



# Bank and History

## Historical Review

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### **A marriage of convenience 75 years ago: the big merger of 1929**

In 1929, two Berlin banks joined forces that had pitted their strengths in competition against one another over several decades. Both were leaders in capital markets, and both had excellent contacts to big industry and international finance. But despite the common aspects in the structure of their business, there were fundamental differences between the two. Peter Brunswig, Deputy Member of the Board of Managing Directors of Deutsche Bank at the time of the merger, described them concisely: "Deutsche Bank was entirely consumed by the commercial spirit. Every big company has a certain tendency towards bureaucracy, but at Deutsche Bank this tendency was repressed as much as possible. At Disconto-Gesellschaft, however, they had accepted it much more extensively. Years earlier, old Carl Fürstenberg from the Berliner Handelsgesellschaft had said: 'Disconto-Gesellschaft? That's not a bank, that's a bureaucratic department.'"

Starting in the 1860s, Disconto-Gesellschaft was undisputedly Germany's most important bank – today it has been forgotten. Deutsche Bank was the first of Disconto-Gesellschaft's competitors that grew to be a match for it, and they waged stiff competition on the capital markets. At the latest by the 1890s, Deutsche Bank had overtaken Disconto-Gesellschaft. In 1905, Arthur von Gwinner wrote to the New York representative of Deutsche Bank and characterized Disconto-Gesellschaft managers as men, "who bitterly hate us. You are aware that this bank of very old standing [...] had been accustomed for decades to play the first fiddle in German 'haute finance'. It is only natural that they should feel sore about having been outstripped by the Deutsche Bank in every respect." And in his penchant for bluntness, if not dramatic formulations, he passed a condemning judgement on the management

team of the competitor: "I am afraid that between Disconto-Gesellschaft and ourselves lasting peace and honest agreement are impossible. Salomonsohn [...] is insincere and fully unreliable; Solmssen, who I hold to be an upright man, has yet to make a decision; Schoeller is a show-off, whose primary concern is all too frequently the canapés, and who cannot forgive us for having so resoundingly surpassed his institution." Even if a quarter of a century later, when a different generation was at the helm, and Gwinner was relegated to observing events as a member of the Supervisory Board, there was no doubt about it: The merger of the long-time competitors was a marriage of convenience, and not of love.

A merger of this scale was the high point of the increasing consolidation in German banking in the 1920s. The usual procedure was that regional stock corporation banks, which had established a branch network by taking over several smaller private banking houses, were themselves merged into Berlin's big banks. The big banks thus came into the possession of their wide-spread branch networks throughout Germany. Although Disconto-Gesellschaft had already joined forces in 1895 with Norddeutsche Bank in Hamburg and with A. Schaaffhausen'scher Bankverein in Cologne in 1914, it had allowed its regional banks to retain their legal independence – whereas Deutsche Bank downgraded these regional banks immediately to branches. This noble gesture on the part of Disconto-Gesellschaft, however, was to the detriment of a streamlined organization over the long term. Only during WW I did Disconto-Gesellschaft change its strategy and begin integrating regional banks it took over directly into its organization. In addition, key branches were opened directly. At the time of the merger, Disconto-Gesellschaft's branch network was only half as large as Deutsche

Bank's, although it had kept pace in the expansion with all of the other big banks.

The major cause for the rapid consolidation in the banking sector in the 1920s was the pressure to reduce costs. Because many regional and privately owned banks were even less able to get a grip on costs than the big banks, mergers were the consequence, along with the subsequent attempt to form more effective organizational units. The conditions for banks had dramatically deteriorated during the periods of war and inflation. Although revenues increased enormously, net profits did not keep pace with the developments – on the contrary: They were sharply reduced through the steadily increasing administrative costs.

