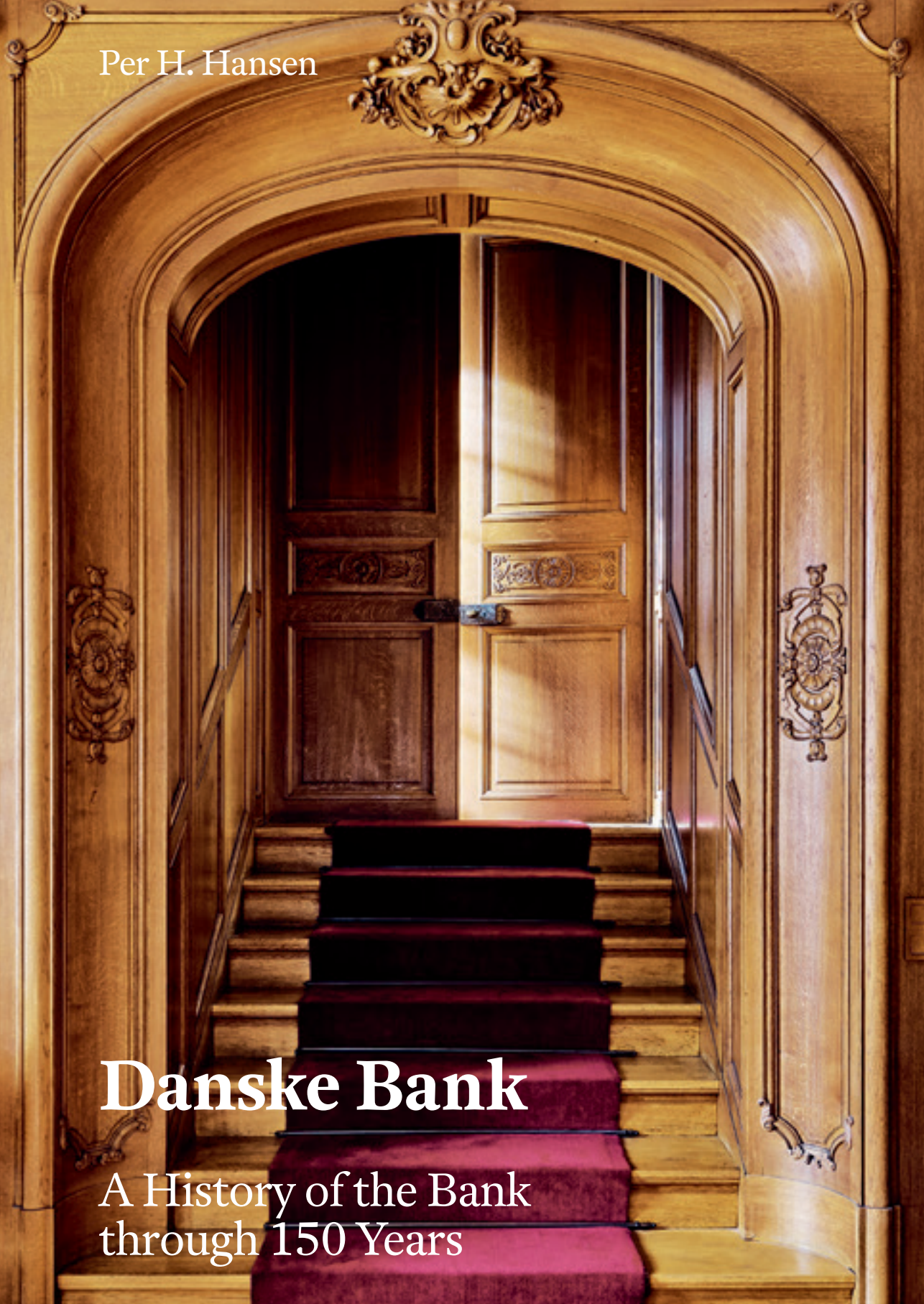
Per H. Hansen



Danske Bank

A History of the Bank through 150 Years

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Foreword
by Carsten Egeriis

Danske Bank was founded in 1871, and for more than 150 years the bank has evolved as a reflection of the societies of which we are part and which we have played an active role in supporting. We have developed alongside social, economic and technological changes in society, and in a constant interplay with the expectations that we, our customers and our shareholders have to our role and responsibilities as a bank.

Understanding our history is important for understanding who we are today. What has shaped us, what values have prevailed throughout the bank's history and what should we take with us going forward? In what ways have we been successful, and where and when have we erred?

This book is a story about the history of Danske Bank from 1871 to the present, written by Professor of Business History Per H. Hansen, who is recognised as the leading authority on the history of Danske Bank. One of the book's most important points is that we have had success as a bank by creating opportunities for our customers and by running a bank that is a means or a lever for others and not an end in itself. Throughout our history, Danske Bank has built its success by being a reliable bank with strong credit management and a conservative view of risk. The times when things have gone wrong, or come close to going wrong, were when we as a bank deviated from these core values.

The historical perspective is important to keep in mind today, as we look forward together following some years of dealing with dark chapters in Danske Bank's recent history. We are taking the things we have learnt with us, just as our other past experiences have become rooted in our way of banking and made us a strong and robust bank.

In 2024 – after nearly 150 years at Holmens Kanal – we are moving to our new domicile in Copenhagen at the site of the former central post office, located between Copenhagen Central Station and the waterfront. As a bank, we are much more than the buildings that provide the physical framework for our business. But as with any other move, the transition to our new location provides an occasion to reflect on our heritage and history, so that we can consider what we want to take with us going forward.

From a societal perspective, there is also great value in looking to the past. Today as a society, we face geopolitical changes that have made the world more uncertain and unpredictable. At the same time, we face an extensive and demanding transition towards an increasingly sustainable

society, where we as a bank can play a key role. This will bring new challenges as well as great opportunities, and it will require that we find new solutions and chart new paths. But we have done this before. We were founded at a time when Denmark was rapidly changing from an agricultural economy to a modern industrial nation. Throughout our history we have contributed to innovation and transition in the societies we are part of, by providing financial solutions that enable our customers to keep up with and stay at the forefront of developments in society.

We will write the future of Danske Bank together – and I am sure that it will be an even better story if we know the history.

I hope you will enjoy reading this book.

Carsten Egeriis
CEO
Danske Bank



1871



1871-1900



1921



1930-1960



1976



1990

DEN DANSKE BANK

2000

Danske Bank

Preface
by the author

This book was written at the request of Danske Bank, but I have had full editorial control in writing it. I accepted the request because for many years I have taken an interest in the use of history and in the history of Danske Bank. It is new, however, that the bank itself shows an interest in its history and how that history can be used to get Danske Bank back on track after a series of deeply problematic episodes in recent years have raised justified doubts about the bank's moral and ethical compass.

Since Danske Bank was founded under the name Landmandsbanken (The Farmers' Bank) in 1871, it has contributed to the development of Danish society, and without it and other banks we would all be significantly poorer today. For the majority of its more than 150-year history, the bank has been a well- and carefully managed, cautious and conservative bank, where diligence, expertise, honesty and consolidation have been central while maintaining the will for growth and innovation.

But twice in the bank's history, the management broke with the bank's tradition and values, and both times it cost dearly in terms of reputation and losses, for customers and shareholders, and for Danish society. And for the thousands of employees who were not at fault but were nevertheless greatly affected.

On two occasions it was ground zero, where the bank became a symbol of all things bad in the financial sector. The first time was the collapse and nationalisation of the bank in the 1920s; the second was the financial crisis of 2008-2009 and the subsequent scandals and criminal offences involving money laundering, Flexinvest and illegal debt collection. Such crises are more than simply financial. They are also cultural, and they force society to respond and make clear that the boundaries of acceptable conduct have been crossed.

History can be used to regain orientation after straying off course, or when a changing world puts pressure on the organisation and complicates navigation into an uncertain and unknown future. Therefore, in this book I have sought to explore whether it makes sense to talk about Danske Bank having a historical tradition that it can use in its efforts to right its course and navigate responsibly into the future. I believe that it does.

It appears that Danske Bank is finally getting back on track after rightly facing condemnation following the financial crisis, money laundering, the sale of problematic investment products, and the case of illegal debt collection. I hope that this

book can help the bank and its more than 20,000 employees gain a clearer perception of where Danske Bank comes from, what it is today and what it will be in the future.

The book's narrative is based on already available knowledge from accounts, books, periodicals, newspapers and the like. The collection of materials was conducted in connection with a larger archive-based research project on the history of Danske Bank that I am working on. That project has received support from the Carlsberg Foundation (CF21-0090), and although this book is not part of that larger research project, being able to use the materials that I have collected in connection with that project has been beneficial to the writing process. And, conversely, the work on this book has greatly helped efforts in connection with the larger project.

Three brief remarks regarding my approach should be noted here. Firstly, I have focused on the part of Danske Bank's history that traces back to Landmandsbanken, which was founded in 1871. In reality, the history of Danske Bank is a conglomeration of the history of many banks, all the way back to the first savings bank from 1810, Denmark's first bank from 1846 and, not least, Provinsbanken (The Provincial Bank) and Handelsbanken (The Bank of Commerce), two large independent banks in their own right, which relinquished their independence and became part of Danske Bank in 1990.

The decision to focus on the Landmandsbank part of the story is both because history is written by the victors, and because it would be impossible to write a book with many different beginnings while maintaining a common thread. What you will read in this book is essentially the history of Landmandsbanken and Danske Bank, not the history of Holsteinborg Sparekasse (Holsteinborg Savings Bank), Fyens Disconto Kasse (The Discount Bank of Funen), Handelsbanken or Provinsbanken. This is not to deny the significant elements in the history of the latter two that have helped shape the organisation and culture of Danske Bank today.

Secondly, like so much historical writing, this book is mostly about the great men – and they were and are men – in the bank, about the decision-makers. In other words, about the bank executives. By the nature of things, they have left far more traces within and outside the bank than the young banking apprentice or the punchcard lady, the bank clerk and the many thousands of other employees who have passed through the offices of Holmens Kanal, Erichsen's Mansion and hundreds of branches throughout the 150 years. But the bank executives were nothing without the many employees, and those in the lower levels have often felt the impacts of downturns more severely than those at the top.

A book could certainly be written about the rank and file employees of the bank, but that will have to be another time,

and it would require different materials than those I have had the opportunity to use this time. Furthermore, it was the bank's top executives who set the course for the bank and made the decisions that either brought success or failure.

Thirdly, the purpose of this book is not to delve into and understand the bank's crises and scandals, and how they could happen. Not because these questions are uninteresting, or to sweep anything under the rug, but because the purpose of this book is another: to look at the long lines in the bank's history to search for a potential tradition and narrative that the bank can use going forward as a compass to navigate by, so that it can avoid harming itself and Danish society again.

When you read this book, it is important to remember that every narrative includes something and marginalises or silences something else. That is just the way it is. This is the brief version of my story about Danske Bank. The long version follows. I would like to thank the bank's department for Group Sustainability, Stakeholder Relations, Communications, Brand & Marketing for a fruitful collaboration and for respecting my insistence on writing the history as I see it – even if it may have hurt a bit sometimes. If all the bank's employees are as competent, conscientious and proper as you, there is hope ahead.

This book was largely written in the evenings, on weekends and during holidays. I owe a debt of gratitude to my wife, Anne Magnussen, who has read and commented on the manuscript numerous times. Everything that is written in this book is my assessment and my understanding of the role and importance of Danske Bank – for better or for worse – in Danish society. It is not certain that Danske Bank agrees with everything, and anything that is included in this book, omitted, forgotten or incorrect is my responsibility and mine alone.

Per H. Hansen



I

The Bank is Established

Landmandsbanken and Isak Glückstadt 1871-1910

Isak Glückstadt was Landmandsbanken's first chief executive.* He established the bank's tradition of conservatism and stable – but not maximum – dividends for shareholders. Glückstadt held the post from 1871 until his death, on 11 June 1910.

The bank is founded

When Isak Glückstadt received a telegram in October 1871 from his former boss in Copenhagen, the stockbroker G.A. Gedalia, it must have come as a surprise. That spring, he had taken a new position as director of Den norske Kreditbank (The Norwegian Credit Bank), and now Gedalia wanted him to come back and serve as head of a bank that did not yet exist.

Isak Glückstadt was 32 years old and had finally settled down with his family in Christiania, as Oslo was then called. Now he was being asked to leave a good and well-paid position in favour of an uncertain future. And it was not because Copenhagen did not already have a bank. Privatbanken (The Private Bank) was founded in 1857 with the just 28-year-old C.F. Tietgen as chief executive, and he quickly demonstrated his abilities as a banker and entrepreneur. Establishing a brand new bank to compete with Privatbanken and to be the one that would challenge Tietgen's position was a daunting task. But perhaps it was also a challenge that was hard to turn down.

If Glückstadt accepted the position, he could expect to face tough competition and opposition – not just from Privatbanken but also from the powerful network Tietgen had amassed during his 14 years as bank manager. Privatbanken and Tietgen stood at the pinnacle of power in 1871.

How could Glückstadt and the new bank take them on? It would take a business model that offered something Privatbanken did not, and that was precisely the idea hatched by the founders. The formal machinations to found the bank had already begun on 5 October, shortly before Isak Glückstadt was invited to take the post as the new bank's chief executive.



Landmandsbanken's first management team. From the left, Bernhard Friehling, C. Harhoff and Isak Glückstadt are portrayed in this 1907 painting by Erik Henningsen. The painting has hung in the "12 meeting room" next to the chief executive for more than 100 years – and it will remain there, as it is fixed to the wall and therefore must not be removed from the listed building. Note the telephone and the fan in the central aspect, which signify a new, modern era of communications and electronics.

The first sign was the new bank's name, which was the result of a compromise between the founders, a group that included Professor of Economics and entrepreneur N.C. Frederiksen and the eccentric and successful stockbroker G.A. Gedalia. The two proposed that the new bank should be called Den danske Hypothek- og Vekselbank (The Danish Mortgage and Discount Bank), but the circle of landowners who participated in the founding meetings on 4 and 5 October at Hotel Phønix in Bredgade in Copenhagen were of a different mind. They insisted that the bank should be called Den Danske Landmandsbank (The Danish Farmer's Bank).

The Solomonic solution was Den Danske Landmandsbank, Hypothek- og Vekselbank i Kjøbenhavn. The long and not particularly catchy name quickly became known colloquially among the Danish people and newspapers as Landmandsbanken, and so it was until 1976. The part about farmers was mostly on paper, as Gedalia did not have any plans for the bank to serve agriculture or the country's landowners, even though their names figured on the board of directors.

Something else that occupied the minds of participants at the founding general meeting was the share capital of 6 million rigsdaler, equivalent to 12 million kroner when Denmark switched to the krone in 1875. This amount was just as much as Privatbanken's share capital. Landmandsbanken was an ambitious venture from the outset. The capital had already been subscribed, but not by the wealthy and politically dominant landowners, who were enthusiastic about the idea but not willing to provide risk capital.

Instead, Gedalia drew on his many connections in Germany's banking world, and as a result the majority of Landmandsbanken's share capital ended up in German hands.

In 1871, Germany had just defeated France in the Franco–German War and ordered France to pay war reparations of 5 billion francs. The massive injection of money into the German economy sparked an economic upswing with unprecedented economic growth of 2 per cent, and up to 4 per cent in the cities.

It was the so-called Gründerzeit, which also left its mark in Denmark. From 1870 to 1875, the total share capital in Danish companies – many of which were newly founded companies such as Landmandsbanken – grew from 82 million kroner to 222 million kroner.

The injection of new German capital and the wave of speculation that followed in its wake were also consequential for Denmark, which in 1864 had lost a war to Prussia that cost two-thirds of its total area and 40 per cent of the population. This was not made better by the fact that only few people and companies bought shares, and people with knowledge of these things knew that the large share subscribers were aiming to score a quick founder's profit.

At the founding general meeting, Gedalia announced that through his office alone, shares amounting to 4 million rigsdaler had been subscribed, of which 1.8 million were by a single foreign shareholder, the banking house F.W. Krause in Berlin. Together with Gedalia and other German banking houses, Krause participated in a consortium that subscribed shares amounting to 4.5 million rigsdaler, taking a commission of 0.5 per cent in the process.

Once the financial side of the matter was taken care of, the meeting elected a provisional banking board of 12 members. In addition to N.C. Frederiksen and Gedalia, the board comprised seven representatives of "big" agriculture, the head of a government ministry, and two merchants. With the election and the provisional statutes in place, Gedalia cried out enthusiastically: "The bank is founded."


Berlingske politiske og Avertissements-Tidende.

Den danske Landmandsbank. Paa det iaftes i Hotel „Phønix" afholdte Møde angaaende Oprettelsen af en Hypothek- og Vekselbank blev Statuterne paa et enkelt Punkt nær endeligt vedtagne, og man besluttede atter at samles idag for at vælge et Bankraad og tage nærmere Bestemmelse med Hensyn til Actietegningen. Af Grundcapitalen, 6 Mill. Rd., var, som vi alt have omtalt, 2 Mill. Rd. forud tegnede, og igaar blev der tildeels paa selve Mødet tegnet imellem 2 og 3 Millioner. Man vedtog bl. A. at kalde Banken „den danske Landmandsbank", for derved at antyde, at den navnlig vilde virke i Landmændenes Interesse.

Landmandsbanken was founded on 5 October 1871. The original founders included G.A. Gedalia and Professor N.C. Frederiksen. Both were appointed to the bank's board, but they only sat on it for a short time due to limited support for their visions for the bank. Both Gedalia and Frederiksen went bankrupt and travelled to the United States. Gedalia soon returned to Denmark, while Frederiksen built a new business in the US. In 1889, Frederiksen went bankrupt once again and returned to Denmark, where he died in 1905.

Landmandsbanken and its world

The idea was to base Landmandsbanken on the principles of Scottish banking, which was known for issuing banknotes, taking deposits, providing overdraft facilities and opening up branches. In addition to these activities was the then dominant form of lending, accepting and discounting bills of exchange, meaning short-terms loans typically based on a specific sale of goods and with a three-month term.

The issuance of banknotes was out of the question, as Nationalbanken (the Danish central bank) had a monopoly in this area since its founding in 1818. However, Landmandsbanken established a mortgage bank that could provide mortgage loans and a savings bank department, which together with the branches attracted deposits from a wider circle of customers. Privatbanken's business model was markedly different. It had chosen not to open up branches, focusing instead on the business world and especially the large companies that Tietgen himself established.

Already in the 1860s, Tietgen had made Privatbanken a universal bank, which in addition to regular banking also participated in the establishment and merger of limited companies. Taking inspiration from French and German banks, Tietgen involved Privatbanken in the founding of companies such as DFDS (1866), Det Store Nordiske Telegrafselskab (The Great Northern Telegraph Company, 1869), Burmeister & Wain (1871) and De Danske Sukkerfabrikker (The Danish Sugar Factories, 1872).

Therefore, it was wise of Landmandsbanken's founders to choose a different business model from Tietgen's. While Privatbanken was a successful universal bank that combined the business bank with an investment bank, Landmandsbanken's founders concentrated on the former.

Tietgen did not take kindly to the emergence of a competitor that could threaten Privatbanken's and his own great success. He was a powerful figure in Copenhagen, and it was rumoured that he attempted to quash Landmandsbanken before it ever got off the ground. The man who was tapped to head Landmandsbanken had to be resilient in the face of intimidation.

The choice fell on Isak Glückstadt. Already by late October 1871, there were rumours in the press that Landmandsbanken's board had contacted Glückstadt on Gedalia's warm recommendation but that he was hesitant to take the post. The average worker's salary in Copenhagen was around 800 kroner per year; when Glückstadt was offered 16,000 kroner per year plus bonus, he accepted. On 5 February 1872, he began as chief executive, working at Landmandsbanken's first offices on Amagertorv 6, where Royal Copenhagen's flagship store is housed today.

On 8 February 1872, Copenhageners could read in newspaper adverts that Landmandsbanken was open for business.

The artist P.S. Krøyer's painting *Men of Industry* was completed in 1904. The work was commissioned by engineer and industrialist G.A. Hagemann, who was part of the circle around C.F. Tietgen. Hagemann stands on the bridge without a hat, while Alexander Foss can be seen to the immediate left of the man with the umbrella.



The first half of the 1870s was shaped by the economic boom that also led to the founding of Landmandsbanken. It was a time of sweeping change. Just 22 years earlier, the Danish Constitution of June 1849 put a peaceful end to the absolute power of the king, turning Denmark into a democracy with freedom of assembly and speech, as well as the right to vote for a specific group of men only. In 1857, the Danish Parliament, then known as Rigsdagen, passed the Freedom of Business Act, which as of 1862 abolished the monopoly of the guilds and instituted the right to establish one's own business. Economic liberalism followed in the footsteps of political liberalism. The Danes were freer than ever before.

Many industrial companies were founded in the subsequent years, helped along the way by the many new banks, savings banks and credit unions that were established in the 1850s and again from 1870. The provincial banks and savings banks often played a major local role. The difference between the two was that the savings banks were independently owned. Unlike the banks, they did not have to generate profits for shareholders



Modern Denmark brought great changes, including new social movements such as the women's movement and the labour movement. It was an age of upheaval, and Erik Henningsen's *An Agitator* depicts workers imagining a new future with improved conditions for both labourers and women. The painting was first exhibited in March 1899, before the "September Agreement" of the same year, in which Danish employers accepted the workers' right to organise.

but could instead use their profits for social purposes. The savings banks often aimed their activities towards the local area and rural households, or the less well-off city residents, while the banks primarily had the business community as customers.

The three so-called main banks – Privatbanken, Landmandsbanken and from 1873 Handelsbanken – stood out in terms of their size and scope of business, both in Denmark and abroad. The main banks in particular made it possible to meet the increasing need for credit that came with growth in trade and industry, and they were responsible for the vast majority of international business transactions.

The founding of Landmandsbanken must be seen in this light. The year 1871 saw a series of events signalling that Denmark and the world were undergoing major changes, which is something that Isak Glückstadt also had to consider as head of an ambitious, newly established major bank.

The Danish Women's Society was founded in 1871, the same year that women first gained access to medical school, and Louis Pio published *Socialistiske Blade*, which signalled the arrival of the labour movement in Denmark. When Georg Brandes began his series of lectures on the predominant trends in European literature at the University of Copenhagen on 3 November, there was no longer any doubt that Denmark was becoming modern.

This involved not only political and economic freedom but a whole new narrative of the world dominated by the individual and a belief in rationality, science and progress. The world had become more closely linked with the telegraph, railways, telephone, steamships and a fixed exchange rate system – the gold standard whereby currencies were pegged to gold, providing an effective safeguard against inflation.

This was all part of the first globalisation period from around 1870 with free movement of goods, capital and labour. Many people moved to the cities or emigrated to America in search of a better life, while capital flowed to where the expected return was greatest. Incomes increased and slowly allowed for increased consumption and new ways of life for some groups in society.

Farmers, agricultural workers, servants and workers in the city lived a wretched life in poverty with all sorts of social and health problems. Proper sewage, toilets and electric street lighting did not come to Copenhagen until the 1890s. For the vast majority of Danes, the work was gruelling and

the workdays were long. It was no coincidence that the labour movement gained steam during these years.

The many changes nonetheless gave rise to optimism about progress, but also to increased uncertainty about what the future would hold. There were multiple paths to a modern capitalist society, leading to a tug-of-war between an agrarian capitalistic and an urban capitalistic approach, both of which sought to define what modern Denmark should look like. This battle unfolded in the parliament and in everyday economic life, where agriculture accounted for the lion's share of Denmark's production and exports. This economic position of strength also came with significant political and cultural influence.

Landmandsbanken quickly became part of this battle, but not on the side of agrarian capitalism as the name would suggest. Instead, it became a battle between the farmers' cooperatives, savings banks and folk high schools on the one hand, and the cities' industrial and trade companies, the banks and a focus on the individual on the other.



This book's focus on the bank, chief executives and impressive buildings such as Holmens Kanal 12 could lead one to believe that everyone in Denmark was living large. This was not the case. Much of the country's population lived in poverty, as evidenced by this picture from a Copenhagen backyard in 1910.

Landmandsbanken was not only part of urban capitalism and a fledgling shareholder culture, but it was also located in the centre of the capital city. The contrast between country and city was one of, if not the, dominant conflict in Danish society. This conflict came to a head during the fight for a constitution, where the party of the landowners and urban capital, Højre, under the leadership of J.B.S. Estrup, held the farmer's party, Venstre, out of political influence. As he did not have a majority in the Danish Parliament, Estrup governed instead with provisional laws until the system change of 1901 when parliamentarism was finally and reluctantly accepted by the king.

Many farmers had high hopes for Landmandsbanken, largely because of the name alone. "It has been impossible to raise money, not least for industrious farmers," wrote *Jyllands-Posten* on 1 November 1871, the same year the newspaper was founded. With Landmandsbanken, increased access to money and credit would increase the rate of activity, with higher profits, more jobs, expansion of the railways and, ultimately, increased tax revenues.

This is the difference that a bank can make in society. Landmandsbanken would improve access to credit, which would lead to a snowball effect that increased employment, as well as economic growth and development. This gave hope for a better future, including outside the capital. The plan to open branches

in "the country's various regions is brilliant and impressive", wrote *Jyllands-Posten*.

But not everyone shared the newspaper's optimism and hopes for the new bank. *Horsens Folkeblad* wrote that putting trust in "the new Landmandsbank, which a professor, some peddlers and a few landowners are in the process of founding" was simple and foolish talk. It could not be expected that a big city bank would help the provinces.

The two competing narratives reflected the conflicts that shaped Denmark at the time: the contrast between city and countryside, between farmers and landowners and urban capitalists, between Venstre and Højre. In order for agrarian capitalism to gain ground, one should rely not on urban capital but on oneself. And the citizens of the provincial towns did not always look fondly on the capital. Landmandsbanken had to navigate through quite a minefield of challenges. Now it was up to Isak Glückstadt and his employees to make Landmandsbanken a success despite the opposition and scepticism of Tietgen and others. The bank had to prove its worth in practice.

Isak Glückstadt's bank

With the implementation of the Freedom of Business Act in 1862, Denmark had become one of the most liberal countries in economic terms. Companies had to be registered and keep accounts, but otherwise there was largely complete freedom, including for banks. Denmark did adopt a Savings Bank Act in 1880, but the first Companies Act was not passed until 1917 and the first Banking Act in 1919. In general, the state interfered very little. There was no economic policy, as this was not the state's domain. Nationalbanken was a private limited company that competed with the other banks. It could also issue currency and adjust the interest rate, but this was primarily done to maintain the krone's exchange rate in relation to gold.

Landmandsbanken and its competitors could engage in the business activities and take the risks they saw fit, both nationally and internationally. Decisions on the amount of equity capital and liquidity were left to the management, as was the placement of the bank's funds in lending and securities, and its involvement in companies, issuance of bond loans, share issues and international business. There are no indications that the board of Landmandsbanken held the management on a tight rein.

The Danish economy was rapidly growing, and Landmandsbanken opened branches in Nyborg, Elsinore, Kolding and Vejle, as well as smaller offices in Holbæk, Nykøbing Falster, Nykøbing Sjælland and Nykøbing Mors, giving the bank a presence spread across Denmark. Landmandsbanken also established connections with a number of local savings banks

and banks in many provincial towns. This secured the deposits that were needed for the bank's activities.

Landmandsbanken provided loans to a number of merchant, craft and industrial companies, while both mortgage loans and overdraft facilities were in demand by the agricultural sector. After completion of the first financial year, the bank had a balance sheet of more than 13 million kroner and a net profit of 334,000. After provisions, depreciation and payments to the management and board, the shareholders received a dividend of just over 6 per cent.

Glückstadt was also prepared to draw on his network in Norway. From his time as a trainee with Gedalia and as an independent banker and stockbroker in Christiania from 1865 to 1871, he was familiar with the aspects and management of underwriting an issue. This led to the bank participating in a Norwegian state loan.

Already in its first year, Landmandsbanken purchased the Danish Industrial Association's property in Holmens Kanal 12 for 220,000 kroner. It was a large, stately building constructed in 1795 for Pierre Peschier as a merchant's house and private residence. Landmandsbanken's management had ambitions and a belief in the future.

Isak Glückstadt was prepared early on to compete with Privatbanken and any other competitors that might enter the fold. The cautious Scottish business model could easily be expanded to include higher risk and higher profit activities should an opportunity arise.

It soon did. The bank's annual report for 1872 states that the bank "contributed to the provision of capital for various industrial plants". In March, the bank was responsible for a share issue for the faience factory Aluminia amounting to 800,000 kroner, of which half was already "placed", meaning acquired in advance.

Two months later, Landmandsbanken was behind the issue of shares amounting to 1 million kroner in Sukkerfabrikken Lolland, where half of the shares were also subscribed in advance. The following month saw the issue of shares for 320,000 kroner in the horse carriage transport company Kjøbenhavns Drosche Kompagni. And in March 1873, Landmandsbanken together with Industribanken (The Industrial Bank) guaranteed the establishment of the limited company Hellebæk Klædefabrik (Hellebæk Textile Factory) with a share capital of 750,000 kroner.

The economic boom, combined with an abundance of money in Germany, made a mark on the Danish economy and led Landmandsbanken to expand beyond the planned business model. There was money to be made, and a successful issue yielded a handsome fee and a founder's profit.

The regular banking business and the mortgage bank were also developing rapidly during the bank's first years. The bank particularly attracted one type of clientele that was not served by Privatbanken's focus on large companies: the smaller trade, craft and industrial companies. Meanwhile, the network of branches quickly proved to be an advantage for the bank.[1]

That market and strategy strengthened Landmandsbanken, even after the biggest economic boom in living memory came to an end.



Unlike Privatbanken, Landmandsbanken quickly adopted a business model based on branches and savings bank deposits. This was a critical factor in the bank's rapid growth, and around the turn of the century it was by far the largest bank in the nation. The picture here from 1902 shows the bank's savings bank branch in Asylgade in Copenhagen's city centre.

The great crisis and a cautious bank

Economic downturns in the United States and Germany in 1873 spread rather slowly to Denmark, but in its report for 1873, Landmandsbanken mentioned the uncertainty that had arisen in the two countries. The bank stated that it required "a high degree of caution to engage in or even completely avoid transactions that in different times could be pursued without concern and to one's benefit".[2]

Glückstadt quickly returned to the cautious approach and – with a few notable exceptions – it became a guiding principle and hallmark of the bank throughout the 20th century. In the latter half of the 1870s, Denmark was plunged into economic crisis and some smaller banks and savings banks had to close, while Privatbanken had to write off its entire reserve fund in 1877. Tietgen had engaged the bank in speculation in shares of Det Store Nordiske Telegrafselskab in an attempt to keep the price up, but Privatbanken lost money and lost deposits to such an extent that it was forced to reduce its activities. In 1879, it was surpassed by Landmandsbanken as the country's largest bank.

Glückstadt learnt from the difficulties faced by Privatbanken, but he also learnt some lessons first-hand. The bank's deposits declined, and the engagements with Hellebæk Klædefabrik and Sukkerfabrikken Lolland caused problems. The shares in Hellebæk Klædefabrik were worthless for a time, and a newspaper reported that the factory was founded during "the stock mania". Glückstadt had likely been swept up by the general optimism that reigned.

Things were not much better for Sukkerfabrikken Lolland, but at least the bank had good security, so it continued the engagement in the hope that the factory could survive despite fierce competition from Tietgen's De Danske Sukkerfabrikker.

Here, the difference between Privatbanken and Landmandsbanken, and between Tietgen and Glückstadt, became clear. Landmandsbanken's reputation as a successful, well-managed and cautious bank was established very early on after the problematic attempts as a universal bank. A cornerstone of the bank's identity, culture and reputation was thereby laid, both in the bank's self-perception and in the surrounding society.

Very early in his career, Isak Glückstadt discovered that a bank is very sensitive to economic swings – and if he needed a reminder, he could simply look over at Privatbanken in the stock exchange building a few hundred metres away to see how difficult it could be to run a universal bank in the face of crisis and a shortage of liquidity in society.

Due to the tightening of the money market in 1876, the bank became reluctant to engage in business that would tie up its assets over a longer period of time. It was also very cautious about major engagements and only participated in the aforementioned Norwegian state loans and the financing of a Swedish railway. Instead, Landmandsbanken dedicated its energy to expanding the branches and connections with the provincial banks.



Hellebæk Klædefabrik was founded in 1873 with help from Landmandsbanken. As seen in Frederik Carsten Henrichsen's painting from 1875, the factory was situated in scenic surroundings north of Elsinore. In the second half of the 20th century, it became increasingly difficult to run a clothing factory, and like so many others in the industry Hellebæk had to close down in 1977. Today, the buildings are used for a mix of commercial and residential purposes.

It sought to generate more business and more deposits, and the bank's management believed that it had found the "golden mean" between being proactive and avoiding "the threatening shadows". Landmandsbanken's board told the annual general meeting in 1877 that this was "clearly attributable to the chief executive", Isak Glückstadt.[3] Although Glückstadt did not do it alone, the narrative of him as the bank's adept and prudent director was quickly established.

The following year, Landmandsbanken also began making provisions for potential losses. This cautious approach was not to the liking of all the shareholders, who felt that the money was better spent on dividends. But the board stressed that a large dividend was not a goal in itself, and as if to give weight to these words, it reduced its own remuneration for 1879 by 20 per cent. The board "had found the full remuneration excessive given the work performed" and chose to use the money for further consolidation.[4]

During 1879, economic conditions eased, but in some areas things remained difficult until the mid-1890s; the period was known at the time as the Great Depression. Little could they know that some decades in the future, that term would be reserved for the economic crisis of the 1930s. During the crisis years from the 1870s to the 1890s, grain prices declined and Danish agriculture made a fortunate transition from plant- to animal-based farming.

It was against this background that the cooperative movement blossomed in the 1880s, with cooperative dairies and slaughterhouses scattered across the country. It was agrarian capitalism at full steam ahead, and the result was a long-lasting export adventure based on Danish butter and bacon, especially to the United Kingdom.

Despite the difficult times, Danish agriculture established major exports to the United Kingdom, and Landmandsbanken doubled its balance sheet from 45 million kroner in 1880 to 96 million kroner in 1889. Handelsbanken, which was founded in 1873, experienced even stronger balance-sheet growth than Landmandsbanken, going from 17 million kroner to 41 million kroner, while Privatbanken stagnated following the setbacks from Tietgen's speculative activities in the 1870s.

Privatbanken's business model faltered, and Tietgen was weakened. This was Landmandsbanken's and Isak Glückstadt's big opportunity.

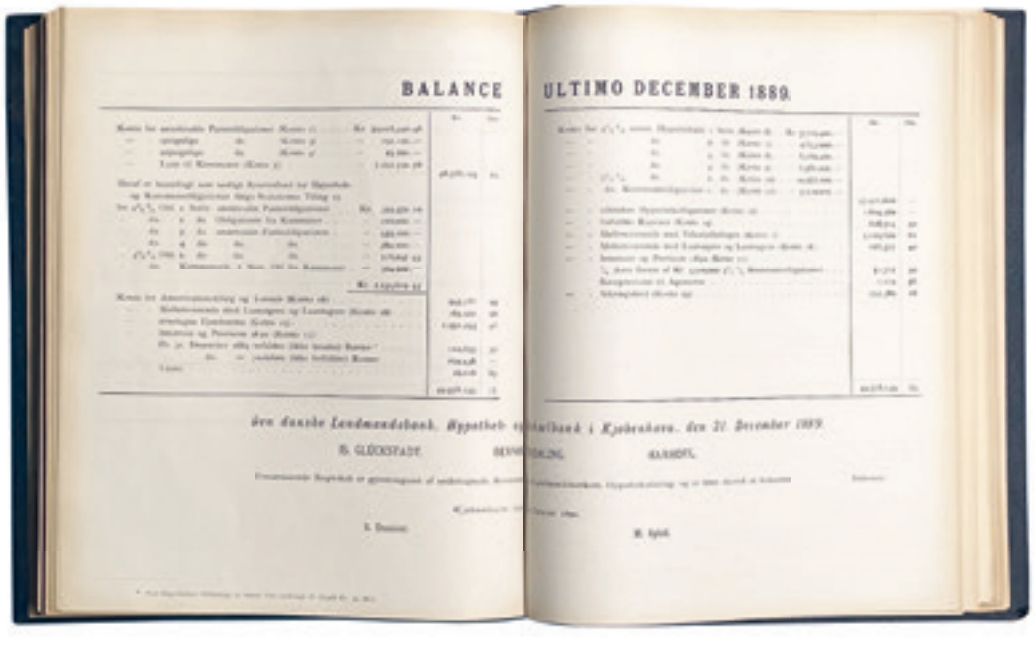
The soundest banking principles

In 1875, Landmandsbanken moved into the new offices in Holmens Kanal 12, which in the following years underwent reconstruction and expansion. Isak Glückstadt moved into the private residence on the second floor. The front office area was expanded, while additional offices and a bank-box department were established in the basement, where customers could store their valuables for an annual fee. The box system was known from the United States and quickly became popular with customers.

The discount rate fell as low as 3 per cent numerous times during the 1880s, which was the lowest since the founding of Nationalbanken in 1818. This led to a high volume of conversions and pressured the banks' interest margin and thus earnings. In late 1885, Denmark was hit by a serious liquidity crisis and a series of "unexpected large bankruptcies, which gave rise to a kind of panic, which, however, spread more among the population than on the stock market".[5]

Landmandsbanken was not affected by the bankruptcies that followed with the crisis, but the management was forced to acknowledge that threats could also come from within. The cashier at the Vesterbro branch had stolen from the till. He had speculated in foreign stocks and lost 208,000 kroner – a gigantic sum that he covered by "borrowing" from the bank. The incident cost Landmandsbanken 130,000 kroner and led to increased controls on speculative activities by bank staff. The cashier was sentenced to two and a half years of imprisonment.[6]

As early as 1889, Landmandsbanken was the undisputed largest bank in Denmark. The picture here shows the balance sheet of the headquarters' branch, which was 18 million kroner less than the total balance sheet. The accounts were audited by auditors elected by the general meeting. External auditing was still a thing of the future.





While Isak Glückstadt and his family moved in on the second floor of Holmens Kanal 12, a bank-box department was established in the basement. From 1882, the bank's customers could rent a safe-deposit box. It became a great success and an example for other banks to emulate.

The following year, Landmandsbanken expanded its share capital by 12 million kroner to 24 million kroner. Crisis or not, the bank had strong growth in both its business and influx of customers, and the issue was quickly oversubscribed. Once again, it was German capital that subscribed the lion's share – 9 million kroner. The bank refrained from share issues in the 1880s but participated in a number of state and municipal loans, as well as state-guaranteed railway loans. The risk was significantly lower than with share issues, and the bank still achieved good results.

The polarised political climate of the Provisional Era also spread internally at Holmens Kanal. In June 1884, the bank terminated Herman Bing, who had been the head cashier since 1872. Bing was a member of the political party Venstre, and the year before he was a co-founder of Copenhagen's Liberal Voters Association. The bank's board and management were probably primarily supporters of Højre and without much sympathy for Venstre; when Bing ran for a seat in the parliament and held voter meetings that were also covered by the media, it apparently became too much for the bank's management.

