



## Bank and History

### Historical Review

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#### One Man – One Bank: Adolph von Hanseemann died one hundred years ago

*"A hard man: he seemed to be ... a man with nerves of steel, no one could tell in the morning that he had been treading the evening before – how many times! – over very thin ice."*

Maximilian Harden

A hundred years ago, during the night from December 8 to 9, 1903, Adolph von Hanseemann died. Over four decades he was the undisputed leading figure in Disconto-Gesellschaft, a bank founded by his father, David von Hanseemann (1790-1864).

Hardly conciliatory, and even tending towards coarseness – that's how even his well-meaning contemporaries sometimes described him. Intuition, a strong will, a man of action and without prejudgements, these were considered his outstanding characteristics. Adolph von Hanseemann was one of the most successful and actually also one of the richest bankers of the Bismarck era. His outer appearance – he preferred old-fashioned frock coats – led one to think of a country pastor rather than a big banker.

Born on July 27, 1826, in Aachen, at that time the center of his father's life (who had initiated the cooperative Aachener Feuerversicherungsgesellschaft only a few years previously, one of the first German stock corporations). Like his father, Adolph von Hanseemann also displayed at an early age a distinct favour for the commercial profession. After finishing school in Aachen, he followed up with a commercial apprenticeship starting in 1841, working in Hamburg, Berlin and Leipzig. At seventeen, he was co-owner of the fabric factory of one of his cousins in Eupen. In 1857, his father appointed him proprietor in Disconto-Gesellschaft. Whereas his father reserved the right to represent the bank externally, the junior partner was first assigned to the organization and management of ongoing business.

After the death of his father David, Adolph von Hanseemann took over as his successor. Under his management, Disconto-Gesellschaft developed into the leading Berlin big bank and ultimately to the most important bank of the German Empire. The formation of bank syndicates, already used by David Hanseemann for the purposes of placing large government or private bonds, was developed further under Adolph von Hanseemann's guidance. Also in the mortgage banking area, Hanseemann developed a special initiative. After difficult negotiations, in which even Bismarck displayed a high degree of interest, in 1870 it came to the founding of Preussische Central-Bodenkredit-Aktiengesellschaft, which then incorporated the Preussische Hypotheken-Aktiengesellschaft, which had been founded in 1864.

During the Franco-Prussian war, Hanseemann was financial advisor to the Prussian government. In this capacity, he achieved for the first time that a German government paper, that is the Prussian Treasury instructions, which served towards financing the war, could be placed on a foreign exchange (London). Hanseemann's elevation to the hereditary Prussian noble rank in 1872 was also to honour his services in financing Germany's war costs.

After the founding of the second German Empire in 1871, new areas of work opened up for Adolph von Hanseemann. He established relationships, for example, to the West German mining industry systematically. His particular attention was also focused on the expansion of the railway network. In this, he did not limit himself to the financing of domestic railway lines, but rather participated in numerous foreign railway companies (Gotthard Railway, etc.). In the 1870's, Hanseemann succeeded, together with the bank S. Bleichröder, in restructuring the Romanian Railway of the "railway king", Bethel

Henry Strousberg, which was just before collapsing.

It was at this time that the friendship began between Hansemann and the last owners of the Bankhaus Rothschild in Frankfurt. After Wilhelm Carl von Rothschild had died in 1901, the company was liquidated. In its place came the Frankfurt branch of Disconto-Gesellschaft.

Hansemann supported the colonial ambitions of Germany, first by the foundation of the Deutsche See-Handelsgesellschaft, which prepared the acquisition of four Somoan islands for the German Empire. In 1885, he called to life the German New Guinea Company (Deutsche Neu-Guinea-Compagnie). Adolph von Hansemann dedicated a large degree of attention to this commitment along with rich endowments from his privy purse.

Hansemann's office in the old Disconto building "Unter den Linden 35" was panelled with noble woods from New Guinea. It was from there that he "governed" the foreign holdings. His vision of turning New Guinea into a crown jewel among the German colonies with the help of this company was not fulfilled. When the German New Guinea Company, long after his death, returned profits for the first time, the First World War broke out. News about the Shantung Mining Company – another large colonial project for the development of mineral resources in China – led Hansemann, who was otherwise hardly inclined to show any emotions, to become passionate. When the Supervisory Board member Paul David Fischer reported on the details of his planned business trip into the Shantung Province, "the 75-year-old Hansemann shouted a lively, 'Bravo!', accompanying every sentence with marks of approval, finally jumping from his chair and calling out with sparkling eyes – 'I wish I were going with you!'"