During the ensuing years of inflation, the number of employees also increased significantly. At Disconto-Gesellschaft, it reached the record number of 17,400 staff members in fall 1923 – more than twice that of the last year of peace. At Deutsche Bank, the increase was even greater: In 1923, 32,979 staff members were employed compared to 6,638 in 1913. Dramatic savings in personnel set in immediately after the stabilization of the currency. In addition, streamlining measures were taken, such as the introduction of modern bookkeeping machines, which to a large extent were already based on the use of punch cards. The big banks were among the first to use these expensive machines. Despite the advanced state of technology, profit margins remained below that of the pre-war period. Success was not achieved in decisively reducing the administrative costs.

Disconto-Gesellschaft was also confronted with the additional problem it saw in the strongly expanding competition, which threatened to contest its accustomed rank in the hierarchy of big banks, above all Danat-Bank, which had expanded aggressively in the 1920s. After 1924, Danat-Bank as well as Dresdner Bank pulled ahead of Disconto-Gesellschaft based on total assets as well as debtors and creditors. Disconto-Gesellschaft thus fell back to fourth place among the big banks in Berlin. Only measured on equity capital did Disconto-Gesellschaft remain the second largest of the German banks.

Further consolidation suggested itself due to the reduced profits of the big banks, no longer in the form of takeovers, but rather as mergers among equals. And thus, 1929 was the year of big mergers in the history of German banking. Commerz- und Privat-Bank

and Mitteldeutsche Credit-Bank led with their merger in February, fuelling speculation on other combinations of leading institutions. Questions arose as to whether Disconto-Gesellschaft's advances into Saxony – a branch had been opened in Leipzig in August – would develop into a takeover of the Allgemeine Deutsche Credit-Anstalt. In fact, however, Disconto-Gesellschaft was already conducting secret negotiations with Deutsche Bank.



The main building of Disconto-Gesellschaft in Berlin on the boulevard "Unter den Linden" was emptied after the merger and sold, with all of its contents, to the German Reich in 1933.

The initiation of the two banks' connection can be traced back to 1926 during the summer holidays in Graubünden, where Robert Pferdenges, member of the board of management at A. Schaaffhausen'scher Bankverein, met Oscar Schlitter from the Board of Managing Directors of Deutsche Bank. After returning to Cologne, Pferdenges informed his colleague Georg Solmssen, who was also a proprietor of Disconto-Gesellschaft. Solmssen recorded this report in handwriting, which is the only reason these steps are known at all. In this report he mentioned that the initiative came from Deutsche Bank after negotiations with Danat-Bank had fallen through.

Despite the two parties' shared belief that industrial financing and high costs necessitated a merger, no further concrete discussions followed. Progress was first made

when Deutsche Bank began to look around for other partners. At another meeting in Switzerland, this time in the summer of 1929, between Schlitter and Eduard Mosler, representing Solmssen, who was prevented from attending, discussions moved much closer to an agreement. In Berlin, Mosler continued negotiations with the Spokesman of the Board of Managing Directors, Oscar Wassermann. "Their confidential conferences took place [...] in a Berlin bachelors' home, where they were secure from every indiscretion, actually in the flat of a Director of Deutsche Bank, Dr. Bonn," as the *Hamburgische Correspondent* knew to report. The final negotiations were held in a somewhat larger circle; but keeping the merger plans a secret until their conclusion was a success. It was only during the stock market session on September 26, 1929 that it became known that in the afternoon the Supervisory Boards of the two banks would meet to resolve on the merger. The next day, the news made front-page headlines.