The news of the firing reached all corners of the provincial press and thus became yet another small episode among the



Until 1882, Georg Brodersen had a dance school on the second floor of Holmens Kanal 12. After this, Isak Glückstadt converted the premises into a residence for himself and his family. The room here was the family's dining room. It was restored in 1978 and became one of the bank's finest reception rooms.

Holmens Kanal 12. The statue in front of the building by sculptor Theobald Stein depicts Admiral Niels Juel aboard the battleship *Christianus Quintus* as he gives the signal to attack the Swedish fleet in the 1677 Battle of Køge Bay. The statue was unveiled on 21 September 1881, and since then the bank's chief executive has had a view of it from the first floor.



many battles of the era. In the framing of the newspapers tied to Højre, Herman Bing was terminated because he demanded two weeks of summer holiday. According to the newspapers tied to Venstre, it was "beyond any doubt" that the dismissal was political.

For Herman Bing, the dismissal was of no major concern, even though he did not win election to the parliament. He was a wealthy man, and in October of that same year he founded the newspaper *Politiken* together with Viggo Hørup and Edvard Brandes. *Politiken* became a mouthpiece for the radical wing of the Venstre movement during the constitutional struggle, and the newspaper's relationship with Landmandsbanken was mixed.

Until 1889, business articles in the newspaper were written by Edvard Brandes' brother Ernst. He was trained as a stockbroker and accountant, and he wrote frequently and fearlessly about Landmandsbanken. Brandes praised the bank's expansion of its share capital in 1886, which was "one of the most skilful operations carried out in this country in a long time". While other banks had curtailed their activities after the crisis, Landmandsbanken continued its expansion.

"The numbers can come as no surprise to those who have had the opportunity to witness the force with which Landmandsbanken has attracted customers and businesses. It has managed to attract large customers and significant business, without neglecting smaller scale-day-to-day commerce. In its brief life, it has closed state and municipal loans, started industrial enterprises, covered the country with branches, raised its mortgage and savings bank businesses to new heights while also ingratiating itself to the small and large merchants whose businesses it supplies and to whom it shows trust."[7]

Later that same year, Brandes wrote that Landmandsbanken's discounting of bills had surpassed that of other banks and that it treats "its customers brilliantly".[8]

But as the brother of Georg and Edvard, Ernst Brandes could do more than just praise the bank with his accounting acumen and sharp pen. He was also a thorn in the side of Landmandsbanken.

If one had confidence in the bank, wrote Brandes, it could only be because of trust in the management, since it was impossible to fully understand the bank's business by just reading its accounts. And he remained persistent. In a series of long articles in *Politiken* in 1886 and 1887, he lambasted the bank and its management for submitting incomprehensible accounts, and in June 1887 it continued to the point that Landmandsbanken carried out an advertising boycott against *Politiken*. At least that was the newspaper's explanation for the disappearance of adverts from the bank, and there was likely some truth to that theory.[9]

Politiken was not the preferred media of the bank's management. When Isak Glückstadt and the bank responded to Brandes' long articles, it was in the pages of *Berlingske Tidende*, which had a more friendly inclination towards the bank.

In December 1887, *Politiken* claimed that the bank had lost deposits. Isak Glückstadt refused to let such a claim stand unrefuted. That same day, the bank responded in the evening edition of *Berlingske Tidende*: "When *Politiken* thinks that it can shake the trust of the public, it seems to be engaging in a futile task, as the large audience that has followed the bank for the 16 years of its operation knows very well that the bank, which only in its very first years engaged in the founding of a couple of smaller limited companies, has stayed far away from everything that does not pertain to the legitimate banking business … in accordance with the soundest banking principles."[10]

The strained relationship between *Politiken* and Landmandsbanken showed how difficult it was to remain impartial in the constitutional struggle during Estrup's Provisional Era. Just as the population, the newspapers were divided according to their ideology, and every larger city had newspapers associated with each of the four large political factions.

Landmandsbanken, Frihavnen and Østasiatisk Kompagni

At the end of 1890, Landmandsbanken's balance sheet reached 92 million kroner, while Handelsbanken's amounted to 32 million kroner and Privatbanken's 37 million kroner. There was no doubt which bank was the dominant one in Denmark. The focus on branches and savings bank deposits ensured this success by attracting ordinary customers who were of little interest to Privatbanken.

Meanwhile, the bank continued its cautious yet expansive strategy. It recognised its securities below the market price and cautiously made provisions for unforeseen losses in addition to



Landmandsbanken's first share issue was conducted in instalments. Shown here is a receipt for the first instalment out of 20 for the share's face value of 200 rigsdaler. The receipt is signed by three members of the banking council: head of department Benzon-Buchwald, Professor N.C. Frederiksen and stockbroker G.A. Gedalia. The bank was internationally-oriented from the outset, as can be seen from the text in Danish, German, English and French.

transferring money to the reserve fund. Hidden reserves gradually became part of Landmandsbanken's tradition.[11]

In 1891, the bank broke with its business model and embarked on the path paved by Privatbanken during Tietgen's heyday. In its annual report, the bank wrote "in the past year, the large amount of capital the bank works with has been put to good use." The decision to stand behind the establishment of Kjøbenhavns Frihavns-Aktieselskab (Copenhagen Freeport Limited Company) marked 1891 as the year in which Isak Glückstadt engaged Landmandsbanken in a large, long-term and risky commitment. This was done at the encouragement of Estrup's government, and it was not entirely in accordance with the "soundest banking principles" or the Scottish banking model.

Nonetheless, or perhaps for this very reason, Glückstadt went all in on all levels: financially, politically and not least in the relationship with Tietgen. It was Tietgen's old company DFDS that dominated shipping in the inner port, or the old port as it was soon called.

Frihavns- Aktieselskab's share capital of 4 million kroner was fully taken over by Landmandsbanken, which believed that the company's profitability was "certain".[12] Isak Glückstadt was named chairman of the board so that he could keep an eye on how his bank's money was used. The Frihavnen project was Landmandsbanken's chance to show that it could match Privatbanken as a universal bank.

Landmandsbanken changed course around 1890 and gradually took over Privatbanken's position as Denmark's leading universal bank. This shift in the power balance was



With Frihavns-Aktieselskabet from 1891, the bank broke with its cautious approach and took a step towards a continental universal bank model. There was great uncertainty at the beginning, but Frihavnen became a success, which can also be seen in the 1931 map drawn by Peter Haagen Jørgensen.

not without turbulence. The Frihavnen project triggered the decisive confrontation between Tietgen and Glückstadt and the different interests and networks they represented.

When the agreement with the government fell into place in late April 1891, Glückstadt offered Privatbanken, Nationalbanken and Handelsbanken the opportunity to be part of a consortium that took over the shares. Privatbanken declined the offer, in which the latter two chose to participate with 500,000 kroner each. This reduced the risk, but Landmandsbanken was still the company's largest shareholder with a 75 per cent stake.

No one could know whether Frihavnen would become the certain success that Landmandsbanken was counting on. It all rested on an uncertain future about which everyone had an opinion. Tietgen's refusal did not make the project less risky.

If the Frihavnen initiative was to have a future, there would have to be ships in the port. Without ships, no earnings. Frihavnen opened on 9 November 1894, but ships were few and far between. Little help was to be found from Tietgen, who controlled the inner port and DFDS and was the president of The Wholesalers' Society, the lobbying organisation for large merchants that is today known as Dansk Erhverv, or the Danish Chamber of Commerce.

Landmandsbanken's and not least Glückstadt's position were riding on the fate of Frihavnen. He had gone head to head with Tietgen, and if the project failed, he would have lost, even if Landmandsbanken's survival was not in question. Perhaps the most decisive moment came when the newspapers, in late September 1895, reported that Landmandsbanken wanted to participate in the establishment of a steamship company that would operate four steamships serving the route between Copenhagen and New Orleans. This was Glückstadt's response to Tietgen's refusal to allow DFDS ships to call at Frihavnen, and it worked.[13]

Tietgen and Glückstadt reached a truce, and the newspapers reported enthusiastically on this development. Tietgen allowed DFDS's ships to use Frihavnen, while Glückstadt dropped the plans for a Copenhagen–New Orleans route.[14] The following week, the two "kings of the stock market", as the press called them, toasted with a glass of champagne as the onlookers breathed a sigh of relief. The two alpha males had reconciled.

Landmandsbanken endeavoured to seize the new opportunities and participated in the founding of other new companies that did business with and in Frihavnen. Det Danske Kulkompagni A/S (The Danish Coal Company A/S) was established in 1896, and Kjøbenhavns Flydedok og Skibsværft (Copenhagen's Floating Dock and Shipyard) the following year. Ships, activity and business had come to Frihavnen.

Like *Men of Industry*, P.S. Krøyer's painting *From the Copenhagen Stock Exchange* from 1895 was a commissioned work, in which those portrayed could pay their way to a more or less prominent place. Depicted almost in the middle facing the viewer is C.F. Tietgen, and immediate left is Isak Glückstadt, as one of the few without a top hat. The painting, popularly known as "a meeting in the hatter's guild", hangs today at the stock exchange in Copenhagen.



The anniversary and Landmandsbanken's tradition

Landmandsbanken's new business model roughly coincided with the period of growth in the international and Danish economy following nearly 20 years of economic crisis.

Landmandsbanken became a universal bank in line with the continental way of banking. There was a need for this development. Denmark's expanding economy and industry needed initiative and capital.

Agriculture receded to the background somewhat at Landmandsbanken, but certainly not in Denmark as a whole. As Estrup governed the country with provisional laws during the constitutional struggle, farmers took matters into their own hands and said no thanks to urban capital, the landowners and Højre. But it was not just Venstre and the cooperative movement that gained ground. A new player had also entered the fold.

In 1878, the Social-Democratic Confederation was founded, and six years later the first two social democrats were elected to the Danish Parliament. After this, things only went forward for both the party and the trade unions. An increasing number of skilled and unskilled workers organised into nationwide trade unions. They also had expectations for the future, and they knew that they had to organise if they were to shape it.

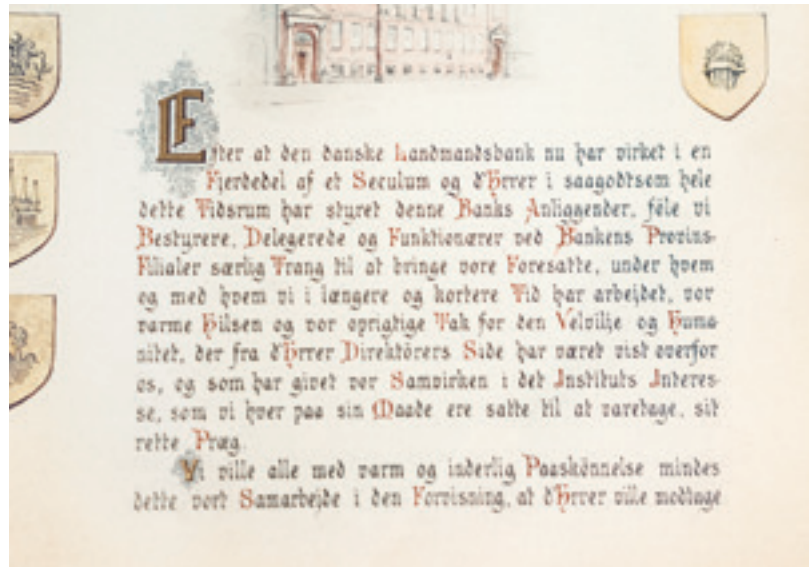
From the late 1800s, three narratives competed to define the Denmark of the future. Agrarian capitalism, urban capitalism and the social democratic anticapitalism each had their respective understanding of the world and view of the ideal future. The success of any of the three would preclude aspects of the other two.

In this time of upheaval, Landmandsbanken celebrated its 25th anniversary on 5 October 1896. Landmandsbanken was recognised as an innovative bank with skilled management and more than 200 employees. This was the story of the anniversary, not from the bank itself, but from the media – first and foremost *Politiken*, which after years of critical inquiry into the bank's accounts had become its biggest fan. Meanwhile, *Social-Demokraten*, the newspaper of the workers, and *Jyllands-Posten*, the newspaper of the provinces and the middle-class, were quite unimpressed.

Politiken hailed the innovations from Landmandsbanken, including the overdraft facility, the savings bank department, the bank-box system and, not least, the branches, of which there were three in Copenhagen and eight in the provinces.

Landmandsbanken also held a strong position internationally. It had established a connection early on with "the Rothschild groups, and thereby, so to speak, with the whole of Europe's

On the occasion of the bank's 25th anniversary, the bank's employees in the branches conveyed their appreciation to the management. Today this would probably be considered a bit servile, but this tells something about the patriarchal and hierarchical society that Denmark still had at that time.



Efter at den danske Landmandsbank nu har virket i en Fjerdedel af et Seculum og Herrer i saagodtsom hele dette Tidsrum har styret denne Banks Anliggender, føle vi Bestyrere, Delegerede og Funktionærer ved Bankens Provins-Filialer særlig Trang til at bringe vore Foresatte, under hvem og med hvem vi i længere og kortere Tid har arbejdet, vor varme Hilsen og vor oprigtige Tak for den Velvilje og Fumanitet, der fra Herrer Direktørers Side har været vist overfor os, og som har givet vor Samvirken i det Instituts Interesse, som vi hver paa sin Maade ere satte til at varetage, sit rette Præg.

Vi ville alle med varm og inderlig Paaskjønnelse mindes dette vort Samarbejde i den Forvisning, at Herrer ville modtage



denne vor Udtalelse med venlige Følelser.

Vi ville dernæst udtale det levende Haab og det oprigtige Ønske, at det maa forundes Dem endnu i en lang Aarrække at virke til Gavn for det Institut, De repræsentere.

Den 5 Oktober 1896.

Aalberg Afdeling.

S. Kattrup. A. Bonnelycke. P. Kochsteiner. C. Christensen. M. Mortensen. E. J. Wahl. B. C. Jensen. Morten Larsen.

Helsinger Afdeling.

P. V. Jensen. Fr. Rothenstein. Rasmus L. Hansen. P. C. J. Hansen. L. Johansen. B. Schultz. O. Hjellerup. G. Major.

Holbæk Afdeling.

A. W. Petersen. P. C. Petersen. J. F. Ohlmann. Alfred Bech. D. Bus. L. N. Petersen. Mortensen.

Hillerød Afdeling.

J. P. M. Rasmussen. Fr. Bech. Th. Werner. O. V. Hansen. Crenberg. C. G. Hybe.

Kalundborg Afdeling.

V. B. Laursen. S. P. Rabes. Chr. Jørgensen. F. Fulling. W. Jensen. B. Rafoss. B. P. Holst. S. Neergaard.

Kjøbenhavn Filialer Afdeling.

C. Petersen. K. E. Lasser. C. A. Rasmussen. B. Bøgvad. Aksel Pagh. Thorvald Petersen.

Kjøbenhavn Stallard Reuter.

C. V. Lassen. V. E. Seberg. Joh. Aage Schmidt. S. B. Schrader.

Valby Afdeling.

K. J. Wahrm. Chr. Eckardt. J. P. Møller. M. C. Jørgensen. C. Hansen. J. M. Jensen. L. Ludvigsen. W. C. Jensen.

D'Herrer Bankdirektør, Etatsraad **Is. Glückstadt.** C. af D. Dann. pp.
Bankdirektør, Justitsraad **B. Friehling.** R. af D.
Bankdirektør **C. Harhoff.** R. af D.

money markets". The international connections that Glückstadt played an instrumental role in establishing proved valuable when the bank needed to place state loans for Norway, Denmark and other countries and municipalities, as well as credit association and mortgage loans. The bank's network and placing power made it easier to place these types of large loans.

The press gave Isak Glückstadt credit for Landmandsbanken's development since 1871. He was "a banker par excellence; it is hardly overstating it to say that he is the first real bank executive we have had." Unlike Tietgen, Glückstadt had concentrated on Landmandsbanken to develop "the impressive position of power it currently holds".[15]

Tremendously talented, amiable, quiet and temperamental were just some of the labels used to describe Isak Glückstadt, while his co-director Bernhard Friehling was described as pleasant and even-tempered. Glückstadt was a small man who was somewhat introvert, but he made an impression nonetheless. Unlike Tietgen and the other members of the bourgeoisie, he preferred to wear a bowler hat instead of a top hat.

Landmandsbanken's 25th anniversary was front page news in *Politiken* and *Berlingske Tidende*. *Nationaltidende* was also full of praise for the bank and its management. The bank's continued growth was a result of "the diligence, the persistence, and the work for the benefit of all that have characterised the bank's activities in the past years".

Nationaltidende called it "Landmandsbanken's tradition". It was on this tradition that the bank's future would be built.[16] The newspaper *Dannebrog* also tied the past with the future and hoped that "the future will witness equally honourable and extensive activity as in the past 25 years."[17]

What was Landmandsbanken's tradition? Isak Glückstadt, his colleagues in management and the 200 employees had managed to steer the bank through the crises in 1876-1878, 1885 and during the great wave of conversions without its earnings or business otherwise being threatened. On the contrary, it continued its growth and consolidation throughout this period, albeit with some years that saw lower profits and dividends than others.

It helped, of course, that Privatbanken had lost momentum in the crisis of the 1870s and that Handelsbanken was a significantly smaller bank. Landmandsbanken's capital increase in 1886 meant that it now had 24 million kroner in share capital on which to generate a return, while each of the two other main banks had 12 million kroner in share capital.

Perhaps one could say that Tietgen used Privatbanken as a means of achieving other and greater ends, while Landmandsbanken was the end in itself for Isak Glückstadt. Tietgen was an entrepreneur with a bank. Glückstadt was a banker. He primarily protected and pursued the interests of Landmandsbanken. In a time when "corporate governance" was an unknown term and

there was very little regulation, there was frequently, though not always, overlap between the interests of the bank and the companies.

He knew this, among other things, from serving on the board of directors of Hellebæk Klædefabrik. In 1874, he demanded that the board not only supervise the factory's management but also should have the right to interfere in the day-to-day management of the company. The director had opposed this demand, but Glückstadt and the rest of the board stood firm.[18]

In 1890, Isak Glückstadt visited Faaborg to inspect Dansk Vin- og Konservesfabrik (Danish Wine and Cannery Factory), which the bank financed with loans and overdraft facilities. He kept the newly founded company on a tight leash and demanded that it use companies associated with Landmandsbanken as suppliers. When he read in a newspaper that a competing factory was going to visit Faaborg to learn from its experience, he wrote to the factory's owner that he must not grant a competitor access. Glückstadt also demanded that the factory hire an accountant – and in an act of nepotism he suggested his oldest son, Valdemar, for the position.[19]

Isak Glückstadt also had a strong opinion about speculation. In *Politiken* in 1897, he railed against futures trading as gambling and speculation. Forward contracts could be beneficial for "legitimate trade", "but when a restaurant owner, a shoemaker or an ironmonger sells or purchases wheat, coffee, fat and the like for delivery or receipt in America or elsewhere in the world, it is gambling, pure and simple."[20]

This was "Landmandsbanken's tradition" that Isak Glückstadt and the bank's employees had built up during the bank's first 25 years. Central aspects of this tradition included a strong focus on the bank and its customers, combined with consolidation and the observance of consistent credit policy to avoid or minimise losses for the bank.

Naturally, this was not Glückstadt's achievement alone. It required that the entire organisation understood the principles, identified with the bank's tradition and brought it to life in their practice. This approach had proven effective, making both the bank and Isak Glückstadt very powerful in the process.

Østasiatisk Kompagni and H.N. Andersen

Following the anniversary celebrations and the arrival of ships in Frihavnen, Isak Glückstadt engaged Landmandsbanken in a new project that would point far into the future. Already in September 1892, Glückstadt was in contact with Captain H.N. Andersen, who lived in Siam, present-day Thailand.

The two discussed establishing a trade route between Siam and Denmark.

The Frihavnen project was still under construction at the time, so it was not surprising that Glückstadt saw potential in Andersen's idea. Glückstadt tapped assistant Anton Boas from Landmandsbanken to accompany Andersen on a trip to Siam to assess the opportunities. Boas returned half a year later, but not much more came of the ideas at first.[21]

Five years later, however, the wheels were set in motion. In 1897, the newspapers reported on a Dansk-Østasiatisk Handelskompagni (Danish East Asiatic Company) with references to Asiatisk Kompagni (Danish Asiatic Company) that 150 years earlier had advanced Danish trade with the East. This time it was H.N. Andersen's idea that came to fruition, and on 23 March 1897 *Politiken* and other newspapers printed an invitation to subscribe shares amounting to 2 million kroner and a bond loan of 1.5 million kroner. Landmandsbanken underwrote the share issue, with 1 million kroner already placed.[22]

It was a very good year for Frihavnen, and thereby the bank. The expectations from 1894, when the port opened for operations, had been fulfilled "to a significant degree", and shipping traffic was still growing. The company was even able to pay a dividend of 4 per cent.

There was good reason for optimism, and with the growing Danish economy there was room for Østasiatisk Kompagni (ØK), which would also benefit Frihavnen. Landmandsbanken had fully embraced the role of a universal bank. In addition to ØK, the bank also guaranteed Kjøbenhavns Flydedok og Skibsværft's share issue. But ØK quickly became the most prominent company among Landmandsbanken's customers.[23]

In connection with the establishment of ØK, it took over H.N. Andersen's company, where he continued as director, while Isak Glückstadt was appointed chairman of the board. This marked the beginning of a long-lasting financial and economic friendship between Landmandsbanken and ØK, which after a challenging beginning became Denmark's largest and most celebrated company, with H.N. Andersen taking over Tietgen's role as Denmark's most revered businessman and national icon.

Isak Glückstadt was more inclined to stay under the radar. He was married to Juliette, father to Valdemar, Emil, Anna and Rosa, and a dedicated family man. He was quiet, friendly and perhaps a bit introverted, but also a temperamental man, a Jew and president of the Jewish Community of Denmark from 1887 until his death, and an avid coin collector. He was also interested in theatre to such an extent that he involved Landmandsbanken in both



Like many other well-off families, the Glückstadts had a summer residence. Theirs was the country estate Carlsminde in Søllerød. This photo of Isak Glückstadt, together with his daughter-in-law Laura, who was married to Emil Glückstadt, and his granddaughter Lilian, who was adopted by Emil and Laura Glückstadt, was probably taken at Carlsminde.



This photograph from around 1900 was taken in "the red cabinet", the high-ceilinged room in Holmens Kanal 12. Adorned with beautiful Corinthian columns, this room has housed the offices of many different departments through the years.

Nationalteatret (The National Theatre) and Dagmarteatret, albeit with limited success. In the novel *Stucco* from 1887, Herman Bang writes of the bank manager Hein, a character based on Glückstadt, and the difficulties of managing to keep Dagmarteatret, or Victoria as it is called in the novel, afloat.

Isak Glückstadt became synonymous with Landmandsbanken and vice versa. But, of course, he did not build up the bank all by himself. Glückstadt was part of an organisation with a purpose and an extensive network within and outside the bank that was essential to his ability to make an impact. It had soundly guided the bank through the first 25 years. Now, a new century was dawning.

The new Denmark around the year 1900

The time around the turn of the century was marked by major changes in Danish society. These changes were the result of the preceding development and struggles: the constitutional struggle, migration from countryside to city, industrialisation and urban capitalism, the labour movement, Venstre and agrarian capitalism, and an increasingly global economy.

In 1899, the labour and employer organisations faced a decisive test of strength. A general lockout ended with the

September Agreement, where employers accepted the workers' right to organise, while the workers recognised the employers' right to lead and assign the work. The Danish labour market thus took the turn towards negotiation that has shaped it to the present day. The agreement illustrated the new-found strength of the labour movement, but also its limitations.

Urban capitalism had included the workers who organised to demand their rights. In the banks, there was no organisation and no thoughts of class and resistance against the absolute rule of the management. It would not be until 20 years later that bank employees gradually chose that path.

The year 1901 saw a break from Højre's long-held grip on government power and dwindling resistance against the parliamentary principle that the majority of parliament should appoint the government. In the 1901 elections, Højre suffered a clear defeat, paving the way for parliamentarism and a Venstre government. Now it was the farmers' turn.

These socially and politically significant events gained greater symbolic importance on 19 October 1901 with the death of Tietgen, the country's entrepreneur par excellence. "C.F. Tietgen is dead. The country's leading man is dead," wrote novelist Herman Bang in *Politiken*, adding, "He created the development of our society for a half century."[24] The 19th century had come to a close, and the new era could now begin.

In the financial world the structure for the many years to follow was already well-established. The three so-called main banks, Privatbanken, Handelsbanken and Landmandsbanken, dominated the sector, each with its respective sphere of interest and network. Nationalbanken was still a private bank, but the crises in 1857 and the latter half of the 1870s had made clear that Nationalbanken, the country's only note-issuing bank, must take the role of central bank and serve as a backstop for the financial system.

Alongside the main banks and Nationalbanken, there were more than 80 smaller and medium-sized banks in Copenhagen and the provinces, and more than 500 savings banks, but the three main banks dominated the financial sector with 58 per cent of the banks' total balance sheet. Landmandsbanken was at the top with over 28 per cent, with Privatbanken and Handelsbanken each controlling 15 per cent.

Politiken was often Landmandsbanken's biggest fan. In 1898, the newspaper wrote that Landmandsbanken "claims … in Denmark and abroad, a monumental position in the banking world".[25] The following year, the newspaper updated the narrative of Landmandsbanken's tradition. The bank's business "falls in line with the bank's rather established tradition: consolidation and constant dividends".[26] With constant meaning stable, not high dividends.

The 1900 financial year was a good year for all banks. *Politiken* wrote that Landmandsbanken, "with its means, its connections domestically and abroad, and its conservative acumen in administration, is *primus inter pares*", first among equals.[27]

There was no bank above or on par with Landmandsbanken.

A few months later, the newspapers reported, "Mr Emil Glückstadt, a son of Councillor of State Glückstadt, who has resided abroad for approximately three years, namely in New York, London and Paris to study banking, today returns to Copenhagen … Mr Glückstadt … will now take over a post at Landmandsbanken."[28]

If it were up to Isak Glückstadt, the plan was set for a Glückstadt dynasty at Landmandsbanken. Upon returning to Denmark, the son took up shop at Holmens Kanal 12 as an assistant to his father, making him a chief executive's apprentice in Denmark's largest, best run and most powerful bank.

Despite continuous expansion, Landmandsbanken took a relatively cautious approach, with equity around 20 per cent of assets. However, both Privatbanken and Handelsbanken had even higher figures at 29 and 25 per cent respectively.

In 1902, Landmandsbanken once again expanded the share capital by 12 million kroner to 36 million kroner, and just three years later it was increased to 40 million kroner. This time, there was a specific objective for the expansion. Landmandsbanken took over Industribanken and paid with its own



"C.F. Tietgen is dead. The country's leading man is dead," wrote Herman Bang in *Politiken* on 23 October 1901. The funeral in the Marble Church, which Tietgen had financed and donated to the state, was attended by Crown Prince Frederik VIII, Prime Minister Deuntzer and other members of the government. An era had ended.

shares, and therefore the bank wanted to expand the share capital. Industribanken was weakened after suffering losses on the Vulcan factory, and Landmandsbanken wanted to have a branch on Strøget, where Industribanken was located.

Critics of the move, including two of Industribanken's largest private shareholders, felt that Landmandsbanken killed their much smaller bank, which had a balance sheet of just 7 million kroner, but the takeover was approved without notable resistance at the two general meetings.[29]

A number of relatively new medium-sized banks in Copenhagen also increased their equity significantly while competing intensely with the main banks to attract deposits by keeping the deposit rate half a percentage point above that of the main banks. The expansion of the new banks was dangerous, wrote the newspaper *Adresse-Avisen*, "as it tempts the bank to engage in daring speculation and unsound placements to earn the same return for the expanded capital".[30]



A bank is not a bank without at least one safe. With the rise of capitalism came a greater need for safes. The bank's former basement housed a wide variety. This vault under Holmens Kanal 12 was made by the Berlin company Panzer, which was founded in 1898.

The banking crisis of 1908 and Landmandsbanken as the winner

In September 1907, 32-year-old Emil Glückstadt was appointed manager at Landmandsbanken. It was expected that he would succeed his father as chief executive when the time came. Just a few weeks later, a severe financial crisis known as the Panic of 1907 erupted in the United States. Without a central bank to step in, banking house J.P. Morgan came to the rescue. The Panic of 1907 ultimately led to the founding of the Federal Reserve System in 1913.

The American banking crisis also had repercussions in Denmark, where the main banks and the aggressive medium-sized banks in Copenhagen had helped finance a major construction boom in the capital region, which in turn caused an increase in vacant flats. Much of this construction was financed by the banks taking short-term bank loans abroad, but following the Panic of 1907 the foreign banks were reluctant to renew the loans. February 1908 saw bank runs on Grundejerbanken and Detailhandlerbanken (The Retail Bank), which, respectively, had close ties to Handelsbanken and Privatbanken.

The two banks saw no other option than to close down so that their customers could not withdraw their money. Minister of Finance Vilhelm Lassen established the Banking Committee of 9 February, appointing Denmark's largest banks, Nationalbanken and the Danish state as members. The Banking Committee guaranteed the domestic and foreign obligations of the affected banks, but the matter became a political firestorm after it emerged that the banks were insolvent. When Minister of Justice and savings bank director P.A. Alberti reported himself to the police for fraud that same autumn, the situation took another turn for the worse.

Privatbanken, which had close ties with Detailhandlerbanken and Alberti's Den Sjællandske Bondestands Sparekasse (The Zealandic Farmers' Savings Bank), took a big hit to its bottom line and to its reputation. Meanwhile, Handelsbanken and especially Landmandsbanken came out of the crisis stronger. With Landmandsbanken as the undisputed winner of the banking crisis, Isak and Emil Glückstadt stood at the top of the Danish banking world. The bank grew its share capital to 60 million kroner in 1907, and after the crisis depositors fled from Privatbanken to Landmandsbanken, whose 1908 year-end balance of 292 million kroner matched the combined balances of Handelsbanken and Privatbanken.

In addition to its financial consequences, the banking crisis also paved the way for significant political and ideological change. J.C. Christensen's Government was forced to step down, and following the Danish state's rescue of insolvent

banks, even proponents of liberal principles accepted the need for bank regulation. Meanwhile, various groups in society began to discuss the outsized power of the banks – especially Landmandsbanken.

The main proponent of this criticism was later Professor of Economics, and member of parliament for Højre Lauritz V. Birck. In an October 1908 speech in the parliament, he said, "we must ensure that the state power in this country never again becomes dependent on the financial power." Birck called Isak Glückstadt the Banking Committee's most powerful man, who together with Privatbanken's director Heide had "driven business ahead at a far too rapid pace". The crisis was the banks' fault.[31]

"The times are challenging. The large banks are taking more and more power, to the detriment of the business community," wrote *Politiken* in the lead editorial on 12 January 1909.



Vore Banker.

Landmandsbanken.

Døgnet.

Sporvognen

While the financial crisis raged in February 1908, the Minister of Finance appointed the Banking Committee of 9 February to save what could be saved. The following day, the newspaper *Adresse-Avisen* ran the first article in a series on "Our banks", with Landmandsbanken as the first to be portrayed. The article warmly lauded the bank and ended by writing that the appointment of Emil Glückstadt as chief executive was "in every way a fortunate renewal" of the management.




Danske Bank







II Expansion, War and Crisis

Landmands-banken and Emil Glückstadt 1910-1922

The busy chief executive at the impressive desk in his office. The picture is highly staged and was taken while Emil Glückstadt was at the top, probably around 1920. The fireplace and candlesticks are in place, while the bank's first directors keep an eye on proceedings from the painting above the fireplace.

Isak Glückstadt dies

Isak Glückstadt died on 11 June 1910 at the age of 71. He had made Landmandsbanken into a universal bank, with Frihavns-Aktieselskabet and ØK as the most prominent examples. In both cases, the idea had come to Landmandsbanken from the outside, after Tietgen had declined to participate. Perhaps this was the difference between Glückstadt and Tietgen and the way they used their banks. Tietgen's companies, with DFDS and Det Store Nordiske Telegrafselskab as the most significant, were established on his initiative and with Privatbanken as the one who bore the risk.

Glückstadt was more restrained, and his ability to read people and opportunities was key. After the Alberti scandal, it emerged that, as early as 1892, Isak Glückstadt had refused to do business with Alberti and Den Sjællandske Bondestands Sparekasse. Alberti turned instead to Privatbanken, which welcomed him and ended up with financial and reputational losses as a result. The banking crisis in 1908 and the Alberti scandal a few months later proved to be another setback for Privatbanken in the competition with Landmandsbanken.

"He was probably a very talented banker," wrote *Social-Demokraten* reluctantly in a brief note after Isak Glückstadt's death. His passing was major news, but his importance for Landmandsbanken had also been praised to the skies one year earlier when he turned 70. Now it was all about the future.

It did not take the board many days to appoint Emil Glückstadt as the new chief executive, while executive secretary Ove Ringberg was surprisingly promoted to the executive board alongside Christian Harhoff, the veteran who had been at the bank since the beginning. Harhoff represented experience, but Landmandsbanken's future lay in the hands of the now 35-year-old Emil Glückstadt and the just 28-year-old Ove Ringberg, who was trained as a stockbroker before joining Landmandsbanken in 1905.

Emil Glückstadt was born in 1875. After graduating from upper secondary school, he studied law for a short time but ultimately chose to work at Landmandsbanken. He travelled to New York to work for two years at National City Bank, followed by Deutsche Bank's branch in London, and lastly the investment bank Banque de Paris et des Pays-Bas.

New York, London and Paris. He had the network in place, and it made an impression on Emil Glückstadt to see how banking was practiced in the three international financial centres in the latter half of the 1890s, when the economy was booming. In the United States, he could see J.P. Morgan's impressive position in the financial world as the "great merger movement" unfolded. Now, as head of Denmark's largest bank, he himself had the opportunity to influence development in Denmark.

Although industry had expanded since the 1890s, Denmark was still an agricultural country – economically, culturally and ideologically. It was the cooperative movement, the farmers and the party Venstre that dominated Danish economy and politics through the grand narrative of Denmark as an agricultural country. The savings banks were still larger than the banks in terms of balance sheet, and the country's largest export goods were butter and bacon.

Former admiral in the Siamese Navy and Landmandsbanken's chairman of the board since 1907, A. du Plessis de Richelieu, was one of Denmark's leading businessmen. He was also chairman of the board for Burmeister & Wain and DFDS, and a member of ØK's board. Richelieu was a gifted networker and a powerful, enterprising man. And he was critical of the narrative of Denmark as an agricultural nation and the dominance it gave agriculture.

In an interview on the occasion of his 60th birthday in February 1912, Richelieu lamented the "poor understanding of the importance of industry, trade and shipping for the country". He also had words for Socialdemokratiet (the Social Democratic Party), with the reminder that it was capitalism and industry that provided "the food for thousands of homes". It was a frontal attack on agrarian capitalism, with a blast in the direction of the labour movement as well.[1]

A few weeks later, the industrialist Alexander Foss gave a talk called "Denmark as an Industrial Nation", which was also published as a pamphlet. Foss was the chairman of the Industrial Council, and he expressed the same vision for Denmark's future as Richelieu. The speech went against agrarian capitalism and the powerful agricultural interests and presented a vision of a future Denmark where industry was the driving force. It was the narrative of urban capitalism.

This did not go unnoticed by Emil Glückstadt. His bank represented the interests of urban and industrial capitalism, and drawing on his experiences from New York, Paris and London it was easy for him to envision the future of which Alexander Foss spoke. Landmandsbanken could hardly avoid becoming a central piece in the battle for the future.

Emil Glückstadt and Ove Ringberg were ready to ensure that the country's largest bank would participate in, or perhaps even lead, the process that would make Denmark a true industrial nation and promote the interests of urban and financial capitalism. Landmandsbanken was a bank for shipping, trade and industry.

The bronze medal was struck to commemorate Landmandsbanken's 50th anniversary in 1921 and was given to 3,000 customers in Denmark and abroad. The front depicts the goddess Fortuna in the Art Deco style with a cornucopia against a background of ships in the harbour and smoking chimneys. Shipping, trade and industry are the bank's foundation. The other side of the medal depicts the farmer with his plough – a scene also appearing on the 500 kroner banknotes of the time. The medal was also produced in silver, and a gold copy was presented to King Christian IX. The medal was designed by Parisian artist Pierre-Alexandre Morlon.





A new kind of chief executive

The choice of Emil Glückstadt as chief executive came as no surprise to anyone inside or outside the bank. It was not because the Glückstadt family owned a controlling stake in Landmandsbanken, and of course it was nepotism. But it was a unanimous board that appointed him, probably out of respect for Isak Glückstadt and with the expectation that his son would carry on the "Landmandsbanken tradition".

Emil Glückstadt was groomed for the post of Landmandsbanken's first director from a young age, and he was well-prepared after his years abroad and the subsequent six years of closely following his father and the bank's affairs through thick and thin. During the banking crisis, he participated in many of the Banking Committee's meetings together with his father.

There he experienced how bad things can go when banks take excessive risk and fund themselves with short-term foreign loans. Emil Glückstadt had also seen how his father had dictated many of the terms under which the crisis-stricken banks were liquidated while the state had to cover the majority of the losses.

This led to criticism of Landmandsbanken and Isak Glückstadt, but the criticism hardly made an impression on the 35-year-old newly appointed head of the country's largest bank. From his viewpoint, the bailout strengthened his belief that his bank was invincible.

The histories of Landmandsbanken, Holmens Kanal and the Glückstadt family were already tightly interwoven after Isak Glückstadt's 38 years as the bank's undisputed leader. Now it was up to Emil to carry on the tradition.

But Emil Glückstadt was not like his father. He belonged to a different generation with a different view of the world. He was born and raised in an era of radical economic, political, technological, cultural and ideological change. The banks had to keep up, and his years spent abroad, particularly in the United States, gave him a completely different world view than that of his father and bank directors of his father's generation.

And Emil Glückstadt was a different type of person. Outgoing, optimistic, quick-witted, eager to grow and without any particular affection for his Jewish background. He was wealthy and born with a silver spoon in his mouth and certainly not uninterested in the many benefits and opportunities that followed with money, power and fame.

He also had a different style. This quickly became clear when he took over leadership of the bank. He was a much more public person than his father. He often travelled abroad on business, gave interviews to the press and allowed them to follow along in his day-to-day life. All of these things heralded a new era at Landmandsbanken.



A rare picture of the entire management, taken around 1920. Emil Glückstadt meets with his director colleagues Ove Ringberg and C. Harhoff. Harhoff had been a director since 1872, but he was not a driving force in the bank like Emil Glückstadt. However, with Glückstadt's extensive travels after World War One, Ringberg was likely in charge of day-to-day management for long periods of time.

The big question was how the bank's history and tradition would harmonise with a new, much younger management with a different vision of the future and under new conditions for running a bank. Emil Glückstadt and Ove Ringberg were a young and dynamic management team but with limited experience and, at least for Ringberg, an education that focused more on stock market transactions than credit assessment. This required a strong chairman of the board, and that is what Landmandsbanken had in Richelieu. At least on paper. He had been a member of the board since 1901 and was appointed chairman in 1908.

The first year under Emil Glückstadt's leadership was a good year for business and for Landmandsbanken, which paid 8 per cent in dividend. The bank had a network of branches, offices and correspondent banks in the provinces, and it continued to grow.