Adolph von Hansemann – one of the largest taxpayers in Berlin – was the embodiment of the feudal patrician, who also displayed his material wealth. He acquired several estates in the German provinces to the East. In total, he possessed 7,000 hectares (27 square miles) of lands that he vigorously cultivated and in whose woods he pursued his passion for hunting. On the island of Rügen, he had "Castle Dwasieden" erected in the style of the Italian Renaissance. In his stately villa in Berlin's "Tiergartenstrasse", industrialists, bankers, statesmen and diplomats from all over the world came to meet. He had not inherited his father's political streak and liberal way of thinking. Like many other entrepreneurs of the German Empire, he was an enthusiastic supporter of Bismarck.

Among the German big banks, Disconto-Gesellschaft was considered to be the most conservative, a belief supported in no small way by Hansemann's understanding of management: "His relationship to the company was not that of a president or of a director, but rather of an independent boss and proprietor. That gave him a certain degree of superiority and a strong self-confidence and brought to the Disconto-Gesellschaft a system in which the private banker's special characteristics were intertwined with those of the stock corporation" – according to the obituary notice in the "Aktionär" ("The Shareholder").

Deutsche Bank, Disconto-Gesellschaft's biggest competitor, took over first place among the large German banks, a position that Disconto-Gesellschaft had long held, during the last decade of Hansemann's life. That the two banks would merge, as they did in 1929, is something that Hansemann would certainly never have been capable of imagining.

## **"Russian bills of exchange are as good as cash": active in Russia for 120 years**

At the beginning of November 2003, Deutsche Bank announced its acquisition of a 40 per cent stake in the Russian securities broker United Financial Group (UFG). At the same time, the two companies agreed on a partnership for certain capital markets business areas. Kevin Parker, member of Deutsche Bank's Group Executive Committee, believes that this cooperation gives the two partners a chance of "together becoming the

leading provider of financial services in Russia."

Cooperation with Russian companies has a long tradition at Deutsche Bank. Its stake in the Russian Bank for Foreign Trade in St. Petersburg, one of the most important joint stock banks in the Czarist Empire, dates back to 1881. The previous year had seen the bank's first exposure to Russia with the issue of Russian railway and government

bonds. Before 1914, though, it was the competition – especially Disconto-Gesellschaft and Mendelssohn & Co. – that set the tone there.

In the period between the world wars, however, Deutsche Bank's Russian exposure developed a very special position. At the beginning of 1925, it set up the *Ausfuhrvereinigung Ost* (Export Association East), with reputable German firms as members. The leading role that Deutsche Bank was now playing in business with the Soviet Union soon attracted public attention. For example, the Berlin periodical *Magazin der Wirtschaft* wrote in February 1926: "Deutsche Bank, which can be acclaimed for its strong flair for business with Russia, has selected several first-class companies from among its customers, brought them together in the Export Association East, and offered the members of this association favourable terms and conditions for discounting Russian bills of exchange." As intermediary between industry and banks, *Industriefinanzierungs AG Ost* (Ifago (Financing for Industry East)) was founded in July 1926, and Deutsche Bank was the only bank represented on its Supervisory Board.

In those years, Deutsche Bank's Russian exposure even took on a fantastic dimension, as detailed in the *Frankfurter Zeitung* on June 29, 1922: "A Russian newspaper report that Deutsche Bank had its own representative office in Moscow and intended to set up a branch in the city is being referred to by the management as incorrect in every aspect." Of course, it would have been a sensation: a major institution of the capitalistic market economy at work in the midst of the young communist state, which had not long before cut away from almost all the traditions in banking. All the same, even back then, the belief was that Deutsche Bank was capable of such a move; another 50 years were to go by, though, before the bank finally opened a branch in Moscow in 1973.

