



Bank and History

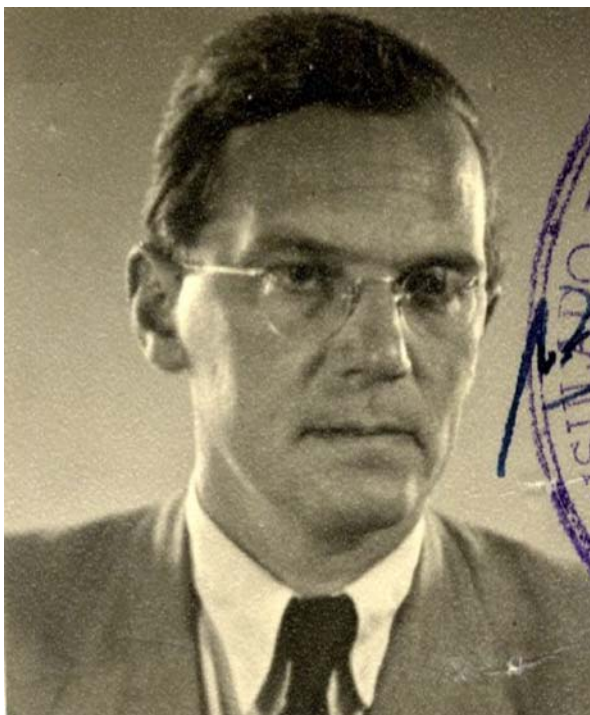
Historical Review

No. 19

April 2009

Remembering Karl Klasen

Karl Klasen was born in Hamburg on April 23, 1909. His family lived close to the port, where his father, a stevedore by trade, worked as an inspector at Lütgens & Reimers. Looking back on his childhood, Karl Klasen described how his father's hard working day, which began at 6 in the morning, determined every aspect of the family's life. Their circumstances were »comfortable yet modest«. In spite of this, Klasen's parents managed to send both sons to university. Karl Klasen started reading law in 1928. In the first semesters of his studies, he was employed as a working student at Hamburg Port and travel guide at Hapag – the same shipping company where he would chair the supervisory board three decades later.



Passport photo of Karl Klasen circa 1951

He was awarded a doctorate in 1933 for his thesis on an international law topic.

Although civil service was initially on his agenda after passing the state examinations, Klasen quickly realised it would be advisable not to continue down the path towards the judges' bench in a national socialist regime. He became a member of the SPD in 1931 before joining the *Reichsbanner Schwarz-Rot-Gold* (a multiparty Socialist Democratic paramilitary force set up during the Weimar Republic in 1924), which regarded itself as a dedicated custodian of Germany's democratic traditions. After working as an assistant judge in a civil court for four months, by coincidence, an opportunity arose for him to join Deutsche Bank. Klasen was offered a position in the Legal Department of the main Hamburg Branch, where he was employed as a legal adviser from October 1935. After two years, he was awarded procuration rights, a decision which was resolved in the same Supervisory Board meeting that appointed Hermann J. Abs as chairman of the Board of Managing Directors. He married Ilse Jacob, whom he had met two years previously on holiday on the North Sea island of Sylt. She was a trained dancer and on tour with Mary Wigman's famous dancing troupe. She gave up her career as a dancer following her marriage.

Having been conscripted into the German Army in 1943, Klasen returned from an American POW camp in Cham to the Hamburg Branch soon after the war ended, where he was appointed Deputy Director. He became a Director of Deutsche Bank in 1948. Some time later, the Mayor of Hamburg Max Brauer offered him the position of president of the recently established

Landeszentralbank (land central bank) in Hamburg, a post Klasen held until 1952. One of the first tasks requiring a lot of skilled organizational and improvisational talent, involved currency reform.



The Hamburg *Landeszentralbank* bought the Karl Klasen House in Rantum on Sylt in the early 1950s as a rest home for Deutsche Bundesbank employees.

In his own words I

As a relatively regular listener to your »Frühschoppen« show, I would like to tell you that last Sunday, my family and I highly appreciated your firm and intelligent stance during the midday talk. It is always astounding to hear how little foreigners, particularly representatives of the smaller nations, understand our concerns regarding the division of our fatherland. It was very good that you dealt with this vigorously for once. We fully agree with you that we in the Federal Republic cannot accept the Soviet Occupied Zone's "division flag", even if this means risking that some sports events will suffer because of it. Our participation in the Olympic Games, wrongly brought up in the discussion, is not endangered as a result because the International Committee only recognises one Germany and hence only one German flag, namely the black/red/gold one. If other international sporting events were not to take place in Germany because of this, it would not be such a pity for the events themselves, rather the only regrettable thing would be if the participants from the Soviet Occupied Zone were unable to enter federal territory. As I know from many personal conversations, trips of this nature are always a temporary relief. For this reason, it would also be good if an official ban on the "division flag" could be dispensed with and the only reasons it

could not be displayed in Germany were because everyone behaved in the same way you did in your talk.