The balance sheet grew from 312 million kroner in 1910 to 471 million kroner at the end of 1914, and two capital increases brought the total share capital to 80 million kroner.

Holmens Kanal 12 had long since become too small to house the headquarters' activities and large staff, and the bank had previously taken over the neighbouring buildings. In 1910, the large front office was put into use, and in 1916 the courtyard was transformed into an impressive covered marble courtyard with a glass dome. This signalled a bank that had resources, healthy operations and a bright future. In 1913, the houses



Marmorgården (The Marble Courtyard) was built in 1916, presumably with the intent to impress. Seen in the background is a bronze sculpture of Fortuna, made by Vilhelm Bissen in 1908. Fortuna was important to both Isak and Emil Glückstadt, as the goddess was the symbol for the town of Glückstadt, which under the reign of King Christian IV invited persecuted Jews from throughout Europe and gave them the opportunity to live freely and operate businesses.

on Laksegade 8, 10 and 12, which had been purchased by the bank, had to make way for a new building.[2]

While Landmandsbanken grew, Privatbanken was nearly stagnant and Handelsbanken experienced significantly less growth. They saw no need to expand their share capital.

Landmandsbanken's role as an issuing bank continued to grow as well. It underwrote government and municipal loans, as well as a number of corporate bond loans, and four share issues, including for Nordiske Kabel- og Traadfabrikker (Nordic Cable and Wire Factories) and DFDS.[3]

The biggest waves were made by an international initiative. In 1911, Landmandsbanken became a transnational bank. Together with the Wallenberg family's Stockholm Enskilda Bank and the Norwegian Centralbanken for Norge, Landmandsbanken founded Banque des Pays du Nord in Paris. The chief executive was French, while the 30-year-old head of office Oluf Nielsen from Landmandsbanken was appointed deputy manager.

The following year, Landmandsbanken and Wallenberg participated in the founding of the British Bank of Northern Commerce in London together with British banks.

The international activity was yet another sign of a new era and a new generation – and a global economy with rapidly growing financial markets and companies. Isak Glückstadt had expanded the bank's international network of correspondent banks, but Emil Glückstadt went one step further and entered new markets while sharing the risk with the other participating banks. He could use the network he had built during his years abroad, which also led him to orient the bank towards the English-speaking countries and France and away from Germany.

Emil Glückstadt's thirst for expansion was also clear in Denmark, where the first and most notable expansion was the takeover of Lollands Spare- og Laanebank (Lolland's Savings and Loan Bank) in 1912. With headquarters in Nakskov, it was the country's largest financial institution outside the capital, with five branches in the region and deposits of 31 million kroner. The bank was founded in 1842 and was in fact a savings bank, with more than 30,000 customers and deep roots in the local region. Therefore, the takeover was not without turbulence.

Criticism of the takeover was especially strong in the local area, but it also did not escape the attention of L.V. Birck, now a professor at University of Copenhagen. He criticised the fact that a "well-functioning, independent savings institute is being exchanged for an egotistical, profit-hungry bank".[4]

Others were more positive. "One has to give the young management of Landmandsbanken credit for showing initiative and power to take action," wrote *Nationaltidende*.[5]

Stockbroker Alfred Horwitz added, "Landmandsbanken's young management is both rich in talents and also demonstrates a wealth of initiative and energy that not only benefits the bank itself but which can also be of great importance for the country and the society in which the bank operates."

Horwitz believed, however, that Landmandsbanken should allocate more of its earnings to capital and that shareholders' demands for high dividends were generally destructive for publicly traded companies, hindering their consolidation for the tough times that would inevitably come at some point. The problem, wrote Horwitz, was that since the banking crisis, the business world had worked with "power and strength and an unflinching belief in the future".[6]

That was a rather fitting description of Emil Glückstadt. If he believed in anything, it was the future. Perhaps the writing in the press was noticed at Landmandsbanken. In any case, Richelieu told the bank's general meeting in 1913 that the capital base had been brought up to 20 per cent in connection with yet another increase of the share capital by 12 million kroner, "which is in accordance with the bylaws that are expected to take force when a new banking law is passed".[7] That banking law, however, would have to wait. The politicians could well agree on the need to regulate, but not on how to do so.

On 1 April 1913, *Politiken* reported that J.P. Morgan had died. Morgan was an icon and the symbol of the international financier. Villain to some and hero to others, he had more or less single-handedly saved the financial sector from a total collapse during the banking crisis in 1908, and he was behind some of the biggest mergers in the American business world. Opinions about him were divided, just as they were about Landmandsbanken.

In December 1912, Morgan reluctantly testified before the Pujo Committee, which was tasked with determining whether there was a "money trust" in the country. *Politiken*'s coverage was largely full of admiration while also noting a significant societal change when it wrote that Morgan's "never-resting energy is characteristic of the nervous busyness that pervades modern life."[8]

It was nervous busyness that characterised capitalism, and although Emil Glückstadt was not J.P. Morgan, he held a similar status in Danish society and the Danish business world.

The increasingly global economy, which Landmandsbanken through its practice was both part of and contributed to shaping, compressed time and space and led to a completely new type of chief executive. *Politiken* used Glückstadt to describe the "travelling bank executive" who always had his suitcase packed so that he could participate in meetings in "Paris, in Berlin, in London, in Stockholm". The new type of chief executive had to have an ability to be "omnipresent".[9]

Banks and their managers were in the public eye during the first decades of the new century, and that was no coincidence. The banking crisis in the US in 1907 and in Denmark in 1908 made it abundantly clear that the banks were major and necessary participants in society, but that their activities had both positive and negative effects. If anyone had any doubts, the banking crisis clearly showed that banks were not just companies like any other.

The banking crisis had forced the liberal state to support private banks. It was a total break from the laissez faire-ideology of the time, and it ended with a huge bill for tax-payers, while Landmandsbanken cemented its position, size and power. The banking crisis led to efforts to regulate the banks, but this break from economic liberalism would have to wait until the outbreak of World War One.

Nonetheless, many could see that the dawn of a new understanding and shift in mentality was underway. When one of the big bank managers from Tietgen's and Isak Glückstadt's time, P.N. Damm, celebrated his 25th anniversary at Handelsbanken in 1913, *Berlingske* wrote about the big banks and their executives' increasing power and importance in "maintaining and promoting [Denmark's] trade, industry and entire economic life". It was the responsibility of the bank's management to uphold the public's trust in "its character, capacity and financial judgement".[10]

Of the three main banks' leaders, Emil Glückstadt received the most attention. Unlike his father, he had no objections at all to being noticed, and then as now, people looked up to the big personalities who were only made bigger by the media coverage. It would hardly be strange if some of those in the spotlight began to think that they could walk on water. Now that Tietgen was no more and Landmandsbanken was the country's largest bank, Emil Glückstadt became the new leading celebrity of Denmark's business and financial world.

The newspapers were on the scene in 1913 when he bought the country estate Sølyst in 1913. He was rich and powerful, and his bank was the symbol of what critical voices called "finance capital".

Social-Demokraten was often after Glückstadt. He could not avoid money, the newspaper wrote sarcastically, and of course they had a point. The newspaper referred to his position as a member of the board of directors of numerous publicly traded companies, such as Frihavns-Aktieselskabet, Nordiske Kabel- og Traadfabrikker, Spritfabrikken Fortuna (The Fortuna Distillery), ØK and DFDS.[11]

And those were just a few of the most prominent examples. It made good sense that the bank's executive sat on the board of the large publicly traded companies that it financed, but it was also a reflection of Landmandsbanken's power, and



In 1901, U.S. Steel was created through a merger of three major steel manufacturers. It was the first "billion dollar merger" the world had seen, and behind it all was the banker J.P. Morgan, who is portrayed as the pied piper of the whole world in this 1902 cartoon by Udo Keller. Published in the satirical magazine *Puck*, the cartoon was one of many critiques of Morgan's power.

conflicts of interest were not uncommon. Emil Glückstadt was even the chairman on many of these boards. That was, of course, one of the reasons that he was so frequently discussed with a mixture of admiration and criticism.

The fiercest criticism, which caused both Socialdemokratiet's and L.V. Birck's bitter attacks to pale, came from the Federation of Labour Resistance (FS). FS was a revolutionary syndicalist group that gained support during the 1910s growing inequality and polarisation. FS represented extreme politics and violent rhetoric. During a strike in Frihavnen in 1914, FS's newspaper *Solidaritet* did not mince its words: "Glückstadt and Richelieu, the manager and chairman of Landmandsbanken … shall receive the deepest hate of thousands of poor fellow humans."

The conflict between agrarian and urban capitalism now had a third prominent voice in the form of the anti-capitalist narrative. The social democratic narrative had become more moderate over time, and it had elements in common with the agrarian narrative. But it built first and foremost on the contrasting interests of workers and capital, and won increasing support during World War One, where Socialdemokratiet was under pressure from its left flank.

The Great War – and the great speculation

Ideologically, liberalism continued to dominate, but everything changed with the outbreak of war in the early days of August 1914. Denmark remained neutral, but the war radically changed the terms of doing business. Already in August, Nationalbanken's obligation to redeem banknotes with gold was suspended, and thus the gold standard was effectively out of force. At the same time, the economy was quickly and thoroughly regulated from one day to the next, changing it from a market economy to a managed economy, where the scarce resources were distributed via interventions and rationing of virtually everything.

From August 1914, economic liberalism was more theory than practice, and the party of political liberalism, Venstre, was on the defensive after the banking and Alberti crisis in 1908. With support from Socialdemokratiet, Det Radikale Venstre (The Social Liberal Party) formed the government from 1913 to 1920 with C.Th. Zahle as Prime Minister.

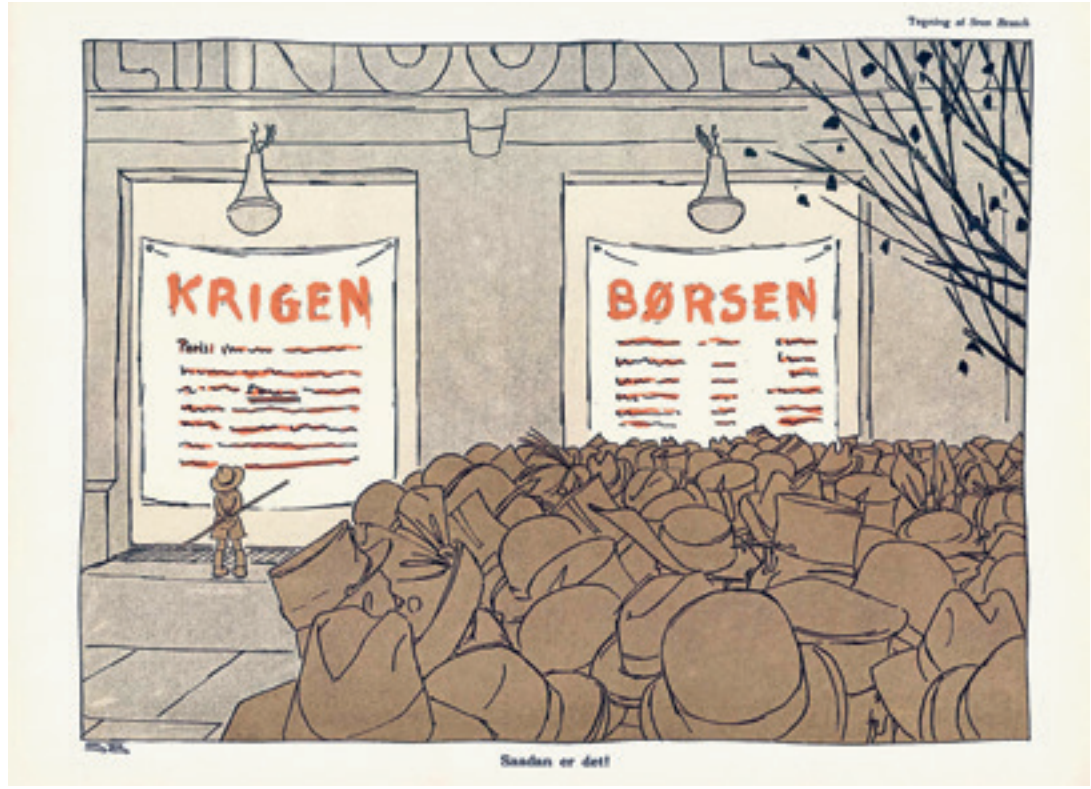
One of the government's most powerful men was Minister of the Interior Ove Rode. Working in close collaboration with the business community, he oversaw the extensive regulation of the free market economy during the war through the Extraordinary Commission.

Virtually all economic activity was regulated, and while many dreamt of a return to economic liberalism once the war was over, Rode was more nuanced or realistic. On 26 October 1916, he gave his famous "Gimle Speech" in the parliament, in which he heralded the coming of a new era.

"The battle being waged by the state in these years to regulate prices and supplies, to combat unjustified profit, will … hopefully also strengthen the powers of the state in the future. … If you believe that the experiences gathered in this respect may disappear without a trace after the war, and that the efforts made by the state will be locked away in a drawer, and that these times will be forgotten, then you are mistaken."[12]

Ove Rode was a liberalist, but this speech could just as well have been a social democratic vision of the future. Socialdemokratiet also gained ground from election to election, and during the war the party's chairman, Thorvald Stauning, became a minister without a portfolio.

But the battle for the future would have to wait until after the end of the war. The many political interventions in the economy quickly led to a shortage of goods, an abundance of money, and inflation. The idle money inflated the banks' balance sheets, as well as share prices on the Danish stock exchange.



When World War One broke out, Denmark remained neutral. This provided good opportunities for trade with both warring parties, and to avoid the destruction of property and life caused by war. As a result, Denmark experienced an economic bubble with nouveau riche war profiteers and rampant speculation on the stock market – a trend that Landmandsbanken actively engaged in. Sven Brasch's 1916 cartoon in the publication *Svikmøllen* is a satirical comment on these developments.

Shipping shares, industrial shares and bank shares all saw gains without news of any kind. *Politiken* wondered what caused DFDS's shares to increase by 9 per cent and Landmandsbanken's by 4.5 per cent in one day without "the remotest" news.[13]

There were increasingly more accusations of speculation and manipulation on the stock exchange. Isak Glückstadt had been a firm opponent of this sort of activity, but now it was more the rule than the exception that Landmandsbanken was the main subject of such accusations. In May 1916, *Social-Demokraten* ran an article series on the big banks' and especially Landmandsbanken's manipulation of share prices, whereby, according to the newspaper, the bank arbitrarily drove prices up and down for its own gain.

The war had made stock speculation a highly profitable activity – as long as the prices continued to go up. And that is what they did during the war, although not always without assistance. The establishment of new listed companies also increased significantly. Not many weeks passed between newspaper adverts with invitations to subscribe shares in new or existing companies.

In September 1916, Landmandsbanken once again participated in the establishment of a new company: Transatlantisk Kompagni (TK), (Transatlantic Company), whose purpose was

to invest in "overseas trade and export companies". TK would not "operate businesses but using contracts will acquire a share of the various companies' profits … in return for its participation in the financing of these companies".[14]

TK was a financial holding company in which all kinds of unspecified activities could be and were conducted. The share capital was set at 4 million kroner, half of which had already been placed. This provided the opportunity for a handsome founder's profit when the stock rose on the stock exchange after its introduction. Today, we would probably call that an insider trade.

The main man behind TK was Harald Plum, who in 1907 had expanded his family's business in the provincial town of Assens to include butter and milk exports. In 1911, with help from Emil Glückstadt and Landmandsbanken, he established United Export Co., which in the following years founded or participated in a number of companies that were consolidated in 1916 under TK. Emil Glückstadt was appointed chairman of the board, which by that time had become customary.

TK was far from the only company to go public, expand its share capital or carry out a merger with the help of Landmandsbanken. In late October, the newspapers carried an invitation to subscribe shares in De Forenede Skotøjsfabrikker. The company took over and merged 10 Copenhagen shoe factories with a total share capital of 9 million kroner. Of this amount, 7 million kroner had already been permanently acquired by, among others, the large company M.J. Ballins Sønner and Hertz's Garveri- og Skotøjsfabrikker, while the last two million was offered by Landmandsbanken.

The subscription of shares took place on 28 October 1916 from 10 a.m. at Holmens Kanal in a hectic atmosphere. "Huge run on Landmandsbanken", wrote *Politiken*, but it was not depositors seeking to withdraw their money. It was hopeful people who were desperate to subscribe shares in De Forenede Skotøjsfabrikker (The United Shoe Factories). Within half an hour, the issue was oversubscribed by approximately 200 million kroner. "Thus the new company is off to an excellent start," wrote *Politiken*.[15]

But a few days later, *Jyllands-Posten* carried an article by L.V. Birck of the kind that the Copenhagen press was reluctant to publish. There were not assets in the new company corresponding to the issue, and "the fraud period has now reached its maximum," wrote Birck. He continued, "Everything in Denmark is done at prices that have no relation to the practical conditions; emerging from the circle of men who gather around Landmandsbanken is an inflation of value that currently threatens the entire nation's economic life with a crisis the scale of which we have not seen in 100 years."[16]

Birck's article led to a prolonged and escalating conflict between him and the shoe factories' director, Max Ballin,



Harald Plum was the man who brought down Emil Glückstadt and Landmandsbanken. Before, during and after World War One, he built up a business empire with Transatlantisk Kompagni at the head. Transparency in his businesses quickly became muddled and Landmandsbanken suffered massive losses on the collapse of Plum's companies. Harald Plum remained undeterred and established Nordisk Trust Co. (Nordic Trust Company) on the ruins of the old companies. In 1929, he was accused of fraud, but he committed suicide before the law could step in.

and with the media as willing mouthpieces and cheerleaders. Landmandsbanken did not let itself be affected by the clamour. Although the bank did not yet have a communications department, it knew well when it was best to keep quiet.

Instead, the bank expanded the share capital by 20 million kroner to an impressive 100 million kroner, so that it "can continue to assert its position as the secure and solid supporter of our business community".[17]

In Denmark, there were two competing narratives about Landmandsbanken and its role in the developments. One stuck to the notion of "Landmandsbanken's tradition" and traced back to the time of Isak Glückstadt.

The second narrative was of a more recent date. Although there had also been criticism of Isak Glückstadt and the bank prior to the turn of the century, it was during and after the banking crisis of 1908 that a critical counter-narrative about the bank truly began to take hold. According to this counter-narrative, Landmandsbanken had become too large and powerful and was chiefly responsible for the negative influence of finance capital on and beyond the stock exchange.[18]

Social-Demokraten, *Jyllands-Posten* and the one-man army L.V. Birck were among the main proponents of the critical narrative. It may seem surprising that it was a member of

Højre who so fiercely criticised the finance sector and the country's largest bank, but with his insight, his wit and his energy he found a willing ear among workers, farmers and small business owners. In Birck's view, which he shared with *Jyllands-Posten*, Højre was a party for the middle class, who got squeezed by the activities of the big players.

Socialdemokratiet and the labour movement were becoming a significant political and social power in Danish society, and they shared the concern about and opposition to the power and speculative activities of Landmandsbanken. *Jyllands-Posten* was the newspaper of the provinces, the small business owners and the middle class, while *Social-Demokraten* was the media of the labour movement. It was not surprising that the two newspapers were the most outspoken critics of Landmandsbanken and Emil Glückstadt, or that Birck often wrote in *Jyllands-Posten*.

According to the accounts for 1916, Landmandsbanken participated in no fewer than 15 share issues for companies, including M.J. Ballins Sønner, De Forenede Skotøjsfabrikker, Transatlantisk Kompagni, Københavns Flydedok og Skibsværft (The Copenhagen Dock and Ship Yard) and United Export Co. With the accusations of overcapitalisation of Danish business and speculation in share issue profits, it was not difficult for critics such as Birck to portray the wave of share issues as problematic.

Nevertheless, the older and positive narrative about the role of Emil Glückstadt and Landmandsbanken still dominated at the official level. In early 1917, *Politiken* published an optimistic article about Denmark's future. During the first year of the war, Denmark built up a balance of payments surplus of 1 billion kroner. The newspaper asked what had become of the money that had poured into the country and had contributed to an abundance of money and speculation on the stock market.

The answer was that, even though some readers probably sensed a few crossed fingers, a lot of money had been invested into large new trading companies and existing industrial companies. It had increased exports and would contribute to making Copenhagen a "global centre of commerce" when the war ended.

Among the entrepreneurial leading men highlighted in the article were Max Ballin, Alexander Foss, Harald Plum and, of course, Emil Glückstadt. "Landmandsbanken's young and innovative chief executive is undeniably one of the men who has led the way in recent years' development in the financial, economic and mercantile areas. There are not very many of the new ventures that do not in one way or another involve his insightful participation."[19]



In the 1920s, share issues took place on the first floor of Fondsbygningen on Laksegade 8.

Was it value inflation and a bubble economy that held the risk of a 100-year crisis or solid economic development that laid the foundation for Copenhagen as a global centre of commerce? These two narratives represented two competing visions, two vastly different futures which could not both come to fruition but which both centred around Emil Glückstadt and Landmandsbanken. Was the bank and its chief executive a villain or a hero, master of the nation's economy or its servant?

The answer to that question depended on one's ideological position and view of the financial sector, and particularly one's view of Landmandsbanken. It had a large and growing customer base with close ties to a number of important companies through credit, share issues and associated boards through Glückstadt's and Ringberg's many posts on the boards of the bank's major business customers.

Landmandsbanken was a large and powerful bank, and the banking crisis of 1908 confirmed and strengthened its dominant position. Since then, Emil Glückstadt had made the bank even bigger and even more powerful through growth and the takeover of other banks.

In January 1917, his status was cemented when the Danish government asked him to participate in a delegation to the United Kingdom to negotiate the supply of coal and other raw materials that Denmark so desperately needed to keep the economy going.[20]

Too big for Denmark?

In early 1917, Germany declared unrestricted submarine warfare, attacking both enemy and neutral merchant ships. This led the United States to enter the war on the side of the Allies, and the escalation meant even greater difficulties in procuring supplies of raw materials and other goods. The perilous journey of Emil Glückstadt and other businessmen through mine-laden waters to the United Kingdom was an attempt to ease this situation.

Landmandsbanken supported its business customers in various ways so that they could purchase goods abroad for future delivery once the war was over. Nonetheless, the bank's cash balance and receivables abroad grew because there were limited opportunities for lending money. Lending to municipalities continued, however, and on the inflation-powered bottom line Landmandsbanken achieved a record result in 1917 with a profit of 21 million kroner and a dividend of 12 per cent.

The balance sheet reached new heights, as did the takeover of provincial banks. There are, wrote *Politiken*, "likely those who would say that Landmandsbanken has grown too big for Danish conditions – that it is not healthy for such a small country to have the banking system so heavily concentrated. In other circumstances, such an objection might be justified, but we believe that the time to come will show the benefits of having a heavy concentration in the country's monetary system. Other countries are also moving in this direction, and surely a small country with divided and opposing financial forces will have difficulty asserting itself in the years to come."[21]

L.V. Birck's friend and fellow professor of economics Axel Nielsen had a different view of the matter. His speciality was money, finance and banks, and although he was not quite as polemical as Birck, he also took up his pen and joined the chorus criticising the growing dominance of Landmandsbanken.



German maritime painter Willy Stöver painted this image of a German submarine attacking an English merchant ship in 1916. With its declaration of unrestricted submarine warfare on 31 January 1917, Germany escalated the war. All ships in the Mediterranean and around the United Kingdom and France would be attacked – including vessels from neutral countries. The unrestricted submarine warfare affected Denmark's trade and caused the US to enter the war against Germany.

Writing for *Jyllands-Posten* in August 1918, Nielsen criticised the fact that, over the past year, Landmandsbanken had taken over one provincial bank a month. This pulled the provinces' deposits to Copenhagen, and "control over a larger and larger portion of the country's money [was] being concentrated in a single hand."

It was necessary to legislate against the financial power of Landmandsbanken, wrote Axel Nielsen, showing how the extensive wartime interventions in the economy paved the way for a new view of regulation in the eyes of many. This was what Ove Rode's "Gimle Speech" had expressed. Until it became possible to legislate, the government should use its close ties to Landmandsbanken and prevent it from taking over more provincial banks. Like the Pujo Committee in the United States, Axel Nielsen warned of the risk of a money trust, "a power that can be fatal to the economic health and well-being of our nation, a power that can become stronger than the state itself".[22]

Birck was right on Nielsen's heels when, speaking in the Danish Parliament, he decried Landmandsbanken as part of "high finance" with many board positions and the takeovers of provincial banks. Landmandsbanken pursued the interests of the stock market and speculators, not the real economy, said Birck from the floor of the parliament.[23]

Landmandsbanken was not concerned – or, at least, it did not express any concern to the outside world. Without directly referring to Axel Nielsen, the bank rejected the accusations that it had been draining the provincial branches. On the contrary, the bank argued, the money was flowing in the other direction. At the end of 1919, the bank had 72 offices around the country with 1,350 employees and a balance sheet of 1.4 billion kroner. The year had been particularly profitable, with a net profit of 38 million kroner, a 12 per cent dividend, and an extraordinary provision that brought the reserve fund up to 45 million kroner and the bank's equity to 145 million kroner.[24]

The bank was aware of the great uncertainty about the future, and not least after the war; the tradition of a certain prudence, consolidation through provisions and a moderate dividend had not been forgotten.

Although the dividend was increased during the war, it was not allowed to exceed 12 per cent. Compared with a number of other companies, this figure was quite modest, and the bank made extraordinary provisions and transfers to the coming years.

And this was not because the shareholders did not want more in dividends. The bank's narrative of itself was well in line with "Landmandsbanken's tradition", and the Copenhagen newspapers, led by *Politiken*, were not sceptical.



Around 1920, Landmandsbanken had a number of branches in Copenhagen and across the country. As the map shows, the bank was also conspicuously absent from some regions, including central Jutland, Aarhus and Odense. The absence of branches in the country's two largest cities after Copenhagen was noteworthy. This is probably due in part to the fact that Handelsbanken came first, and because both Odense and Aarhus had strong local banks with which Landmandsbanken had close business relations.

However, the narrative was no longer in line with the surrounding society's counter-narrative about the bank and its practices. The growing criticisms of big capital, high finance, finance capitalism and overcapitalisation were all signs of a society where many ordinary people were increasingly critical of the elite, while those at the top of society had yet to realise the seriousness of the situation.

However, people like Emil Glückstadt did sense trouble, even though it was the nouveau riche "goulash barons" who most extravagantly flaunted their wealth. But the bank still had the highest of profiles because it was so visible in all aspects of life, and because it so obviously utilised its capital and credit for risky margin speculation in the many problematic stock market deals that created the "instant millionaires" that stockbroker Alfred Horwitz warned strongly against.

On top of that, Emil Glückstadt was Jewish, and anti-Semitism was also widespread in Denmark. The historical discrimination against "finance Jews" undoubtedly contributed to the resistance against Landmandsbanken and Glückstadt – even

Svikmøllen published this cartoon in 1916, portraying the nouveau riche "goulash baron" and "the Jew" as those who were profiting handsomely from Denmark's neutrality. Anti-Semitism was widespread, and the search for scapegoats was on due to the rising political, economic and social polarisation during and after World War One.



though he had left the Jewish Community of Denmark in 1914 and probably believed in money more than anything else.[25]

The Great War had exposed and reinforced the economic and cultural polarisation of society, where speculators and war profiteers made tremendous fortunes and spent them spectacularly while inflation eroded the real wages of labourers and white-collar workers. Increasing unemployment and housing shortages only made matters worse.

One evening in September 1918, Ove Ringberg called the police to his villa in the Copenhagen borough of Østerbro where 40 to 50 young people with sticks and wooden clubs were outside his house, yelling and behaving in a threatening manner. There were rumours that Ringberg received threats from FS, but because the police did not manage to arrest any of the young people, little could be done.[26]

Seven months earlier, a group of unemployed syndicalists had stormed the Copenhagen stock exchange and beaten the stockbrokers with clubs. The Russian Revolution in 1917 and other unrest throughout Europe had also frightened the bourgeoisie. In November 1918, the war finally ended after four long and terrible years. Large parts of France and Belgium were devastated by combat, millions of people had died and Germany was on the cusp of revolution. Returning to how things were before 1914 would be difficult.

The deflation crisis

In September 1918, the industrial index was at 325 and bank shares at 192 (1914=100). One year later, these index figures were 201 and 172, and in January 1921 they were at 78 and 108. And things were to get worse yet.

The war was over, but the "expectations of a return to normal conditions were not fulfilled." Instead, new challenges continued to arise, as Landmandsbanken's management soberly noted in the report for 1919.[27]

Nonetheless, the bank only wrote off small losses in 1919 and 1920. The decline in the value of stock holdings alone must have caused significant losses, and the same goes for the bank's loans. In 1920, the international economy was hit by a serious deflation crisis that nearly halved the wholesale price index. As a result, the efforts by Danish companies in the previous year to rebuild stocks at high prices turned out to be a very costly affair. When the companies lost money and the price of their shares declined, it inevitably also impacted the banks.

For the second time in less than 10 years, an unprecedented and unfamiliar situation was impacting the business of banking. For Emil Glückstadt and Ove Ringberg, it was particularly problematic. They had only experienced upswings up til then, and had heavily involved Landmandsbanken in stock market transactions. They had broken with tradition. For Emil Glückstadt and Landmandsbanken, the banking crisis in 1908 had been a victory, but the situation now faced by the bank was previously unseen. There were no relevant experiences to build on. The only thing for certain was that the future had not nearly lived up to the expectations.

In February 1919, rumours began to appear in the press that Glückstadt would resign from the bank. *Nationaltidende* reported that he was going to resign from the post of chief executive at the end of the year and instead take over the post of chairman of Landmandsbanken's banking council. The newspaper had also heard that vice manager Emil Rasmussen would take over in place of Glückstadt. The newspapers reported nothing as to what would happen with Richelieu.[28]

The story quickly spread to the provincial press, where *Aarhus Amtstidende* chose a sharper angle, writing, "Councillor of State Glückstadt is going to step down with his millions." The newspaper estimated that he had a fortune of at least 50 million kroner – a staggering and greatly exaggerated amount even though he was a very wealthy man.[29]

The story of Glückstadt's resignation did not come out of nowhere. A box at the Danish National Archives in Copenhagen contains a letter dated 19 February 1919 from

Emil Glückstadt to the chairman of the banking council, Admiral Richelieu, written on the chief executive's stationary.

> Dear Mr Admiral,
> As the Admiral will recall, it was already in my thoughts last year that I should step down from my current position. My health is no longer such that I find it defensible – for the sake of the bank or for myself – to continue with the work which is currently incumbent upon me, and as it can well be expected that normal conditions will once again take hold at the end of this year, I think it unlikely that I could be blamed, under such circumstances, for requesting that I be relieved from my office from that time.
> The Admiral will surely understand that it is not with any lightness of mind that I take this decision to separate myself from this company, which has the entirety of my interest and which is very much part of who I am.

That is what we know. And the fact that Glückstadt did not resign. The letter shows how strongly Emil Glückstadt identified himself with Landmandsbanken, and there is no reason to doubt that he meant it sincerely.

This makes it all the more difficult to understand what happened next. His expectations of the future soon proved to be incorrect. Normal conditions did not return – neither for the bank nor for the economy as a whole.

The bank employees were also forced to face this fact. In 1915, Handelsbanken's employees established Handelsbanken's Personnel Association, followed shortly after by the employees of Landmandsbanken and other banks. In November 1919, they joined together to form the Delegation of Danish Bank Associations, the forerunner of today's Financial Services Union Denmark.

The extensive consequences of the Great War, including the erosion of bank employees' real wages by inflation, were a major factor driving the organisation of bank staff. Unlike the workers who were backed by the labour movement, the individual bank employees were all alone in relation to the employer when negotiating pay and working conditions. They did not have collective agreements or free negotiating rights. The labour movement had shown the way through organisation and the September Agreement of 1899.

The organisation of bank employees was also the first attempt to challenge the "patriarchal rule" in the banks, where male employees had to apply for permission to marry and female employees lost their jobs when they married.[30]

It was not that Landmandsbanken's employees were about to join Socialdemokratiet or FS. Class war was not their thing. For them, it was not the question of class but their job and the bank that comprised a large part of their identity – in the same way as Emil Glückstadt. They saw themselves as a group that shared interests with the bank and its management. They just wanted to have a living wage commensurate with their status, and to be treated with the respect their status warranted.

During the war, they had received a special allowance due to increased costs, but they still lagged behind along with the civil servants. In early 1919, the social-democratic afternoon newspaper *Klokken 5* printed a series of letters to the editor about the poor conditions for Landmandsbanken's employees compared with other banks, and not least in light of the bank's record profits. The rest of the city's newspapers showed absolutely no inclination to poke this particular bear.

In March 1919, the bank's employees approached the management directly with a request for better working conditions, and perhaps that helped. A little. In the annual report for 1920, the bank wrote that it had established an "interest office for staff". The office could provide low-interest loans and help with budgeting, thereby "especially helping the younger class of civil servants and salaried employees to achieve an orderly financial life". The employees had to register themselves, and 400 had done so by the end of 1920. As a solution for the "patriarchal rule" and low pay, the initiative hardly satisfied the bank's employees.

The management was also under pressure from the other side. At the general meetings in 1919 and 1920, a group of shareholders were strongly discontent with the dividend being held at 12 per cent, and they felt that far too much money was being allocated to the capital. These events all signalled a new era, where different groups and interests increasingly struggled for control. Richelieu upheld the bank's tradition. He was not impressed by the demands for higher dividends. The bank was "a national institution and not … an enterprise whose task is to secure the most possible money for shareholders".[31]

The deflation crisis, which began to take hold in late 1920 and continued into 1921, changed the agenda. Media, companies and banks all realised that the end of the war would bring new problems with it. A return to the time before the war was no longer on the agenda.

Landmandsbanken made no secret of the fact that some companies would crack due to the "most complete stagnation in world trade". It was necessary to allow those which could not stand to fall while making sure to avoid "sweeping away something that has value for the future".[32]

The disaster

Julius Schovelin struck a similar tone in Landmandsbanken's 50th anniversary book, which he wrote at the bank's behest. Schovelin was an economist, royal stock exchange commissioner, and the master of the anniversary book genre. Most of the book was about Isak Glückstadt's period as head of Landmandsbanken, but in the last section Schovelin addressed the criticism of the bank and asserted that Landmandsbanken was and should be society's "servant and not its master". If the bank lived up to this and supported "sound and socially beneficial enterprises", then one could have "trust in the future – and a belief in the return of the good times".

Landmandsbanken's 50th anniversary book was possibly the worst-timed book in this genre ever. It was unreasonably optimistic and servile, and when it was released on 5 October 1921, the deflation crisis had already claimed its first victims among the country's companies and banks, while share prices continued their decline. The bank's report for the anniversary year of 1921 was the most pessimistic it had issued in the 50 years of its existence.

Nonetheless, the bank had had a good year. Trading in currency, rising bond prices and some large dollar loans for Danish municipalities and the state had yielded good returns, but the bank could not avoid losses entirely. It had to write off 25.8 million kroner "in accordance with its usual consolidation policy", as the bank wrote in the report, keeping fully in line with the narrative of Landmandsbanken's tradition. But for the first time in 30 years, the balance sheet had declined. It was 115 million kroner less than in the previous year – and this was just the beginning.[33]

Julius Schovelin was hired to write Landmandsbanken's history to mark its 50th anniversary. The book was published on 5 October 1921 and was one of the worst-timed releases ever. Still, it is noteworthy that Emil Glückstadt took the initiative to commission Schovelin's work. This suggests that he certainly did not expect that his bank would collapse the following year.



At the same time, the bank had continued its expansion policy and taken over two crisis-stricken banks in Copenhagen and Svendborg. The takeover in Svendborg only happened after a thorough due diligence process, completely in line with the tradition. That was probably also the case in Copenhagen.[34]

While the criticism of the bank grew in terms of force and scope, Emil Glückstadt was away for long periods. On behalf of the Danish state, he participated in reunification negotiations in Paris in 1919 and at the financial conference in Brussels and negotiations in Paris in 1920. In 1922, he represented Denmark at conferences

in London and Genoa, and the year before, the League of Nations asked him to help clean up Austria's inflation-ravaged finances.

This did not leave much time to lead the country's and Scandinavia's largest bank, with 85 branches and nearly 1,800 employees, and the premature death of Ove Ringberg in April 1922 after a few years of failing health did not help either.

Nor did the bank inspector Holmer Green's decision in spring 1922 to investigate Landmandsbanken. The office of the bank inspector was established in connection with the adoption of the 1919 Banking Act, and it was completely new for the banks that a man from the outside could show up and demand to see the bank's books.

In March, the bank had been granted permission by the Minister of Trade to take over Københavns Private Laanebank (The Private Lending Bank of Copenhagen) against the advice of the bank inspector. The time had come to examine just how healthy Landmandsbanken really was.

On 31 May, Holmer Green began his investigation of Landmandsbanken's accounts and loan portfolio. He was shocked. He found that the bank had 144 million in losses. This was almost all of the bank's equity, but neither Emil Glückstadt nor the Danish government wanted this to become known to the public.

After long, hectic and unpleasant meetings where the participants included Emil Glückstadt, Holmer Green, Carl Ussing from Nationalbanken, Prime Minister Niels Neergaard and Minister of Trade Tyge J. Rothe, it ended with Landmandsbanken issuing an intentionally ambiguous statement on 9 July.

Emil Glückstadt had threatened to close the bank if the bank inspector's estimate was followed. The result was that Holmer Green's report was shelved without it being mentioned in the statement. Instead, the bank reported that further losses were to be expected on its engagements and that the bank therefore would write off over 55 million kroner, corresponding to most of its reserve capital, at the end of the financial year. At the same time, Nationalbanken would deposit new reserve capital comprising 30 million kroner, which would be repaid over time.





Løbe-Seddel
fra
Berlingske Tidende

Mandag den 18. September 1922

Børsen.

Børsnoteringen suspenderet.

Et Møde idag mellem Fondsbørsstyrelsen og Børskommissæren.

Ved et Møde imellem Fondsbørsstyrelsen og Børskommissæren er der i Formiddag truffet Beslutning om, at suspendere Børsnoteringen af Aktier og Obligationer indtil Forhandlingerne paa den nu indkaldte overordentlige Rigsdag er ført til Ende.

Between the Declaration of 9 July and the weekend of 16-17 September 1921, rumours of all sorts flourished regarding the state of Landmandsbanken. Emil Glückstadt believed that if only the bank were granted time and space to run its business, it would make it, but the bank could not withstand the rising pressure. After the weekend's negotiations, the stock market listing was suspended (announced on the right hand poster), while Landmandsbanken was reconstructed and received a liquidity injection from Nationalbanken. This liquidity was delivered physically in the form of money bags carried across the street to the bank.

It sounded plausible, but it was decidedly wrong. Holmer Green was right, but little did it matter. At least not before 17 September, following two months of rapidly increasing unrest about the bank and general uneasiness about Emil Glückstadt continuing to hold the position of chief executive.

In October 1921, economist K. Riis-Hansen had agreed to join the management after Glückstadt had spotted his talent. He was widely recognised for his abilities and integrity, but as with the anniversary book, the timing was poor.