The customers' possible reaction did give rise for some concern. Press spokesman Maximilian Müller-Jabusch explained on the radio that nothing would be "less desirable than, for example, the idea that the mammoth bank, as we have been tastelessly called, would only be there for the really big people." Already on September 30, Deutsche Bank emphasized in a circular: "The most important principle remains, as before, the greatest care in handling client business. To prevent misconceptions – instigated by the highly varying comments in the press and perhaps also by influences from the competition – from becoming established in public

opinion regarding the enormous size of the new institution, we request that you make it your business, especially for the medium and smaller-sized customers, to display, through your willing interest in their wishes, that every person and every company is welcome to us, also in future, as our customer." Shortly afterwards, the branches were instructed "to have a few lines about the pending merger sent to the entire clientele. This at least should counteract efforts stemming from various corners to create the impression that the customers in future [...] would have less of an individualized treatment to expect from us. This must not, however, [...] under any circumstances, involve a letter reproduced in any manner whatsoever; on the contrary, in every case a typewritten letter is to be drawn up, complete with the original signatures of those responsible for the individual customers."

The general meetings of the two banks passed resolutions approving the merger of Deutsche Bank and Disconto-Gesellschaft on October 29, 1929; a contract of four pages was sufficient for this. A bank was thus created that was not only the biggest in Germany by far, but also one that had caught up with the large English and American institutions. Included in the merger were not just Norddeutsche Bank and A. Schaaffhausen'scher Bankverein, which had long been a part of Disconto-Gesellschaft, but also Rheinische Creditbank and Süddeutsche Disconto-Gesellschaft in Mannheim, which had already been in the possession of the two separate banks and which were combined into majority shareholdings with the merger.



*Vorstandstisch in der G.-V. der Disconto-Gesellschaft*



*Aktionäre der Deutschen Bank bei der Rede von Direktor Wassermann*

Pictures in the news of the Berlin newspaper *Der Tag* on October 30, 1929  
*Management Board table at the General Meeting of Disconto-Gesellschaft*

*Deutsche Bank shareholders listen to Director Wassermann's speech*



## Genehmigung der Fusion der Deutschen Bank und der Disconto-Gesellschaft.



Aus der Generalversammlung der Deutschen Bank. Köpfe aus der Verwaltung. Von links: Direktor Kehl, Direktor Blinzig, Direktor Schlitter, Direktor v. Gwinner, der Aufsichtsratsvorsitzende Geheimrat Steinthal, die Direktoren Wassermann, v. Stauß, Fehr, Bonn.



Der Ehrenpräsident der vereinigten Institute Max v. Schindel in der Generalversammlung der Disconto-Gesellschaft.

Photos Echerl.



Aus der Generalversammlung der Disconto-Gesellschaft: Dr. Solmsen, einer der ersten Köpfe der Disconto-Gesellschaft, spricht.

Hamburger Fremdenblatt on October 30, 1929  
Approval of the merger of Deutsche Bank and Disconto-Gesellschaft

Subsequently, duplicate branches in many locations were consolidated. Numerous jobs were also cut at Head Office. For employees, the merger became a terrifying event. The

Social Democratic newspaper *Vorwärts* saw "an army of bank officials facing ruin," representatives of executive employee associations expected reductions of 5,000 to 7,000



jobs. The number of employees actually sunk by almost one quarter by the end of 1932. A portion of this reduction was not due to the merger, but was caused in fact by the economic crisis.

How the tariff wage employees perceived the merger is shown by the review of a staff member working at the Frankfurt am Main branch of Deutsche Bank: "There were two highly rivalled parties. Deutsche Bank employees were insisting on their rights; those of Disconto-Gesellschaft on theirs. Numerous employees were handed letters of termination. Everywhere there were faces lined with concern. But bank management had also thought of ways of helping out. All of the 'Hansemänner' ['Hansemen' from the von Hansemann family, founding proprietors of Disconto-Gesellschaft; with a pejorative undertone] over 45 years old were set to waiting pay and/or pension." The quote gives indications of the tensions that came with the merger among the employees. The previous stiff competition had a lasting influence on many. The operating atmosphere, burdened by the animosities between the employees of the merged partners, suffered heavily under the wave of layoffs. Under these conditions,

it took a long time until the two different identities, which had been defined to no small degree by rivalry, developed into a new shared identity. Even into the 1950s, distinctions were made between former Disconto people, also called "Hansemänner", and traditionalist Deutsche Bank staff members.

