

## Bank and History

### Historical Review

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#### Roots in Thuringia: Privatbank zu Gotha

The roots of Deutsche Bank in the German state of Thuringia are in Gotha, where the oldest predecessor bank in the region was founded 150 years ago.

In the mid-19th century, around 20,000 people lived in Gotha, and the town was the capital of the duchy of the same name, which was merged with Coburg in 1826 to form the Duchy of Saxe-Coburg-Gotha. Friedenstein castle, still today the town's most imposing building, served as the dukes' residence, alternately with Coburg. A late 19th century encyclopaedia praised Gotha for its predominantly wide streets and attractive suburbs with villas, beautiful gardens and lovely parks.

"The foresighted civic spirit of Gotha's merchants in the tradition of Ernst Wilhelm Arnoldi as well as the general efforts in business and politics of David Hansemann and Karl Mathy were the inspiration for the foundation of Privatbank zu Gotha." This evaluation, published in 1932 to mark the 75th anniversary of the bank that Deutsche Bank had taken over a few years beforehand says a lot about the circumstances in which Privatbank zu Gotha was founded in 1856-1857. It also highlights the close connections between Privatbank zu Gotha, Disconto-Gesellschaft and its founder David Hansemann, as well as the involvement of the liberal politician Karl Mathy and the economic situation in Gotha at the time.

In fact, Gotha became well-known during the first half of the 19th century as a center for scientific research and as a major publishing location. Trade and commerce developed within the ducal city and became the most important source of earnings for its citizens. One of the most outstanding representatives of the Gotha bourgeoisie was Ernst Wilhelm Arnoldi (1778-1841) – mentioned in the quote above – who gained renown far beyond his home town for being a "founder of insurance companies, manufacturer, economic reform-

er, community representative as well as patron of science and the arts." One of his great achievements was the foundation of the local insurance banks that still exist today.

It is thus hardly surprising that the foundation of Privatbank zu Gotha was connected with this famous citizen. The bank's establishment was preceded by an initiative of the merchants' guild, which had made a corresponding advance three years earlier. On June 24, 1856, the initiative was successful, when Ernst II, Duke of Saxe-Coburg and Gotha, issued a "concession to establish a bank for the Duchies of Coburg and Gotha."

The timing of the foundation of Privatbank zu Gotha was by no means a coincidence. It took place during a literal wave of foundations of stock corporation banks in Germany, lasting from around 1853 to 1856. Other banks established in the same year, for instance, were Schlesischer Bankverein in Breslau, Mitteldeutsche Creditbank in Meiningen, Norddeutsche Bank in Hamburg and Allgemeine Deutsche Credit-Anstalt in Leipzig. Together with Disconto-Gesellschaft and the merchants' guild, Allgemeine Deutsche Credit-Anstalt was among the credit institutions that participated in the foundation of Privatbank zu Gotha – a fact worth mentioning as it had only started business itself a few months beforehand.

A special feature of the private banks founded at this time was that they were often privileged in being allowed to issue bank notes. These "paper slip banks" – as they were also known – emerged mainly in smaller states such as Anhalt-Dessau, Reuss-Gera, Weimar, Braunschweig, Meiningen and also Gotha. The cover requirements for the notes issued by these banks were mostly rather loosely termed and thus certainly not an infrequent reason for the reservations these banks met with.



The former Privatbank zu Gotha building from a photo taken in the 1970s

The involvement of Disconto-Gesellschaft in the founding of Privatbank zu Gotha was not coincidental either. Disconto-Gesellschaft, a bank founded in 1851, was interested in the establishment of similar institutes in Germany, as reflected in its commitments in a number of German states. Originally intended as a long-term participation, Disconto-Gesellschaft's connection with Privatbank zu Gotha was never realized in the planned form and was relinquished in the 1870s.