Letter to Werner Höfer, October 27, 1959

As the allocation of the new banknotes had been underestimated, a »fight over the individual money boxes«, broke out among the members of the central bank's governing council, Klasen later reminisced.

A report he gave on a meeting of the governing council of the *Landeszentralbank* in 1950 makes revealing reading. The governing council maintained it was necessary to raise the discount rate, but wished to give the federal government an opportunity to discuss the matter. With the exception of economics minister Erhard, the entire government was against it. Federal Chancellor Adenauer, although anything but an economics expert, did all the talking: »Don't listen to what Erhard says«, he commented, concluding with the statement: »Even Mr. Pferdenges is against raising the discount rate«. Nevertheless, the council stuck to its view and subsequently resolved on a major interest rate hike.

Before Klasen returned to his old working environment, accompanied by his wife he used the three-month period of unpaid leave required by the *Landeszentralbank's* governing council before moving to a new position to take an extended trip to South and North America in the summer of 1952. In September of the same year he was appointed to the Board of Managing Directors of Norddeutsche Bank, one of the three successors to Deutsche Bank, which had been broken up by the occupying forces at the end of the war. His colleagues on the Board included Erich Bechtolf and Franz Heinrich Ulrich.



Karl Klasen (right) and Julius Fromme (Ilseder Hütte) at a Norddeutsche Bank Advisory Board

event in December 1953

Klasen first entered the nationwide public arena in 1958. The reason for this was his position on the supervisory board of Hapag. Behrend Schuchmann, Head of the Hamburg-based Bugsier shipping company had taken over a majority stake in the share capital of this traditional company.

In his own words II

The proxy voting rights clients issue to their banks have, in recent years, made them the whipping boy for every alleged or genuine grievance with the result that I'm personally proposing to our colleagues that banks, and particularly the bigger ones, should, in order to avoid these never-ending attacks, dispense with exercising these voting rights for their clients because, in our opinion, it would not have the least effect on our business relationships.

Letter to Heinrich Deist, December 10, 1959

His attempt to make himself the chief executive of the company with sole power of representation, failed. His foray met with incomprehension on the part of the public. Karl Klasen was deputy chairman of the supervisory board and as spokesman of the minority shareholders, rejected a development which would be seen as damaging for the company. The conflict was resolved in that Deutsche Bank bought Schuchmann's shares and consequently, became the company's majority and subsequently, principal shareholder, for almost the next forty years. A peculiar coincidence in connection with this deal was that Hapag transferred its subsidiary Lütgens & Reimers' tug-boat business to Schuchmann, the very same company that Klasen's father had worked for.

In his own words III

I especially regret that Mr. Abs, who made a real effort to persuade all our clients to reasonable and consequently, now in hindsight, incorrect conduct, by trusting in the government's and Bundesbank's assurances, was so disappointed. Actually, what affects me the most is the ease with which one can now disregard assurances, which, in his day, were not only given solemnly, but were also seriously meant (Blessing). Moreover, we are again faced with yet another half-measure. The outcome is such that neither the opponents nor the advocates

will be able to use it to back up the validity of their theories.

Letter to Hans-Helmut Kuhnke on the appreciation of the Deutsche Mark, March 6, 1961

Klasen also sat on the supervisory boards of Howaldtswerken, Klöckner-Werken, Preussag, Mobil Oil and Triton-Belco. He also chaired the supervisory board of the bank's subsidiaries, Deutsche Ueberseeische Bank and Deutsch-Asiatische Bank, which oversaw its foreign operations.



Karl Klasen and Hermann J. Abs at the launch of a ship at the Howaldtswerke shipyard, August 1967

Klasen was appointed to the Board of Managing Directors of the new Deutsche Bank, re-established in 1957 with its headquarters in Frankfurt am Main. However, he remained in Hamburg until 1967, where the bank maintained one of its three head offices. Management Board

meetings only took place once a month in those days; in this respect, the time required could be justified owing to the continued strongly decentralized nature of the bank's organization.

In his own words IV

As you can see from the attached quotations list, the stock market is down again. Once again, we hope that it can't go much lower. It will, of course, result in more changes to our P+L account, but after all it basically comprises a good formation of reserves, the costs of which will largely be borne by taxes.

