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Speech by Federal President Frank-Walter Steinmeier
at the ceremony for the 100th anniversary of
DekaBank Deutsche Girozentrale
in Frankfurt am Main
on 1 February 2018

It is a long-standing tradition in Germany that the Federal President congratulates people on their 100th birthday. Last year, 3347 people in Germany turned 100. As I stand here today, I hope these centenarians will understand that I unfortunately cannot congratulate everyone in person. However, I have come here in person to congratulate Deka and I am delighted to join you in paying tribute to a venerable institution in the German Savings Banks Association. Age alone is no great achievement – but in your sector, turning 100 years old and remaining successful is quite a feat! So first and foremost, congratulations on your 100th anniversary!

I am very happy to be here today because when we look back at the past 100 years of Deka, we also see many – and very different – chapters in German history, ranging from the German Empire to Weimar, from the Nazi dictatorship to the rebirth of democracy and the foundation of the European Union, and from division to reunification and the present day. Deka is an important part of Germany’s economic history.

Its past includes hyperinflation in 1923 and the Great Depression.

It also includes Deka’s financing of the Nazi war machine, millions in loans to Reichswerke Hermann Göring and the dismissal of staff on racist and ideological grounds.

Its history encompasses a new start after the war – a time of reconstruction and the Wirtschaftswunder. Deka lived through the oil crisis and is no stranger to recession and recovery.

It experienced East Germany’s transformation into a social market economy, when it helped the GDR savings banks to merge with the West German system.

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Deka also experienced the dotcom bubble and the global financial crisis. Its past has included both bull and bear markets.

And it speaks several languages – formerly the Reichsmark, Rentenmark and Deutschmark, now the euro and of course, the US dollar, Japanese yen and Chinese yuan.

Deka's history reflects Germany's transformation and growth as a location for business and investment. And in my opinion, its highs and lows symbolise a key principle of our social market economy, namely that economic success and profits are a must, but so is responsibility for society, and most importantly that the financial sector must serve the real economy – and not the other way round! The bank was always on a firm footing when these principles were a priority – as shown particularly clearly during the Wirtschaftswunder. And any time Deka lost sight of these principles, it found itself edging closer to the brink of crisis. Our economic model stands for long-term investments in real added value, and not profit above all, but rather sustainable, healthy economic structures and social responsibility. And its success is based on this principle. Let us never lose sight of this again, including here in the financial centre of Frankfurt!

However, our economic model in Germany has a very specific structure and unique features, most important of which is its three pillar banking system, comprised of private-sector commercial banks, cooperative banks and public-sector savings banks. This third pillar, savings banks, helps small and medium-sized enterprises so they do not have to go directly to the capital market. It helps communities, particularly in rural regions, where they – and I want to underline this expressly as Federal President – support associations and civil society, from football clubs to integration initiatives, thus providing invaluable services to social cohesion. We would no longer be the same country if we lost this.

That sounds like a platitude. But when I say it, I am not forgetting that it was certainly not a matter of course for many years. And nor did it go uncontested. I have vivid memories of times when the Anglo-Saxon model dominated economic thinking all over Europe. This battle for supremacy over manufacturing industry and the real economy was conducted under the heading of "the old economy versus the new economy". Around 15 years ago, reports of manufacturing industry's demise abounded, and those who wanted to preserve it were ridiculed. But this was also a fight against various types of public sector or cooperative banking traditions in the financial sector. German savings banks were the main target. I remember – I was still Head of the Federal Chancellery at the time – our struggle to defend our three pillar system in Brussels. Last week, I opened the "Wall Street Journal", which is usually a cheerleader of Anglo-Saxon capitalism, by the way, and what did I see? I quote: "The 'three-pillar' banking system is (...) a factor in Germany's economic success." It took a while, but it's nice to know that people have now understood this outside Germany, too. You have all known for a long time that we need the three-pillar banking system. And as far as I am concerned, that is how things should remain!

Ten years ago, Deka published its first chronicle of its history. The book ended in 2007 with the sentence "The bank achieved its best-ever results [in 2007]." We all know what happened next. 2007 marked the start of the global financial and economic crisis. This led to the crisis in the euro area that brought our currency to the verge of collapse. Only today, ten years later, have we Europeans recovered from the worst of the upheaval.

At the time, the global economy was on the brink of collapse because banks had taken irresponsible risks and had to be saved by taxpayers to prevent an even worse situation from occurring. Relations between the financial sector and the real economy had spun out of control. Bonuses and salaries had got completely out of hand – and stakeholders in the economy and business sector were not the only ones to suffer as a result. A high price was also paid in the political sphere because trust in democracy was shaken – with long-term consequences. And we should not simply sweep this under the carpet in Germany and carry on as before. Too many people are dangerously deluded, believing that a successful economy does not really need the public to accept the political system. This is an illusion.

Deka did not have to be bailed out by the state during the crisis, but its transactions did not always meet the high standard of corporate responsibility that we expect of an institute in the Savings Bank Finance Group. Cum-Ex is one example – I imagine it still gives some of you here a headache. That also needs to be mentioned in any review of the past.

Today I believe that we did in fact draw the right conclusions from the crisis. The new European banking supervision authority in Frankfurt ensures that banks have higher capital requirements, while a joint liquidation authority will ensure that banks do not cause states to collapse in the future. We have already started reducing risks in banks' balance sheets and improving our joint monitoring and management of crises, but we need to continue working together in Europe on these areas.

2007 was not the first crisis Deka had experienced in its 100-year history. In the early years of the bank, hyperinflation wiped out many people's life savings in just a few days in 1923. In response, the bank took on 200 new employees, not because business was booming, but rather because it needed more people to count the mountains of now virtually worthless banknotes. A few years later, during the banking crisis of 1931, it was not inflation that reared its ugly head, but rather its dangerous counterpart – deflation. A vicious circle of falling prices and wages led to economic collapse and mass unemployment.