The man responsible at Disconto-Gesellschaft was David Hanseemann (1790-1864). He had good contacts with another banking expert, also a famous representative of German liberalism, Karl Mathy (1807-1868). Before the establishment of Privatbank zu Gotha, Mathy had conducted negotiations in Coburg on a license for a "private paper-slip bank" for Coburg-Gotha. And he was involved in the foundation of Privatbank zu Gotha, which was presumably one reason that he was later offered the post of the bank's first director – a position he assumed at the beginning of 1858. Mathy's joining Privatbank zu Gotha was against the wishes of Hanseemann – if we are to believe the Mathy biographer Gustav Freytag – as both

men were very much at odds with each other and did not settle their differences until much later. Mathy, who saw his director position more as a sinecure, was only to work at the bank for a short period. He soon left Gotha and joined Allgemeine Deutsche Credit-Anstalt in Leipzig.

Privatbank zu Gotha's share capital at the time of its founding in 1856 was four million Taler. The privilege of issuing bank notes did not have an upper limit. The original concept of a note-issuing bank meant Privatbank zu Gotha was placed under the supervision of the ducal state government. In 1876, the bank waived its issue rights, as this had become less attractive as a result of the 1875 Reichsbank Act, and subsequently focused on other areas of the banking and credit business. However, the state continued to supervise the bank.

Compared with the busy goings-on in Germany's main financial center Berlin, it must have been relatively quiet in Gotha. Thus Mathy's biographer Freytag highlighted the contrasts "between the many speculative transactions of the big company in Berlin and the quiet Privatbank zu Gotha at the foot of Friedenstein." In later years, one of the



bank's special lines of business was the granting of loans to "municipalities, regional boards or other public-law corporations in return for the issue of bonds registered to the bearer."

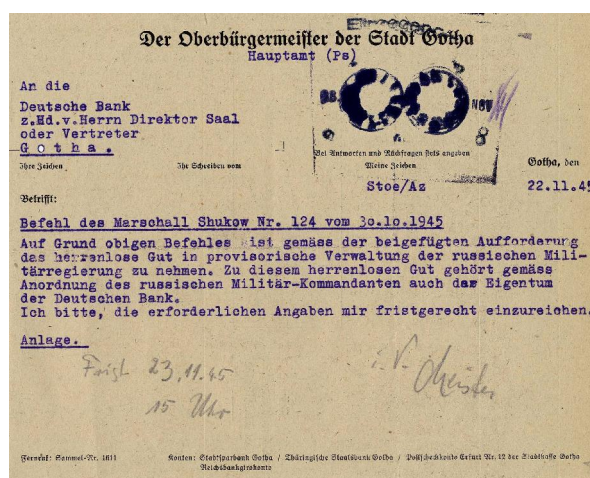
The connection between Privatbank zu Gotha and Deutsche Bank began at the latest in 1877, when Deutsche Bank's Management Board Spokesman Georg von Siemens succeeded Adolph von Hansemann on Privatbank zu Gotha's supervisory board. This also marked the end of Privatbank zu Gotha's connection with Disconto-Gesellschaft. This change, which was linked to Privatbank zu Gotha's conversion from a private bank into a standard banking institution as mentioned above, was the beginning of a cooperation that ultimately ended in the takeover of Privatbank zu Gotha in 1920. Ties remained, however, to the other institutions in the ducal city, as the many connections in personnel showed.

In the years following its foundation, Privatbank zu Gotha became established as a bank with a presence in central Germany, operating branches in a number of cities. For instance, in 1883, an agency of the bank in Leipzig was converted into a branch. In the same year, a branch was opened in Erfurt, followed by an office in Weimar in 1891. Privatbank zu Gotha also expanded through mergers with existing banks. In May 1909, it took over the Arnstadt-based bank Külmer, Czarniakow & Co. – founded in 1878 – and continued to operate it as a branch in Arnstadt. The bank also maintained an office in Mühlhausen and one in Schlotheim, which was opened in 1918, not long before the merger with Deutsche Bank.

The bank's capital was gradually increased. The last increase, which was approved by an extraordinary general meeting in 1905, totalled 2.8 million marks, raising the bank's share capital to 10 million marks. The link between Privatbank zu Gotha and Deutsche Bank was again highlighted in this capital increase, as Deutsche Bank applied for the registration of the new shares at the Berlin stock exchange. Deutsche Bank was also commissioned to issue the new shares.