Letter to Franz Heinrich Ulrich, October 12, 1962

When Hermann J. Abs changed to the bank's Supervisory Board in 1967, Klasen, together with Franz Heinrich Ulrich, assumed the role of Spokesperson of the Board of Managing Directors of Deutsche Bank. The position was shared for the first time in the bank's history. Ulrich, who had already worked closely with Klasen during the Norddeutsche Bank era, stayed in the Düsseldorf headquarters, while Klasen moved into his second office in Frankfurt following the dissolution of the Hamburg headquarters.



Karl Klasen flanked by Hans Janberg and Heinz Osterwind (left) at a meeting of the Board of Managing Directors in 1968

However, Hamburg remained Klasen's main center of interest, where he continued to devote time to intellectual, social and church pursuits. Although he worked in Frankfurt for ten years, the city never became his new home. He remained a steadfast Hamburg native, and regarded himself more as a businessman than a true *banker*. In the words of Wilfried Guth, »no one could deny his

natural dignity and equilibrium. He inspired respect and confidence in the same measure - the indispensable prerequisite of the banking trade. Everyone who encountered him realised quickly that this was man who could be relied on«.

In spite of Hamburg's status being reduced to that of a main branch within the Deutsche Bank network, Klasen continued to promote his native city, ensuring for instance that Hamburg was the location for the 1968 signing of a contract for a World Bank bond – the most important bond by a foreign issuer hitherto offered publicly in the German capital market. This »is a gesture to the Hanseatic city signifying that Hamburg is not a provincial backwater, as is sometimes stated, but is as equally important an international financial centre as Frankfurt« – was the *Hamburger Abendblatt's* interpretation of the signing.

In his own words V

Article 9 of the Deutsche Bundesbank Act has no particular supporters among the bigger banks [in the Governing Council of the Landeszentralbank]. [...] Consequently, in the case of my nomination, the fact that I was employed by Deutsche Bank was not decisive, rather, having been the first President of the LZB, I had the support of the Senate. [...] If the Senate were to propose a more suitable candidate instead of me, it would not only be perfectly entitled, but also obliged, to do so. However, this is not about explaining to me that contrary to all other members, I have not been appointed as an individual but as a representative of certain interests. I regard this is a personal affront and trust you will not blame me if I am unable to agree with you on this.

Letter to Edgar Engelhard, Second Mayor of Hamburg, February 23, 1963

Klasen was proposed as a potential successor to Bundesbank President Karl Blessing in 1968. However, when the initial probing was not followed up by a concrete offer, in December of the same year, Klasen let Karl Schiller, the federal economics minister, with whom he had close ties since the latter's days as Hamburg's economics senator, know that he had accepted the Board of Managing Directors of Deutsche Bank's request that he stay on at the bank. However, this rejection was, as events would prove, not definitive, as only a few weeks

later, Helmut Schmidt once again held out the prospect of the position going to his fellow party member.

After the Bundestag elections in September 1969 resulted in an SPD and FDP coalition, Klasen was once again in the running to take over from Blessing. The decision was taken in November, i.e. quite late in the proceedings.



Pictured at his desk in Frankfurt

Klasen took up his new office at the start of 1970, which for him meant a major salary cut. »You have no choice in the matter – anyone who turns down public office does not deserve the things life has hitherto given him«, was his explanatory statement.

In his own words VI

As nothing further has happened in this matter, it is certain that the imminent appointment of a President of the Deutsche Bundesbank is not as important to the federal government as it should be in order for me to justify leaving my current position. I have informed my colleagues on the Board, for whom the uncertainty regarding my future collaboration could not be borne for even a limited period of time, that in response to their urgent request to take a decision, I will continue to work for the bank in the future.

Letter to Karl Schiller, December 23, 1968

Klasen had an opportunity to prove his independence only shortly after taking up office. Rising prices forced the Bundesbank to take a tighter monetary policy stance. The discount rate was raised to 7.5 per cent in March 1970 – a level last seen in the early 1930s. The difficult currency policy period which began in 1971, caused further tension in the relationship between the Bundesbank and the federal government.

In his own words VII

Anyone wanting to hold us responsible for the current level of unemployment is confusing cause and effect. In 1974 we were very disappointed that we had to tighten even further. We would have liked to loosen the reins a bit. However, as we believed we had reached the high point in the oil crisis, and that wage increases of 14 to 15 per cent were considered to be reasonable, we had no other option but to refuse to finance such inflationary (wage) agreements. We have always clearly stated that we will not finance inflation.

Interview in *Die Zeit*, March 14, 1975

These turbulent years in terms of economy and monetary policy were marked by the collapse of the Bretton Woods system, the first oil crisis in 1973 and at times extremely high inflation in Germany. The era of full employment was over. In spite of the worsening economy, the Bundesbank maintained a tight monetary policy, by which it succeeded in cutting the inflation rate in half within a period of three years.