In August 1922, merchant Ernst Meyer was also named manager at Landmandsbanken. As with Riis-Hansen, he was recognised for his abilities, and that provided some hope within and outside the bank. However, Emil Glückstadt quickly made clear that he was still the bank's chief executive. The crisis was explained as being related to difficulties in the business world that naturally caused the bank losses. Now it was time for the rumours to stop and for the bank to be given time and space to do its work.

Not many people bought this line of thinking. Most people viewed the bank's management as a major part of the problem. *Aarhuus Stiftstidende* wrote what many people were thinking: that the end was near for "System Glückstadt".[35]

The end came on 17 September, when *Nationaltidende* revealed the first details of Landmandsbanken's new

reconstruction. In the following days and weeks, the story was everywhere in the media, dominating front pages and conversations between people on the street and in thousands of homes in Copenhagen and throughout the country.

The reserve capital was gone, and the share capital was written down by 90 per cent, followed by an injection of 70 million kroner in preference shares, with 40 million kroner coming from the Danish state, 20 million kroner from ØK, 5 million kroner from Nationalbanken and Det Store Nordiske Telegrafselskab.

In addition, Nationalbanken deposited the already promised 30 million kroner as reserve capital. Nationalbanken also made a large amount of state-guaranteed liquidity available to the bank. At the end of September 1922, Landmandsbanken had borrowed 240 million kroner from Nationalbanken, and it was still losing deposits at an alarming rate.

Glückstadt and Richelieu were dismissed in September 1922 together with the rest of the management and the board, except for Ernst Meyer, who had just been hired, and therefore had played no part in the problems.

It was Landmandsbanken's first ground zero.

The impressive longcase clock featuring lions on top will resound in the bank's new domicile in Postbyen. It was given by Landmandsbanken's officers to mark the bank's 50th anniversary, on 5 October 1921. No less than seven people designed and built the clock: a designer and modeller, a builder, an instrument specialist, a master carpenter, a silversmith, a bronze caster and a composer. The most famous of them is probably the watchmaker, Jens Olsen, designer of the famous World Clock on display in Copenhagen City Hall. The dial by Georg Jensen shows the four ages of life, and the clockwork plays all day from 9.00 a.m. It starts with a longer "the day's work has begun" melody, and ends with a shorter "goodbye and thank you for today" melody at 4.00 p.m.






Danske Bank



III Recovery
Landmandsbanken and Oluf Nielsen 1922-1954

In 1928, Landmandsbanken was officially reconstructed and taken over by the state, which appointed shipping magnate A.P. Møller as chairman of the board. Oluf Nielsen, who succeeded Emil Glückstadt in 1922, continued on the board and was joined by Poul Ingholt. Both knew the bank well, and A.P. Møller was the guarantor that the bank would go private again one fine day. This portrait of A.P. Møller was painted in 1953 by Johannes Glob.

Explaining the crash

Denmark was in shock. Politically, financially and culturally. Landmandsbanken became a symbol of everything wrong with the speculation of the wartime and post-war period, and for the left it demonstrated the failure of capitalism. The September reconstruction and its repercussions made it quite clear which narrative had won the battle to understand Landmandsbanken and Emil Glückstadt. It was the narrative put forth by the bank's most prominent critic, L.V. Birck, and promoted by *Social-Demokraten* and *Jyllands-Posten*.

Everyone had an opinion on the bank's crisis, and L.V. Birck could take a victory lap while Julius Schovelin, who had written the bank's anniversary book less than one year earlier, struggled to make sense out of the senseless. Emil Glückstadt had been too gullible and too optimistic thought Schovelin now, and when Denmark's and the global economy were hit by the peace crisis, he had no answer.[1]

Birck agreed with the view that Glückstadt had been too optimistic but also held that he was a stock investor with greater interest in speculation than in industry and trade. He had thrown good money after bad and was altogether a mediocre banker. Nonetheless, Emil Glückstadt had been put on a pedestal by the leaders of industry, major merchants and high-ranking officials who flocked around him because he had power and influence.[2]

It was just the beginning of a long process of trying to make sense of how everything could have happened. Strictly



The bronze bust of Oluf Nielsen was made by Einar Utzon-Frank in 1941. The bust in stone of Poul Ingholt was made by Knud Nellemose.

speaking, it has not yet been fully explained, if that is even possible. But an attempt had to be made, and it involved major investigative and clean-up efforts. Understanding what happened and producing a plan for the future were two equally important tasks, and in principle it would seem that they were independent of each other. In reality, they were difficult to separate.

On the one hand, it was important for society and the banks to determine how such a financial disaster could happen. Somebody must be to blame. No villain, no story – and no story, no explanation. Many banks had been in difficulty since 1920, but this was Scandinavia's largest bank with a balance sheet of nearly 1.5 billion kroner and equity of 150 million kroner. How could Landmandsbanken be bankrupt in September when the bank itself, the government, Nationalbanken and – at least it was believed at the time – the bank inspector all approved of the bank in July? Who was at fault?

The matter also became a hot-button issue politically. The statement of 9 July proved to be a massive blow to the reputations of Nationalbanken and Prime Minister Niels Neergaard. Everyone was angry, and it was unthinkable to let bygones be bygones.

On the other hand, all of the decision-makers had quickly understood that Landmandsbanken had to have a future. It was far too big to fail. Although some newspapers and competitors were tempted by the idea, it was not an experiment that those with power dared to pursue. The fear that it would drag down far too many others if it crashed put a stop to those sorts of ideas.

Therefore, the second task was to find suitable management for the bank, who could shepherd it back to the role of the nation's and economy's servant, not master. Along the way, it would also be good to help the bank's shocked employees back on their feet and enable them to rediscover their pride in working for the country's largest bank. This was no easy task.

It is difficult to overstate the significance of the crash and the highly problematic way it was handled. Some of the most important institutions in society – the government, Nationalbanken, the country's largest bank, and many of the country's newspapers – suffered a deep blow to their legitimacy once it became clear in September that a new reconstruction was necessary and the 9 July statement was not worth the paper it was written on.

Ultimately, the legitimacy of urban capitalism was at stake. An explanation had to be found (or invented), and that process was launched by Minister of Justice Svenning Rytter already on 19 September. A few days later, a banking commission was appointed, with High Court judge C.D. Rump as chairman, and bank inspector Holmer Green and Professor L.V. Birck as the other two members.

Every scandal needs an explanation. Landmandsbanken was the scandal of the century, so a commission was set up in order to investigate. The banking commission's report was released in 1924 to very mixed reviews. *Social-Demokraten* had no doubt who the villain was. But the commission's work had apparently been stymied before that narrative gained too much wind in its sails.


SOCIAL-DEMOKRATEN

FRIHED LIGHED BRODERSKAB

Nr. 15 Kobenhavn. Tirsdag den 15. Januar 1924. 53. Aarg.

Beretningen om Kapitalismens forfærdende Forbrydelser mod det danske Folk.

Rump, who was a lawyer by trade, conducted the witness interviews, while Holmer Green and Birck had an understanding of economics, banking and finance. They were already deeply involved in the matter – Green as the one who had investigated the bank and Birck as its biggest critic ever since 1908. Their impartiality could have been brought into question, but it was not. Their findings were virtually a foregone conclusion.

The banking commission began its work in October. It was closely followed by the media during the 15 months its work was in progress, and Birck made sure to leak information once in a while to make sure it stayed in the news. Birck wanted to get to the bottom of things, not just in Landmandsbanken's collapse but in the system that had enabled speculation and the overcapitalisation of so many big companies. The interconnected boards, networks, favouritism, nepotism … everything.

When the commission's report was released in mid-January 1924, it was clear that Birck's ambitions had not been fulfilled. The report was rather narrow in its focus but left no doubt about who was to blame. Landmandsbanken's collapse "is first and foremost due to the credit and finance policy established by the bank's management in the years prior to the major economic downturn in 1920". The commission acknowledged the impact of the deflation crisis, but "the two directors, Glückstadt and Ringberg, bear the main responsibility."

Thus it was official. The report revealed eye-popping details, as did the trial against the management conducted alongside the commission's work: the interconnected boards,

massive loans to TK that were bigger than the bank's equity, stock market speculation, massive price manipulation of the bank's own and other shares, covering losses for privileged investors, and loans to family and friends.

Add to this that the bank had a very large holding of its own shares and that the management had shown far too much optimism and an unwillingness to acknowledge the realities when the economy took a turn for the worse. Ove Ringberg failed to lead the bank when things began to sour, and Emil Glückstadt was away in the service of the Danish state and the League of Nations for much of the time leading up to the collapse.[3]

The scope of the investigation was defined in such a way that Birck's hope of a complete probe into the system was not possible. The investigation had a narrow focus on the bank and a few companies such as TK and Ballins. But nothing more was heard about the many figures in high society, including the royal family and H.N. Andersen, who were most likely also involved in the bank's speculation consortia. It was widely known that Glückstadt and Andersen were not friends, and there were many indications that Andersen had worked against Emil Glückstadt and contributed to his downfall.

There is also much evidence indicating that Andersen quickly got cold feet and did what he could to stop the work of the commission before it began to take a closer look at Andersen himself. Just as none of those who had the power to decide dared to let the bank fail, neither did anyone feel the urge to expand the investigation to include all of high society.

The boundary between realities and conspiracy theories – of which there were many – is blurry in this case, but one thing for certain is that H.N. Andersen kept a lower profile after Landmandsbanken's crisis. And Birck, who otherwise rarely hesitated to share his opinion, remained silent for a number of years. There is still much we do not know about the collapse of Landmandsbanken and its connections with the elite in Danish society during and after World War One.

The commission's report was one thing, while the question of potential crimes by those involved and talk among the general population about the collapse were another. The question of crime was resolved in 1923, first by the Danish High Court in July and then by the Supreme Court of Denmark in late September. All those with an interest in the case could have followed it in *Berlingske Tidende*'s court transcripts from the trial and the massive media coverage in general.

The Danish High Court found Glückstadt guilty of fraud, and Riis-Hansen was fined 2,000 kroner for having signed the misleading accounts for 1921 even though, according to the court, he knew or should have known better. The rest of the management and the board were acquitted. But the prosecution appealed the verdict, and on Saturday, 29 September, at 7.25 p.m. the Supreme Court sentenced the board and management to fines ranging from 2,000 kroner to 4,000 kroner for violating the Danish Companies Act.

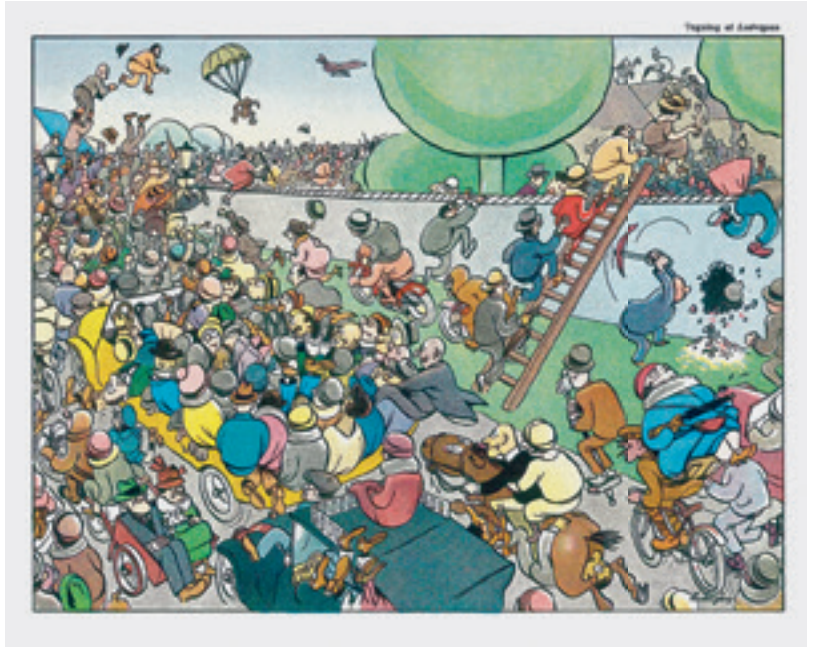
It was thereby established that a company's management and board had a duty to ascertain the accuracy of the accounts they signed. In a rather optimistic lead editorial, *Politiken* wrote, "Everyone will, after this judgement, understand the responsibility one assumes by joining the board or management of a publicly traded company."[4]

The size of the fines roughly corresponded to the annual salary of an ordinary bank assistant after 10 years of employment, but for those given the fines the amounts were unlikely to have had any major economic significance. Their reputation, however, suffered heavily after the verdict and the banking commission's report.

Both Ove Ringberg and Emil Glückstadt avoided these repercussions. Ringberg died of a kidney disease in the spring of 1922. Emil Glückstadt had been surprisingly arrested from his sickbed in his home on 9 March 1923. In prison, he converted to Catholicism while his health deteriorated almost daily. On 23 June, he was transferred from the prison to the municipal hospital due to severe abdominal pain. He died on the operating table at the age of 47.

An air of uncertainty pervaded Landmandsbanken during the 1920s. Emil Glückstadt had been portrayed as a champion of society and business, a loyal servant of Denmark, and the enterprising chief executive of Landmandsbanken. From one day to the next, he was a pariah, an outcast from society. He apparently voluntarily gave the bank his possessions in September 1922. They were sold at auctions, some of which were held at his estate Sølyst. These auctions developed into headline attractions, with frenzied spectators and massive press coverage. Now, ordinary people could see how the upper echelons of society lived, and either shudder or rejoice over how quickly the tide could turn.

Anyone could view and buy the many thousands of art and applied art objects



Emil Glückstadt had to surrender his considerable fortune and possessions to Landmandsbanken, which put them up for auction. Four thick auction catalogues were needed to list all of the items. One of the auctions was conducted at Glückstadt's country estate, Sølyst, where, amid tumultuous scenes, the public got a rare glimpse into the world of the upper class. At the same time, they were able to confirm the meaning of the Danish proverb "fly high, fall deep". Ludvigsen's cartoon was published in *Svikmøllen* in 1924 with the caption "The Storming of Sølyst".

he had collected over the years. His properties, Sølyst and the palaces in Copenhagen and Paris, were sold, as were his island, called Æbelø, and his private yacht. In total, the liquidation raised around 6 million kroner, or about 200 million kroner in today's money, which went into Landmandsbanken's coffers. But it did not provide any real redemption.

At the same time as the High Court, the Supreme Court and the banking commission were doing their work, attempts were made to secure the future of Landmandsbanken and recreate the narrative of Landmandsbanken's tradition.

First, a new management had to be found. During the tumult of September 1922, H.N. Andersen had pledged to become the chairman of the bank's new board. This caused the Copenhagen media to espouse praise for his great talents and commitment to the good of society. With Andersen at the helm of the bank's board, Landmandsbanken was in good hands.

But the joy was short-lived. Andersen quickly withdrew his pledge – perhaps when he realised what could happen if the banking commission went one step further and began investigating the relationship between ØK and Landmandsbanken. That would hardly be good for his reputation, and if there was anything Andersen tended with care, it was that.



Østasiatisk Kompagni's founder, H.N. Andersen, was a master of creating an image of himself, as also seen in this portrait. He was born into poverty in Nakskov in 1852 and died in 1937 as one of Denmark's leading businessmen. He wielded considerable power, and there were those who believed that he used it to stop the banking commission's investigation before it got too close to him. After the banking crisis, he kept a much lower profile.

Instead, Supreme Court attorney Vagn Aagesen was named Landmandsbanken's new chairman, while the media speculated about whether Emil Glückstadt's successor would be someone from inside or outside the bank.

The candidate pool was quickly narrowed to the vice managers Philip Mik-Meyer and Oluf Nielsen, both of whom had been employed at the bank for years, and both of whom early on and unsuccessfully warned the bank's top management that the bank was on the wrong track. In October, the media reported that Oluf Nielsen had emerged victorious. He and Ernst Meyer were appointed joint directors, but it was Oluf Nielsen who knew the bank through and through.

Convening in the "12 meeting room" with Emil Glückstadt at the head of the table. Every day at 12 noon, the bank's managers met in this room, which was directly adjacent to the chief executive's office. Among others at the table are Oluf Nielsen (third to the right) and vice manager Philip Mik-Meyer (fourth to the right). Mik-Meyer worked most of his life at Landmandsbanken, where he was employed from 1884. Mik-Meyer died in 1942.



From state guarantee to state bank

In January 1920, Landmandsbanken's share price was 155, and in June 1922 it was 111. The last quoted share price before the second reconstruction was 73. Meanwhile, the bank was losing deposits at an alarming rate. The situation was entirely untenable. In January 1922, the total deposits amounted to 1 billion kroner. This level remained relatively stable until July, after which deposits declined from 986 million kroner in August to 916 million kroner in September, 807 million kroner in October, 782 million kroner in November, 792 million kroner in December, 782 million kroner in January and 727 million kroner in February 1923. In just over one year, the bank had lost 27 per cent of its deposits.

In January 1923, the bank's directors, Oluf Nielsen and Ernst Meyer, together with chairman Vagn Aagesen, approached Nationalbanken. The time had come for the 1922 annual accounts, and therefore they had reviewed the bank's commitments. Instead of the 144 million kroner that Holmer Green had found in July, the total losses now amounted to 230 million kroner. There was only about 10 million kroner left of the bank's new preference share capital, and now the three gentlemen wanted to hear what Nationalbanken thought about it.

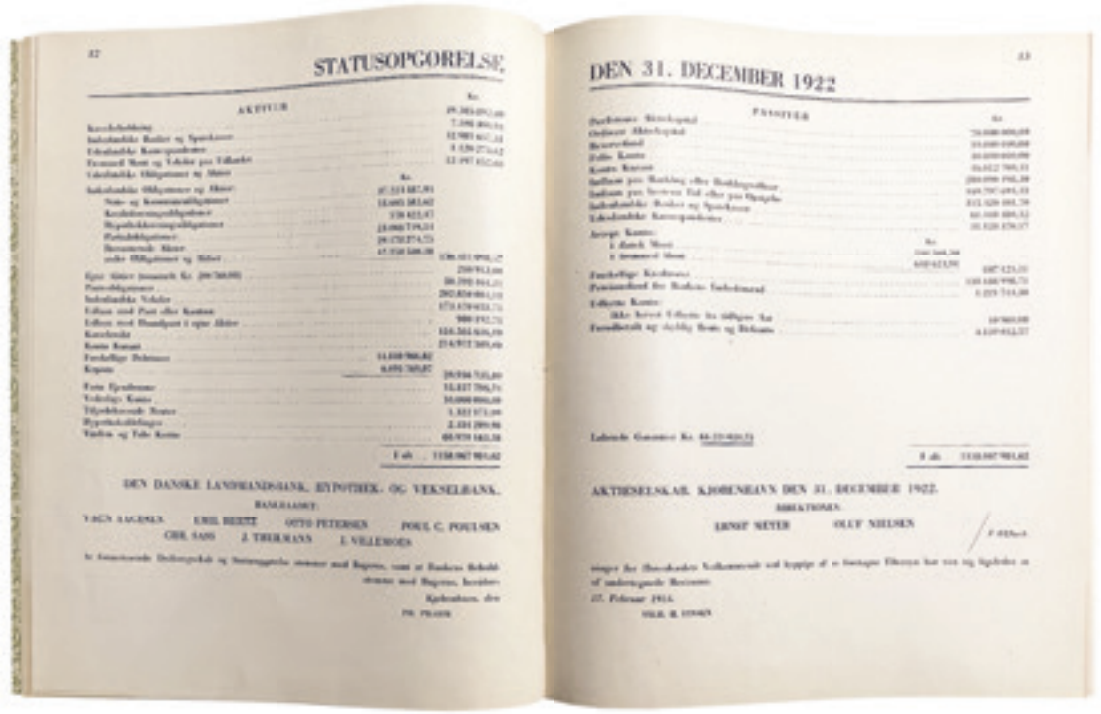
There was only one thing to do. The bank's management contacted the Prime Minister and the Minister of Trade, who once again had to go to the Danish Parliament and ask for yet another law on Landmandsbanken. Without much enthusiasm, the parliament approved a state guarantee for all of Landmandsbanken's debts for five years until 1928. The king signed the guarantee law on 5 February 1923.

The bank's governance was in place with a new management and a new board, and the guarantee provided relative calm among the depositors. The other banks were understandably dissatisfied with the guarantee, which gave Landmandsbanken a benefit in the competition for deposits, and the law therefore established the Landmandsbank Board to prevent unfair competition. However, the Board never took any action of note.

Landmandsbanken could continue its operations, now showing a total deficit of 60 million kroner in the balance sheet's asset side, meaning negative equity. It was only possible because the bank was state-guaranteed.

The Danish economy was still under great strain, and many banks ran into difficulties, which made it harder for companies to obtain loans.

The Danish currency was also in serious trouble. The gold standard had been suspended since August 1914, and the government decided that before returning to gold, the krone had to be brought to par, that is back to the exchange rate it had before the war. The problem was that the krone was very far below par,


STATUSOPGØRELSE

DEN 31. DECEMBER 1922

AKTIVER

PASSIVER

DEN DANSKE LANDMANDSBANK, HYPOTHEK- OG VEKSELBANK.

BANKRÅDET:

VAGN AAGESEN ERNST MEYER OTTO PETERSEN POUL C. POULSEN
CHR. SAHS J. THERKILDSEN J. VELLEMOES

AKTIESELSKAB. KJØBENHAVN DEN 31. DECEMBER 1922.

DIREKTIONEN:

ERNST MEYER OLUF NIELSEN

The bank's accounts for 1922 were a painful affair. Write-offs totalled 232 million kroner, a figure that corresponds to approximately 8 billion kroner today. There was no cover for these losses, even if the reserve fund and 31 million kroner of the recently established preference share capital were written off. Instead, a deficit of 61 million kroner was listed in the asset column of the balance sheet. In a letter to the Ministry of Trade, the bank requested and was granted a guarantee for the bank's depositors and creditors.

and Nationalbanken's money pumping in connection with Landmandsbanken's crisis had not made it any better.

In January 1923, the krone was at 71 per cent of its par rate, and the year after it bottomed at 60 per cent. In March 1924, the government decided that enough was enough. The krone had to be brought back to par and to the gold standard. This meant that its value would have to be increased by 66 per cent, which could only happen through a very tight monetary policy that pushed down prices and wages.

This deflation policy had the unfortunate side effect that economic activity and exports declined, and unemployment rose. But it was a fight for the "honest krone", and social democrat C.V. Bramsnæs had already said the year before that it could do Danish businesses good to occasionally "hop into the cold shower". As Minister of Finance in the first Stauning government, which took office on 23 April 1924, he was able to demonstrate this theory in practice.

The parity crisis was the result of ideology and nostalgia. Financial stability and employment were no longer the top priority; now it was the job of monetary policy alone to increase and stabilise the value of the Danish krone. This effort succeeded in late 1926, after which Denmark was back on the gold standard. But it came at a high cost.

The banks had been ordered to curtail their lending and further reduce their balance sheets. This applied especially



In the spring of 1925, the collective labour market agreements were up for renegotiation, and a number of unions demanded pay increases. This led to a conflict in which Arbejdsmandsforbundet, under the leadership of M.C. Lyngsie, announced an extensive transport-workers' strike. The photo shows striking port workers who are attempting to block the Port of Copenhagen from "scabs".

to Landmandsbanken, which in connection with the adoption of the guarantee law had already been clearly instructed that it had to become smaller. The management objected that it had "many illiquid assets" and that "a realisation of these assets must … be reserved for a time of easy money if we are to prevent excessive losses."[5]

Little did it help. Unlike the peace crisis from 1920 to 1921, which came from outside and was international, the parity crisis was a self-inflicted, avoidable and costly affair. Unemployment increased to over 20 per cent, prices declined, businesses and agriculture lost money and the banks were once again in crisis.

In 1924, Denmark's fourth-largest bank, Københavns Diskonto- og Revisionsbank, had to bite the dust, and the following year the fifth-largest bank, Andelsbanken, went into liquidation. That same year, Privatbanken also entered reconstruction.

Many of Landmandsbanken's big customers were negatively impacted by the rising krone, which gave new losses. When the banking inspectorate examined the bank in early 1926, it found new losses of 159 million kroner, which were written off in the accounts for 1925.

New negotiations with Nationalbanken and the government led to the extension of the guarantee until 1932. The bank was thus able to submit annual accounts for 1925 with a negative equity of 130 million kroner and a total balance sheet of 839 million kroner.

Prime Minister Thorvald Stauning headed a minority government and in 1926 had to call an election, in which Venstre and De Konservative (The Conservatives) won. Venstre formed a minority government with agricultural man Thomas Madsen-Mygdal as Prime Minister. He was a liberalist and agrarian capitalist through and through, and he was most unhappy about having to spend state funds to save private banks and Denmark's crisis-ridden industry, which was crying out for tariff protection.

Landmandsbanken was the exception that confirmed the rule. Although it was far from its former greatness in terms of size and reputation, it was still too big to fail, or, as it is called today, "systemically important". It was necessary to find a sustainable solution to the bank's problems so that it would not have to drag around a massive deficit forever. The state wanted out of the guarantee before 1932, and Landmandsbanken's management longed for its freedom.

With the gold parity achieved, the first serious negotiations could begin on how the state and Landmandsbanken could free themselves of each other. After much deliberation, conflict and discussion, a solution was finally reached in 1928, although not in the form that most had expected. Despite Madsen-Mygdal's strong opposition and attempt to find alternatives, the government ultimately saw no other option than to have the Danish state inject new share capital worth 50 million kroner and a reserve capital of 34 million kroner into Landmandsbanken. Landmandsbanken was now a state-owned bank.

The law on Landmandsbanken's new scheme was adopted on 19 April 1928. In connection with the law's adoption, the bank wrote off 136 million kroner in losses, taking total losses for the bank since 1920 up to 450 million kroner – roughly equivalent to an average state budget for a full year. Landmandsbanken's crisis had cost taxpayers 176 million kroner, shareholders 174 million kroner and Nationalbanken 45 million kroner, while the bank's profits covered the rest.[6]

Not long after Landmandsbanken's new arrangement was in place, Privatbanken ran into problems in September 1928. But this time, Prime Minister Madsen-Mygdal stood firm on his liberal principles. If the bank could not manage on its own, it would have to close. There was no point in shifting the burden onto the state. Despite protests from politicians and the business world, Privatbanken closed its doors on 28 September 1928.

Nobody knew if it would ever open again. There was broad agreement that the bank was solvent with 12 million kroner, and it was Tietgen's old bank. It had supported the founding of many of Denmark's best-known companies, but Madsen-Mygdal was adamant. He was not going down in Danish history as the one who had saved two major banks with public money within a span of six months. One was more than enough.

After days of ongoing negotiations, a deal was reached that provided Privatbanken with new capital from the bank's

"friends", as the media called them. Landmandsbanken, Handelsbanken and Nationalbanken, as well as some of Tietgen's old companies (these were the friends) who contributed 28 million kroner in new share capital, while other friends contributed subordinated loan capital of 15 million kroner. That money came from the Swedish Wallenberg family's Stockholms Enskilda Bank, Hambros Bank in London and the US-based Guaranty Trust Co. Against all odds, Privatbanken was able to reopen on 3 October with new management.

When Landmandsbanken submitted its first annual accounts as a state-owned bank in March 1929, it was a far smaller and very different bank. The balance sheet amounted to 648 million kroner, under half of what it was in 1920, and the management was also new and smaller. In connection with the new arrangement, shipowner A.P. Møller was appointed chairman of the board, which now comprised seven members.

Oluf Nielsen continued as director, and in July 1928 he was joined by Poul Ingholt, another Landmandsbanken veteran. It was a strong triumvirate that no one could accuse of being speculative risk takers. Together, they would shape the bank well into the 1950s, and in the case of Ingholt until 1964. Their task was clear: they had to re-establish Landmandsbanken's tradition.

Shipowner A.P. Møller made no secret of his strong opposition to the state's takeover of Landmandsbanken, but when he was asked if he wanted to join the board, he accepted in order to help the nation, as he put it. One could wonder if it was also to make sure that the bank became private again as soon as possible. A.P. Møller was 52 years old and a tremendously successful and recognised business leader, and unlike H.N. Andersen his opinions and approach were clear to all. He was a modern businessman who was unafraid to speak his mind. The media were enthusiastic about the appointment.

What A.P. Møller lacked in knowledge about banking was covered by the two long-time colleagues. Oluf Nielsen had been at the bank since 1907, with a stint as vice manager of the bank's branch in Paris. When Emil Glückstadt was fired in September 1922, he took over as chief executive, and since then it had all been a matter of survival while the bank remained in the throes of dire financial circumstances.

When Landmandsbanken's new arrangement was implemented in 1928, Oluf Nielsen was 48 years old. He had gained valuable experience by heading the bank during a time when its reputation was rock bottom and where it was financially, politically and culturally vulnerable. In April 1928, he was suddenly head of a state-owned bank. This was hardly what he had dreamt of. Nonetheless, he served as Landmandsbanken's chief executive through thick and thin for 32 years.

Poul Ingholt was 33 years old when he took up the position as Oluf Nielsen's co-manager in the summer of 1928. He was hired by the bank in 1911 at the age of 16, and, like Oluf Nielsen, Ingholt also spent time working abroad. From April 1917 to November 1918, he was a secretary at the Danish Consulate General in Moscow, stationed by the bank, which understandably wanted to know more about the situation over there.

Oluf Nielsen and Poul Ingholt had experienced both the upswing and the downturn culminating in the collapse of 1922. When Oluf Nielsen took the helm of the severely wounded bank in September 1922, Ingholt was tasked with helping the banking commission unravel the bank's many complicated transactions.

This experience left its mark – not just on Nielsen and Ingholt but on a whole generation of managers and hundreds of employees at Landmandsbanken. They experienced the shock first-hand, and the consequences of the bank's collapse also had personal consequences for them. They had been proud to work at Landmandsbanken. They identified with the bank and had looked up to Emil Glückstadt, and the oldest of them still held fond memories of Isak Glückstadt. Now it was their task to rebuild. The bank, the pride and the identity. The collapse was Landmandsbanken's 1864. What is lost outwardly must be won inwardly.



Shipping magnate A.P. Møller photographed in 1930, two years after he took over the position as chairman of the board of Landmandsbanken. He was strongly opposed to the bank's "socialisation" and was determined to make it a private company again. This was also the first step towards A.P. Møller Holding becoming the bank's largest shareholder, with a stake that currently represents approximately 21.5 per cent of the share capital.

A new bank under new conditions

When Københavns Diskonto- og Revisionsbank (Copenhagen Discount and Audit Bank) was forced to close in 1924, it not only cost shareholders and depositors money; there were also 350 employees who lost their jobs and their pension savings. Things were a little better at least at Landmandsbanken, which was big enough to be kept afloat by the state and Nationalbanken.

Nonetheless, it was a traumatic experience for the staff. They experienced a heightened pace of work due to cutbacks, and some had to apply for "recreational leave to get overworked nerves back in order". Things got worse in 1926 when

the bank, after new losses and write-offs, dismissed 130 staff, corresponding to around 10 per cent of the total workforce. From 1922 until 1927, the number of employees fell from 1,456 to 1,166.

This caused great concern at a time when there were hardly any banks looking for new employees. The Delegation of Danish Bank Associations, whose chairman P. Bojesen was an officer at Landmandsbanken, expressed surprise that the bank was acting "in the same way as any unscrupulous profit-obsessed employer".[7]

It was not because Landmandsbanken's employees had become radicalised. Most of them clearly distanced themselves from Socialdemokratiet, class thinking and the labour movement – they even distanced themselves from the relatively compromise-oriented union of office workers, HK. They saw themselves as a profession. They were under pressure, but they did not want to be reduced to being working class.

Most of the employees in the banks, including Landmandsbanken, identified with the bank and the management, but in the "evil times", as Bojesen called it, it was hard to maintain a grip on the narrative of shared interests.

Meanwhile, there was also strong external pressure on the banks. The public had lost faith in them, and Landmandsbanken symbolised all the worst things about the banks. It was no better in the parliament, and with the victory of the social democratic Stauning government in the election of 1929 the pressure on banks increased. They were criticised for holding back from granting loans. It soon became too much for the bank employee's union: "In our days, the banks have become the scapegoat of economic life," wrote the union in its magazine in 1930.[8]

There were many, high and low, who could not forgive Landmandsbanken for the losses it had cost them. The fact that it was now a state bank was another kick in the teeth to those in society who still hoped for an imminent return to liberalism. Many, including its biggest competitors, felt that Landmandsbanken should be liquidated; that it was the most liberal prime minister in living memory who carried out the bank's socialisation only added to the righteous indignation of the right-leaning media.

The bank had to show that it was a viable business, or, as *Politiken* put it, "how much earnings power Landmandsbanken still holds now that it is freed from all old damages". The newspaper was pleasantly satisfied with the bank's accounts for 1928, which showed "that the new arrangement has created a strong and sound large bank". It had earned 7.4 million kroner and could pay out a dividend for the first time since 1921. The 5 per cent dividend, together with an instalment payment on the reserve fund loan, went directly to the Danish state.[9]

The general meeting was a calm affair. The state was represented by Permanent Secretary Dalhoff from the Ministry of Trade, who sat alone in the hall while Landmandsbanken's board and management – nine people in all – sat across from him. Chairman A.P. Møller began by saying that he was not going to read the printed report aloud, "unless the shareholder so desires".

The shareholder did not, and the chairman could subsequently state, "The bank is good, sound and well-functioning and with an honourable and knowledgeable management that will exhibit caution and due care, combined with foresight and ambition, it will secure the significant position in Danish business life that its history – apart from a few unfortunate years – and its, by Danish standards, broad activity warrant."[10]

That was the vision: a renewal of Landmandsbanken's tradition, expressed by the new chairman of the banking council, A.P. Møller. It was a good beginning, but it was probably also Landmandsbanken's luck that the Danish economy was improving after the hard years in the middle of the decade. The year 1929 was no exception, although there were many signs of danger out in the world.

For the 10th year running, Germany was plagued by the war reparations it was obliged to pay to the victors under the Treaty of Versailles, and France and the United Kingdom owed large sums to the United States for loans taken to finance the war. Now it was only the American loans to Europe keeping the system afloat, but it was fragile, and much of the debt was short-term.

The international political conditions could hardly get worse, and just seven months after Landmandsbanken's general meeting the booming US economy plunged into a black hole with the Wall Street crash of October 1929. The roaring twenties were over.

Landmandsbanken's business in the years around 1930 were marked by very high liquidity, which far exceeded the requirements of the new Banking Act of 1930. The bank's management felt confident enough to begin a gradual unwinding of the state guarantee, which many customers voluntarily waived when asked.

Trust in the bank was slowly re-established as the efforts to streamline the organisation continued. The introduction of new technology, in the form of bookkeeping machines and other equipment, was systematised, while the number of branches had been gradually reduced over time since the collapse.

At the end of 1930, Landmandsbanken had 23 branches in Copenhagen and 45 in the provinces. It was still a large bank – the country's largest – but the balance sheet of 700 million kroner at the end of 1930 was still under half of what it had been in 1920.

Landmandsbanken was thus in good shape at the beginning of the 1930s. All losses had been written off, the organisation

had been "thinned" and the management had been replaced. There was also wide recognition that the bank had a strong and well-functioning organisation, a positive legacy from the past.[11]

Both Oluf Nielsen and Poul Ingholt were veterans. They knew the bank through and through, for better and for worse. But they were entering a new economic situation and within a radically different operating framework. Everything changed in the 1930s. The world, Denmark, the bank, the management, the organisation and the employees who comprised it.

The new Banking Act of 1930 had been a long time coming. It brought about considerable tightening compared to its predecessor of 1919, and nearly every paragraph of the law bore traces of the banking difficulties of the previous 10 years. Among the most significant changes was that bank directors were generally no longer allowed to sit on the boards of other companies, and they were not allowed to engage in speculation on their own account. Rules were also introduced limiting the size of individual engagements and banks' holdings of shares in other companies and own shares.

The Banking Act of 1930 marked a departure from the universal bank system and finance capitalism. It limited the risk exposure of the banks and reduced the power and influence of bank managers on business and society. While Emil Glückstadt had a seat on more than 20 company boards and was chairman of around half, Oluf Nielsen was only a member of ØK's board after being granted dispensation from the Banking Law.

The Banking Act's measures were further supported by a significant change to the bank's organisational culture. The new generation of bank managers and officers had experienced the traumatic impacts of the 1920s banking crisis first hand – none more so than those from Landmandsbanken. If anything, they became too cautious, too risk averse. In any case, this is what they were accused of being by politicians and the business world, and things did not get any better when the economic conditions also worsened.

The Wall Street crash in 1929 had no significant impact on the Danish economy or Landmandsbanken's business. Nor did the crash lead to the Great Depression. Things first went terribly south in 1931. Professor Axel Nielsen called it "the black year" in a high-profile New Year's article in *Børsen* on 1 January 1932.



Daily Express

MONDAY, SEPTEMBER 21, 1931. ONE PENNY.

BRITAIN OFF THE GOLD STANDARD.

LAST NIGHT'S DECISIONS BY THE GOVERNMENT

No More Gold To Be Sent Abroad.

Stock Exchange Closed To-day.

Bank Rate Up To Six Per Cent.

BUSINESS AS USUAL.

"THE INTERNAL POSITION OF THE COUNTRY IS SOUND."

GOOD NEWS.

DRAMATIC 'PHONE CALL TO CHEQUERS.

FRANCE AND U.S. TO HELP THE POUND.

MISS BONDFIELD ILL.

LATE NEWS.

In 1930, the Bank of England governor Montagu Norman said, "The gold standard is the cement that binds the whole fabric of international credit and exchange together." On 21 September 1931, the United Kingdom left gold and allowed the exchange rate of sterling to fall. Before the week was over Scandinavian countries made the same decision. The world as they knew it was over. The paradox was that it gave them the freedom to pursue a more expansionist economic policy. The countries that abandoned the gold standard soon saw economic improvement.

The world was already in recession, and the international economy and geopolitics were more complicated than ever before. Many of the problems could be traced back to the Versailles Peace Treaty after World War One, where Germany was ordered to pay huge war reparations to the victors.

Repeated negotiations and attempts to resolve the problems proved futile, and instead of a lasting solution, a number of European countries, in particular Germany, became increasingly burdened with short-term debt to the United States. The fragile balance fell apart when the Austrian big bank Credit-Anstalt collapsed in May 1931. Although the bank was saved at the last minute, it led to pressure on the Austrian schilling, and shortly afterwards the German banking sector and the Reichsmark came under attack.

Both countries tightened monetary policy and introduced restrictions on gold export to curb capital flight, and soon the crisis spread to the United Kingdom, which abandoned the gold standard on 21 September 1931. It was the end of an era. The pound quickly fell by 20 per cent, and the following week Sweden, Norway and Denmark decided to follow suit. The painstaking and costly re-establishment of the gold standard from 1924 to 1927 had fallen apart.

For people at the time, it was a terrible experience. Many felt that the gold standard was the foundation of capitalism and civilisation, and in 1931 it took a fatal blow. In reality, this opened new opportunities for economic policy, including the devaluation of the krone that resulted from the collapse of the gold standard and which was absolutely necessary for maintaining trade with the United Kingdom, Denmark's largest trading partner.

The events of 1931 are what made the Great Depression so severe and prolonged. Prices continued their decline, and international credit collapsed. The decline in stocks seemed to be without end, and international trade disintegrated – from $5.4 billion in 1929 to $1.8 billion in 1933. Unemployment skyrocketed, and in 1932 it surpassed 30 per cent in a number of countries, including Denmark. The misery led to social and political polarisation in many countries.