The different corporate cultures were still distinguishable many years after the merger. The Spokesman of the Board of Managing Directors Solmssen felt in 1933 that there was still a lot to do, "to successfully establish the traditional discipline of Disconto-Gesellschaft against the more lax methods as we found them among the management of Deutsche Bank." His successor Mosler, in the year that followed, could not resist a broadside at the expense of his colleagues stemming from Deutsche Bank, "who did not agree with the commercial necessity of recording all the negotiations in file memoranda."

Annoyingly enough, the name was often cut up to "Dedi-Bank", which the *Deutsche Juristenzeitung* shortly after the merger complained was "the perhaps most tasteless" of the "numerous name changes which the



Blank form of the first share of the merged bank with the signatures of Max Steinthal, Oscar Schlitter and Oscar Wassermann

rapid pace of our times” has brought with it. This was also the reason the unwieldy name was shortened after a few years. A circular from the Board of Managing Directors summarized the situation on September 8, 1937: “Deutsche Bank and Disconto-Gesellschaft had founded its company in the year 1929 by combining the names of the two joined banks to retain and secure in this manner the intrinsic commercial assets in each of the two banks upon the transfer and thus to signify the full equality of the two banks, not just to guard tradition and commercial transfer, but also to display this externally out of commercial interest. In the past eight years, the transfer of all the assets has been completed, and what has been transferred will continue to exist in the history of the bank.” Nonetheless, by erasing the “Disconto-Gesellschaft” component from the name, the memories of a bank began to fade that had, for almost eight decades, significantly influenced economic developments in Germany. Until then, the Annual Reports had made reference to the founding years 1851 and 1870, and thus the older line of tradition began to disappear. This was solely because the name, the *brand*, Deutsche Bank was simply unbeatable. Karl Kimmich, member of the Board of Managing Directors, believed the name was so good in any case that if it had not already existed, it would have had to be invented. For the board members from Disconto-Gesellschaft, dropping the additional portion of the name unleashed understandable “emotive feelings”, as the Chairman of the Supervisory Board Franz Urbig admitted. But he also conceded he “had always regarded ‘the double name’ as only an



Cost-conscious, the Wiesbaden branch used printed-over envelopes for correspondence with the Berlin Head Office.

episode of a shorter or longer duration, although [he] had always imagined a period of at least ten years.”

It is interesting to note that although the name “Deutsche Bank” won out, the bank was led by “Disconto men” starting from 1933 on. They were unmistakably the dominant figures in the decade and a half after the merger. Only after several years had gone by was success achieved in uniting the two corporate cultures, while keeping the memories of the origins alive. Above all, in the years after WW II, when the big banks were threatened with a permanent break-up, the legacy of the two predecessors was maintained. A volume of biographies published by the bank in 1957 titled “Men of Deutsche Bank and Disconto-Gesellschaft”, however, was a last tribute. Today, Disconto-Gesellschaft has disappeared from the consciousness of the staff and public almost entirely. Its archive has been almost completely lost, so that only episodes of its history remain.

## Lost and Found

### Bank and Music

“For some time now regularly during the mid-day hours, two musicians have been playing music in Mauerstrasse, before the entryways of the bank building. We have observed on several occasions that a large circle of people gather, blocking the street right up to the doors of the bank. Yesterday, like today, too, directly alongside this gathering of people, the bank’s large car, which transports securities and baskets of money, was unloaded. It would be easy for a thief, in exploiting the

cover that would be granted by the gathering of people, in particular, after the confusion caused by a few pistol shots, to rob the car and disappear with the spoils.

We request an instruction from the Direction to building management that these musicians and other gatherings of people are not to be tolerated, at least not in the proximity of the bank’s entryways through which valuables are transported.”

Memo from the Legal Department of Deutsche Bank dated January 27, 1923.

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