When the "Russian business" began in the 1920's, no-one knew at that time how quickly the business partners would pay. Exemplary payment ethics were the last thing the majority of Western European countries expected from the young Soviet Union. Deutsche Bank, however, considered the development to be positive and showed few reservations. The remark "Russian bills of exchange are as good as cash" became synonymous in the twenties and thirties with

the Soviet Union's payment ethics and the fulfilment of the obligations it entered into.

In October 1925, Deutsche Bank reached an agreement with the State Bank of the USSR over a 100 million Reichsmark trade loan. The following year, yet another larger loan commitment was undertaken: a syndicate made up of 27 banks granted the Soviet Union a 300 million Reichsmark loan to finance supplied goods. This made it possible to operate a substantial export business financed by a total of 12 banking syndicates with Deutsche Bank as lead manager in each case.

By 1941 these banking syndicates had pre-financed a total 1.07 billion Reichsmarks' worth of exports to the East, thereby making the largest international loan business of that time possible. These exports to the East were not merely one-sided deliveries from Germany to the Soviet Union; on the contrary, a brisk exchange of goods emerged at this time, with Germany exporting predominantly high-quality technical equipment to the Soviet Union in return for essential raw materials. Germany's invasion of the Soviet Union ended this long-standing and significant relationship abruptly.

Not until Deutsche Bank had reemerged in 1957 was it theoretically possible for it to establish contact abroad as a unified institution.

Before the "Eastern treaties" were ratified in May 1972, which signified the start of a new phase in mutual trade relations, Deutsche Bank had managed to follow on from the tradition of the 12 "Russian syndicates" with a large-scale "natural-gas-pipeline loan transaction" in 1970. The Soviet Union opened up its abundant natural gas reserves and, with the help of Western technology, constructed a network of pipelines for exporting natural gas, thereby generating income in foreign currency. German companies (primarily Mannesmann) supplied industrial-sized pipes and pipeline equipment. These supplies were financed by way of loans to the Russian Bank for Foreign Trade totalling roughly 7.5 billion marks, which were granted by banking syndicates with Deutsche Bank as lead manager.

At this time, Western banks also started opening representative offices in the Soviet Union. In 1973, almost simultaneously, *Crédit Lyonnais*, Deutsche Bank and *Dresdner Bank* all opened representative offices in Moscow. Deutsche Bank was the second of these

banks to receive its license – probably for the sake of keeping the applications in alphabetical order. This time, in contrast to 1922, there was no need for denial. On March 19, 1973, Deutsche Bank started work at its Moscow representative office, which was initially housed in the historic Hotel Metropol. In 1993, a branch was opened in St. Petersburg,

Russia's traditional window to the West. Following the break-up of the Soviet Union, additional representative offices were opened in several CIS member states. In 1998, Deutsche Bank substantially expanded and re-structured its business activities in Russia and the CIS member states by establishing a subsidiary in Moscow.

## Electricians in a hurry: doing 210 on Prussia's railways

"The use of high speeds is not just the key feature of our transportation system [...], but of all technical creation in the present day", wrote Berlin-based Professor Alois Riedler in 1899, when he declared the "express service" as the hallmark of a new era. Historian Joachim Radkau also believes that the speed and bustle at the turn of the century were not merely fancy: there were actually good reasons why "restless" and "incessant" became fashionable words and

why the German word "Tempo", which had previously meant moderate speed, now resonated like a call for maximum acceleration.

A company which expressed this programmatic stance in its very name therefore fitted in with the era. After more than a year of preparations, a society was founded in Berlin on October 10, 1899 to study electrical high-speed railways. Its members included leading electric companies such as

Allgemeine Elektrizitäts-Gesellschaft and Siemens & Halske; banks such as Delbrück Leo & Co., Deutsche Bank, Nationalbank für Deutschland and Jacob S. H. Stern; as well as companies such as A. Borsig, Philipp Holzmann & Co., Fried. Krupp and van der Zypen & Charlier. Deutsche Bank led the syndicate, seeing as it held the largest share with 20 per cent, followed by AEG, Krupp and Siemens, each holding around 13 per cent. The society's aim was to obtain practical experience in electrical traction. The experiments were also meant to help determine whether an overhead line for the main power supply would also be suitable at high speeds. Until then, a third rail had been considered for this purpose, as had frequently been used by local transport companies.