The first period of globalisation was definitively over. Uncertainty about the future permeated all aspects of life. This placed new demands on the banks and the business world.

On top of all that, the last of the three main banks ran into trouble. After making it through the 1920s largely unscathed, in October 1931 Handelsbanken had to approach Nationalbanken and request liquidity support. This was the result of Nationalbanken's tight monetary policy in an attempt to stabilise the value of the krone. At 1.25 a.m. on 5 October, Nationalbanken issued a declaration that it was ready to support Handelsbanken with liquidity, effectively putting an end to that crisis.

These events demonstrated what many already knew: that Handelsbanken was the most cautious and best-managed bank during and after World War One. Yet it, too, encountered difficulties.

With the global crisis it became clear to most that the liberalist ideology that the economy could find equilibrium on its own at full employment was not viable outside economic textbooks. From this realisation it gradually became clear in both theory and practice that the economy needed help if the worst consequences of the Great Depression were to be mitigated.

If Ove Rode's prediction about the state's influence on the economy in his "Gimle Speech" in 1916 had not come true before, it did so now. With the worst economic crisis ever and a social democratic and social liberal government in power, it was not surprising that the state assumed a prominent role in the mixed economy that emerged in the 1930s. The state did this in every country. There was no alternative.

In many countries, public works were initiated in an attempt to reduce unemployment. With the establishment of Valutacentralen (The Foreign Exchange Central) in 1932, the state intervened in which companies could purchase currency and for what purposes, and all companies were obliged to submit earned currency to this central office. The following year saw an agreement on a maximum interest rate in banks and savings banks, and that same year Nationalbanken's discount rate fell to 2.5 per cent, the lowest level since its founding in 1818.

Protectionism was on the rise, and in broad circles there was a growing realisation that liberal or neoclassical economic theory had failed, because it could neither explain nor remedy the Great Depression. Western capitalist societies faced what political economist Karl Polanyi, in a 1944 book of the same name, called the great transformation. The relationship between the state and market, as well as the pertaining theories, ideologies and practices, underwent a paradigm shift.

The British economist John Maynard Keynes was particularly instrumental in paving the way for a new understanding of the state's role in the economy. In his 1936 book *The General Theory of Employment, Interest and Money*, Keynes argued that the state should create new demand by means of fiscal policy. Keynes's theories marked a decisive break from the neoclassical economic theory that had dominated since the late 1800s.

With all the changes in Denmark and abroad, it was not strange that the banks also changed. In a retrospective on banks and bankers, *Finanstidende* wrote in 1939 that the banks had become "administrative offices", the bank managers were "experienced advisors" and the banks' consolidation was "the cornerstone on which the nation's prosperity rests".[12]

While bank directors such as Tietgen and Glückstadt could single-handedly move around huge capital resources and personally

bring new companies into the world while enriching themselves handsomely in the process, the new generation of bank managers were reduced to well-paid wage earners. They earned good pay and they still had power, but Oluf Nielsen and Poul Ingholt came nowhere close to the status or wealth of their predecessors. Nor were they in the newspapers as often, and apparently they were quite happy with that.

A significant cultural change had happened, which changed not only the overall role and business models of the banks but also their practices and relations with customers and other groups in society. The bank manager of the 1930s and the post-World War Two era was a different type from the one that Denmark and many other countries had known before the financial and economic crises of the inter-war period.

There was no longer any reason to worry about finance capital. Now it was the politicians who set the framework and defined the visions for how Danish society should develop. The task of the banks and business world was to make those visions attainable. And this suited Landmandsbanken's tradition as a servant of society well. It was when the bank became master that things had gone wrong.

Depression and war

From the point of view of Socialdemokratiet and the government, Landmandsbanken was a kind of gift. The country's largest bank was suddenly a state bank. Nobody could have predicted this, but the Stauning government had no intention of letting this opportunity pass it by. The fact that the law on Nationalbanken was up for amendment in 1936 opened up completely new perspectives.

Although the law on Landmandsbanken's new arrangement included the condition that the bank was to be privatised again, the government was in no rush. Socialdemokratiet had perhaps given up the notion of a socialist society, but the idea that the state should play an active role in the economy was by no means abandoned. After all, the state was already everywhere.

The depression made sure of that. The market economy was forced on the defensive by numerous state interventions, not least the establishment of Valutacentralen, as well as interest rate ceilings, tariff protections for industry and support schemes for agriculture, which was struggling with a heavy debt burden. The banks' issuance of shares and corporate bonds also declined, and during the 1930s they regularly had difficulty lending their money.

Meanwhile, Landmandsbanken accumulated significant hidden reserves, which in the 1930s and 1940s led to repeated

exchanges of views with the banking inspectorate. The strong consolidation was fully in line with the bank's tradition – a tradition that had been reinforced by the costly experiences of the 1920s. Still, the inspectorate held, quite rightly, that the bank was keeping shareholders in the dark and evading the tax authorities, thus withholding revenue from society.

The bank's management and chairman of the board maintained that the crisis in the 1920s had demonstrated the necessity of strong consolidation. The same view was held by many other companies, which also consolidated and did what they could to avoid new dependence on the banks. Landmandsbanken's directors, Oluf Nielsen and Poul Ingholt, repeatedly expressed that this was the reason for the decline in lending. The bank had not become too reluctant to lend.

They stressed time and again that creditworthy companies could always obtain loans. The bank contributed to reconstructing various companies and banks that encountered difficulties during the 1930s, and it also took over a few other banks, but the speed and scope of these activities were quite different than under Emil Glückstadt.

There was nobody who wanted the old Landmandsbanken under Emil Glückstadt back. There was no bust of him in Holmens Kanal and no paintings or other material signs that he had been there, apart from the opulent marble courtyard from 1916. And, naturally, the white marble fireplace with the mantle clock and the candlesticks in the chief executive's office on the first floor, but they had also been there before Emil took over the office from his father.

Emil Glückstadt was written out of Holmens Kanal and history, and relegated to individual memory, where he could serve as a warning of the perils in banking. The relevant elements of the past to focus on were Isak Glückstadt's time and Landmandsbanken's tradition.

Few employees at Holmens Kanal could overlook Isak Glückstadt's time at the bank. There were busts of him along with a longcase clock that grateful employees had presented to the bank on its 25th anniversary. There was the painting of Isak Glückstadt and his manager colleagues Friehling and Harhoff. There was something to build on, and there were still people in the bank who had begun their career before 1910, when Emil Glückstadt took over and changed the bank's business model. Vice manager Philip Mik-Meyer had been employed at Landmandsbanken since 1884, and like Oluf Nielsen, who was hired in 1907, he was among those who warned against some of Emil Glückstadt's and Ringberg's business methods.

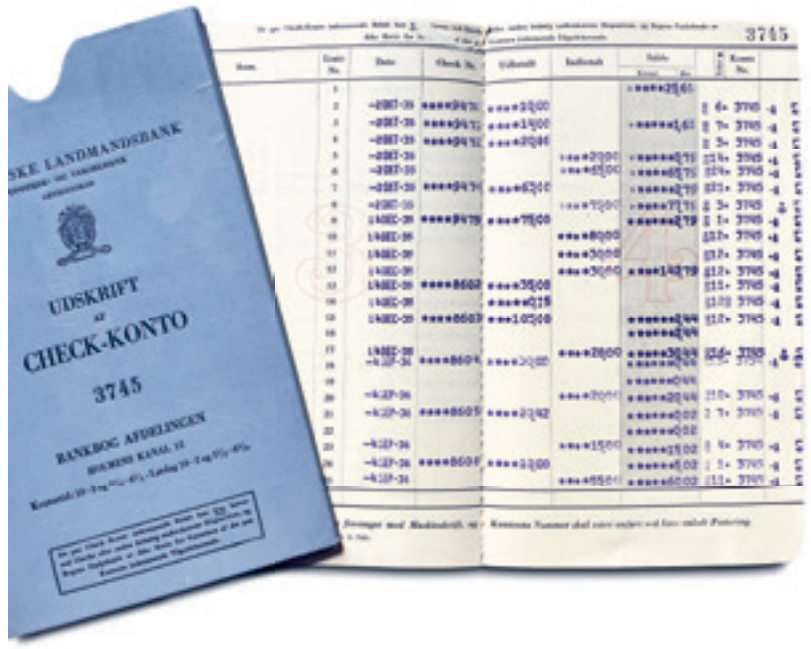
The political polarisation in Italy, Spain and Germany, where fascist parties came to power, also left its small mark on Denmark, where movements such as Landbrugernes Sammenslutning (The Farmers' Confederation) and J.A.K. tried with limited success to win support from the many debt-ridden farmers. In the cities, uniformed members of the Conservative Youth and Danish Communist Party clashed in the streets, while intellectual "cultural radicals" changed the expression of literature, architecture and furniture design towards social realism and functionalism.

Unlike in Italy, Spain and Germany, the Danish democracy demonstrated its strength in the 1930s. In 1933, Socialdemokratiet, Det Radikale Venstre and Venstre – the respective parties of the workers, the homesteaders and the farm owners – worked together to reach the Kanslergade Agreement, which devalued the krone, implemented various support schemes for agriculture and workers and forbade an impending lockout.

The agreement was reached late on the night of 30 January 1933, the same day that Adolf Hitler became the democratically elected German Chancellor. The democratic period was short-lived, as Hitler and his Nazi movement seized power the following year. Militarisation gained speed and culminated in 1939 with the outbreak of yet another devastating world war just 21 years after the Great War had ended.

In the midst of these destructive historical events, the disposition of the banks, and not least Landmandsbanken, was calm. In the 1920s, it had been nearly impossible to open a newspaper without coming across negative coverage of the bank, but in the 1930s the number of articles dropped greatly, and for the most part it was now about the bank's accounts and dividends.

The topic that could still cause a furore in the media and the parliament was the state's ownership of the bank, and the renewal of the



Passbook with associated checking account from the mid-1930s. While the bank built up massive hidden reserves, there were customers who had difficulty doing the same. As seen in the entries, the bank had begun to use new technology in its debiting and crediting passbooks.



The Kanslergade Agreement between the government, which consisted of Socialdemokratiet and Det Radikale Venstre, and Venstre was reached at 3 a.m. on 30 January 1933 in the private residence of Prime Minister Thorvald Stauning in Østerbro. Among other things, the agreement addressed a major conflict in which employers had demanded a 20 per cent pay cut. The agreement was seen as an example of how "collaborative democracy" could deal with issues, while Germany took the authoritarian path.

National Bank Act quickly became part of the issue. Nationalbanken had been a private limited company since its founding in 1818 after the bankruptcy of the state in 1813, but in 1936 its legal basis had to be renewed, and the idea of a state-owned, note-issuing bank quickly gained traction. Adding Landmandsbanken to the mix made it a social democratic dream scenario. And a nightmare for the right wing.

Landmandsbanken's management and, not least, chairman of the board A.P. Møller wanted to see the bank privatised as quickly as possible. In the early 1930s, both the "bad bank" and the state guarantee were terminated, and the bank's reports emphasised numerous times that trust in Landmandsbanken was fully restored, both in Denmark and abroad.

A satisfied management therefore stated in its report for 1936 that the state had sold shares in the bank for 12.5 million kroner. It had been hard to get to that point. It was the result of a political agreement about Nationalbanken, which lost its status as a private limited company and was transformed into an independent, self-governing institution in exchange for the government selling a quarter of its shares in Landmandsbanken. This was the first step on the road to freedom from the state's influence.

Until then, it had not been possible to realise Alexander Foss's vision of Denmark as an industrial nation. When Foss introduced his vision of the future in 1912, Landmandsbanken was at the forefront of realising it, but these efforts went awry and ended in the crisis and collapse of the 1920s, which slowed development.

In 1937, the young economist and later Minister of Finance for Venstre Thorkild Kristensen took stock of the situation 25 years after Foss's speech. Although the development had been delayed, Kristensen wrote, things were progressing in the direction foreseen by Foss. Denmark was on the way to becoming an urban society, and industry was gaining ground with a focus on modernisation and rationalisation.

The growth of the cities and industry was closely tied to other changes. It was not just the capital that had grown; the towns in the provinces had too. Popularity of the car had grown rapidly in Denmark, with the total increasing from 2,000 in 1912 to nearly 150,000 in 1937, and the same applied to diesel ships, aircraft and construction of the associated infrastructure: country roads, bridges, housing, radios and so on.

And perhaps even more importantly, wrote Kristensen, "An urban population thinks differently than a population of farmers … ideals and views have undergone many changes, even if we have to leave it to the future to determine the content thereof and their connection with business development."[13]

Banking had become a very different, calm affair, but the changes identified by Thorkild Kristensen also meant growth for Landmandsbanken, albeit at much slower pace than in the years during and after World War One. The bank continued to perform stock issues for a number of companies during the 1930s, but they were no longer guaranteed. The Banking Act of 1930 and past experiences had put an end to that.

Many of the companies financed by Landmandsbanken performed very well through the 1930s. The pervasive protectionism was problematic, but it shielded Danish domestic companies from foreign competition and gave them the opportunity to grow under the cover of the new regulations.

In November 1937, the bank purchased Holmens Kanal 18 for 400,000 kroner to make room for future expansions. With the purchase, Landmandsbanken owned the entire block with the exception of Erichsen's Mansion, where Handelsbanken had its headquarters.

The ground had been laid for further expansion after the balance sheet, despite fluctuations, stagnated in the 1930s. In 1930, the bank's total balance sheet amounted to 706 million kroner, and in 1939 it was 743 million kroner. The two shipping companies, ØK and DFDS, were the bank's biggest customers.

In the late 1930s, it became increasingly clear that war in Europe was a real possibility, and with Germany's attack on Poland on 1 September 1939 it was a reality. Two days later, Britain and France declared war on Germany. World War Two had begun. Seven months later, on 9 April 1940, Denmark was occupied by Nazi Germany.



Erichsen's Mansion Kongens Nytorv, built 1798-1800 by the royal architect Caspar Friedrich Harsdorff in the neoclassical temple style. Royal agent Erich Erichsen had an office and warehouse on the ground floor and resided on the first floor. Six impressive, free-standing Ionic stone columns demonstrate Erichsen's great wealth, which, however, dissipated after the State Bankruptcy in 1813. Erichsen was forced to sell the palace to royal furniture maker C.B. Hansen, whose widow sold the mansion to Kjøbenhavns Handelsbank in 1888 for 450,000 kroner.

The outbreak of war and occupation took a heavy toll on the Danish economy. The young economist Poul Nyboe Andersen wrote in 1941, "It will be very difficult … to find any goods whose price in the Danish market currently meets the conditions for free competition."[14] As during World War One, the Danish economy was now a planned economy. The supposed invisible hand of the market had been replaced by the visible hand of the Directorate for the Supply of Goods, which regulated the economy in every imaginable way.

The Directorate was established on the basis of Valutacentralen from 1932 and drawing on extensive experience from the Extraordinary Commission and World War One. The Directorate quickly ballooned to 1,600 employees, which processed 50,000 cases a week, and became a haven for newly graduated economists, who gained practical experience in managing the economy in detail through maximum and minimum prices, rationing and the like. One of them was the young social democrat Jens Otto Krag.

In the areas of money and banking, the experiences from the previous war were decisive. Apart from potential speculators, nobody wanted a repeat of the inflation and speculation from that time, and various liquidity-limiting initiatives were quickly implemented. *Nationaltidende* believed that Landmandsbanken was well-consolidated and equipped to withstand the challenges of wartime.[15]

It was probably no coincidence that, from 1940, the bank introduced a fixed remark in the report that the bank's assets were "valued according to conservative principles". Consolidation remained an important part of Landmandsbanken's business. For those in the know, the hidden reserves were a clear message. They continued to increase and, according to the banking inspectorate, totalled 47 million kroner in 1943. According to the accounts, the bank's capital was 78 million kroner, but in reality it was closer to 125 million kroner.

At the same time, Landmandsbanken changed the structure and content of the annual reports. Until 1939 they had been rather terse and narrowly focused on the bank's business and results. From 1940 onwards, they became increasingly comprehensive in scope, including descriptions of macroeconomic conditions and the present situation in selected sectors. This was another result of developments in economic theory during the depression. Macroeconomics emerged as a new field, and both the state and the banks applied this new economic understanding in their work.

Landmandsbanken's deposits soared during the war while lending declined. After stagnating in the 1930s, the balance sheet more than doubled from 816 million kroner in 1940 to 1.7 billion kroner in 1945. The state became the bank's largest customer due to the bank's holdings of treasury bills, government bonds and other liquidity-absorbing instruments intended to keep money supply and inflation in check. Rules were soon introduced on

"cash binding" in the banks, which limited the granting of credit and thus speculation and the feared inflation.

These efforts fared much better than during the previous war, but not enough to keep the National Association of Danish Bank Employees from making demands for higher pay. Association chairman and economist C. Johnson was a clerk at Landmandsbanken, and he warned, "Danish banking professionals … live under conditions that mean a de-classing and thus potential proletarisation of the profession, a development which entails great danger for Danish banking."[16]

Something important was at stake. The sense of being part of a profession and the identification with the bank, had inspired Philip Mik-Meyer in 1934 to establish a 10,000 kroner fund that would annually distribute the interest earned to an employee of Landmandsbanken.[17]

If the sense of profession and community were to collapse, it would change the culture, organisation and business of Landmandsbanken. A loyalty like Mik-Meyer's would be the first thing to disappear with the loss of status. It was the feeling of belonging to a profession and the lifelong employment that explained the employees' identification with the bank and its management. If this were broken, it would not take long for an adversarial relationship to arise, as in many industrial workplaces.

Denmark of the future

When the war ended, Europe faced an extensive reconstruction effort. But more was needed. Since World War One, the economic and social conditions had been under pressure. The inflation of the war years had eroded the living conditions of ordinary people, while war profiteers and speculators lived lives that no ordinary worker or white-collar employee could imagine. The peace crisis, banking crisis and parity crisis all made things much worse, and when it finally looked like there would be some progress in the late 1920s, the world was rocked by the most sweeping depression ever.

World War Two definitively pulled the United States and a number of other countries out of the Depression, but the costs measured in human lives, poverty, cruelty and destruction of property and capital apparatus were beyond human comprehension. Any notions of a return to the time before the two world wars or other nostalgic dreams were completely out of the question. Both fascism and liberalism – without any other comparison, by the way – were history. There was a need for something new.

Now it was time to look forward and find the optimism of progress that was destroyed by two world wars and a

depression. The millions of ordinary people who lost their livelihoods during the 1930s and who sacrificed their life and limb in the war demanded change. The result was an experiment never before seen in the history of humankind: the welfare society.

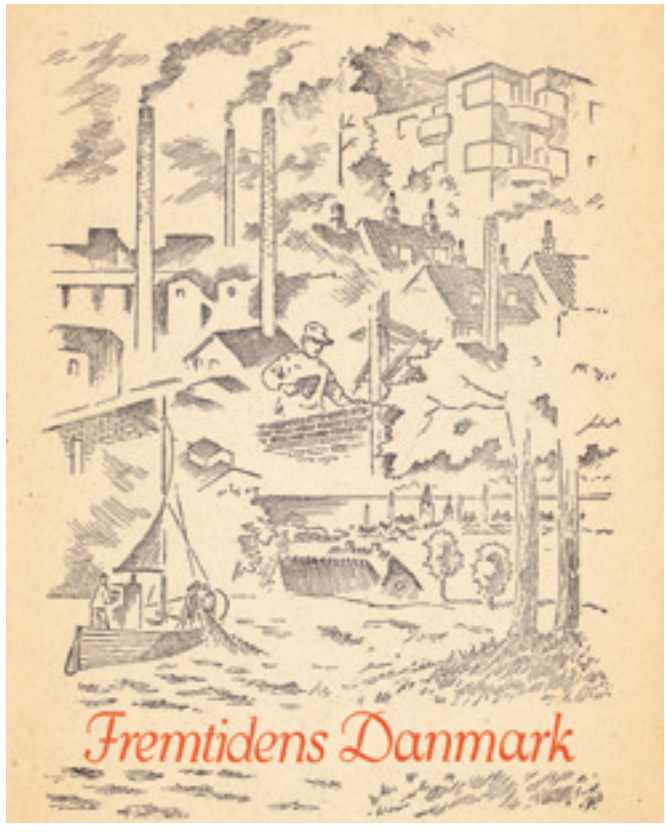
Denmark had fortunately survived the war and occupation, but the means of production were worn down and the financial and monetary system was in bad shape. The welfare society required rebuilding, increased productivity, a stop to many forms of intervention in the economy and full employment.

The end of the war marked the resumption of the struggle between the agrarian and industrial narratives, but now with the state in a much more prominent role. This time, the United States had fortunately learnt from the obstacles to peace that resulted from World War One and which Keynes had described in his bestseller *The Economic Consequences of the Peace* from 1919.[18]

In a speech at Harvard University on 5 June 1947, US Secretary of State George C. Marshall announced his plan for rebuilding Europe's economy. The Marshall Plan also led to the establishment of the OEEC (today's OECD) and ultimately made a decisive contribution to Europe's economic reconstruction and liberalisation. The more overarching aim was to prevent communism from gaining ground in Europe, which was no exaggerated concern given the polarisation seen during the inter-war period.

In the first elections after Denmark's liberation, held on 30 October 1945, DKP (The Danish Communist Party) won 18 seats in parliament. This made them the fourth-largest party, while Socialdemokratiet, despite losing 18 seats, maintained first place with 48 seats. The time had come to revive the idea of Denmark as an industrial nation.

This was also the vision of Socialdemokratiet, as expressed in the party programme "Fremtidens Danmark" (Denmark of the Future) from 1945.



"Fremtidens Danmark" from 1945 was Socialdemokratiet's vision for the Danish welfare society. It entailed the construction of more and better housing, improved productivity, and turning Denmark into an industrial nation. Based on the experiences from the 1930s, the state was to play an active role in the economy. The aim was full employment, a social safety net and democracy in business. For the conservative parties – and Landmandsbanken – it was a nightmare scenario.



The Treaty of Versailles after World War One had led to violent political conflicts and ultimately contributed to the outbreak of World War Two. Having learned from this experience, in 1947 the United States proposed the European Recovery Program (ERP). This was the so-called Marshall Plan aid for the reconstruction of Europe after the war. The overall aim was to contain the spread of communism. To administer this aid, the OEEC (today the OECD) was founded in 1948. The Marshall Plan was a significant economic and political success. The poster here is from 1950 and took fifth place in a competition conducted by ERP, in which there were more than 10,000 entrants.

The programme was written by Jens Otto Krag, "the famous champion of the planned economy … in the Directorate for the Supply of Goods", as *Børsen* called him without complimentary intentions.

The programme focused first and foremost on achieving full employment through investment in industry and a new economic policy clearly inspired by Keynes. The social democrats had certainly shed their revolutionary garb before World War One, but they had not relinquished the desire to manage the economy.

Landmandsbanken was an ideal tool in this respect. The state still owned 75 per cent of the bank, and the "Fremtidens Danmark" vision included "the state's commercial bank in the true sense" and in close cooperation with Nationalbanken. Together with fiscal policy, which was also a new tool, this would give the state far greater opportunities to "control the economic activity in society".

Since the reconstructions of the 1920s, Landmandsbanken's management had been reluctant to criticise economic policy. After all, the state had kept it afloat and was its main shareholder. The management was also sensible enough to not say publicly what it thought about "Fremtidens Danmark", but it is likely that they agreed with *Børsen*, which described it as "Socialdemokratiet's plan for the socialisation of business". It was pure planned economy.[19]

Things did not go quite that far, but as so often before and since, the future turned out different than most had imagined. A brief note in *Børsen* on 2 March 1946 showed that the winds of change were blowing not only in Denmark. "250 years of history ended yesterday," wrote the newspaper. The Bank of England had been nationalised after having been a private bank since 1694.

In Denmark, there were a number of economic problems to address – not least, in terms of acquiring foreign currency and raw materials. The Marshall Plan was a great help, but exports had to be boosted while imports focused on raw materials and the capital apparatus to get manufacturing up and running. Imports for consumption had to be kept down.

"Vigilant private initiative, combined with wise understanding among state leadership is one of our time's most important requirements, now and in the coming years," wrote

Landmandsbanken in its report for 1945. The bank now had 51 branches outside of the capital and 53 in greater Copenhagen. They would come in very handy in the battle for business and, not least, in the competition for deposits, which the maximum interest rate agreement made more difficult.

In the years after Denmark's liberation, the bank's lending increased and the business world slowly got back on its feet, even though the bank maintained that dismantling the many restrictions was necessary to ensuring that the "merchant initiative" could take hold. In 1946, Landmandsbanken paid back the remainder of the reserve capital of 34 million kroner deposited by the state in 1928. That same year, and perhaps not entirely independent of this repayment, the state sold 17.5 million kroner in Landmandsbanken shares. After this, the state was no longer the majority shareholder, creating an obstacle to the social democratic dream of control over Landmandsbanken.[20]

As the many restrictions on international trade were lifted, industrial exports and housing construction increased, and "the building of workshops, factories and so on was also very significant." However, this did not change the fact that agricultural exports were still twice as large as industrial exports. There was a long way yet to becoming an industrial nation.[21]

In the first years of the 1950s, Landmandsbanken's lending continued to grow more than its deposits, and the deposit surplus and liquidity were decreasing. Things were looking up, and the bank's management could not hold back a quiet outburst of joy in 1951 as it shared the news that "importantly for Landmandsbanken, in a public sale the Danish state has disposed of 15 million kroner of its remaining holdings of 20 million kroner in shares in Den Danske Landmandsbank." The remaining five million in shares were sold the following year through Nationalbanken.[22]

That same year, in 1952, merchant Andreas Jacobsen became the new chairman of the bank's board after the resignation of A.P. Møller. In the meantime, Møller had become a major shareholder in Landmandsbanken through share purchases in connection with the gradual privatisation since 1936, where he purchased shares for 150,000 kroner. The ground was thus laid for A.P. Møller Holding's current shareholding of approximately 21.5 per cent of the bank. His mission was complete. Landmandsbanken was private again after 24 years as a state bank.

The bank celebrated in March 1954 with an expansion of the share capital by 25 million kroner to 75 million kroner. This decision was a result of the rapid growth in the balance sheet, which meant that the bank's equity had declined from 13 per cent of the bank's total debt and guarantee obligations and was now close to the legal minimum of 10 per cent under the Banking Act.[23]

It was a good year in every way. There was considerable growth in the business world, and the bank had rising revenue and earnings. Lending increased, as did the net interest margin; meanwhile, the lifting of many restrictions on business and trade accelerated, even though there was still some way to go.[24]

At the end of 1954, Oluf Nielsen resigned from his post. He had not done it all alone, of course, but he had significantly contributed to the resurrection of Landmandsbanken and its reputation.

Under the pressure of the bank's massive crisis and loss of legitimacy, he and his colleagues, with substantial help from society, had pulled the bank from the brink of ruin and revived Landmandsbanken's tradition of cautious banking, consolidation and stable dividends. Oluf Nielsen was a completely different type of person and banker than Emil Glückstadt, and he headed the bank under markedly different and much more challenging conditions.

This was also noted in one of the few interviews he granted in connection with his resignation. Oluf Nielsen was close to 75 years old when he stepped down. He was originally going to become a gardener but instead apprenticed as a stockbroker, where he worked for a few years before being offered a job at Landmandsbanken.

Now he had sat in the bank director's office at Holmens Kanal 12 for 32 years. It fell upon him to drag the bank back from the abyss and turn it into a viable business, but he did

The world grew bigger during the 1950s. Danish companies' exports boomed, and many Danes went on holiday abroad. The need for foreign currency increased, and Landmandsbanken began to advertise this service. This photo from 1956 shows Landmandsbanken's foreign currency department at Holmens Kanal 12.



not want to talk about “the difficult years”. “They have long since been overcome, and so much has happened since that many now do not even remember them,” he said to *Børsen*. He was pleased that there was once again an atmosphere of “trust and calmness surrounding the bank”, and thus there was no reason to dwell on that matter.

If he were to give advice, it would be that “diligence and talent will always be key to a good result, and if a company remains able to renew its management from within, I believe that this helps.”[25]



Oluf Nielsen in the chief executive’s office, where he sat for 32 years, a term surpassed only by Isak Glückstadt. He took over a bankrupt operation in September 1922 and, together with Poul Ingholt and the bank’s many employees, succeeded in re-establishing Landmandsbanken’s tradition and making it a privately-owned company again. The fine interior with gilt leather wallpaper signals tradition, while the PH lamp points towards a new era.





Poul Ingholt



S.O. Sørensen

Poul Ingholt, S.O. Sørensen and Tage Andersen successively headed the bank for a total period of 62 years. They led the bank back to the original tradition that Ove Ringberg and Emil Glückstadt had abandoned. Historian Eric Hobsbawm speaks of “invented tradition”, where historical figures invent a tradition with retroactive effect. If Danske Bank’s tradition is invented, then these three gentlemen contributed to it, as has the author of this book.



Tage Andersen

IV Denmark as an Industrial Nation

From Landmandsbanken to Den Danske Bank 1955-1990

Internal recruitment

Oluf Nielsen's farewell salute, which could have fittingly hung over the entrance to Holmens Kanal 12, was diligence, talent – and internal recruitment. Internal recruitment ensured that those with the keys to the coffers knew the bank's history and organisation well. Oluf Nielsen and Poul Ingholt certainly did. They had worked in tandem as Landmandsbanken's directors since 1928, and on 1 January 1955 it was Ingholt's turn to take over the position as the bank's chief executive. He was both diligent and talented and was recruited from within. And he had not forgotten Landmandsbanken's crisis in the 1920s.

Nor had Oluf Nielsen, of course, but he saw no reason to dwell on those events in full public view. As long as the crash and its break with Landmandsbanken's tradition were remembered internally in the bank, it served a purpose. Externally, it was a narrative that in the worst case could keep the public perception of Landmandsbanken trapped in a past that it was well in the process of shaking off.

Forgetting outwardly and remembering inwardly was not a bad strategy, and whether intentionally or not, the press helped along. One would have to search long in the newspapers to find references to Landmandsbanken's crisis. It probably helped that there was no reason to worry about financial stability in the post-war years. There were other economic problems, but in Denmark and internationally, financial crises would not become a problem again until the liberalisation of the financial markets began in the 1970s.

From the 1940s to the 1970s, Danes and many others enjoyed unprecedented economic growth and financial stability. In 1970, S.O. Sørensen, the bank's chief executive from 1967 to 1980, said, "Today, we are all capitalists."[1] It was the Western world's golden economic age.

Within the bank's walls on Holmens Kanal, there was still plenty of history. When Ingholt moved into the office on the first floor, where his predecessors had worked since 1875, he walked up the same staircase that they had before him. He already knew the way in through the doors, up the stairs, through the "cigar box" and into the office on the right with a view of Christiansborg, Børsen, Privatbanken, the old Nationalbanken in Florentine Renaissance style, Niels Juel's statue, and ØK's building on the corner of Niels Juels Gade and Holbergsgade. And Handelsbanken was right around the corner in the beautiful Erichsen's Mansion. It was Denmark's centre of economic and political power.

At Landmandsbanken, they were well aware of the historical significance of Holmens Kanal 12. For the first time ever, in its report for 1957, the bank included a comment extending beyond finance and accounts. Over four pages, the text told



This room is called the “cigar box” – even though many years have passed since a cigar was last smoked here. It is a waiting room where people sit and wait before entering to meet with members of the executive management, whose offices are behind the ornately decorated doors.



This beautiful staircase in Holmens Kanal led up to the executive management. Through the years, all of the chief executives have taken the walk up this staircase. So, too, have the most important customers, including generations of Denmark’s most prominent business leaders. If staircases could speak …

the story of Peschier’s Palace: “Today, the grand staircase, and especially the worn stairs, speak strongest of the generations that have walked the corridors of this building, and it is natural that the bank considers it its duty to preserve the whitewashed steps.”[2]

Unlike his predecessors, Poul Ingholt was also a very active participant in sports organisations, serving as the chairman of the gymnastics association Hermes from 1929 to 1958, and for Denmark’s Olympic Committee from 1947 to 1957.

“Next after the bank, sports is my greatest love,” he told *Nationaltidende* when celebrating his 40th anniversary at the bank on 31 May 1951. After a pause, he added, “However, it is Landmandsbanken that has been my life.”[3]

Four years later, he was the chief executive in charge of it all. By his side in the management, he had two other Landmandsbanken veterans, Harald Knudtzon and Herluf Sørensen. Knudtzon had been at the bank since 1925 and Sørensen since 1918.

They all remembered the collapse of the 1920s, and it shaped their work. In an interview in May 1958, Ingholt rejected the notion that the banks were too reluctant to lend money. After all, it was in the interest of society that the banks were solid and soundly managed, and “do not take on too many risks. And when one such as I has worked in banking for nearly

50 years and has experienced the banks' difficult years around World War One and again in the twenties … one understands that it is in the interest of all that banks are responsible in their lending."[4]

It was not only Poul Ingholt who had been at the bank long enough to remember the crisis, know the bank through and through and be a part of the cultural community that Landmandsbanken represented. Oluf Nielsen had been with the bank for 47 years when he stepped down and many employees, from bank officers and assistants to clerks, office managers, branch managers, and vice managers came close. They were spread across the country in the many branches.

Three of them were deputy manager Th. Jensen, who in August 1959 celebrated 40 years at Landmandsbanken; branch manager Axel Mahler, who turned 70 in October of that same year and had worked at Landmandsbanken since July 1919, when he started as a trainee at the bank's Vesterbro branch; and bank clerk Gerda Sander, who on 31 October 1959 celebrated her 50th anniversary at Landmandsbanken. It was quite common that employees spent their entire working lives at Landmandsbanken.[5]

A job in a bank ensured lifelong employment, belonging and identification with the bank, as exemplified by Ingholt personally. Even sporting activities were often under the auspices of the bank, and the newspapers reported regularly on inter-company sports. In the championship series in table tennis, Landmandsbanken performed strongly and took over Handelsbanken's dominant position. It was a symbolic battle between the country's two biggest competitors for the upper hand in the financial markets.[6]

Denmark as an industrial nation, v. 2.0

When Ingholt took over as chief executive, Landmandsbanken had 45 branches in Copenhagen and the surrounding region, and 42 in the provinces. Many of them had at least one employee who could tell anecdotes about Isak Glückstadt and the bank's ill fortune in the 1920s. This strengthened the bank's conservative approach with a focus on consolidation, diligence and skill. The internal recruitment contributed to keeping the organisation's competences, history and culture alive.

Ingholt had experienced a global economic depression, two world wars, a revolution in Russia in 1917 while he was in Moscow, and Landmandsbanken's total collapse, reconstruction and transfer to state ownership. He knew the bank thoroughly, and knew a lot about credit risk as well as political risk. If anyone was well prepared for the position of Landmandsbanken's new chief executive, it had to be him.

Fondsbygningen (the securities building) on Laksegade 11, built in the Chicago style in 1916, featured an elegant dome with leaded, coloured glass in the Art Deco style, marble columns and stucco ceilings until 2003. For a number of years, the room housed the International Banking Department, until it was converted into a conference room in 2003. A room was constructed within the room, and the dome was concealed behind a glass ceiling. The stucco and columns remain in place.



The bank he took over from his predecessor was doing well. And, finally, it was completely private once more. With a balance sheet of 1.75 billion kroner compared to Privatbanken's 1.18 billion kroner and Handelsbanken's 1.55 billion kroner, it was still the country's largest bank, and there was potential for growth. The Danish economy was moving in the right direction, but there were also challenges. The balance of payments and currency situation were standing in the way.

A deficit in the balance of payments and permanent shortage of foreign currency marked the post-war Danish economy. Capital movements and currency trading were still heavily controlled, and not just in Denmark. It was a difficult balancing act, with Nationalbanken's monetary policy and regulation of the banks playing a central role.

In retrospect, economists have called it "financial repression" because the financial sector was strictly regulated throughout Europe. The repression, if that was what it was, in turn provided financial stability.

The aim was to take seriously the experiences of the inter-war period's financial crises and to curb inflation and consumption in favour of employment and investments in industry, so that industrial exports and the vision of Denmark as an industrial nation could finally be realised.

Industry was to form the basis for the economy of the future and enable the welfare society envisioned in the "Fremtidens Danmark" programme. If the vision was to become reality, there was a need for banks, the state and a liberalisation of foreign trade.

This also happened gradually. From 1950 to 1966, industrial exports grew by 600 per cent while agricultural exports only doubled, with the most significant industrial development starting in 1957.[7]

The growth of industry made heavy demands on the banks. In 1951, Nationalbanken recommended that the banks take macroeconomic considerations into account in their lending practices. Consumption was to be given lower priority, and lending for export and productivity-enhancing investments should receive preferential treatment. Such agreements were regularly adjusted through a mix of recommendations and regulations while the Danish language saw the advent of new words such as deposit scheme, price control, forced savings, fiscal policy, dollar premium, variable cash reserves, cash binding rules, dividend controls and the like.

A new law and new organisations also saw the light of day. An amendment of the Banking Act in 1956 tightened the capital requirements and put a complete and final stop to bank managers participating in the management of other companies. The financial regulation ensured that every financial institution stayed in its own lane. Insurance, mortgage credit, pension, savings bank and commercial banking were sharply divided. The notion of a financial supermarket was out of the question.

In 1958, the Finance Institute for Industry and Tradesmanship (FIH) was established by Nationalbanken, the Association of Banks, the Association of Savings Banks, the Society of Insurers and the Industrial Council. The state and Nationalbanken had pushed for the move, and the purpose of FIH was to provide medium-term and riskier loans to industry and tradesmen enterprises. Poul Ingholt was chairman of the Banks' Joint Representation, and he hoped that FIH would be of benefit to society, "which must necessarily undergo continued industrialisation".[8]

The Danish Parliament contributed to the establishment of FIH with some legislative measures, and around this time new depreciation rules were introduced for companies, and the Regional Development Act was adopted. All of these measures contributed to increased growth in the Danish economy and, not least, industry throughout the country, thanks in part to the Regional Development Act and the "necessary entrepreneurial spirit" sought by the bank's management.

These were positive developments for Landmandsbanken, but they also illustrated the significant difference between the roles of the banks and the state before and after the inter-war period. The banks' activity and role in society were strictly controlled by regulation, while the state's role in the economy was greater than ever before. Meanwhile, both banks and society underwent a significant cultural change that nearly turned the roles of the banks and the state upside down.

Since the 1930s, companies could finance their investments themselves, but larger companies and growing investment requirements meant that the banks were increasingly needed. Every year in the 1950s and 1960s, Landmandsbanken could report on not only growth in industry but also a rising need for financing, in part due to the "leaps and bounds in technological development".

The bank also sent numerous reminders to the government for economic policy to be "structured in such a way that it is possible to ease the tight credit policy that limits the potential of private initiative."[9] It was a recurring ritual in Landmandsbanken's and the other banks' annual reports to state that if there was to be tightening, it would have to be through fiscal policy, not monetary policy.

In 1958, Den Danske Landmandsbank said goodbye to the Hypothek- og Vekselbank in its name, while the share capital was regularly expanded as a result of growth and the requirements of the Banking Act. The bank's balance sheet had more than doubled in five years and was now at 5.7 billion kroner, while Privatbanken's was at 2.9 billion kroner and Handelsbanken's at 5.3 billion kroner.