These examples show that we can be very glad the Bundesbank and now the ECB have reliably safeguarded price stability for decades. Looking beyond all discussion between the Bundesbank and the ECB on the right instruments for safeguarding growth and limiting debt, I would say that in keeping with the tradition of the Bundesbank, the ECB fulfils its mandate to ensure prices remain stable – the very mandate we Europeans gave it in the EU treaties. Although we can be critical of monetary policy here in Germany, we should not forget this, as the ECB acts for the euro area as a whole.

When a central bank has been working in crisis mode for years, this is a sign that our European house still lacks a truly solid foundation. For this reason, we should use the current economic boom to shore up the monetary union for the next low and the next upheaval that are sure to arise some time. And I believe that we Germans should – furthermore, I am certain that we will – follow the reform course now finally being championed by our neighbours in France. Hopefully, we will be able to provide an answer on this soon.

Since your bank was founded, the financial markets have undergone radical change. Their very dimensions are now completely different. In 1956, during the post-war reconstruction period in Germany, the figures were comparatively manageable. DekaFonds I had a volume of 8.6 million Deutschmarks. Today it is worth 270 billion euros. I would like to illustrate the difference with another example. Let's compare today's head office with that of 1956. Nowadays, there are computer screens everywhere you look. But back then – and we consulted the archives – there were two desks, four chairs and an Olympia typewriter, which had cost 535, 304 and 548 Deutschmarks respectively. That was all the four employees needed.

The clocks ticked more slowly on the trading floors. The managing directors met their competitors every quarter for coffee and a nice chat about investments. In the early years, the Deka fund managers only changed the holdings in 12 companies. As you can see, we were light years from today's high-frequency trading. And the supervisory board's idea of risk management at the time was to set an upper limit of ten percent for shares in breweries.

The savings banks were initially sceptical about the newfangled idea of putting savings in investments. Their reservations sound familiar. They were concerned that clients could lose trust in their bank if they didn't make a profit. It is no coincidence that an old saying still holds true for many people today. It goes like this. How do you make a small fortune on the stock exchange? By investing a large fortune. However, those in favour of investment funds ultimately got their way, as they saw such funds as a good capital investment, particularly in times of low interest and increasing inflation. Those in the know may see parallels with the present in this discussion, but I would prefer to leave this debate to you and your colleagues.

So in hindsight, who was right? Yes, some small investors got their fingers burnt on the stock market, perhaps in part because they lacked sufficient financial expertise. To this day, every second German says they don't have a clue about capital markets, so it is good if we teach some basic information in schools. The savings banks are doing important work in this area, for example with their stock exchange simulation game. But even stock exchange experts need good, personal and objective advice. That is, and will remain, a key task for you and the savings banks. I am aware that people already need a lot of guidance, as financial products become increasingly complex and convoluted. And this need will continue to grow.

Talking about changes in the financial sector, the greatest transformation has only just begun. The financial sector is more affected by the disruption of digital technology than almost any other sector.

There is no doubt that new business models in the fintech sector are creating great opportunities, even if they come from small start ups and not the big players. And yes, there is a need to catch up in this area. Even the real economy, which used to be so analogue, is further ahead than some venerable banks in certain areas. Industrie 4.0 is one example.

And although there are many reasons to admire the sector's so called unicorns, I do not believe every single innovation will help the financial sector in its role to serve. My job in Schloss Bellevue is not to decide which innovation has a future and which one doesn't, but we need this debate in Germany, including here in Frankfurt. Which new financial technologies are of genuine benefit because they increase efficiency, reduce transaction costs or boost the German economy in Industrie 4.0, for example through blockchain? And where do financial services become more akin to conjuring, creating illusions and ultimately harming small investors? In what ways do cryptocurrencies hide from any form of supervision and management by central banks? Where do they make money laundering, tax fraud and illegal business dealings possible? When I look at the rise and fall of cryptocurrencies, at the moment I see less a currency and more a form of digital gambling whose real-life consequences are enormous. The financial sector's main responsibility is to prevent further convoluted speculation and the emergence of bubbles. After all, the last major crisis and bailout by taxpayers' money are only just behind us! And it will not be possible to repeat this.

In conclusion, I would like to speak about what will stay the same. Not everything changes in 100 years. The financial markets may look radically different – they are more international, unfettered, complex and fast-moving – but the expectation that companies will take responsibility, the cornerstone of our social market economy, will remain fundamentally unchanged. And this expectation is important, ultimately also as regards people's trust in savings banks.

It may be possible to restore balance sheets, ratings and benchmarks, but one thing has been permanently damaged by the financial crisis – the image of banks, which you find the most regrettable. If current surveys are correct, then less than half of the German population now trusts bankers. Lost trust must be regained. That is in your interest, but it is also in the interest of the credibility of our social market economy, which needs a financial sector that works properly and is trusted by the public. And I firmly believe this can be achieved. You can achieve it as the Savings Bank Finance Group sees commitment to society as its responsibility. As a member of this group, you are rightfully proud of this self-defined role and the high standards associated with it.

I am certain that even at your advanced age of over 100, you will do your utmost to live up to these high standards. We are counting on you as a part of the German financial sector that is aware of its responsibility. You will continue to be needed in the next 100 years by small and medium-sized enterprises, companies that are established on the market and start-ups. Communities also count on you. And last but not least, so do the people who entrust their savings to you.

I congratulate you on your 100th anniversary and wish you luck and every success in the next 100 years. All the very best!