Karl Klasen gave Franz Heinrich Ulrich one of the first 20-Deutschemark bank notes from the new series bearing his signature issued in 1970, even going so far as to add an original autograph.

Balance of payment difficulties – or to be precise: differing opinions on the benefits of and need for regulatory measures – drove Klasen into a conflict with Karl Schiller, the economics and finance minister in 1972,

leading to the latter's resignation after he could no longer rely on the backing of the federal cabinet. He should actually have been warned in this respect. As early as 1968, during the first debate on Blessing's successor, the *Platow Brief* predicted: »Be well aware that , regardless of his being labelled one of Schiller's men, once Klasen has taken up office, he will be what he has always been: someone who acts calmly and would never ride on Schiller's coat tails where the interests of the central bank do not conform.«

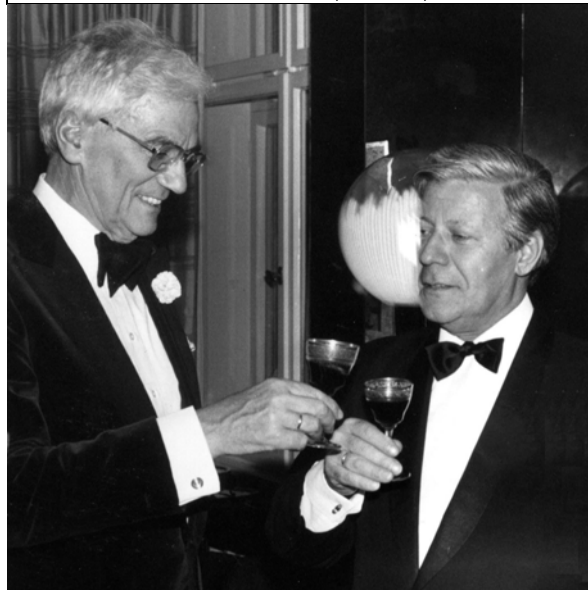
In spite of this intellectual independence, which was naturally supported by the Bundesbank's institutional autonomy, Helmut Schmidt, who became federal chancellor in the second half of Klasen's term of office, was able to pride himself on the good cooperation between the government and central bank: »probably never before in the history of the federal republic has there been such a close cooperation and continuous mutual enrichment between a Bundesbank president and federal chancellor as there has been between Klasen and myself.«

In his own words VIII

The issue dated June 24 of the Abendblatt (Hamburg newspaper), which can be obtained here in Frankfurt too, informs me that the danger of losing you to Hamburg has arisen once again. I personally hope that the unusual ovation on the part of the student body, which nevertheless has to be ranked particularly highly in this day and age, has reduced this danger of this happening significantly. In my opinion, it is impossible to exchange Hamburg for Bonn anyway; I have been in a position to gain a lot of first-hand experience with regard to Bonn recently and would be happy it to

share with you any time.

Letter to Hans Wilhelm Schreiber, June 27, 1975



The friendship between Karl Klasen and Helmut Schmidt went back a long time. In 1953 he helped the recently elected Bundestag member to obtain a loan of DM 5,000 from the Norddeutsche Bank to enable him to buy a car.

Klasen campaigned emphatically and successfully for the stability of the Deutschemark and the autonomy of the Bundesbank during his seven-and-a-half-year term of office. A year after he left the Bundesbank at the end of May 1977 – a few months before his contract was due to expire – he was appointed to the Supervisory Board of Deutsche Bank, after he had requested and obtained the approval of the Bundesbank Council, where he remained a member until 1984.

Karl Klasen died in Hamburg in 1991 one day before his 82nd birthday. His wife Ilse survived him by 11 years.

Lost and found

History lesson

»Dear Sirs, enclosed please find a copy of »An Examination of Banking 1933«, Vols. I and II, containing the results of the investigations by the Examinations Committee on the banking industry in 1933, for your branch library with the request that you recommend those of your trainees who are particularly dedicated to their further education to include the investigations in their studies, and who

are otherwise no longer familiar with the events which leading to the crisis of 1931. We believe it is necessary that the gentlemen whom you will be proposing as participants in the seminars for young directors at the David Hanseemann House should be familiar with this material as the facts of the matter and the consequences arising from it continue to be of importance for our work and credit and business policies today.«

(Circular issued by the Düsseldorf managers of the main branches,
headquarters [signed Ulrich/Janberg] to the October 8, 1957)

Imprint: this Historical Review is published by the Historical Association of Deutsche Bank, Rossmarkt 18, 60311 Frankfurt am Main. Internet: <http://www.bankgeschichte.de>. Responsible in accordance with the German Press Act: Michael Münch.