A 23-km stretch between Marienfelde and Zossen was deemed the most suitable for the planned test run. This was part of the royal Prussian military railway which ran from Berlin-Schönefeld to Jüterbog. It shared a joint track with the Berlin-Dresden railway as far as Zossen. Following approval by the Prussian Minister of War, work began on adapting the stretch of railway in spring 1901. In particular, the roadbed and track needed strengthening owing to the heavy weight of the trial carriage. The first trial runs, in which speeds of up to 160 km/h were reached, showed that it was not up to such

speeds, although in the initial tests, it was deemed remarkable that "at a travelling speed of 100 km an hour, [...] none of the contents of a free-standing drinking glass, full to the brim, were spilt." Two years later, soldiers rebuilt the track and equipped it with heavy rails – "this is an excellent performance which would not have been possible in such a short period of time had civil workers been employed", praised the Supervisory Board of the society.

The overhead contact line ran beside the tracks and not over them; this was only possible because intersections and junctions did not have to be taken into account. The three-phase current required three separate lines which were affixed between five and a half and seven and a half metres high. The Cologne-based company, van der Zypen & Charlier, built the two locomotives; AEG and Siemens & Halske delivered the electrical equipment. The specification was that the vehicle should provide enough space to accommodate around 50 people.

The actual high-speed trials were carried out from mid-September to the end of November 1903, in which both vehicles exceeded speeds of 200 km/h. The fastest journey was on October 28 when more than 210 km/h was reached. Arthur Gwinner took part in a trip in which the carriage travelled at a speed of 180 km/h, as a result, he held the fastest speed record by a member of Deutsche

Bank's Board of Managing Directors for many years.

The *Frankfurter Zeitung* reported that the outcome of the trials had "aroused nervous excitement in all cultivated countries in the world". The tests confirmed that much higher speeds than those prescribed in the operational regulations for main railways at that time could be reached safely with vehicles of a construction not much different from the usual. The results of the experiments were also of benefit for the continued development of the electrical operation of railways although it took decades before three-phase current technology was ready for large scale production.

Emil Rathenau, the General Manager of AEG, depicted the brave new world of the business traveller as follows: "at a speed of 200 kilometres per hour, a businessman could conceivably cover the distance between Berlin and Hamburg without losing any time. He could deal with his post in the morning and with a departure time of 10 o'clock, take his breakfast on the way, spend a few hours on out-of-town matters, if necessary negotiate with a large number of parties at the stock exchange, be back at four o'clock and have time in the afternoon

and evening for his correspondence and other activities, without even needing to tell his relations that he was taking the trip."

Although the trials were highly successful from a technical point of view, it would, however, take some time before they delivered any economic benefits – they were simply too far ahead of their time. However, the two electrical companies in particular wanted to harvest the fruits of the work quickly and proposed a memorandum for a high-speed railway between Berlin und Hamburg as early as the start of 1904 – to Gwinner's chagrin as it was clear to him that the time was not ripe for it. Large photographs of the carriages were displayed and the trial runs were described in great detail at the World's Fair in St. Louis in the same year. However, the anticipated orders did not come in. Once the society had fulfilled its purpose, a resolution was taken to dissolve it in December 1905.

The stretch of the military railway used for the trials was decommissioned in 1920 and abandoned soon after. A plaque at the suburban railway station at Marienfelde is today's reminder of the pioneering work carried out in 1903.

## Lost and Found Office

### Tight cost management

"Georg would like to create a sort of information office at Deutsche Bank. To start it off, he asked me to collect the balance sheets of the most varied companies, sort them and keep files on them. Seeing as we didn't want to subscribe to more than one newspaper, I found out from our acquaintances what newspapers they have and

asked them if I might drop by from time to time to cut out the old balance sheets."

A diary entry in March 1873 by Elise Siemens, wife of the first Spokesman of the "Direction", quoted from Karl Helfferich: Georg von Siemens, Volume 3, Berlin 1923, page 237. Helfferich's comment on the entry: "this bureau gave rise to Deutsche Bank's extensive and excellent 'archive'."