Landmandsbanken's biggest competitor was now Handelsbanken, and, like the Danish economy, most of the banks were experiencing rapid growth. Like a number of other Western countries, Denmark experienced real growth rates that were, and remain to this day, unprecedented. The many regulations on currency and capital movements were slowly and gradually lifted. The wave of liberalisation, if one could call it that, continued in March 1957 when France, Germany, Italy and the Benelux countries signed the Treaty of Rome, thus establishing the EEC, the predecessor of the EU.

This led to much concern in the European countries that stood outside the community's tariff barriers. In response to the EEC, Denmark, Norway, Sweden, Iceland, Portugal, Austria, Switzerland and the United Kingdom established



Jens Otto Krag became a member of the Danish Parliament in 1947 and served as Minister of Trade and Minister of Foreign Affairs before becoming Prime Minister in 1962. As Minister of Trade, he helped Denmark join EFTA. In this photo, he signs the treaty as officials from the ministry and others look on. Already the following year, Denmark applied for admission to the EEC. However, Denmark first became a member of the EC in 1973, after a referendum on 2 October 1972 approved the agreement. Immediately afterwards, Jens Otto Krag resigned as Prime Minister and as a politician.

their own free-trade organisation in May 1960, EFTA, but in Landmandsbanken there was never a doubt that Denmark must find its way into the EEC, or EC, as it came to be called.

Landmandsbanken's reports in the years around 1960 focused heavily on the need for this development. Liberalisation would lead to increased competition but also provide new opportunities for Danish companies if they were competitive.

For the first time ever, industrial exports exceeded agricultural exports in 1958 – the same year that Alexander Foss would have turned 100. According to *Børsen*, Foss's "Denmark as an Industrial Nation" lecture from 1912 provided "the proclamation of industrialism, and he cemented in the nation's consciousness an awareness that industry is an independent and indispensable factor in economic life. That talk could be given today … and would be highly relevant."[10]

It was no time to rest on one's laurels. Landmandsbanken stressed time and again the need for greater investment and the rationalisation and modernisation of operations. Exports had to be increased. The state had to promote industry through export credits and guarantees and provide subsidies for "exports and productivity-enhancing measures". Meanwhile, various tax incentives should promote savings in society.[11]

On the threshold of the industrial, welfare and consumer society, this was Denmark's and Landmandsbanken's agenda and vision for the future.



Bo Bojesen's cartoon from 1962 reflects the arrival of the consumer society. A house, a car, a dog, and long- and short-term consumer goods became a permanent part of Danes' lives. But looming on the horizon was the OMS, a 9 per cent tax on gross sales that was introduced in 1962. In 1967, the OMS was replaced by moms, the Danish word for VAT. The consumer society apparently suffered no harm.

Welfare society and new opportunities

Until around 1960, a banker from the turn of the 20th century would have almost no trouble recognising the practices and routines in a bank such as Landmandsbanken. Office machines and punchcards had come into use, but the day-to-day work and products were essentially the same as 50 years earlier.

A signal of a coming change in Landmandsbanken's business came in September 1958 when both it and the other main banks – in what appeared to be a coordinated effort – introduced "the so-called personal loans, which without collateral or other security are granted to persons who have a permanent job and sound finances". The bank said that the idea came from American banks and gave private customers "access to acquire durable consumer goods".[12]

The consumer society had arrived. The banks were no longer just for businesses. A brand new area of business opened up. Now it was a matter of attracting wage earners, both as depositors and borrowers. With rising incomes and ever-more consumer goods, such as cars, televisions, refrigerators and washing machines, wage earners had become attractive to the banks.

Economically, it was a balancing act on a knife's edge. On the one hand, savings needed to be increased, and, on the other hand, private consumption was becoming a more and more important part of the economy. This was reflected in Landmandsbanken's adverts, which throughout the 1960s increasingly targeted consumers.

It was not that companies no longer needed the bank, but the tight credit policy and consideration of the balance of payments and currency reserves made it difficult for Landmandsbanken and the other banks to meet demand. Danish companies grew in size and number, and they needed credit from the new institutions such as FIH and the Export Credit Fund, as well as from the banks.

This was the development foreseen by Thorkild Kristensen in 1937, where he also referred to Alexander Foss's "Denmark as an Industrial Nation" lecture. Twenty-five years later, the prediction came to fruition and led to the final break from the traditional Danish agrarian society. It was a cultural transformation with deep and far-reaching consequences.

From the late 1950s to 1973, Denmark and a number of other countries experienced an economic golden age. Industry grew by 6.5 per cent annually on average, while agriculture had to make do with 1 per cent and had also become dependent on subsidies. People moved to the cities, incomes rose and women entered the workforce, while the public sector grew by more than 5 per cent and construction by 4.8 per cent

per year on average. With the strong growth came an increase in employment, leading to a shortage of labour.

Landmandsbanken's adverts changed character in the graphic design, content and target audience. In the first years after Poul Ingholt took the helm, the bank's adverts were directed at the business world and had to do with foreign exchange, for example. But an increasing number of adverts were aimed at private customers with offers of tax-advantaged savings, passbooks, cheques and, as an annual hit, a small book on tax deductions.

In August 1963, many newspapers carried an advert telling the reader, "A passbook opens up all kinds of possibilities." The future and youth were the focus:

> LANDMANDSBANKEN is the place where everyone meets – both the elderly people, who have had a faithful collaboration with us for many years, and the determined youth of today. Economic understanding, a drive to work, initiative and the pursuit of a better world are all traits that bode well for the future of Denmark!
> But youth who want to and can achieve more than the mediocre need trust and guidance. All of these possibilities are opened up through LANDMANDSBANKEN.
> Everyone knows that money is necessary if goals are to be achieved. Money through savings, money through loans and money through sensible allocation.

Landmandsbanken's own values were being put on display. Money was the means that tied the future and youth together, enabled "a better world" and boded well for the future of Denmark. And Landmandsbanken stood in the middle of it all. To make it abundantly clear, the bank began to use the slogan "Landmandsbanken. The bank of progress – the bank for everyone".[13]

The new focus on young people was, of course, not unique to Landmandsbanken. Savings, deposits and labour were to come from the youth, and it was a matter of corralling them early. Direct appeals to young people continued at an increased pace, and it was not long before consumers also entered the picture. With the so-called savings loans, customers were told, "You can borrow to pay the rest," whether it was a holiday home, a car, a longcase clock or a much-needed winter holiday.[14]



In 1956, the Danish Parliament adopted the law on universal public pension. The conservative parties were not enthusiastic, but they voted in favour of it on the condition of a new scheme with price-index-regulated pension savings and increased deductions for contributions to pension savings. This passbook for price-index-regulated retirement savings from 1961 shows that inflation was at 4.5 per cent and increased the following year to 6.6 per cent. An indexed account did not sound like a bad idea. The price-index-regulation was covered by the state.



This advert from *Politiken* on 13 November 1963 features the slogan, "The bank of progress – the bank for all". The slogan only lasted for a year and a half before it was replaced with the more direct "We are here for you", which proved to have a longer shelf life.

"The bank of progress – the bank for everyone" only lasted for about a year and a half, after which the bank drew up the logo that would last all the way to 1990. It was a red triangle with a white L, and usually accompanied by a speech bubble reading "We are here for you".

The changing adverts signalled an increased awareness of the importance of marketing and branding. In 1966, Landmandsbanken established its – and the Danish banking world's – first public relations department, headed by newly hired Gunnar Dyrberg.

It was the prelude to Landmandsbanken's most thorough and successful campaign ever. It was great that the bank could attract wage earners with the new bank accounts and young people as bank trainees, and to get a hold of their savings and checking accounts, but why not start earlier?

With the new campaign, Landmandsbanken spoke directly to children. In January 1967, the bank invited students from the School of Arts and Crafts to participate in a competition to design a new piggy bank. A jury comprising representatives of the bank and the school was appointed. And the stroke of genius: "Landmandsbanken will have the entries judged by a committee consisting of 6 boys and 6 girls, who will be selected through a nationwide competition."[15]

In April of that same year, it made front-page news in *Børsen* when the children's jury overruled the adult judges



who had selected a piggy bank in the form of a mouse designed by Erling Brendstrup. The children were of a different mind. They loved Unni Hassenkam's penguin with a red scarf, and that was chosen as the winning entry.

It was not just any penguin. It was Pondus. He was presented the following year at the Copenhagen Zoo, where the "real" Pondus lived. The photographer Ivar Myrhøj had already published a children's book in 1966 about the emperor penguin Pondus, who wore a red scarf. Landmandsbanken's new piggy bank had direct ties to an already known and loved figure. In an instant, the bank reached thousands of potential new customers.

It was a unique opportunity that provided extensive positive coverage in the media and among children across Denmark. On 31 January 1968, Landmandsbanken placed adverts in many of the country's newspapers, in which children were invited to come into the bank to get a Pondus piggy bank and become members of the Pondus savings club.

The results were overwhelming. All stocks of Pondus piggy banks were quickly depleted, and the very next day, on 1 February, the bank had to place new adverts in which Pondus apologised for not having enough piggy banks for everyone.



The Pondus campaign must be among the most effective bank advertising campaigns ever. Here, a Pondus piggy bank is handed over the counter to a potential future customer.

Not until April did the bank dare place an advert again saying that everyone could now get a Pondus.[16]

At the end of the year, the Pondus Club had 175,000 members. The bank had handed out one million plastic Pondus piggy banks as well as 50,000 ceramic models, which cost 15 kroner each. *Pondus-Posten*, a membership magazine for children, was printed quarterly with a circulation of 200,000 copies.

"The Pondus campaign will contribute to making the bank a natural part of our everyday lives," wrote the bank in its report. The satirical writers at *Politiken* had already seen this in April, noting that "the directors of Landmandsbanken have taken on a certain air of *pondus* [authority] lately."[17]



Landmandsbanken's Pondus campaign is certainly one of the most successful advertising campaigns in Danish history – and the campaign remains active to this day. Children up to seven years old can get a Pondus Account with an accompanying piggy bank at Danske Bank.

The bank's growth – capital and takeovers

The interest rate agreement from 1933 was still in force, so the competition for deposits had to be waged in other ways. One way was the Pondus campaign. But that was not enough by itself. The strong demand for credit from businesses and increasingly consumers demanded new measures to attract deposits and capital for the necessary growth while also taking into account the risk that always comes in the wake of lending.

Landmandsbanken continued its by now traditional expansions of the share capital and establishing branches in growth areas while also initiating a series of takeovers of smaller banks. As before, the takeovers were met with mixed feelings.

In September 1964, the bank offered to purchase the west Jutlandic Aulum Handels- and Landbrugsbank (Aulum's Commerce and Agricultural Bank), whose shares were valued at a price of 170. One would think that the price of 450 per share offered by Landmandsbanken was an excellent deal for the many small shareholders in Aulum, but it was not about the money. The locals voted no to selling their bank to a Copenhagen bank.[18]

That same year, Poul Ingholt left the management for the post of chairman of the bank's board of directors. Ingholt was succeeded by 67-year-old Harald Knudtzon, but it was only a transitional arrangement.

From 1 January 1967, Knudtzon moved to the board of directors and 52-year-old Svend Olav Sørensen took over the position of chief executive. "S.O.", as he was called, was hired by Landmandsbanken's branch in Grenaa in 1930 but was soon called to the headquarters at Holmens Kanal, where he quickly rose through the ranks. In 1941, he graduated with a HD degree (a night school diploma programme equal to a bachelor's degree) in banking with a high distinction – a commendation that he was the only of the 11 students to earn. After the war, he spent time abroad at foreign banks in Zurich, New York and London, and he served as a financial advisor in Pakistan from 1952 to 1953. Always well-dressed and proper, and most often with a cigarette in hand, S.O. Sørensen had a large international network and the theoretical and practical background that made him the right man for the job as Landmandsbanken's new leader.



S.O. Sørensen was always elegantly dressed and not infrequently had a cigarette in his hand. This is just one small sign of how greatly the world has changed since the 1960s.

Poul Ingholt had passed away in October 1965, and he was succeeded in the chairmanship by 56-year-old A.W. Nielsen, who since 1956 had been chief executive of the Carlsberg Breweries. A.W. Nielsen was known as a decisive, hard-working and bordering on authoritarian man, and as a man of industry he symbolised the transformation that Denmark and Landmandsbanken had undergone. Joining him as deputy chairman was Mogens Pagh from ØK, Denmark's largest company at the time.

The two were from the upper echelon of the Danish business world and, of course, represented the sphere of interest of which Landmandsbanken was also part. The selection of those two signalled that the relationship between bank and business had been turned upside down compared to the time before the 1920s. The banks no longer dominated industry. If anything, it was the other way around.

With S.O. Sørensen, it was the first time that Landmandsbanken was headed by a chief executive who had no first-hand knowledge of the bank's crisis in the 1920s. He certainly had recollections of the aftermath, but together with A.W. Nielsen he formed a management team who, like Oluf Nielsen and A.P. Møller before them, was tasked with realising a vision for Landmandsbanken – but without necessarily being quite as shaped by the traumatic years of crisis in the 1920s as Oluf Nielsen and Ingholt were. The fact that Landmandsbanken was surpassed in size by Handelsbanken in 1963 also gave food for thought.

The bank was in the midst of a period of growth despite all sorts of economic problems. For S.O. Sørensen, it was important to make Landmandsbanken the biggest bank again. A clear reflection of the expansion could be seen in one of the many share issues the bank carried out for a number of the country's large companies.

In October 1965, together with Privatbanken, the bank carried out the issue of shares for 22.5 million kroner in De Danske Sukkerfabrikker (DDS), one of Tietgen's old companies, later known as Danisco. DDS's invitation to subscribe shares was accompanied by the headline "Investing in Industry Is the Foundation of the Future!" Increased investment was also, the text continued, necessary for increased productivity, full employment and a higher standard of living for the Danes. The vision of a better future was the driving force in both the industrial and financial sectors.

In an interview with the newspaper *Berlingske*, the new chairman, A.W. Nielsen, said that achieving this vision would require consolidation in the banking world. There were too many banks, and the acquisition of provincial banks could certainly be considered if the banks themselves had a desire to be acquired. None of the main banks wanted to "intrude on the provinces", as he put it.[19]

Opinions were divided on what the failed takeover of the bank in Aulum had shown. The Provincial Bank Association

(today's LOPI) did not support the incursion of the main banks into the provinces. This erased the local influence over the area's money, said the Association's chairman.[20]

But it was inevitable. The last time Landmandsbanken had taken over a bank was in 1937, with the purchase of Ebeltoft Bank, but now the Danish economy was in a phase of massive expansion, where rationalisation and productivity were the new watchwords. The main banks wanted to be bigger or, even better, biggest. For Landmandsbanken, this desire was manifested in the takeover of a number of banks between 1965 and 1970.

The first was Folkebanken for København og Frederiksberg (The People's Bank of Copenhagen and Frederiksberg), followed by Aulum Handels- og Landbrugsbank, which had a change of heart and went with the marriage of convenience in 1965. These were followed in 1966 by Banken for Randers og Omegn (The Regional Bank of Randers), Thylands Bank and Middelfart Bank, then in 1969 by Banken for Frederikssund og Omegn (The Regional Bank of Frederikssund) and in 1970 by Skærbæk Bank, Banken for Præstø og Omegn (The Regional Bank of Præstø), Banken for Jels og Omegn (The Regional Bank of Jels) and Håndværkerbanken København (Tradesman's Bank Copenhagen).

At the same time, Landmandsbanken expanded its share capital, which in 1970 reached 465 million kroner, with 461 million kroner in reserve capital and a balance sheet of 11.4 billion kroner. This was tremendous growth, but not enough to make Landmandsbanken bigger than Handelsbanken, whose balance sheet totalled 13.1 billion kroner.

Had Handelsbanken surpassed Landmandsbanken because Oluf Nielsen and Poul Ingholt had been overly cautious? The generation that experienced the 1930s has been called





This stock certificate with coupons from 1976 is another sign of the sweeping changes the world has seen in recent decades. The term "coupon clipper" has today lost all meaning, but in the days before Denmark's central securities depository Værdipapircentralen (VP), there was both money and prestige in clipping coupons when it was time for shareholders to collect their dividends at the bank. Since 1988, all Danish listed shares have been registered with VP, now VP Securities A/S and owned by Euronext, a pan-European stock exchange headquartered in Paris. Note the difference between the face value on the share receipt from 1871, a then high sum of 200 rigsdaler, and this one, which reads 100 kroner. The lower value made stock investing more accessible.

The bank increasingly adopted the use of IT for the performance of all tasks. In the beginning, this was mainly administrative tasks, such as interest calculation and bookkeeping, but since the 1970s ever more tasks are being performed with the use of new technologies – many of the things we consider quite natural today would not have been possible without them. Examples being the Dankort payment card from 1983 and the Kontanten ATM the following year. All of these new measures required a growing staff of IT specialists.



"depression babies" because their outlook and risk-taking, or lack thereof, was greatly influenced by their experiences on the job. They were less inclined to take risks and a little more sceptical of the glories of the financial markets.

Oluf Nielsen and Poul Ingholt were, of course, "children" of the depression and the banking crisis. They were often accused of being too reluctant in their lending to business customers, but they were in the process of reviving Landmandsbanken's tradition, and their approach shaped Landmandsbanken's culture and reputation as a conservative, diligent and skilled bank. Caution was a virtue and part of the bank's history and narrative, its tradition.

Not surprisingly, the strong growth led to expansion in all areas. The bank was the first to adopt the use of computers for bookkeeping and transmitting data from the individual branches to the IT department. A consultancy service was established in the latter half of the 1960s, and Holmens Kanal underwent extensive expansion from 1966. The decision was made to construct "a new bank building in bronze and glass, a new office building and a new parking garage".[21]

As the bank grew, there was also an increased need for internal and external communication. From late 1966, the bank published the internal staff magazine *Advis*, joined the following year by the economic magazine *Kvartal*, which was sent out to customers and business associates.

Landmandsbanken was just one of many companies developing into larger and more complex organisations. In the United States, where the largest companies had hundreds

of thousands of employees, this was old news. Thus it was unsurprising that American management and organisational research spread via Denmark's universities and business schools. Consultancies such as McKinsey also played a role in bringing the latest theories to Europe, often with the American business historian Alfred D. Chandler Jr.'s book *Strategy and Structure* from 1962 as a blueprint.

In December 1966, S.O. Sørensen told *Advis*, "The old management style, where things only went one way – the one-way path of orders and control – from management to employees, is unsuitable for modern society." The bank's employees had to be independent and proactive, and the modern manager should inspire them instead of dictating to them. There should be room for individual initiative.

Sørensen said that this provides "a vibrant company that young people like to be in, and youth is important for every growing company". He quickly added that the bank certainly could not do without its older employees and their valuable experience. After all, it was they "who had built Landmandsbanken".[22]

A few months later, the bank's new personnel manager, E. Wolter, explained how the bank recruited new employees. There was no fixed formula, he said. Wolter was not impressed by the American "scientific-looking" methods with tests and points but continued, "During an interview we try to take a look at them as people, remembering that the one we hire is first and foremost a new colleague, a new person who we will be working with."[23]

Welcome to the 1960s and its increased individualism, youth rebellion, women's movement and anti-authoritarian currents. It was a decade in which social movements put strong pressure on established norms, ideologies and world



The 1960s was the decade of social movements in Denmark and abroad. The youth and women's movements rebelled against a hierarchical, conformist and patriarchal culture, while others demonstrated against nuclear weapons and, as in this 1967 photo, the US war in Vietnam.

A bank trainee greets the uniformed "Swiss guard" as she arrives at the entrance to Holmens Kanal 12 in October 1972. The trainee's "uniform" is less formal but typical of the short-skirt trend of the day, where hot pants also appear in the venerable old bank.



Den Danske Bank's "red canteen" from the 1980s. Staff could also go up one floor to the rooftop terrace. After the merger with Handelsbanken in 1990, staff could choose between eating in the "red canteen" or the "blue canteen" in Laksegade 12. It is said that those with big appetites ate at both.



views. The strictly hierarchical and patriarchal system was gradually replaced with a more egalitarian culture.

Although the sense of being a special profession persevered in some respects, and the many employees of Landmandsbanken continued to identify with the company and the management, the approach was vastly different from that which had led to the establishment of Landmandsbanken's staff association and the Delegation of Danish Bank Associations in 1919. Like the rest of society and other companies, Landmandsbanken was on the way to becoming a more democratic and inclusive organisation, and the new generation of employees was helping to push in this direction.

Landmandsbanken and other banks also became more knowledge-intensive and had to compete for labour in a welfare society where unemployment was so low that there was talk of the need to import foreign labour. In the time before 1960, job adverts from Landmandsbanken or other banks rarely appeared in the newspapers.

In the 1960s, it became common to see adverts seeking bank trainees or IT operators who could "work independently and energetically, and personally … lead the way and tackle the problems that arise".[24]

The bank also hired punchcard ladies, bank tellers, economists and others with university degrees. They could all rejoice in 1967 when the headquarters' 60-year-old dining room was replaced with a staff cafeteria that could serve 1,000 people daily. And on the opening day, the meal was even free. That same year, Landmandsbanken hired Anna Sternow as its first female bookkeeper, but that did not change the fact that the gender balance among employees left something to be desired. Not least at the executive levels of management.

Up in the "cigar box", Tage Andersen, who held a HD degree in banking, was named bank director in 1969. S.O. Sørensen had recognised the young banker's talent early on and promoted him. Now he was a bank executive at the age of 41. At the same time, a young office manager named Knud Sørensen from the executive board's secretariat was appointed head of the marketing department.

The ground had been laid for the generational handover well in advance. Around the same time the Western world and Landmandsbanken were entering a less optimistic period.

Stagflation crisis and the fall of Bretton Woods

In 1970, Landmandsbanken had around 4,700 employees, and for most it was a job for life if that was what they wanted. The bank told *Børsen* that it preferred to fill positions from their own staff, that it focused on ensuring staff felt secure and that it sought to offer good opportunities for continuing education.

Pay, on the other hand, was "relatively undynamic", a relic from the past that could not survive in a climate of growing individualism. There was not much in the way of personal supplements to wages, and the pay was based on seniority and job category, but at least changes had been made to the rigid promotion system, where staff generally had to reach the age of 35 to 45 before one's first promotion. Now, even a 25-year-old could become branch manager, the bank said.

Although Landmandsbanken did now allow for great transformations, small changes were implemented, and with a new management there was reason to believe that the pace of change would accelerate. In May 1970, S.O. Sørensen celebrated his 40th anniversary at the bank, and, as had become customary, he gave interviews to the newspapers on this occasion.

The bank had just completed a takeover of Håndværkerbanken, which caused quite a stir. Nonetheless, S.O. Sørensen would not rule out more takeovers. There were far too many banks in Denmark, he said.

And too much government. When asked of his view on the proposal to have the state represented on the board and in the management, he did not mince his words. It would be the first step towards socialisation, and that would not do any good whatsoever, "especially for the shareholders, who provide so much help to business and society by making risk capital available, and with relatively modest returns at that".[25]

The extensive and tight monetary and credit policy did not make it easy for the banks to help business. Instead, Landmandsbanken had to facilitate loans from abroad for Danish companies that could not raise the money themselves in the capital market. This was often done through the Scandinavian Bank in London and Banque Scandinave en Suisse in Paris, which Landmandsbanken had established in the 1960s together with other Scandinavian banks.[26]

If the generation from the 1930s was made up of "depression babies", the young generation from the 1970s was "stagflation babies". A combination of stagnating growth with high unemployment and inflation, stagflation shaped the 1970s.

The oil crises of 1973 and 1979, where the OPEC nations dramatically raised oil prices, were part of the explanation.



The 1970s was a decade of great cultural and political counter-currents, as well as economic crises with both high inflation and unemployment. This photo from 1974 is from a demonstration against Poul Hartling's government, which was formed after the landslide election of 1973, where the established parties suffered defeat. Neither Poul Hartling nor his successor in the post, Anker Jørgensen, managed to solve the problems. It was not until the formation of a center-right coalition government, headed by Poul Schlüter, that the economy improved, while the political protest movements were replaced by the "yuppies".

On top of the seemingly permanent problems with the balance of payments and currency, the state budget saw increasingly large deficits from the mid-1970s, and Western industry lost competitiveness.

In 1971, US President Richard Nixon put an end to the so-called Bretton Woods system, which since 1944 had functioned as a fixed exchange-rate system. The system had worked (relatively) well while international capital movements and the finance sector were tightly regulated and the United States dominated the global economy. But in 1971, pressure on the dollar became too great, and the US departed from the gold standard.

With the rise of liberalisation and balance of payments problems, the Bretton Woods system collapsed. Exchange rates floated, and thus the last anchor on inflation was gone. In Denmark and other countries, this led to an upward wage-price spiral.

Successive Danish governments struggled to find an economic policy that could make the problems go away, or at least keep them at bay. Income policy, price and profit caps, and net interest margin law were supplemented by a new Limited Liability Companies Act in 1973, which gave employees posts on companies' boards, while a revised bank and savings bank law gave the state representation on the banks' boards – the policy that S.O. Sørensen was so strongly against.

As if that were not enough, the discussion on Economic Democracy also gained momentum and the issue of pollution appeared on the political agenda. In 1972, the Club of Rome, a group of intellectual and industrial leaders, published the book *The Limits to Growth*, which emphasised that continued

economic growth would ultimately exhaust the earth's resources.

The issue of pollution was raised especially by the left, but not many took it seriously. Economists and politicians alike shuddered at the idea of limiting economic growth in a time of such high unemployment.

It all heralded a period of greater uncertainty about where the world was headed. In a 1972 article on the bank's report and accounts, *Fyllands-Posten* wrote, "Landmandsbanken is afraid of the future."[27]

At the Association of Banks annual meeting in November 1975, chairman S.O. Sørensen commented on the state of affairs: "We in the banking world believe that the existing system of society – with a large private sector in the economy – gives the best opportunities for the vast majority of the Danish population. In any case, we cannot see any realistic alternative."

Landmandsbanken's chief executive also did not see much merit in discussing the limits to growth. He had difficulty understanding how anybody could advocate zero growth when millions of people were unemployed. "There must be some kind of desire for self-torture that, in this particular situation, makes it easy to sell more or less modified doomsday prophecies."[28]

That same year, a new commercial bank and savings bank law came into force, eliminating most of the differences between the two, and after Denmark's joining the EC in 1973, foreign banks were allowed to establish operations in Denmark from 1975. Both of these changes increased competition in the banking sector.

Stagflation was a new concept, but it was also highly tangible. While unemployment and inflation both increased to nearly 11 per cent in 1975, competitiveness deteriorated. Economic growth fell from an average of 5 per cent during the period from 1959 to 1972 to just 2.4 per cent from 1973 to 1979. Landmandsbanken felt the effects first-hand. In 1974 alone, wage costs increased by 30 per cent. The Danish economy was in deep crisis.

A great transformation like that seen in the 1930s was underway. Known as neo-liberalism, it signalled a seismic shift in the perception of the economy and the relationship between state and market. The bank's management welcomed the rise of this new paradigm. In 1976, they signaled that they knew a new era was coming. That year, the bank changed – rather late – its name from Den Danske Landmandsbank to Den Danske Bank (The Danish Bank).



One goal of Socialdemokratiet's "Fremtidens Danmark" plan was the democratisation of the business world. From the late 1960s, the Danish Confederation of Trade Unions and Socialdemokratiet raised demands for Economic Democracy (ØD) in the workplace. In 1973, Socialdemokratiet put forward a bill on workers' co-ownership of companies through a central fund. The conservative parties opposed the bill, which never made it further than the floor of the parliament. The poster in the picture says "we have political democracy, now it's time for economic democracy".

Den Danske Bank

Landmandsbanken turned 100 years old in 1971, but not much was made of it. Nobody inside the bank or out seemed to feel the urge to recall the devastating collapse 50 years earlier. However, in 1976 Den Danske Bank launched an advertising campaign with the headline "A New Name, but You Know Us Well". The advert emphasised Landmandsbanken's 105-year unbroken connection with the business world, demonstrating the continuity between the bank's past, present and future.[29]

When the name change became official, agricultural customers only comprised 3 per cent of the bank's business, so it was high time for a new name in a society that had long since become an industrial nation. Den Danske Bank was the bank of urban capitalism, and the heavy industrialisation of the previous 15-20 years had broadened the gap with agrarian capitalism, even though agriculture remained an important part of the Danish economy.

The name "Den Danske Bank" was both a stroke of genius and a gamble. If Den Danske Bank was *The* Danish Bank, what were the others? With the recent membership of the EC and the prospect of foreign banks entering Denmark,





In 1976, Landmandsbanken changed its name to Den Danske Bank. This required a highly coordinated and likely expensive logistical operation, where all signs and logos were replaced. These photo captures the effort to replace them at the bank's entrance in Bremerholm.

it was perfect timing and hardly coincidental. But it also brought great responsibility.

The new name was also helpful if the bank had ambitions abroad, where no one could pronounce Landmandsbanken. During the 1970s and 1980s, the bank bolstered its international activities, going from the collaborative consortium banks of the 1960s to the founding of its own representative offices, subsidiaries and branches. This enabled the bank to follow Danish companies out into the world, but also to bring in foreign loans when domestic regulations made it impossible for Den Danske Bank to lend directly.

The first subsidiary was established in Luxembourg in 1976. Privatbanken made a similar move right after – or perhaps it was the other way around – while Handelsbanken refused any notions that it had similar plans. Den Danske Bank made a point of profiling its new foreign strategy in adverts reading "The Banking Contact for Business. Locally. Nationally. Internationally."

The bank now had 270 branches in Denmark and was "directly represented in New York, Tokyo, Hong Kong, Geneva, Zurich, London and Luxembourg".[30] In 1978, the bank also added a postal address and nameplate in the Cayman Islands to the list. As far as is known, this was not due to the tax considerations we normally associate with this kind of thing but rather the need to be able to arrange foreign loans to Danish companies.[31]

The bank offered a range of foreign services to companies: letters of credit, foreign loans, exchange rate hedging, export credits. "In general, everything relating to financing … to liquidity … to capital pension. And many other things … now or in the future."[32]

Little did it help. Handelsbanken continued to be Denmark's biggest bank. What strategy, business model or culture could bring Den Danske Bank back to first place? In the short term, in November 1976 the bank took out a foreign bond loan of 70 milion Deutsche Mark which together with fierce competition for large deposits from municipalities might make the bank Denmark's biggest for the first time since 1962.

The bond loan was subordinated loan capital in order for the bank to meet the solvency requirements of the Banking Act, but it also made a positive impact on the balance sheet. Handelsbanken denied needing this sort of thing, but a few days later the bank changed course and borrowed 500 million kroner abroad in the form of subordinated loan

In 1983, the bank opened its London Branch in Danske House at 44 Bishopsgate. Already in 1976, the bank's international strategy had led to the founding of a subsidiary bank in Luxembourg, followed during the subsequent years by branches in the Cayman Islands, Singapore and New York, as well as representative offices in Hong Kong and Tokyo.



capital. As *Børsen* wrote, it could "ultimately be a matter of a few million kroner that determines which of the two main banks is Denmark's largest at the end of 1976".[33]

With this manoeuvre, Handelsbanken regained the top position at year end. Its balance sheet at the end of 1976 showed 2.8 billion kroner, while Den Danske Bank had to settle for second place with 2.7 billion kroner.

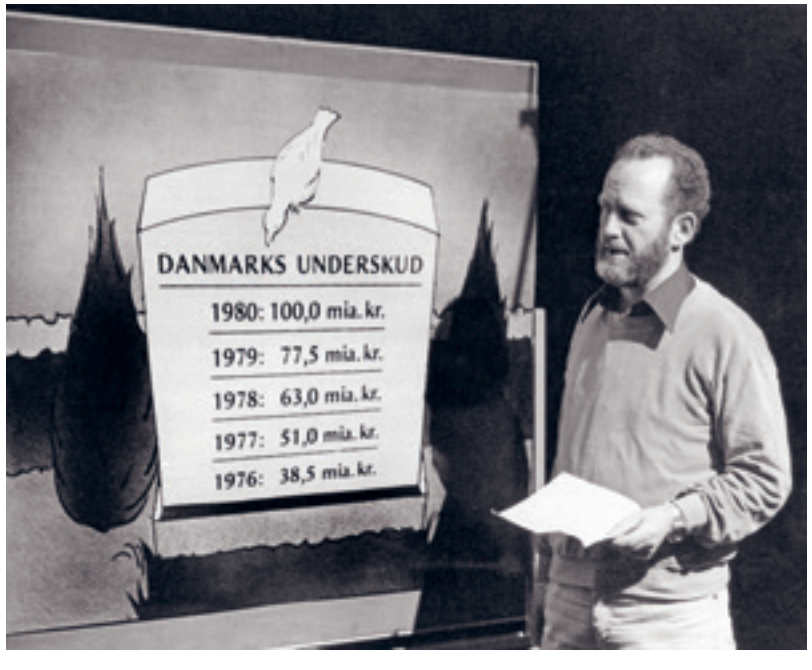
The fight to be the biggest was not particularly fruitful, although Den Danske Bank held that it was significant when doing business abroad. On the other hand, it had no bearing on earnings, as Privatbanken achieved the best return on equity in both 1975 and 1976. Landmandsbanken came in second place, while Handelsbanken took third.

Banking was a complicated business in the 1970s, where the net interest margin law, dividend law, lending ceilings and the like greatly impacted the banks' options. Increased competition could easily cause problems, especially when it came to increasing the balance sheet by attracting business without adequately considering the risk.

Landmandsbanken had experienced this before, when it betrayed its culture and tradition and surpassed all competition in the period leading up to 1920, after which the considerable risks it had taken and the decidedly questionable business ethics it had exhibited led to a complete collapse. Back then it was the deflation crisis that put a stop to the party.

The crisis economy of the 1970s with high inflation, high interest rates and high unemployment was concerning in this regard, and constant unrest in the labour market only made things worse. Minister of Finance Knud Heinesen and Nationalbanken's Governor Erik Hoffmeyer believed that external debt was pushing Denmark towards the abyss. Others began to talk about a potential state bankruptcy.

The former was probably a more justified fear than the latter, but the economic problems in Danish society were palpable. This was reflected in Den Danske Bank's annual reports and general meetings, as well as in the massive investments in IT systems that were to keep labour costs down and the bank competitive. By the end of 1978, the newspapers could report that the so-called online system was implemented in all 275 banks.[34]



The Danish Broadcasting Corporation's financial reporter Hans Bischoff was renowned for his ability to explain economics in a way that most people could understand. In this image from April 1980, he reports on developments in Denmark's balance of payments deficit, which that year was expected to reach 100 billion kroner (326 billion kroner in today's currency).

With the stagflation crisis, the dominant framework for understanding the economy was once again in trouble. This time it was Keynesian theory that was in trouble, while neoclassical economic theory, which had lost ground in the 1930s, gained steam once more. This time it came in the form of monetarism and the Chicago economist Milton Friedman.

Aided by modern finance theory of efficient financial markets, it was the beginning of an extensive financial deregulation. These developments started slowly with the Bank and Savings Bank Act of 1975, which established equal terms for these two types of banks, but accelerated in the 1980s and 1990s.

The public debate outside the thick walls of Holmens Kanal became increasingly polarised. Overconsumption and a runaway public sector and welfare state were among the scapegoats in the conservative newspapers, while the left blamed capitalism. In the meantime, Socialdemokratiet sought to find the middle ground with an economic policy that could "make capitalism work", as Prime Minister Anker Jørgensen put it.[35] This effort did not go well.

This became clear in 1982, when Anker Jørgensen threw in the towel and surrendered government power without calling an election. In the United Kingdom, Margaret Thatcher had assumed the prime ministership in 1979, and two years later Ronald Reagan became the 40th President of the United States. In Denmark, Poul Schlüter's conservative coalition government came to power in September 1982. The new government quickly engaged in a confrontation with the labour movement by cancelling the indexing of wages and introducing a fixed exchange-rate regime where the krone was linked to the Deutsche Mark.

At Den Danske Bank, a change of management had occurred two years earlier. In 1980, the bank submitted its last annual accounts with S.O. Sørensen as chief executive. A mere 18 million kroner on the balance sheet of 38 billion kroner separated his bank from being the biggest. On the other hand, according to *Berlingske*, Den Danske Bank "had a reputation of being the best".[36]

On 23 May 1980, S.O. Sørensen celebrated 50 years at the bank. He had taken over Landmandsbanken after Poul Ingholt and a short intermezzo with Harald Knudtzon at the helm. In all of his 15 years as Den Danske Bank's sixth chief executive, S.O. Sørensen had competed with Handelsbanken to be the country's largest bank.

He had started at Landmandsbanken's Grenaa branch as a trainee on 1 June 1930. Now he was "perhaps … Denmark's … only true international banker".[37] Sven Olav Sørensen had made his mark on the bank through a strong focus on new technology and marketing, and by further building its close relations to the business world and abroad.

His anniversary reception was attended by 498 guests, including Marcus Wallenberg and major shareholder Mærsk Mc-Kinney Møller, as well as members of the Royal Family. Among the many gifts were Chinese porcelain, which he collected, paintings and whiskey. Two months later, he died after a long illness.

S.O. Sørensen had lived up to Oluf Nielsen's expectations of showing diligence and talent and "renewing his management from within". The plan for succession was in place. The "crown prince", Tage Andersen, was ready to take over the top post.

Denmark's most talented banker: Tage Andersen

Socio-economic balance problems and intervention upon intervention meant that there were still very tight controls on the banks' activities. On the other hand, the 1980s became a transitional period for the banks and society, where they had to get used to the new conditions of tougher competition combined with new opportunities and challenges.

The "poor eighties or "yuppie eighties" – take your pick – got off to a bad start when the magazine *Måneds Børsen* presented an analysis showing that the business world's image was "rock bottom" and that half of the nation's population believed that "social considerations are often disregarded for the sake of profit."[38]

This sentiment would only increase as the "shareholder value" ideology took root and made share prices, return on equity and earnings per share key points of focus for the management of listed companies. Globalisation and financialisation, where financial thinking and motives become dominant, slowly unfolded in the 1980s before really taking off in the 1990s.

The result was increased competition and a return of financial instability, while the conditions for running a bank were undergoing major change. This was the bank that Tage Andersen inherited when S.O. Sørensen passed away.

The 1980s brought new terms and concepts. Financial supermarkets, privatisation, the post-industrial society, and headhunting all entered the Danish language. American expressions also caught on, including leveraged buyouts (LBOs), corporate raiders, hostile takeovers and junk bonds. These trends were also evident in the form of prominent new figures such as Klaus Riskær Pedersen and Per Villum Hansen, who, inspired by developments in the United States, played by different rules and often made headlines.



Globalisation gained speed in the 1990s, often with unpredictable implications. As shown on this cover of *The Economist* from 18 October 1997, the global stock markets became more volatile. It was in the middle of the Asian financial crisis, and the following week the international stock markets suffered a "mini-crash", followed by a quick recovery. It is perhaps unsurprising that the magazine also offered a "schools brief" on globalisation.



Peace of mind – also when you travel. In this 1983 advert, the bank spoke directly to customers, offering services for travel beyond Denmark's borders. This area of business has also changed greatly over the years. Few people today exchange currency before travelling, and traveller's checks have been replaced by various international payment cards.