In the summer of 1876, Privatbank zu Gotha moved into a stately new bank building on Karolinenplatz in Gotha. The building was planned by the famous architect Ludwig Bohnstedt in 1873 and constructed in the following years. Bohnstedt had been living in Gotha since 1863. Well-known throughout

Germany for some time, he reached the pinnacle of his career in 1872 by winning first prize in the international competition for the Reichstag building in Berlin, even though the parliament building was not actually built on the basis of his plans, but on those of architect Paul Wallot. Bohnstedt designed several buildings for his chosen city of residence in Thuringia. Besides Privatbank zu Gotha, he was responsible for the designs of Grundkreditbank and Feuerversicherungsbank, all constructed in the style of the Italian renaissance. With this "bank experience", he won a competition in 1876 to design the new Finish National Bank, which was then built according to his plans in Helsinki.



The confiscation following the Second World War interrupted Deutsche Bank's history in Gotha, and it was not able to return to the former ducal city until after Germany's reunification.

The ties between Privatbank zu Gotha and Deutsche Bank gradually intensified. As early as 1910, *Berliner Börsen-Courier* reported on the Thuringian bank as belonging to Deutsche Bank Group. In November 1920, an extraordinary general meeting gave its approval to the conditions of a merger of the two banks. Shares were exchanged at a ratio of two to one. Privatbank zu Gotha's shareholders also received a cash payment of 20% for the shares they submitted for the exchange. For the personnel, the merger changed very little in Gotha: the new Deutsche Bank Thuringian branches were still managed from Gotha and by the same management board members Carl Cron and Victor Steinohrt. Privatbank zu Gotha's former supervisory board was transformed into an advisory committee for Deutsche Bank branches in Thuringia and additional financial leaders of the region were appointed to this committee. Even the

representative premises on Karolinenplatz remained in the hands of the acquired bank

that became Deutsche Bank's Gotha branch.

## Cutting and pasting in the midst of war

The massive aerial bombings of Berlin in the night of November 22 and 23, 1943, reduced Deutsche Bank's head offices to rubble. The main building was more or less completely destroyed. The fire also devastated a huge number of bank files, including material the economics department had worked decades to compile. The bank had possessed one of the most extensive economic archives that existed at any private company in Germany. Material in the archive had been supplemented through the merger with Disconto-Gesellschaft in 1929. Besides a large library, the archive contained the annual reports, articles of association and prospectuses of all the German stock corporations and larger corporate entities. A general business archive was also maintained, comprising mainly newspaper and magazine clippings of reports on economic issues, with a strong focus on national and international monetary issues, banking, currency and finance.

The largest part of these collections was lost in 1943 in the building at Mauerstrasse 25. Extensive older archives going back to the 1880s that had been moved to a building in the adjacent Wilhelmstrasse were also burned.

It was remarkable that, directly after the catastrophe, work began on reconstructing at

least parts of what had been lost. Companies were requested to send their old annual reports; the library had obtained more than 1,000 volumes by 1944, and a substantial effort was even made in restoring the files of newspaper cuttings. At the beginning of December, the bank contacted the publishing house of the Frankfurter Zeitung, a newspaper which had been banned shortly beforehand, requesting it dispatch all issues dated between 1939 and 1943 once again to Berlin. Indeed, most of the volumes the bank had requested were still available and so, for 285.60 Reich marks (including postage), a total of 46 volumes were sent to the bank, each covering a month of newspapers. After placing the order, Ernst Wilhelm Schmidt, manager of the economics department, changed it to a request for two copies of each newspaper, stating that "it is absolutely essential for clipping purposes that we have a second copy of the same issue." Although the stocks had gradually come to an end, the bank managed to acquire 22 months' of duplicate issues, which cost an additional 137 Reich marks.

Then came the painstaking task of cutting and sorting. The great deal of work involved in this action is concisely documented still today in a single folder of clippings.

## Lost & Found

### No wish to receive best wishes

"We are certain that all our employees wish us the very best for the new year 1930, just, indeed, as we do them. We do, however, urgently request that they refrain from written or verbal expressions of New Year's wishes

addressed to us or to any individual members of the Management Board."

(Memo circulated by the Management Board of Deutsche Bank (signed by Oscar Schlitter and Eduard Mosler) dated December 20, 1929)