

Two giant German banks plan merger

Gustav Kemper and Peter Schwarz**11 April 2019**

On March 17, the CEOs of Deutsche Bank and Commerzbank, Christian Sewing and Martin Zielke, announced the start of negotiations on a merger of the two banks.

Speculation about a possible merger have surfaced a number of times following the financial crisis of 2008, but the economic rationality of such a decision was repeatedly called into question. The vehemence with which the German government in particular is now pushing for the merger of the two banks can only be explained by political motives: it is part of the effort to establish Germany and Europe as world powers capable of competing with the US and China.

This is made clear by the “National Industrial Strategy 2030,” which the German Economics Minister Peter Altmaier presented to the press in February 2019. The strategy calls for the formation of “national champions,” “big and strong players on a level playing field with competitors from the US or China.”

As justification, the paper states: “The emergence of a comprehensive world market in more and more regions increasingly raises the question of the critical size required for an industrial player to compete successfully in international competition.” The examples given include various industries and spheres in finance and banking.

The driving force behind the merger plans of Deutsche Bank and Commerzbank is German finance minister Olaf Scholz (SPD), who has been holding talks at an international level for months with rival international banks to explore the opportunities for German institutions on the world market. One year ago, Scholz appointed a finance industry insider, Jörg Kukies, as secretary of state at the finance ministry. Kukies is the former head of the German branch of the US investment bank Goldman Sachs, which also acts as adviser for Commerzbank.

While Germany is a major industrial powerhouse and

third in terms of exports worldwide, behind China and the US, it lacks a major bank to match those of its main rivals. In terms of total assets, Deutsche Bank ranks 15th in the world, behind four Chinese, four American, three Japanese, two French and one British bank. Ranking second among German banks is the DZ-Bank, which is placed 51st in world rankings. Commerzbank is Germany’s third-largest bank (54th place in world rankings).

After a merger, the “Deutsche Commerzbank,” with total assets of over 1,800 billion euros would rank ninth in the world and third in Europe, behind the British HSBC (2,350 billion euros) and the French BNP Paribas (2,000 billion euros).

As long as goods and capital circulated relatively freely internationally, the weakness of its banking sector was not a fundamental problem for the German bourgeoisie. The international financial crisis of 2008, however, ushered in merciless rivalry on the global financial markets. The conflicts between the imperialist powers are coming to a head. Free trade is being replaced by the trade war, championed by the US.

The efforts of the German government to create “national champions” are directly related to its striving to once again become a world power, which requires a corresponding build-up of the country’s military forces. The German army has undergone a process of permanent rearmament following the announcement by former foreign minister Frank-Walter Steinmeier in 2014 that Germany was “too big to comment on world politics only from the outside.”

In order to become a world power, however, German imperialism needs not only a powerful army, but also a globally active bank to finance trade, domestic and foreign investment and its defence industry. The Achilles heel of the German economy is its financial dependence on the US—most recently confirmed by the billions in fines lodged by the US against major

German players such as Siemens, VW and Deutsche Bank. Other examples are the US sanctions against Iran and other countries. China's growing financial power is also being followed in Berlin with concern.

Deutsche Bank played a major role in the First and Second World Wars. Already at its founding in 1870, it set itself the goal of "finally conquering for Germany a place on the table of financial mediation..." This policy then laid the foundation for financing German imperialist expansion in Asia, Africa and South America.

Some economists and financial experts have questioned the viability of the merger project. They fear that the two troubled banks will pull each other into the abyss. "Two sick patients do not make a single healthy one," some commented, with reference to the low profitability and the relatively high cost overheads of the two institutions.

Commerzbank's share price has fallen 42 percent and Deutsche Bank's 71 percent during the past five years. Between 2015 and 2017, Deutsche Bank reported billions in losses, largely resulting from criminal charges for speculation lodged in the US. In the last ten years alone, Deutsche Bank has had to pay up 17 billion euros in fines.

For the German government, however, the merger of the two banks is a political project not an economic one. It is to be financed by massive job losses and drastic cost reductions. The Verdi trade union anticipates that 60 percent of bank branches will close. At present, Deutsche Bank has 2,064 branches, (1,409 in Germany) and Commerzbank about 1,000. Together, the two banks employ 140,000 people. Estimates of expected job losses vary between 30,000 and 40,000 jobs.

The business magazine *Capital* speculates "whether the current management of Deutsche Bank really has the strength and ruthlessness necessary to dismantle tens of thousands of jobs." In this respect the bank management can rely on the support of the SPD and Verdi, which are both determined to create a "national bank champion."

Harald Christ, an executive member of the SPD's economic forum and former holder of a leading position at Postbank and Deutsche Bank, told the broadcaster n-tv that Germany confronted a fatal dependency should it lack its own powerful major

bank. For a merger, "of course, the focus is on lowering costs," he explained, "which means costs of material and staff."

The Verdi union, whose representatives sit on the boards of both banks, have announced temporary protest strikes against the feared job cuts to begin on March 28. These, however, serve merely to let off steam, while Verdi and its works council officials work behind the scenes to develop the plans for job cuts.



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