That kind of thing was not Tage Andersen's cup of tea. He had joined Landmandsbanken in 1951 from Banken for Frederiksværk og Omegn, where he had started as a 16-year-old trainee in 1943. At Landmandsbanken, he spent six years in the credit department, interrupted only by stays abroad in the United States and Germany. He also obtained a HD degree in banking along the way, and in 1964 he was promoted from office manager to deputy manager. Just two years later, he became vice manager, with the marketing department as one of his areas of responsibility. In 1969, he was appointed member of the executive board at the age of 41.

He was the first executive at Den Danske Bank that did not have any first-hand experience of Landmandsbanken's collapse and the banking crises of the inter-war period. Andersen brought 45-year-old Knud Sørensen with him into the executive management. Sørensen had started as a trainee at the bank in 1951 – the same year that Andersen was hired. They both gained experience in the bank's credit department, and unlike their predecessors they were not "depression babies". However, they were greatly influenced by the bank's culture and tradition of diligence, talent, conservatism and consolidation. Perhaps they even took it up another notch. They were an incomparable couple when they appeared together. Nobody could doubt that they took their profession seriously.

It was not only the financial world and Den Danske Bank that experienced new times. The media world was also experiencing sweeping changes. The press focused more on the business leader as hero and financial sector as the economic driving force than ever before. Together with a number of other top executives, Tage Andersen was far more visible in the press than his predecessors. The financial sector and the financial markets attracted particular attention as the industry that was to be the new growth engine of the economy.

The media-created bank executive was not a new phenomenon. Emil Glückstadt had experienced it, but from the 1930s politicians came to be seen as those who would create the good society. From the 1970s, attention shifted back to the business world, entrepreneurs and the financier. One of those to receive much of this attention was Tage Andersen. The media created

the image of the bank and the bank executive they wanted to see, and Tage Andersen was well aware of this fact. The media-created image of him was largely – as he himself said – a myth.

The media also helped to shape the narrative of neo-liberalism, globalisation and deregulation, which made new demands on the banks from the top executive to the youngest banking trainee.

Tage Andersen was 53 years old when he took over the post as chief executive in July 1980. Like all of his predecessors, he was internally recruited, and perhaps more than anyone before him he came to represent the values that Den Danske Bank stood for. This was not because Tage Andersen invented the tradition, which was real enough as a narrative tracing all the way back to Isak Glückstadt. Although it was abandoned under Emil Glückstadt, his successors brought the bank back on track.



Three members of Den Danske Bank's executive management gathered in the "cigar box": Tage Andersen in the foreground, with Knud Sørensen and a young Peter Straarup at the back. The two absent members of the executive board were John Rammer and Henrik Thufason.

Poul Svanholm and Knud Sørensen converse at the bank's general meeting in 1996. The bank presented a net profit for 1995 of 3.6 billion kroner after tax. This was the result of the efforts of the bank's 11,514 employees. All indications are that Knud Sørensen and Poul Svanholm had a good working relationship based on a common philosophy on doing business.

Tage Andersen fit perfectly into the narrative of Den Danske Bank as a conservative, talented, diligent and proper bank with traditional values that focused on profitable growth rather than an obsession with volume, and which took its credit work seriously, because "it's not our own money that we're lending out. It is the depositors' and shareholders', and we have a clear duty to protect the funds entrusted to us."[39]

Tage Andersen could simply let the results speak for themselves. In the first years with him as the bank's top executive, the Danish economy was in terrible shape, and there were few optimists to be found. Nonetheless, it was during these years that Den Danske Bank surpassed Handelsbanken and regained its place as the country's largest bank.

When the figures from the 1982 financial year ticked in, it made big news in the papers. "Den Danske Bank in First Place", wrote *Jyllands-Posten* on 13 January 1983. The battle to be the biggest had been ongoing for years, but Tage Andersen's co-executive, the at least equally serious Knud Sørensen, dryly stated that we would rather "be the best bank than necessarily the biggest".[40]

Den Danske Bank was not just the biggest; it was also the best at ordinary banking operations and with a return on equity of 19 per cent. Added to this were significant capital gains and lower cost increases than at Handelsbanken. *Jyllands-Posten* believed that there was probably a "certain consternation" among Handelsbanken's top management.[41] If that was the case, it was only the beginning.

Jyllands-Posten also published what might have been the most surprising headline after the bank's general meeting: "Den Danske Bank Satisfied with the Government's Course". This was new and clearly signalled that the bank and its management had both feet solidly planted in the conservative camp and thirsted for economic stability. The conservative government and the fight to tackle inflation was not nearly as popular with the labour movement as it was on the first floor of Holmens Kanal 12.

It was not surprising, of course, that the country's largest bank was commenting on the nation's financial policy. It had done so ever since it once again became private in 1954 and no longer had to consider the state as a shareholder. At the start of the 1980s, the situation for businesses was so dire that the bank issued a very clear statement. Competitiveness and the balance of payments must be improved, and the "disconcerting" budget deficit must be erased.

With Carlsberg Breweries' prominent director Poul Svanholm as the new chairman of the bank's board, more of these types of statements were to be expected. He took over the post in 1983, and as with Oluf Nielsen, Poul Ingholt and A.P. Møller in 1928, the triumvirate of Tage Andersen, Knud Sørensen and Svanholm were a strong team for navigating the bank through a turbulent time.



Svanholm was a strong chairman of the bank's board, and he held the same values as the bank's two dominant executives. As a member of A.P. Moller Maersk's board since 1978, he also had close ties to the bank's main shareholder. At the end of the 1980s, Maersk's stake was nearly 20 per cent of Den Danske Bank's share capital.

Unlike Nielsen, Ingholt and Møller, Tage Andersen, Knud Sørensen and

Svanholm did not face the task of pulling the bank out of a deep, state-owned hole. Instead, they had to continue building on the foundation established by the previous generation and S.O. Sørensen – and which thousands of employees in Denmark and abroad had brought to life through their work at Holmens Kanal and in branches around the country.

According to the media, Tage Andersen was "the country's best bank executive". He was hard as nails, decisive, a tad arrogant and an executive whose approach was said to be "management by fear". He was also sharp enough to understand that his image was largely created by the media. He emphasised, "The fact that our performance has been so strong in recent years is because we have sought to delegate as many tasks as possible to the individual employees."[42]

Tage Andersen and the bank were against tax manoeuvres, speculation and other unethical activities, and he was first and foremost a man of the bank. He was reminiscent of Isak Glückstadt. Both as the director of Den Danske Bank and as chairman of the Association of Banks, Tage Andersen staunchly defended the banks that conducted themselves properly, while he felt only contempt for those who crossed the bounds of what he considered proper banking practices.

When 6. Juli Banken (The 6th of July Bank) collapsed in 1987 and the government pressured the other banks to cover depositors' losses, it was too much for Tage Andersen. "It's hardly surprising that, since a large share of these customers could not make do with normal bank interest rates but instead have placed their money under much more risky conditions, they are now in need of help … The politicians apparently feel that, in an election year, they must give greater credence to the interests of these depositors and that they must dig their hands even deeper in the pockets of others. It is infuriating."[43]

According to the media, the bank's securities, international and foreign exchange departments were clearly the best in the country and much of the growth leading to Landmandsbanken's recapturing of first place could be attributed to the activities abroad and investment in new technology. More aggressive marketing towards both business and private customers was also part of the bank's expansion strategy.

Landmandsbanken continued to invest large amounts in new technology. This allowed the bank to keep the number of employees stable, even though the scope of business grew significantly. In connection with the expansion of both the securities department, foreign exchange trading and presence abroad, new technology became increasingly more important – not just for Den Danske Bank, but for all large banks.

In 1982, the bank became the first to establish a branch in Singapore, which made it possible to help Danish companies in the Far East and, just as importantly, to keep foreign exchange trading active 24 hours a day and to channel capital from the Far East to Denmark. Two years later, in 1984, the bank withdrew from the consortium bank in London and established its own branch in The City.

That same year, it became possible for companies to do their banking via a modem and "a so-called PC", as the advert read. The bank also opened a representative office in Chicago affiliated with the consortium bank American Scandinavian Banking Corporation in New York until 1985, at which time it was replaced by an actual branch on Madison Avenue. Den Danske Bank opened a branch in Hamburg the following year, and the bank's extensive international operations were often profiled in the many large adverts that the bank placed in Denmark's national newspapers.

Of course, it was not only Den Danske Bank that digitalised and internationalised. These changes took place in parallel throughout the industry alongside the opening of the financial markets, which became increasingly important in the global economy. The banks' marketing departments grew, and technology made it possible to follow and trade on the financial markets 24 hours a day. Initiatives such as Den Danske Bank's PC bank for companies and DanskeBank-News, where customers could call in and get updated share price information, reflected the new developments.

The winners and "the end of history"

On 24 October 1986, *Børsens Nyhedsmagasin* declared the battle between Handelsbanken and Den Danske Bank to be definitively over. The magazine was published that day with a cover photo of Den Danske Bank's management in the "cigar box" and the headline "The Winners".

It would be hard to disagree. It may well have been that the two banks both expanded massively, but only one had managed to hold firm to its values, its tradition and its risks all along the way. And that one was Den Danske Bank.

The narrative about the bank was in many ways the same that can be traced back to the time of Isak Glückstadt. Conservatism, caution, resistance against speculation, steady management, focus on credit assessment and risks, and an ability to adjust when something new is more than just a short-term fashion. The bank's management, not least Tage Andersen and Knud Sørensen, could perhaps be seen as somewhat self-important, but upon closer inspection this was probably the way that they saw the world and the narrative that had made the bank the largest and most recognised bank in the country.

"We are a little old-fashioned and Swiss," said Knud Sørensen, adding that "the humorous rock and roll style is not for us." The organisation had steady management and was well-functioning, with a centralised approach that meant everyone marched to the same drum once a decision had been made.[44]

Things looked different at Handelsbanken. While Den Danske Bank had success recruiting management internally, Handelsbanken had hired Hans Ejvind Hansen, who came from the credit union Nykredit, to take over after Bendt Hansen. And there was a need for change that perhaps could only come from outside.

"The elephant is on its knees," wrote *Det Fri Aktuelt* newspaper in June 1987. Handelsbanken had suffered huge losses and was in the midst of a management crisis, with 6,000 dissatisfied employees who were unsure of where the organisation was heading.[45]

In every respect, it was a different story than that of Den Danske Bank, and it was playing out in an economic climate that only offered further headwinds. A tax reform and the "Potato Diet" economic reform made a deep dent in the finances of Danes and led to bank problems for the first time since the inter-war period. Kronebanken (The Crown Bank), C&G Banken and 6. Juli Banken encountered difficulties in the mid-1980s and, as always when the economy was in crisis, the sheep were separated from the goats.

It was perhaps a bit surprising that an opinion survey conducted by the Association of Banks showed that the population was actually quite satisfied with the banks. Eight out of ten respondents said that the banks operated in a satisfactory way, even though a majority also felt that they earned too much and had too much power.[46]

While Den Danske Bank was declared the winner in the media, the liberalisation of the financial markets continued. The last restrictions on the movement of capital were lifted, and savings banks were permitted to convert themselves into limited companies. The biggest savings banks such as Bikuben and Sparekassen SDS immediately jumped at the opportunity. Stock market reforms were also implemented so that the banks could trade directly on the stock exchange.

Den Danske Bank's position as not only the largest bank but also the best at making money was confirmed time and again. The accounts for 1987 showed a profit of 1.1 billion kroner, while Handelsbanken had to make do with a fraction of that amount. Tage Andersen revelled in this state of affairs: "Through the years, we stuck to proper banking business and said no to the more fancy businesses. Others have chastised us for not being smart and modern enough, but we can live with that. Not least after we have seen how things went with the yuppies."[47]

Everything culminated in late 1989. The Berlin Wall fell on 9 November, and less than a week later, on 15 November, came the news that Den Danske Bank and its long-standing competitor Handelsbanken were to merge.

This was followed on 4 December with the news that Privatbanken, Sparekassen SDS and Andelsbanken were merging to form Unibank, and on 12 December Provinsbanken joined the merger with Den Danske Bank and Handelsbanken. The latter did not come as a surprise to anyone, as Den Danske Bank had owned a quarter of Provinsbanken for many years.

It was a seismic and rapid shift in the Danish financial world, but it had long been expected that such events would transpire at some point. Symbolically speaking, the Unibank merger was probably the most significant. It marked the total victory of urban capitalism. Tietgen's old bank merged with the country's largest savings bank and the bank of the cooperative movement. For nearly a century, there had been two parallel tracks in Danish capitalism, but now it was the track of the stock market and urban capitalism that continued down the one-way freeway of globalisation.

It was "the end of history". The wall between Holmens Kanal and Erichsen's Mansion could fall. The American political scientist Francis Fukuyama called the fall of the Berlin Wall and the collapse of the Soviet Union "the end of history", because it marked the final victory of Western liberal market economies over the so-called socialist states. There was no alternative. Yes, this is what many people believed at the time.

For Den Danske Bank, the merger represented what in the eyes of many was a takeover – the culmination of more than 60 years of effort to resurrect the bank and its reputation from



One of the most important events of the 20th century was the fall of the Berlin Wall on Thursday, 9 November 1989. It marked the start of German reunification the following year and the dissolution of the Soviet Union on 25 December 1991. The writing on the wall says "the first hole in the Berlin Wall". The years around these momentous events were marked by a euphoria that has been greatly dampened by the geopolitical developments of recent years.

the ruinous remains of the 1920s. It was Denmark's number one business bank and with most of the country's largest companies among its customers.[48]

The board was populated with some of the most prominent figures in Danish business, including Mads Øvlisen from Novo Nordisk, Jess Søderberg from Maersk, Palle Marcus from Danisco, Kjeld Kirk Kristiansen from Lego and, of course, the chairman Poul Svanholm from Carlsberg. If one such existed, then Den Danske Bank's board of directors held a good share of an "old boys network" or "good Danish men", as Knud Sørensen called them.[49]

For Tage Andersen, the new Den Danske Bank with 12,000 employees was his crowning achievement. His legendary diligence and talent had not only taken him to the pinnacle of the bank, but it had also helped fulfil the mission of Oluf Nielsen, Poul Ingholt and S.O. Sørensen, making the bank the country's undisputed best and biggest bank again. As his predecessors before him, he did not fail to mention that one could go far with diligence and talent. And a bit of luck.

On 26 February 1990, Tage Andersen held his farewell reception on the second floor at Holmens Kanal. The baton was handed over to Knud Sørensen.

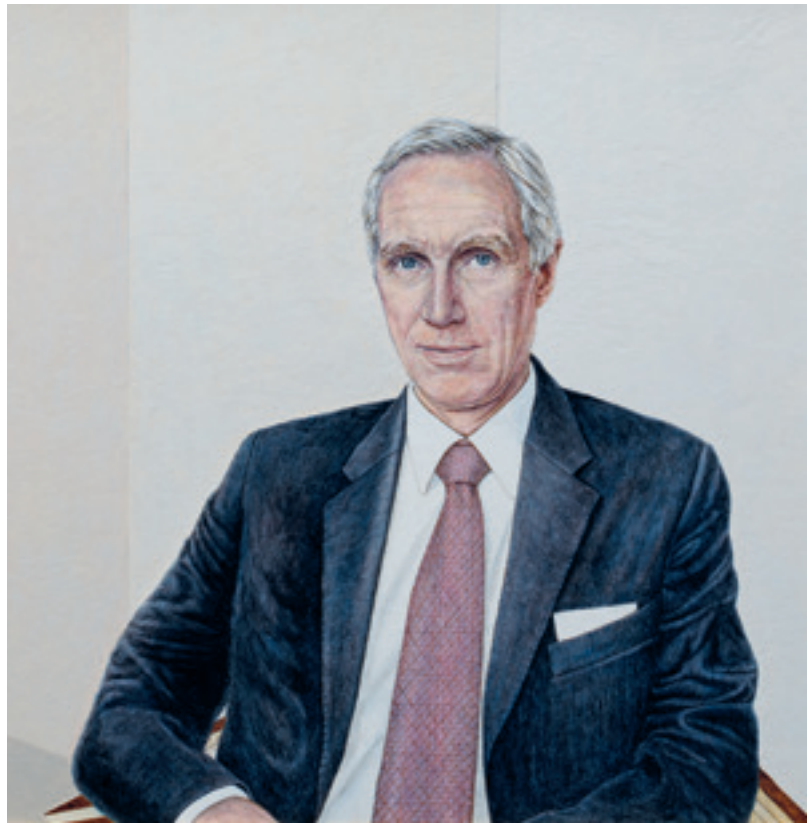












Knud Sørensen and Peter Straarup both started at the bank's branch in Fredericia, which for many years was led by Johannes Lundov. Bank director Jakob Brogaard was also one of "Lundov's boys", as they were called. All three focused on credit policy as the main element of a bank's business. It was the task of Knud Sørensen and Peter Straarup to lead the bank into a new era of increased competition, globalisation and new technology. These two portraits were the last of their kind. The bank no longer commissions painted portraits of the chief executive. Knud Sørensen is painted by Thomas Kluge og Peter Straarup by Berit Heggenhougen Jensen.

V International and Nordic Victories and Defeats 1990-2023

Accuracy, precision and a sense of order

Den Danske Bank's takeover of Handelsbanken and Provinsbanken was the cherry on top of Tage Andersen's sundae. He received unfettered praise in the media as the person who in 1980 took over a slightly boring bank and turned it into a vibrant and dynamic bank – and the biggest once more. In 1990, Den Danske Bank had no equal. Knud Sørensen, who during the 1980s was called "the crown prince" by the media, stood ready to take over as chief executive, with Peter Straarup at his side or right behind him.

If anyone stood as an example or even guarantor of Den Danske Bank's tradition, it was Knud Sørensen. Talented, diligent, serious, correct, thorough, proper and always ready to emphasise the bank's professional approach to banking. This was the image of him painted by the press, and he helped this along by championing traditional virtues such as "accuracy, precision and a sense of order", and that one "must tend to one's work and be polite and honest".[1]

For some, it sounded like a blast from the past, but it was not the worst basis for running a bank, and it was widely accepted that this was how Den Danske Bank was. The bank and Knud Sørensen were a good match. Now he had to lead it into a brand new-age – culturally, economically and politically.

Knud Sørensen took over as neo-liberalism truly began to spread its wings, with globalisation, financial markets that never slept, and new and old financial players constantly on the hunt for the next "deal". The banks established investment banks and investment companies, and diversification accelerated despite Knud Sørensen's scepticism. He felt it was important to stick to your areas of expertise.

Knud Sørensen was a traditional banker in "the financial jungle", as *Børsen* called the financial markets in a lead editorial.[2] In the financial jungle, you couldn't make all the rules yourself. Finance professionals might be the "masters of the universe", but they were also "slaves of the market", and if they did not adapt, various analysts, institutional investors and, for example, pension funds, corporate raiders and short-sellers would certainly get them back on track.[3] The "shareholder value" approach gained ground, and for many publicly traded companies and their executives, the share price and a short-term horizon became the new guiding star in their work.

While financial theories and complex models took hold in the banks' risk management, and leading international economists such as Robert E. Lucas posited that economic crises were a thing of the past, others spoke of "the new economy" and "the great moderation", where the economy of the future would be more stable than history would lead you to believe. That was, of course, hogwash, just as the notion of "the end of

history" was, but it was a strong narrative of the new rules of the game in the financial markets. It held until 2008, when the financial crisis put a stop to this kind of thinking.

In this progress story of globalisation, the financial sector would create economic development, and many began speaking of Copenhagen as the financial centre of the Nordic countries or even Northern Europe. New words saw the light of day, such as equity analyst, financial derivatives, chief economists, making bank, financial crisis, CEO and CFO, day trader, quarterly reports and, in another but no less important category, the internet.

One could well get the impression that finance was once again becoming the master of the economy and society instead of its servant, but in a different way than before 1930. In 1997, Bill Clinton's Treasury Secretary Lawrence "Larry" Summers said, "Financial markets don't just oil the wheels of economic growth … They are the wheels."[4] In academic circles, people began to talk about financialisation as an expression of how financial thinking had permeated nearly every nook and cranny of society.

There were those who believed that Knud Sørensen was too vague and lacked the supposed cynicism and decisiveness of Tage Andersen. Nonetheless, he became the first chief executive of Den Danske Bank who truly felt the massive influence of market forces and competition after the great transformation that began with the 1970s stagflation crisis and the new ideological and cultural currents that sprang from it.

"Danish Banks Earn Too Little", read the headline of a December 1989 article in *Politiken*. Measured in terms of the cost/income ratio, Den Danske Bank was number two after Andelsbanken, while Provinsbanken and Handelsbanken lagged behind. But it was not enough. The ink on the merger deals had hardly dried before redundancies were announced despite promises to the contrary, and despite Knud Sørensen having said that it did not help to just cut down on "employees … one had to also look for an increase in earnings".[5]

When the banks presented their annual accounts in February 1990, *Jyllands-Posten* declared Den Danske Bank the "winner" in terms of cost management and credit assessment.[6] The foundation was solid when the merger was symbolically completed and the wall between Holmens Kanal and Erichsen's Mansion fell. The victor, Knud Sørensen, crawled through the hole in the wall on 19 April 1990 as photographers captured the moment for posterity.

Then it was time to clean up. In the half-year accounts, the bank wrote off 2 billion kroner in the loss account. No effort was made to hide the fact that the losses primarily came from Handelsbanken and Provinsbanken, but now it was

The year after the fall of the Berlin Wall, the wall between Peschiers Gaard and Erichsen's Mansion also came crumbling down. Welcoming Knud Sørensen, entering Handelsbanken through the wall, were Poul Svanholm (right), together with Handelsbanken's chief executive Hans Ejvind Hansen (far left) and board chair Bernhard Gomard.



Den Danske Bank's cautious approach that ruled the day. "We are going to make a lot of money in the future," said Sørensen.[7]

A few months later, the textile company Nordisk Fjer ran into difficulties, and in March 1991 the company went bankrupt after some difficult months. The company's powerful leader, Johannes Petersen, was revealed as a fraud and took his own life, while the losses amounted to 4 billion kroner. Den Danske Bank's management had avoided Nordisk Fjer like the plague. "With all of the noise around the accounts and accounting principles, we did not have any interest in having Nordisk Fjer as a customer," said Knud Sørensen.[8]

Handelsbanken had not been so cautious. There were clearly different cultures, practices and credit policies at the three merged banks, which meant that much of the new consolidated organisation was facing a radical change of culture. Staff from Handelsbanken and Provinsbanken would have to adapt and adopt the practices of Den Danske Bank.

Speculation, "where wage earners leverage their investments multiple times", and tax manoeuvres were not for Den Danske Bank; Knud Sørensen pointed to the collapses of Kronebanken, 6. Juli Banken and C&G Banken, as well as the effects of the "Potato Diet" and the dramatic stock market crash of 1987 as examples of what could happen. "There are

not as many white Porsches left in front of Café Victor," he said. "We want to avoid the fast and trendy businesses."[9]

In his own words, Knud Sørensen was not much for "basking in his own limelight", but there were probably some colleagues in the other banks who were a bit tired of the moral lecturing from the big brother in Holmens Kanal. In June 1991, Knud Sørensen celebrated his 40th anniversary at the bank, during which time he had become familiar with most of the bank's functions, including as head of the important credit department. He had spent time studying at banks in London and San Francisco, and he knew banking and Den Danske Bank inside out.

Redundancies and financial crisis

With the Danish economy in crisis and the financial sector facing increased competition, the focus shifted to costs. Analysts also expected that the merger would lead to fewer employees, abruptly putting an end to the notion of lifelong employment at the banks. In December 1991, Den Danske Bank announced that it would be necessary "to stimulate the natural departure of employees". The so-called shoulder-tap round was underway.

The bank's accounts were better than those of the other big banks, but productivity was too low, and *Børsen* reported that "Den Danske Bank is axing more than 3,000 jobs." The number of employees was to be reduced by 1,500 in 1992 and an additional 1,500 by 1994.[10]

The employees had neither seen nor heard anything like it since the 1920s, but the announcement made clear that a new logic had taken over in the financial sector. It was in itself a significant reflection of the changes that impacted the Western market economies. The bank's employees sought crisis counselling, and Finansforbundet was in shock that the bank would carry out mass redundancies "based on a desire to make a bigger profit than what is fair".[11]

At the bank's general meeting on 1 April 1992, Poul Svanholm defended the announced 3,000 redundancies. He emphasised at the same time that "solidity is the most important of all considerations, and here we cannot compromise."[12] This was completely in line with the tradition upheld by the bank since its founding in 1871 and until it lost its ethical and sound banking orientation under Emil Glückstadt.

On the other hand, it was not entirely clear what solidity had to do with the redundancies, but it turned out that the problem was not even that big in the first place. Of the initial reduction of 1,500 employees, 1,486 entered into a severance agreement, perhaps having sensed that a tap on their shoulder was imminent. Those who stayed on complained, along with the rest of the sector's employees, about increasing pressures at work and symptoms of stress.

The redundancies also reflected the fact that the bank's employees generally needed a higher level of education than previously. There was no longer a need for employees who performed traditional banking operations – the computers could take care of that now. The typical trainee at the bank was now a graduate of upper secondary school, and the internal training programmes were also upgraded.

Redundancy rounds were a new phenomenon in banks, but after the merger they quickly took root. Costs had to be cut so that shareholders could get their dividends. As shown in this *Berlingske* article from 16 February 1992, it was not only the employees of Den Danske Bank who had to say goodbye to job security. The times had changed.


Tryghedens dage er talte

BANK

In June 1992, shortly after Svanholm's statements at the general meeting, Knud Sørensen told *Børsen* that "the sober, thorough credit management that we want to be known for is not always what has been practised" – but it was not Den Danske Bank that he had in mind here. The recent bankruptcy of the contractor Kay Wilhelmsen caused major losses for Jyske Bank, and speaking as the chairman of the Danish Bankers Association, Knud Sørensen said:

> You must try to put yourself in the shoes of a banker: in a time of economic downturn, such as the one that we have been in, a lot of fires pop up all around you. So you can choose to say: OK, we believe that the situation will turn around in three years, and so you extend the customer liquidity during this period. But it will cost at least an additional 30 per cent in interest. If that figure is a billion, that's really a lot of money, even for a big bank.

At the same time, the bank's management must be able to defend its decisions to the board of directors and the Danish Financial Supervisory Authority, which might lead them to "pull the emergency brake prematurely". But "we are still at the ready if a really good idea needs financing", despite the fact that both consumers and businesses had been hit hard by the "Potato Diet" reform, tax reform and financial crisis.[13]

The reality was that Denmark was in the middle of its first financial crisis since the inter-war period. Things were worse in Norway and Sweden, but it was little consolation when banks had to close or be taken over by stronger peers.

The financial crisis impacted not only the banks; mortgage lenders and insurers were in just as much trouble, and in some cases it was self-inflicted. Take, for example, Varde Bank, which was rescued in 1992 with the help of Nationalbanken and Den Danske Bank, only to be taken over by Sydbank later on.

Hafnia's problems were also self-inflicted. Chief executive Per Villum Hansen pursued an aggressive, American-inspired course of expansion that paved the way for financial supermarkets. He continued with a failed attempt to take over competitor Baltica but ended up driving Hafnia over a cliff in the summer of 1992. Shortly afterwards, Per Villum Hansen and Hafnia were joined by Baltica.

These insurance companies were healthy enough in their own right, but the problem was in their holding companies; the challenge for Den Danske Bank was that it was the bank for both Hafnia and Baltica. After failed merger talks between the two, Hafnia attempted to carry out a hostile takeover of Baltica in 1991. When this attempt failed, Per Villum Hansen shifted his focus to Swedish insurance group Skandia, but that did not go well either. As a result of these failures, Hafnia was so debilitated by large losses that Skandia attempted to take over Hafnia.

This attempt also failed, and in the spring of 1992 institutional investors led by Lønmodtagernes Dyrtidsfond, a pension fund, began to plead for a so-called Danish solution, which involved a capital injection of 1.9 billion kroner. Den Danske Bank was responsible for the issue and participated in the consortium that guaranteed the subscription of the full amount. This effort did not go as hoped. Investors stayed away, triggering the guarantees provided by Den Danske Bank, which ended up taking over two-thirds of the shares. Four weeks later, in August 1992, the 1.9 billion kroner was gone. Hafnia Holding was insolvent again.

The result was losses across the board. And outrage. How could a company that had just received nearly 2 billion kroner, with the assistance of such credible actors as Lønmodtagernes Dyrtidsfond and Den Danske Bank, be insolvent just a few weeks later? It was hard to understand, and Per Villum Hansen was fired by Hafnia while the next step was being considered.

Unibank's Steen Rasborg suffered the same fate in the turbulent summer of 1992 when his bank lost billions and had to have a declaration of support from Nationalbanken.

"Finance-Denmark in Panic" read the oversized headline on the front page of *Børsen* on 22 March 1993. Baltica's stock had been suspended after a 30 per cent decline the previous Friday, and it was not just a problem for Baltica. Hafnia, which was in suspension of payments, also had a very large holding of Baltica shares that had just become 30 per cent less valuable,



If one single sign symbolised the triumph of the yuppies in what was otherwise known as the "poor eighties", it was racing driver Thorkild Thyrring's Beaujolais Nouveau race through the streets of Copenhagen with a police escort from Hotel d'Angleterre. The race was held on 20 November 1987, three weeks before the film *Wall Street* opened in cinemas.

causing additional pressure. Hafnia had a 3 billion kroner debt to Den Danske Bank and Baltica 10 billion kroner, so there was not much joy in the bank's management either.

Fortunately, they had a weekend to fix the problem, which was done according to a plan devised in the offices around the "cigar box" on the first floor of Holmens Kanal 12. Peter Straarup, who by all accounts was the mastermind behind the plan, sorted out Baltica's situation by shutting down the holding company and taking a one-third ownership stake in the insurance company. Thus it was Den Danske Bank that decided the future of both Hafnia and Baltica.

The day after the "Finance-Denmark in Panic" headline, *Børsen* featured a lead editorial with the headline "Den Danske Bank or Chaos". That was the widespread sentiment. Den Danske Bank had saved the Danish financial sector from its self-inflicted crisis. The director of the Danish Financial Supervisory Authority Eigil Mølgaard went so far as to say that Den Danske Bank was infallible. The affair had cost billions, including for Den Danske Bank, but now it was time to look forward and pay tribute to the victors.

As early as December 1992, *Det Fri Aktuelt* newspaper linked the reason for Den Danske Bank's strong position with the traditional caution and diligence in credit assessment, with Knud Sørensen as a "guarantor of the spirit of 1928". His discipline, prudence and sensibility could be traced back to the time when the bank had been nationalised, and today Knud Sørensen stood as "the antithesis of the masters of the universe". We do not need people with buzz saws on their elbows, he said, thereby emphasising that the bank's position was the result of a collective effort.[14]

The crisis did not reach a final resolution until November 1994, when Den Danske Bank took over Baltica Insurance and Danica, the former Statsanstalten for Livsforsikring, a public life-insurance institution. Despite the bank stressing that it wanted "self-development" or organic growth and did not harbour ambitions of becoming a financial supermarket, it was a giant leap in that direction. The insurance and pension businesses were in place, the financial crisis was over and on the second try Denmark voted yes in 1993 to join the EU's internal market. Altogether, the situation would only fuel the bank's drive to grow.

Jyllands-Posten

Meanwhile, the banks still lost money and earned far too little from ordinary banking operations.[15] There were also problems with Føroya Banki, which Den Danske Bank had owned since 1905. In 1992, it became clear that the Faroese had crippled their own economy, and both Føroya Bank and Sjövinnubankin ran into major problems. In the autumn, Den Danske Bank injected 330 million kroner of new capital into Føroya Banki.

It soon became clear that this was not enough, at which point Den Danske Bank wanted out. Through a share exchange with Sjövinnubankin, Den Danske Bank brought its ownership stake below 50 per cent, so that it was no longer responsible for what happened from that point on at Føroya Banki. This was a clever solution to the problem, although the Faroese and some Danish politicians found it ethically questionable. But the bank stood firm and took some reputational damage in 1998 for it when an investigative committee found that Peter Straarup had sidestepped the truth when he allegedly said that there was no need for new capital in Føroya Banki. Straarup himself vehemently denied that he had ever made this statement.[16]

At this time, the Hafnia issue had already exploded in the hands of Den Danske Bank's management. In a series of articles published over a week in February 1996, *Jyllands-Posten* had a real scoop and revived its role from the 1920s as the bank's biggest critic.

Jyllands-Posten questioned the bank's ethical and moral compass and caused much of Danish society to question how strong the bank's tradition actually was in the face of pressure from new cultural and social logics in the financial markets.

Under the pressure of a changing world, Knud Sørensen and the bank had both predicted and contributed to the beginning of the end of the otherwise distinctive Den Danske Bank identity among employees. Now a colleague had illegally leaked highly confidential material to *Jyllands-Posten*. In the same way as the merger and redundancies had indicated, the spirit of a unified corps and community was a thing of the past. On the other hand, according to Knud Sørensen, young people did not want to work at the same workplace for all of their professional life as he himself had done.

The Faroese matter left deep political and financial marks. Peder Bundgaard's cartoon from 1998 leaves no doubts about who the bad guys were. Poul Nyrup Rasmussen and Mogens Lykketoft delight in the fact that they successfully passed the buck to Den Danske Bank and public officials. They say: "Well, Poul, we passed the buck on that one to Den Danske Bank and the civil servants" "Now all that's left is a little payment to the Faroe Islands as a consolation prize"



Knud Sørensen symbolised both the end of an era and the beginning of a new one. The merger and redundancies were part of the development that followed in the wake of general changes in the understanding of companies, the market and the state. Concepts and ideas such as the new economy, the great moderation and shareholder value were expressions of the sweeping changes in financial markets around the world.

This had led to financial instability, as evidenced by the financial crisis of the early 1990s. The storm had subsided, but now *Jyllands-Posten* was writing about internal affairs in the bank based on copies of board-meeting minutes and other internal materials.

It was clear that the insider was a person with access to the bank's most strictly confidential materials. In his 45 years at the bank, Knud Sørensen had never experienced anything like this. Not since the banking commission's scrutiny of Landmandsbanken's papers in the 1920s had materials from the upper levels of the bank been disclosed to the public.

If Knud Sørensen was furious, he hid it relatively well during an interview with a Danish journalist, in which he admitted that the bank was left with "scratches in its paint".[17] On the face of it, the Hafnia issue was the biggest scratch, although dent would perhaps be a more fitting way of describing it. *Jyllands-Posten* also reported on a guarantee the bank had issued for A.P. Moller, and about conflict of interest rules in the bank's board of directors, where members did not leave the room when their own company was under discussion.

This was remedied, in part by A.P. Moller releasing the bank from the guarantee and by a tightening of the rules on when board members had to exit the room during board meetings. But the accusations that Den Danske Bank's board had known that Hafnia's issue prospectus was not truthful was a different matter. This was about the bank's tradition and the spirit from 1928 – about proper conduct.

Knud Sørensen's blind spots and loyalty to the bank caused him to dismiss the reports as "chitter-chatter", but they were far from just that.[18]

The leaked board-meeting minutes and papers from the bank showed that it was well aware that there was an additional need for provisions of 600 million kroner to 800 million kroner in Hafnia, which did not appear in the prospectus. At the board meeting, it was also stated that the issue would not negatively impact Den Danske Bank's position. Mads Øvlisen, the CEO of Novo Nordisk, was the only board member who objected to this line of thinking. It was correct that the issue would be beneficial for the bank, but things looked differently for investors. They lost their money when Hafnia went into suspension of payments on 19 August 1992, just four weeks after the stock issue.

Jyllands-Posten covered the story very aggressively, and Knud Sørensen was not always convincing in his answers to the journalists' questions.[19] Had things been done too hastily at Den Danske Bank, or had the bank ignored investors' need for information in favour of its own interests? That was what two private investors and thousands of Danes believed. The investors had lost 28,000 kroner on Hafnia's issue, and in 1997 they brought the case before the Maritime and Commercial High Court, which on 2 September 1999 ordered Den Danske Bank to compensate their losses.

This was an affordable amount, but after the ruling LD and Kommunernes Pensionsforsikring, a pension fund, stood ready with a total claim of 748 million kroner. The case only ended on 28 June 2002 when the Supreme Court overturned the ruling of the Maritime and Commercial High Court. Den Danske Bank had not violated the law and was therefore not liable for compensation.

But doubts persisted. Although the bank announced strong results in its annual report in February 1997, and an analysis by *Jyllands-Posten* declared Den Danske Bank "best in all areas", there were still significant challenges, and the Faroese Commission's report only made things worse.

In March 1998, 60 per cent of respondents in a survey of business leaders said that the bank's image had taken a hit after the Faroe Islands debacle, but Peter Straarup took it all in his stride – at least outwardly – saying, "I think that customers are smart enough to see that it is a very political issue that we have been dragged into."[20]

Politics and finance are driven by very different logics; when the front page of *Børsen* on 3 April 1998 read Danish Prime Minister "Nyrup and Straarup in Open War", it was difficult to see how Den Danske Bank could win that battle. Straarup did the only sensible thing, even though it must have hurt. After seven years, during which time the Faroese banking case filled the media, a lawsuit between the Danish state and Den Danske Bank was avoided with a settlement in March 2000, whereby the bank paid 300 million kroner to the state. Peace at last.

But what about its reputation? What about the tradition and spirit from 1928? What happened to "Den Danske Bank or Chaos"? Was the tradition still alive, or was the narrative about to be surpassed by reality where a focus on earnings and shareholder value was the only thing that mattered?

Just three months after *Jyllands-Posten*'s critical reporting on Den Danske Bank, *Børsen* named Knud Sørensen the country's best business leader for the third consecutive year in its annual image survey. On the other hand, readers would have to go down to 20th place to find Den Danske Bank among Denmark's most popular companies – but this was still 33 spots higher than Unibank, and the best ranking for a bank.[21]

But young people were not at all enthusiastic about the prospect of making a career in banking. It was not "cool", which disappointed Knud Sørensen. "At Den Danske Bank, we are not used to just zapping to another channel if problems arise," he told an audience of 350 participants at Junior Chamber's annual business conference. However, he was certain that young people would like the bank as a workplace, "once they get to know us".[22]

On 1 April 1998, Knud Sørensen stepped down as Den Danske Bank's chief executive after 47 years at the bank. In a farewell interview, he had some words of encouragement and sage advice: "Business leaders must be careful that they do not focus too short-sightedly. They must go for long-term survival and ensure sound consolidation. Therefore, they should be cautious about the fads within management theory … The latest fad is shareholder value."

At the same time, he admitted, "If you do not live up to shareholders' expectations of strong returns, the axe comes down quickly."[23] His personal formula was, "You have to take an honest approach, and there must be black numbers on the bottom line," as he put it in another context with his unique talent for one-liners that precisely summed up his world view, morals and ethics.[24]

Knud Sørensen's warning about fads in the business world was in line with the fact that in 1992 he rejected the notion that Den Danske Bank would begin preparing quarterly accounts.[25] With his farewell salute, Knud Sørensen touched on something that would become a sore spot in the coming years: the balance between short-term shareholder value and the long-term perspective, where there was room for consolidation, orderliness and societal considerations.

