Deutsche Bank to eliminate one in five jobs

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On July 7 the Supervisory Board of Deutsche Bank gave its blessing to the "most far-reaching restructuring in decades," according to Chief Executive Christian Sewing. Around one in five jobs worldwide, that is, 18,000 posts, will fall victim to the jobs massacre.

Employees are paying the price for the bank's criminal activities over the last thirty years. Deutsche Bank entered investment banking in 1989 with the purchase of the British bank Morgan Grenfell. This became its main activity 10 years later with the takeover of US investment house Bankers Trust. By 2000, Deutsche Bank was the largest financial institution in the world, with CEO Josef Ackermann promising a return on equity of 25 percent.

The financial crisis of 2008 then brought to light the shady transactions upon which this bonanza was based—and not only at Deutsche Bank. For bankers, "every means was OK in order to make a profit," the *Frankfurter Allgemeine Zeitung* now writes in retrospect. "With dubious bets on the US mortgage market, bankers pushed the world economy to the brink of collapse. Worthless assets were lavishly packaged into new securities and sold on a large scale."

In the following years, Deutsche Bank was forced to pay $15 billion in fines for various illegal activities. Nevertheless, the orgy of enrichment continued. Between 2012 and 2018 alone, traders and managers received bonuses totalling around €17 billion, while the bank lost €6 billion over the same period. Last year, the bank still poured out €1.9 billion in bonuses under the new chief executive Sewing.

The share price is now 92 percent below its peak in 2007. An internal "Bad Bank," founded as part of the company restructuring, is to handle balance sheet items amounting to €74 billion—a risk that threatens to push the whole bank into the abyss and trigger a rescue operation at public expense.

Nevertheless, executives continue to pocket a small fortune. The outgoing head of the money-losing investment arm, Garth Ritchie, will receive compensation of €11 million. In 2018, he pocketed €8.6 million euros for his "successes." According to finance daily *Handelsblatt*, the three board members leaving the company at the end of the month—Ritchie, Chief Regulatory Officer Sylvie Matherat and head of private customers Frank Strauß—will together receive around €26 million.

The many thousands of ordinary bank employees set to lose their jobs will receive no such rewards. When their contracts are terminated, they will be told to gather their personal belongings from their desks before they are escorted from the bank premises by security staff—as already witnessed in Tokyo, Hong Kong, Singapore, London and New York. And there is no one to look after their interests.

The unions are full of praise for the dismissal plans. Service union Verdi's chairman, Frank Bsirske, welcomed "the significant downsizing of investment banking" as part of a "radical reorientation of Deutsche Bank." He merely added the hope that the bank would not impose "compulsory layoffs"—the usual formulation employed by the trade unions when they agree to job cuts. The effects "on the infrastructure sectors in Germany" could not be quantified at the moment, Bsirske told the press.

Bsirske personally participated in the restructuring plans. He has sat on the Deutsche Bank supervisory board for six years and collects an annual basic remuneration (various expenses and extras not included) of €250,000 for his services.

The national leader of the DBV union, Stephan Szukalski, sings from the same hymn sheet: "I believe that the measures adopted go in the right direction. It could be a real new beginning for Deutsche Bank."

In the media, the restructuring plan is portrayed as an exit from investment banking that mainly hits the

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highly paid traders and investment bankers in New York and London. The new head of the bank, Sewing, who himself worked for Deutsche Bank for years in Singapore, Toronto, Tokyo and London, is portrayed as a down-to-earth banker from Westphalia, who is taking the bank back to its roots as a financial services provider.

All this is hot air. In fact, it is about removing the bank from its international dependencies and turning it into a national weapon of the German economy in the global trade war. In that sense, it actually is returning to its "roots." When it was founded in 1870, it set the goal of "finally conquering a position for Germany in the field of financial operations. ..." In the following decades, it financially supported the imperialist expansion of Germany in Asia, Africa and South America.

In a detailed interview with *Handelsblatt*, Sewing has made it clear that the bank in no way intends to withdraw from its international business. "Although we are reducing the trading business by 40 percent, this it to make it more powerful," he said. "Overall, we will be a little smaller, but also much more efficient and profitable."

Asked about securities trading, in which the bank turned "a giant wheel," Sewing replied: "We are not ending this strategy, we are only adjusting it very clearly. Because we are remaining a global bank."

In February, in "National Industrial Strategy 2030," German Economics Minister Peter Altmaier (Christian Democratic Union—CDU) had already called for the creation of "national champions" promoted by "large and powerful actors who stand on an equal footing with competitors from the US and China." Federal Finance Minister Olaf Scholz (Social Democratic Party—SPD) and his State Secretary Jörg Kukies, the former boss of Goldman Sachs Germany, then promoted the project of a merger of Deutsche Bank with Commerzbank, which subsequently failed. Now, Deutsche Bank alone is to be built up as the "national champion."

The focus of the restructuring of the finance house is the withdrawal from equity trading in investment banking and the concentration on four business areas.

The *corporate* bank is primarily intended to provide German and European companies with the financial products and services they need for their foreign business: international payments, securing liquidity and trade finance. This bank would support medium-sized companies that were previously served by the Private Customers division.

The other three areas are *private customer business*, which is being merged with Postbank to form DB Privat und Firmenkundenbank AG, the *DWS fund company*, which manages large assets, and the remaining *investment banking*.

The costs of the restructuring are estimated at €7.4 billion by 2022. But by 2022, a profit margin of 8 percent should be achieved for the first time. Shareholders who do not receive a dividend in the next two years should then be royally rewarded.

Costs savings will be squeezed from employees through savings on salaries, downsizing and closing branches, and from customers through increased account charges and other fees.

"Of course, a substantial number of posts will be eliminated in Germany," Sewing told *Handelsblatt*. He did not provide exact numbers, however, *Handelsblatt* assumes that it will be about 10,000 of the firm's 18,000 jobs in Germany. This includes 6,000 at Postbank, the restructuring of which Deutsche Bank already announced in March.

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