even have the value of two Goldpfennigs (approx. 1/210th of a dollar). The Berlin Banking Association therefore resolved only to permit cash disbursements starting from a minimum sum with the countervalue of one

Goldmark and for transfers of five Goldmarks. At the beginning of October 1923, the "T-mark" (thousand marks) was introduced onto the books, but by the end of the month the "M-mark" (million marks) had already arrived and it was followed by the "Bill.-Mark" (trillion marks). The full trillion amounts were written before the decimal, followed by the first two billion digits and the remaining figures were dropped. In all this, one must not forget that the typewriter was still the most important technical aid in the offices.

Further burdens were caused by state regulations. In the middle of 1923, Deutsche Bank complained in its Annual Report: "In 1922 there are no less than 176 laws, regulations and export provisions – including 62 that have only to do with taxes! Profits were low and expenses in all areas were high because of unproductive work. The banking sector that has incurred a very large portion of this unproductive work accrued expenses for rooms and personnel which are out of bounds with the real value of the turnover."

The minting presses could no longer keep up with the accelerating devaluation of money: banknotes went out. "Banknote printing machines were working feverishly and yet a scarcity of payment means was created that was quite nearly catastrophic," reported Hermann Wolff, director of Deutsche Bank's Cologne branch. "On one fine day, we were completely cleaned out. We closed the branch doors and put up a sign: 'Temporarily closed due to lack of currency.' When we went to take down the sign later in the day, it was covered with banknotes that had meanwhile already become worthless due to inflation. Although we could not resume business with these notes either, this assistance was proof that, despite everything, the people of Cologne had not lost their sense of humour."

Humour was also needed on the part of those staff members authorised to sign for the Berlin head office, when the lack of cash money was to be replaced by the issuing of checks. In a circular dated August 16, 1923, on this matter: "On the basis of the resolution of the Berlin Banking Association, we will be receiving M 460,000,000,000 in the next few days as emergency money in the form of

checks to be issued. In total there will be 260,000 checks. Considering the current lack of payment means, we attach the greatest importance in that all available strengths are to be used to sign the checks so that their processing can be completed as quickly as possible. We therefore request you to draw the attention of your gentlemen authorized as signatories (department directors and procurists) that they must be available during the next eight days to provide approximately one thousand check signatures daily. It is not proper that individual gentlemen exclude themselves from the signing of these checks unless there is a very especially serious reason in one case or another. In the interests of the most rapid execution of the resolution of the Banking Association, we would welcome it if also the gentlemen in the position of deputy directors could also arrange to make it possible to participate in the signing of the checks."

Inflation also had a long-term effect on the composition of the bank's personnel. The "bank official" lost a lot of his elite status, seeing as the social composition of the staff clearly changed. This created conflict between long-time staff members who identified themselves fully with the bank and a growing number of trained office workers and employees who earned less and whose pride in working at a bank was less pronounced. For routine procedures – and their number grew immeasurably – specially trained staff members were not needed. In the Annual Report for 1924, Deutsche Bank wrote that the number of personnel totalling 9,587 at the end of 1913 had increased over the course of the year 1923 to 37,000 employees. Here the figure for 1913 included the personnel from banks that were acquired later. Inflation transformed the bank into a large-scale operation, which was also reflected by the establishment of an organisation department at the head office in the year 1921. Restructuring and the schematisation of processes increased: "The requirements with regard to the competency, intelligence and judgement of the average bank employee declined significantly," concluded Hans Janberg, member of Deutsche Bank's Board of Managing Directors in 1958 in his sociological study of bank employees.

## Lost and Found Office

The “Swibbogen” (“Flying Buttress”) of Deutsche Bank and Disconto-Gesellschaft published the following letter on August 1, 1935:

### **Are shirts offensive?**

During a visit to the head office I noticed – a big heat wave was currently holding sway – that the workforce was almost all in comfortable clothing, i.e. only in shirts without suit jackets, actually burdensome at such temperatures. I regret to think that somewhere in a dusty file a company provision still appears to exist according to which counter officials [...] are not permitted to work in shirts. This backwardness should finally be energetically repealed. Many bank counters are subject to steady sunshine. Once the sun god swings his mercilessly glowing sceptre, nearly tropical temperatures rage in the workrooms. The counter official

then suffers doubly under the heat seeing as he must of course move around more than is the case for his other working colleagues. The customers who themselves appear in shirts (the number is very large) certainly have nothing to object to if the employees claim the same comfort for themselves. A precondition is of course that the shirt is absolutely clean. These reasons are persuasive enough in themselves to part with old traditions, which have the counter officials in full disguise at such a great heat. In any case, this easement is also in the interests of business as fresh energy does not suffer from bodily discomfort. The look of a “counter team” clothed in bright shirts would also make a good impression on the clientele.

R. K.

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**Impressum:** This Historical Circular was published by the Historical Association of Deutsche Bank, Rossmarkt 18, 60254 Frankfurt am Main. Responsible in accordance with the German Press Act: Prof. Dr. Manfred Pohl