Peter Straarup

At the same time that Tage Andersen took over the post of top executive for Den Danske Bank in 1980, a 29-year-old head of section at the bank named Peter Straarup was getting ready to move to Texas. Straarup, who held a HD degree in accounting, had been tasked with starting up the bank's new representative office in Houston. Despite his young age, he had already been at Den Danske Bank for twelve years, including as an arbitrage dealer. He had also spent a year and a half in London and Singapore and two stints at American banks.[26]

Peter Straarup was Den Danske Bank's eighth internally recruited chief executive. He was not a new Knud Sørensen, even though they had worked closely together. If anything, he probably had more in common with Tage Andersen, who had recruited both of them to the bank's management. But Straarup was a different generation – and the first where the crisis of the 1920s was not directly or indirectly present.

After a couple of years at the consortium bank Scandinavia Bank in London, he came to Holmens Kanal in the commercial department, where he advanced to head of section. He then transferred to the representative office in Houston, and then on to Singapore and later New York as the leader of the branch there. From there, he took a quantum leap when Tage Andersen summoned him back to headquarters to join the executive board. Straarup was just 35 years old when he advanced directly from head of section to a member of the executive management, and he had spent nearly half of his career abroad.

In 1998, he took over from Knud Sørensen, and if one is to believe the numerous feature articles in the newspapers, they were both talented, hard-working, thorough bankers with a focus on the business of credit. But as people, they were quite different. Straarup was very direct and unafraid of conflict. As a result, he ended up in more conflicts than Knud Sørensen, as the following story illustrates.

In August 1993, Himmerlandsbanken was finished as a bank. Sparekassen Nordylland took over the viable remnants, while the rest was shut down with a guarantee from Nationalbanken and private-sector banks, including Den Danske Bank. At a meeting at the Danish Ministry of Industry, Peter Straarup presented a fully written bill on the Deposit Guarantee Fund to the minister. This is not how politics is typically done in Denmark, and it was not taken politely by the minister and Nationalbanken Governor Erik Hoffmeyer, who were angered by Straarup's arrogant style. Knud Sørensen smoothed things out and withdrew the proposal, while Straarup – rightly – complained about the banks that did not do their work properly and afterwards needed help from others.[27]

There was a bit of "good cop, bad cop" to it all, but the episode is perhaps quite telling. At one point in the history of Den Danske Bank in the 1990s, it is difficult to separate Knud Sørensen's from Peter Straarup's period as the bank's chief executive. Officially, Peter Straarup did not take over until 1 April 1998, but when did his direct approach control the bank, and how different was it from Knud Sørensen's and the spirit from 1928?

Peter Straarup himself did not appear to see much of a difference. Like Knud Sørensen and virtually all of the bank's directors before him, Straarup also referred to the "incident in the twenties": "At that time, the bank gained this very strong culture of orderliness. The bank had been down and got a taste of what it can mean if you do not have very, very orderly formal structures." This applied not least in the area of credit, which Straarup oversaw during Knud Sørensen's time as chief executive.[28] The question is whether it was only a matter of structures.

According to the media, it was often Peter Straarup who made the decisions on difficult issues in the early 1990s that led to problems a few years later. This included the Hafnia, Baltica and Faroese matters, which forced the bank and its management to dedicate extensive resources to containing the damage. It was Peter Straarup who closed these matters in a direct manner and with Den Danske Bank's interests in mind.

In late 1994, when the bank purchased Danica and sold the rest of Baltica to Tryg, *Jyllands-Posten* wrote, "The architect behind the arrangement, executive Peter Straarup … emerged successful from the billion-krone transaction. … Den Danske Bank is now a financial supermarket with all monetary products on its shelves. In addition to banking operations, the big bank also has insurance and mortgage products."[29]

Of course, Den Danske Bank had other activities both before and after 1998. In 1997, the bank purchased Östgöta Enskilda Bank, and two years later it acquired the Norwegian Focus Bank. The entry into the Nordic countries was about increasing the bank's platform, which in turn would make the large IT investments more profitable. After the merger in 1990, the bank migrated the three banks' IT systems to a single platform. It had been a big investment, but it gave clear competitive advantages, including in connection with acquisitions.

Peter Straarup was the mastermind behind the bank's massive investments in IT and the Nordic acquisition strategy. Although he did not think that Finland was of interest to the bank, he maintained, "There is no doubt that the bank must grow," including outside of the Nordic countries for the sake of earnings growth.[30]

Internally at the bank, Knud Sørensen and Peter Straarup implemented an extensive organisational restructuring, which divided the bank into three business areas: customers, business customers, and investment bank and capital markets.

The new structure enabled the bank to get a clearer view of where the money was being made – a result of the increased focus on the bottom line, as Peter Straarup explained.[31]

In a move that was new for the bank, Straarup broke with the long-standing preference for internal recruitment for management. Oluf Nielsen's advice about diligence and talent was followed strictly, but Straarup saw a risk of stagnation with internal recruitment. In 1998, for example, he brought in Jeppe Christiansen from Lønmodtagernes Dyrtidsfond to join the bank's executive management, but Christiansen only stayed for six years before he got a better offer. This was completely in line with developments in the labour market for business leaders who no longer particularly identified themselves with the company where they worked.

Peter Straarup also followed the international trend in other respects. It was he who began the foreign takeovers and pulled the bank in the direction of a more American approach, with a focus on the bottom line, or the "shareholder value" that Knud Sørensen had warned against but also recognised would be difficult to escape. With Peter Straarup, the bank embraced this way of thinking. From 2001, the bank started presenting quarterly results.

Den Danske Bank was far from the only company to move in this direction. The rules of the game had changed, increasing the pressure on top executives in listed companies. Analysts and institutional investors monitored every word and every initiative that came from the companies. This made it impossible to lay out a strategy of just wanting to be a part of the market. The same went for Peter Straarup at Danske Bank, which it was called from 2000, when the bank dropped the definite article "Den" at the beginning of its name.

The bank's chairman of the board of directors, Poul Svanholm, put it very precisely: "Every businessman has the urge for growth in him."[32] Whether the urge for growth was the result of a particular set of DNA is probably doubtful. It follows from the very structures of capitalism and business and how they evolve over time. There is much to be said for the urge for growth. Without it, Denmark would not have become a prosperous nation, and business leaders cannot avoid being socialised to adopt this way of thinking.

On the other hand, it is the job of top executives to balance the urge for growth with the various risks it entails and to adopt a long-term perspective. Danske Bank and its predecessor, Landmandsbanken, had maintained this balance for long periods and under sweeping change, including the great transformations of society in the 1930s and 1970s.

It had only gone wrong once before, and that was in the 1920s and the preceding years. The spirit of 1928, Landmandsbanken's tradition, which could be traced all the way back to



When the initial scepticism about the internet subsided, new expectations quickly grew among the Danes. There was a need for greater flexibility, improved user-friendliness, and better accessibility. Danske Bank was an early mover with the development of its online banking solutions and banking apps for mobile phones and tablets.

Isak Glückstadt, was the guarantee that it would not happen again.

But caution is only one track in the bank's history – and if you are only cautious, the dynamism of society will wane. There is a need for innovation, even when it entails risk.

Peter Straarup carried on the tradition of innovation and expansive strategic moves that could improve the bank's position. One of these was the entry into the other Nordic countries, Ireland and Northern Ireland, and the transformation of the bank into a financial supermarket.

Another was the attempt to position the bank as an investment bank. On 22 September 2000, Danske Bank issued a press release announcing the recruitment of an equity analyst from Goldman Sachs in London. Additional candidates were recruited to Danske Securities, which grew to a staff of 200. But earnings did not meet expectations, and two years later the operation was shuttered after nearly 1 billion kroner had been spent on the project. The decision had been "optimally badly timed", admitted Peter Straarup, referring to the dot.com crash of 2000-2001.[33]

In 2001, Danske Bank took over the RealDanmark A/S holding company that included mortgage provider Realkredit Danmark and BG Bank, which maintained its own brand until 2007. This made the bank even bigger, and a significant player in the important and well-functioning market for Danish mortgage credit. Peter Straarup announced that it was now a matter of optimising the Nordic and new, larger Danish operations. There would be no more mergers or takeovers over the next 18 to 24 months or before the Nordic expansion was complete.[34]

Four years would pass until anything happened again, which was in line with the change of strategy implemented by Peter Straarup. The bank scaled down its global ambitions in New York and London, Northern Europe came into focus, and the universal banking concept was also moderated. Now the priority was the Northern European market for personal and business customers.[35]

It came as a surprise to most in 2004 when Danske Bank announced that it had purchased National Irish Bank in Ireland and Northern Bank in Northern Ireland. But the move

made sense in light of the new strategy. The bank believed that it could make the two banks significantly more efficient by migrating them to Danske Bank's IT platform. In the company announcement, the bank emphasised that "the good economic climate in Northern Ireland and Ireland constitutes a solid basis for growth."[36] It was all dependent on the notion that the strong economy would continue.

Lastly came the purchase of the Finnish Sampo Bank in 2006 for 30 billion kroner. It was Finland's third-largest bank with activities in the Baltic countries, and the plan was for the bank to serve as a bridgehead for growth in that region. *Børsen* called it an "expensive but strategically wise acquisition".[37]

Alongside Danske Bank's acquisitions and growing foreign activities was a corresponding shift in the bank's business model, mirroring the practices of big international banks but limited in scope to the Northern European region. The idea of joining the ranks of the biggest of the big banks had been abandoned, and that was probably wise. But the bank began to leverage its balance sheet more, meaning financing its activities with borrowed money instead of equity. In 2008, the bank's equity amounted to less than 3 per cent of the balance sheet total. This meant that a loss of 3 per cent of the assets would make it insolvent. On the other hand, it provided shareholder value, and it was not illegal. But it was neither wise nor cautious, and it was very far from the bank's tradition. There was not much consolidation or long-term thinking in the approach.

The type of money the bank borrowed to finance its activities also changed, whereby a declining share of the bank's debt came from relatively stable deposits. The deposit deficit grew as Danske Bank increasingly borrowed its way to liquidity on the international money markets, particularly the US dollar market.[38] This was a consequential shift in the bank's business model. And it was risky business.



Peter Straarup was keen to deliver value for shareholders; so-called inorganic growth in the Nordic market was part of the solution. He had long eyed the possibilities with Sampo Bank, but Björn Wahlroos was not ready to enter an agreement until 2006. Danske Bank gained a branch in Estonia in the acquisition, which ten years later would prove to be a bad idea.

The financial crisis

The financial crisis hit Denmark in 2007 as small and medium-sized banks began to fall. The best known is probably Roskilde Bank, but there were many of this kind, and their problems were homemade and had nothing to do with advanced financial derivatives as in the international financial crisis. It was a classic banking crisis, where the banks lent far too much for real estate in the middle of a housing bubble that they had helped to inflate.

Nor was Danske Bank particularly engaged in financial derivatives of the kind that brought many of the world's big banks into serious difficulties. Still, it was the international banking crisis that caused the bank major problems. When Lehman Brothers collapsed on 15 September 2008, the financial markets froze up, and it was no longer possible to borrow for liquidity on the international money markets. At the same time, the situation became critical in Ireland when the Irish government guaranteed the Irish banks' debt but not that of foreign branches such as those operated by Danske Bank.

This forced the Danish government into action with Bank Package I, which guaranteed the debt of Danske Bank and other Danish banks. Danske Bank was systemically important, or too big to fail, and as in the 1920s there was no way around it. In response to the banking crisis, the banks grew reluctant to lend money. This was a so-called credit crunch, and to enable the banks to resume lending the Danish Parliament adopted Bank Package II. It was created primarily for Danske Bank, which received 24 billion kroner in so-called hybrid loan capital, which could be counted as part of the bank's capital. Both bank packages were primarily the result of Danske Bank's size and importance to the Danish economy. As in the 1920s, it was the taxpayers who had to guarantee the bank's survival.

The collapse of Lehman Brothers on 15 September 2008 caused shockwaves in the international financial world. The financial crisis had already begun in August of the previous year when a French bank had problems valuing some financial derivatives. But the pivotal moment came when the US central bank decided not to rescue Lehman, after which the international financial markets froze. It was a bank run, but by the banks themselves not by ordinary depositors. As the electronic news ticker in the photo reports, Merrill Lynch was bought out by Bank of America, while the insurance company AIG, which had sold credit default swaps for billions of dollars, needed a $170 billion bailout from the US authorities. Had the financial sector become too large and unmanageable?



Writing somewhat vaguely about Danske Bank, the "Rangvid Report", which investigated the causes of the financial crisis, wrote, "There is no doubt that the bank had put itself in a vulnerable position, which given the bank's size could shake the financial stability if the risks had materialised. Bank Package I, which involved an unlimited state guarantee for depositors and other simple creditors, must be seen in that light, among other things."

Although it had to write off large sums, Danske Bank made it through the crisis without a red bottom line and without coming into conflict with the law's – modest – capital requirements. The bank had to write off large sums as lost, not least on the Irish activities, but apart from the international liquidity crisis, if we forget that for a moment, the bank's survival was hardly threatened. Nevertheless, the bank would almost certainly have collapsed if not for the Danish state guaranteeing its debt, and Nationalbanken, in part with the help of the US Federal Reserve, making US dollars available.[39]

Peter Straarup was ridiculed when, in November 2009 he told *Politiken*, "We have no responsibility for the financial crisis. Nor did Nationalbanken or others predict what would happen. You cannot hold Danske Bank responsible for not seeing something that nobody else saw."[40]

It was either very bravely or very stupidly said. It did not take long for the public to make up its mind, and Peter Straarup had to apologise. Of course, Danske Bank bore a responsibility for the financial crisis. It had abandoned its cautious approach, its tradition, and it contributed to inflating the bubble. The otherwise excellent advert campaign "Do what you do best – we do" only served to highlight the problem.

The campaign "Do what you do best – we do" was launched in 2000, showcasing what some ordinary people did best. It aimed to illustrate a supposedly unique expertise possessed by the bank while strengthening public sympathy and its authenticity and building on its well-established image as a good, cautious and effective bank. The campaign resonated strongly with the Danes. But after the financial crisis, the message took on new meanings and came to be seen as inappropriate and hollow, both to the bank and to the Danes, so the campaign was scrapped in 2009.



What had happened to Landmandsbanken's and Danske Bank's tradition and the spirit from 1928? Conservatism, credit analysis, caution, consolidation, the long-term perspective – everything that characterised the bank and its management? It is difficult not to draw parallels to the time that Emil Glückstadt took over from his father.

With a different personality, experience from the US, and an overly optimistic belief that the bank was invulnerable and the good times were here to stay, it was Emil Glückstadt's fate to lead the bank through a period of major and monumental changes in the conditions for operating a bank. He did not uphold Landmandsbanken's tradition, which his father had established through his 38 years as the bank's leader. Helped along by the press, he thought that he could walk on water and departed from the approach that had served Landmandsbanken well since its founding in 1871.

The changed economic and cultural conditions set the framework for Landmandsbanken's and Emil Glückstadt's opportunities, as well as the way the financial sector functioned, both in Denmark and internationally. But given its size and power, the bank itself also contributed to shaping the economy, finance and culture in the years from 1910 to 1922 when it collapsed. Although the banking commission unequivocally placed the blame on Emil Glückstadt and Ove Ringberg, and although they placed themselves on the wrong side of ethics and morality, it was an oversimplified explanation.

Peter Straarup was a talented bank manager. This much is clear. He was aware of the bank's tradition, and he made Danske Bank a major Northern European player through a number of big acquisitions in an economy and culture that turbocharged the financial sector. Like Emil Glückstadt before him, Straarup's fate was to lead the bank in a time when the formal and informal rules of the game were undergoing drastic change.

Peter Straarup was also an aggressive banker and slave of the market. He had an urge for growth, and he was far from the only financier who had blind spots and thought that the financial markets had cracked the code. Financial and economic theory preached perfect markets and that financial instability was a thing of the past, and these same financial markets demanded ever greater returns. The theory also offered complex risk models and new financial products, so-called derivatives, that impacted the banks' behaviour and made them believe that they had their risks under control. There were few critical voices, and one could easily get the impression that we were now wiser and this time things were different. Until the engine broke down.

It became clear in August 2007, when a big French bank found that it was impossible for them to price some financial derivatives called CDOs. From there, the international financial crisis spread, culminating with the collapse of Lehman Brothers in September 2008. The financial markets froze up, and it became impossible to borrow the liquidity on which Danske Bank's business model was based, and which had led to the big deposit deficit.

The paradox is that Straarup gave the impression that he was aware of the risk of being overly optimistic. He himself warned against the notions of "the new economy" and against "crazy euphoria" around 2000, and there is no reason to think that he was being insincere.[41] At a conference organised by the Danish Financial Supervisory Authority in September 2006,

he demonstrated that he was fully aware of the risk of financial crises: in fact, that was the theme of the conference. The state of the economy was important, he said. "After all, it is very rare that a bank's management alone has run a banking business into the ground all by itself."

Deregulation, combined with the "Potato Diet" reform and tax reform, and "leadership failure … a lack of common sense, a lack of thoroughness and a lack of prudence" were the causes of the financial crisis in the 1990s. Deregulation had given the banks more opportunities and greater risks, and they had to first get used to this reality. Still, the country's economic success was due to Denmark "having an innovative and effective financial market". The financial markets *were* the wheels, as Larry Summers had claimed.

It was implicit in Peter Straarup's speech that the banks had now accustomed themselves to the new operating framework and learnt to navigate the new global world of finance, helped along by new ideas from financial theory about perfect markets and the pricing of financial assets. The globalisation of the capital markets offered "much better opportunities to cover risks in liquid global markets".

The banks had also "become increasingly better at making a living from mediating risk rather than simply taking risks. This was due to developments in both technology and financial theory. Thus there is much evidence that financial derivatives have actually contributed to financial stability."

Here, one senses the explanation as to why Danske Bank's business model in the 2000s built on a very high leveraging of equity and funding via the international money markets. Globalisation and financial innovation went hand in hand, making it possible to spread risk and increase financial stability. Or so the saying went. In reality, it was the exact opposite, and it contradicted Poul Svanholm's statement from 1992 that the bank would not compromise on solidity. It did, but Svanholm was gone by that time. He stepped down as chairman of the board in 2003 and was replaced by the less steadfast Alf Duch-Pedersen.

In retrospect, both the extreme leveraging and the confidence that it would always be possible to borrow liquidity were naive and ignorant of history, but Peter Straarup and Danske Bank were certainly not alone in creating this narrative, which fit well with the notion of "the great moderation" and the narrative of financial markets as the new growth engine.

Straarup was otherwise well aware of "the less tangible – but no less important – results of the crisis" in the 1990s. The bankers who had experienced the crisis then – and, if anyone, Peter Straarup did – had learnt from it, he said. It is "all-important that you have a sensible credit policy. This is the heart of sound banking. … A highly developed 'credit culture' that is also translated into actual credit policies and principles that everyone in the bank can identify with."

The analysis made Straarup optimistic; he was "all in all, hopeful when we look forward. Not because financial crises cannot occur again. But because, as a sector, we are much better prepared than we were then. And because we are richer in experience."[42]

The Danish Financial Supervisory Authority's conference on financial crises in September 2006 provides good insight into how Peter Straarup and many of the other big banks' top executives viewed the world and how it translated into a blueprint for their practices. His emphasis on the importance of credit policy was in direct extension of Landmandsbanken's tradition. His understanding of the importance of history and experience, and of how changes in the conditions for banking could create problems are all in line with what Danske Bank has stood for throughout most of its existence.

Nonetheless, Straarup and his colleagues in management and on the board were wrong. They forgot history, and they had blind spots that made them view the world in one particular way. Therefore, they did not see the risks piling up outside of Holmens Kanal 12. And the board of directors was unable to put its foot down in the face of a forceful chief executive.

This can also be seen in the fact that Danske Bank lost money on Stein Bagger's IT Factory. Isak Glückstadt had seen through Alberti, and Tage Andersen and Knud Sørensen thought there was too much noise around Nordisk Fjer's financial accounts. Therefore, they chose to stay away. But Danske Bank lent money to IT Factory and lost 350 million kroner when the company's fraud was revealed in December 2008. Danske Bank weren't the only ones fooled by Stein Bagger. Everyone was. The previous year, Danske



Without exception, financial crises force fraudsters big and small up to the surface. And with them, all those who allowed themselves to be blinded. This time around, one of the big fraudsters was Stein Bagger and his IT Factory.

Markets had even assessed IT Factory's value in the event of an initial public offering at 6 billion kroner to 8 billion kroner.[43]

The narrative had been overtaken by reality. Danske Bank and the Danes believed that it was cautious and talented with a strong credit culture, but the business model, the strategy and the credit policy pointed in a different direction. The financial crisis put a dent in the reputations of Peter Straarup and the bank, as well as every one of the bank's thousands of employees. The atmosphere in the workplace was bleak.

Although Landmandsbanken's crisis in the 1920s was much deeper and far more problematic for the Danish economy, the reputational damage for Danske Bank was probably just as significant. The entire financial sector suffered from a poor image, but Danske Bank was hit hardest. Already known as the "fee vulture", Peter Straarup was an easy target when dealing out blame and responsibility.

Peter Straarup's mistake was the same as that of so many other heads of international banks. He had been unable to escape from the logics of the market, and he forgot the sound scepticism and



Roald Als's drawing of Peter Straarup as the "fee vulture". The entire sector has moved towards an increasingly fee-based business model. The banks have tried to explain that it is only fair that customers who use their services must pay for them, rather than everyone paying, but not many people buy this line of reasoning.

respect for history that every banker should be equipped with. He became overly optimistic, which he admitted in an apology speech at the annual New Year's dinner of the Financial Analyst Association: "We have collectively had excessively optimistic expectations. The sector believed that the sky was the limit. We have lent out too much, and with a far too optimistic outlook on life."[44]

Straarup was not alone in this assessment. The "Rangvid Report" found that "a relatively high and apparently sustainable economic growth … led to widespread optimism and consequent general underestimation of risk, pro-cyclical … finance policy, pro-cyclical regulation of the financial sector, relaxed financial conditions, risk-seeking credit institutions and inadequate corporate management in a number of banks."[45] The optimism that nobody, not even the Rangvid committee, speculated as to the origin of was costly for society and for Danske Bank and its shareholders. In 2011, the bank's own Danske Markets unit calculated that the "Irish adventure" had cost shareholders 34 billion kroner. However you calculate that, it was expensive.

In connection with his retirement, Peter Straarup said that "the bank has eaten up my life. My wife has asked if it was all worth it. She has asked that many times. But I haven't thought about it that way. I've been wrapped up in it and felt a certain responsibility."[46]

He was a bit wistful after 44 years at the bank, and in retrospect admitted that the acquisitions in Ireland were a mistake. But he did not believe that Danske Bank had been irresponsibly managed.[47]



Eivind Kolding, Peter Straarup and Thomas Borgen at Straarup's farewell reception. Peter Straarup worked at the bank for 44 years, including 14 years as chief executive. His legacy is marred by the financial crisis and problematic acquisitions ex post, but these things come with the territory as a company executive. Sometimes it goes well, other times less well. It was a mistake to hire Eivind Kolding, while Thomas Borgen's judgement failed miserably in connection with the money laundering case.

A new normal?

When Peter Straarup retired in 2012, there was no internal candidate to take over. For the first time in 141 years, the bank's next chief executive was to be found outside the walls of the bank. In a sense, anyway, as the bank's recently appointed chairman of the board, the CEO of Maersk Line Eivind Kolding, was chosen as Danske Bank's next chief executive.

Peter Straarup stated in connection with the succession that "Eivind Kolding is very talented, and therefore he is the best choice."[48] Thus he had not said too much, but it could not be hidden that Kolding was neither internally recruited nor a banker. The bank's history shows that internal recruitment is no guarantee of success, but at the very least it guaranteed a chief executive with banking experience and knowledge of the organisation. Eivind Kolding did not possess such experience. On the other hand, he came from the company of the largest shareholder A.P. Moller-Maersk.

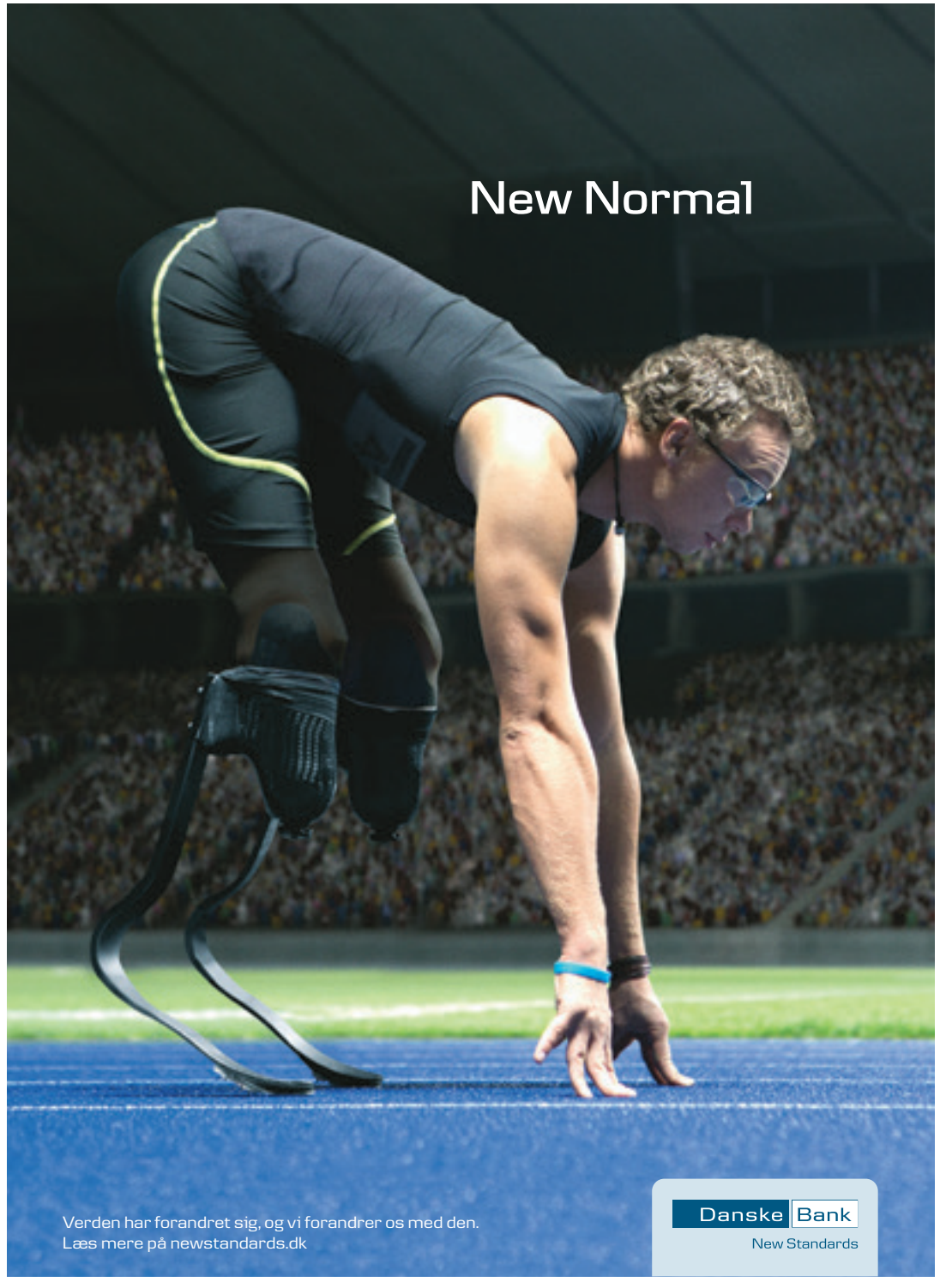
Straarup had been a strong and uncompromising head of Danske Bank, and he had not lined up a successor who could take over from him. This was a break with Danske Bank's tradition, but there were actually two different internal candidates. Tonny Thierry Andersen joined Danske Bank in 1999 and became a member of the senior management in 2006, and Thomas Borgen was hired by Danske Bank in Norway in 1997 and became a member of the senior management in 2009. Eivind Kolding leap-frogged them both.

Kolding's ascension to the "cigar box" and Isak Glückstadt's old office was quickly marked by a new strategy, accompanied by an advertising campaign with the slogan "A new normal demands new standards" and a yellow colour indicative of the Danish discount grocery chain Netto. This replaced the old "Do what you do best – we do" campaign, which had been perfect for the bank but turned useless after the financial crisis. The "new standards" TV campaign was to signal a new era, drawing in part on images and references from the American "Occupy Wall Street" movement.

It was a flop. The campaign was a culturally tone-deaf attempt to rehabilitate the bank's reputation, and perhaps it would have worked if it had come in a time before social media. Alas, it did not. The social movement responded on social media, and the campaign was finished almost as soon as it started. As a commentary in the *Harvard Business Review* noted, a new normal also requires a new standard, and the campaign failed to convince anyone that the bank represented a new standard. Instead, the bank's reputation and brand value sank even lower.[49]

The lawyer Eivind Kolding himself said, "I am not here to win any popularity contest." He certainly did not win such a

The "new standards" campaign reflected the fact that the bank was out of touch with popular sentiment about Danske Bank and the financial sector right after the financial crisis. Nobody could take seriously the idea that the bank was on its way to a new normal or a new standard, and the ridicule came quickly and directly on social media.



contest either, but he still maintained that the message was the right one, even if the timing was less than optimal. The problem was that meanwhile, Danske Bank had fallen to number 125 in *Berlingske Business Magasin*'s image survey.[50]

Danske Bank was trapped in a narrative where it could not do anything right, and the new standards campaign failed to resonate in society. Already on 29 December 2012, the bank removed the references to Occupy Wall Street from the TV advert and invited the movement to "dialogue", and two weeks later Kolding apologised for Danske Bank's role in the financial crisis. He promised greater focus on customers' needs and to uphold traditional banking practices. Nevertheless, it was widely believed that Eivind Kolding was primarily focused on shareholder value and the shareholders.[51]

The apology was a start, although Peter Straarup had already offered one as well. Some on social media believed that the confession had been made under torture, and *Politiken*'s lead editorial determined that the bank had quite simply become too big and its ethics too poor. The size of Danske Bank was, and is, a valid subject of discussion, as it is among the biggest banks internationally in proportion to its home nation's economy; that discussion has never really gained any traction, however.

It would be a long and demanding road to revive the narrative of the bank's tradition, and Eivind Kolding would not be tasked with this mission. On 16 September 2013, he was fired after just over a year in the director's chair at Holmens Kanal. As has apparently become a contractual custom in the upper echelons of the business world, he received a so-called golden handshake of 23 million kroner on his way out.

Kolding's successor as chairman of the board Ole Andersen was described as a man who could make the difficult decisions and who knew well what money is worth. Somewhat surprisingly, he admitted, "We on the board have recognised that banking competencies are probably more important than we believed 18 months ago."[52] That sentiment would not have surprised Oluf Nielsen or his colleagues. It is also something quite different to operate a shipping company than to head a bank with several million customers, where financial insight plays an important role.

With a past in private equity, Ole Andersen helped set ambitious new earnings targets for the bank and promised returns for shareholders – in spite of the fact that all analysts found them unrealistic. The targets were to be reached even though a survey showed that two out of three Danske Bank customers would choose another bank if they had to choose again. An image expert believed that the time had come for Danske Bank to "zip it and focus on their customers and on running a good bank".[53]

Since 1871, Danske Bank had always chosen its top executive internally. With Kolding it had appointed a chief executive who did not know the bank and its business through and through. It did not end well. Therefore, the bank conducted its search for a successor internally, and the choice fell on 49-year-old Thomas Borgen. He was Norwegian, but had 16 years of experience at Danske Bank, and he believed that he could reach the earnings targets together with the bank's employees. He started the very same day that Eivind Kolding walked down the staircase at Holmens Kanal for the last time.



The cover of *The Economist* from 19 November 2016. Donald Trump had just been elected as the 45th President of the United States. Just five months earlier, the British had voted in favour of Brexit, and Vladimir Putin was on the warpath – and remains so at the time of writing. New nationalism and political polarisation have only become worse since then, and the geopolitical challenges are many. The narrative of the fall of the Berlin Wall and "the end of history" is over.

Borgen was certainly not unfamiliar with the concept of shareholder value, but in the media he made a point of saying that strong returns depended on a good relationship with customers and the surrounding society. In some places, the financial crisis had brought some of the most fanciful notions of shareholder returns back to earth. There was a growing realisation that it would not be possible to carry on after the financial crisis as if nothing had happened. Parts of the financial sector were characterised by a problematic incentive structure and culture, and with the Basel III Agreement and the Danish Financial Supervisory Authority's tightening of financial regulation, it was no longer business as usual. Anger towards the financial world and rising inequality were far too great for nothing to change.

This was true in many parts of the world, but perhaps nowhere more than in the US, where the Tea Party movement provided fertile ground for increasing polarisation, which in 2016 resulted in the election of Donald Trump as president. Meanwhile, the British voted themselves out of the EU, and the world became a much more uncertain and difficult place to navigate. Academics began to speak of "radical uncertainty", and there were signs that a third great transformation within 100 years was underway. What would it all mean for Danske Bank and for Thomas Borgen?

Should and could Danske Bank return to the old values, to the narrative of the tradition established by Isak Glückstadt and carried on by Oluf Nielsen in partnership with A.P. Møller? Could the narrative of the cautious, conservative, proper and innovative bank be retold in a new and up-to-date way, where the bank used its history, the organisation's strength and employees' extensive capabilities?

The philosopher and historian David Carr wrote, "Sometimes we must change the story to accommodate the events; sometimes we change the events, by acting, to accommodate the story."[54] Neither of these is easy, but that was the challenge facing Thomas Borgen.

"The most important stakeholder is the customer," he said in his first interview with the media. It sounded rather obvious, and if it was meant seriously, it was a kick to the shins of the ideology of shareholder value. The customers had to be the bank's central focus, and it had to be a long-term relationship. Then the shareholders would likely get a good and stable return. The bank was going to be more attentive to its role in Danish society.

It may not sound all that revolutionary, but if it was more than a communication strategy, then it signalled a new direction for the bank. In the media, Borgen distanced himself from the measures implemented by Eivind Kolding, and made clear that there would be no more big and shiny advertising campaigns from the bank. You cannot buy a better image with an advertising campaign, he said. It's about the good experience for customers and building long-term customer relationships.[55]

It is customary for business leaders to have a dig at predecessors when taking over a new post, but Borgen's statements sounded promising. Shortly afterwards, Ole Andersen lowered the bank's requirement for return on equity in 2015 from 12 to 9 per cent. The 12 per cent was an aggressive target, which fit with Ole Andersen's determined private equity background and Eivind Kolding's focus on the shareholder as the most important stakeholder and on the short term. If Thomas Borgen wanted to adopt a more long-term strategy and focus on the customers, it looked like recognition of the fact that the world was changing.

Borgen even showed an interest in the bank's history. When the bank announced the construction of a new domicile in February 2018, scheduled to open in 2023, he emphasised, "Holmens Kanal has played a key role in Danske Bank's 147-year history and cultural identity, which we will take with us to the new headquarters."[56]

Thomas Borgen was certainly not the only business leader who proclaimed that the customer was the main focus, and there is no reason to believe that he was less focused on the bottom line than so many others. His statement was the only one possible if the aim was to convince the population that new times were in store. But there had to be action behind the words, and Borgen was fortunate enough that the economic aftermath of the financial crisis and euro crisis were drawing to an end. With these tailwinds, in February 2014 he presented the bank's best annual results since 2007. The bank had earned 11.5 billion kroner, and for the first time since the financial crisis the bank could distribute a modest dividend of 2 kroner per share.

Perhaps just as important was that the bank's new initiative MobilePay had been warmly received by customers, and although they were still mad at the bank, they were glad to use the free money transfer app. In 2015, MobilePay reached 2.3 million customers, and Borgen wanted to placate them, so he cancelled the fee that had otherwise been in the works.

It looked like things were moving in the right direction, which *Jyllands-Posten* confirmed with an article in September 2016 that explained "how Thomas F. Borgen reversed Danske Bank's disastrous course". It had been a long time since anyone had dared to praise Danske Bank, but here it was in newsprint. The newspaper could also report that Borgen was concerned about the cohesion of society. Trump and Brexit were symptoms of a polarisation that could also reach Denmark if the Danes were not careful. Therefore, he opposed the tax cuts for the upper tax bracket that were championed by the Liberal Alliance party.[57]



MobilePay, developed in 2013 in an "innovation sprint" lasting just six months – unusually quick for a bank of this size – was and remains a brilliant move. Only 10 weeks after launch, 300,000 Danes had downloaded the app, – and just a few months later users could pay with the app in stores. MobilePay was even crowned word of the year by the Danish Broadcasting Corporation in collaboration with the Danish Language Council. As we know it today, MobilePay became an independent company in 2017, merging with the Norwegian Vipps in 2022.

Once again, Borgen said the right thing and, honest or not, the bank was moving in the right direction – so much so that in February 2017 he presented annual results with a profit of nearly 20 billion kroner and improved customer satisfaction. Perhaps Borgen was right that the narrative of increased focus on the customers would contribute to increased earnings. The return on equity was 13.1 per cent, and, true to the ideology of shareholder value, shareholders were rewarded with both a dividend and share buy-backs. And so it was that Thomas Borgen was not really all that different.[58]

Unfortunately, it was also too good to be true. In the spring of 2017, *Berlingske Tidende* carried the first in a long series of investigative articles. The newspaper's investigative team was able to document suspicious transactions and suspected money laundering at the bank's branch in Estonia, which had come into Danske Bank's ownership with the takeover of Sampo Bank in 2006.

The mounting pressure on the bank led it to commission a legal investigation, which was released the following year. The investigation concluded that from 2007 to 2015, 1.5 trillion kroner had flowed through the Estonian branch. The vast majority of these funds stemmed from so-called suspicious customers.[59]

Danske Bank had received numerous warnings, but now it was at the centre of the biggest money laundering scandal the world had ever witnessed and saw itself making the news in international newspapers. It was an ethical, moral and managerial breakdown, and the bank went from being on the rebound to things completely falling apart in 2018.

Thomas Borgen had to step down as chief executive, and a few months later chairman of the board Ole Andersen also left the bank. Such an exit in disgrace had not happened since Emil Glückstadt and Richelieu were fired in September 1922.

As in 1928, the A.P. Møller family stepped in, and at an extraordinary general meeting in December 2018, former Permanent Secretary for the Prime Minister's Office and head of the Confederation of Danish Industry Karsten Dybvad was elected new



"How can I help you?" the cashier asks the shady looking customer. One would have to go back to the 1920s to find a time when Danske Bank's reputation was worse than after the financial crisis and numerous scandals. It takes time to recover when you have failed your customers, your employees and society.

chairman of the board of directors of Danske Bank. Nobody could question his integrity or propriety, and that was sorely needed. "It is absolutely crucial for me to restore trust in Danske Bank … And so we must spend the years it takes to clean up in the cases that are now on our desk," said Dybvad in an acknowledgement that this would not happen from one day to the next.[60]

To everyone's surprise, the Financial Supervisory Authority refused to approve a unanimous recommendation from the bank's board of directors to appoint Jacob Aarup-Andersen as the new chief executive. The authority did not believe that he had sufficient experience to meet the "fit and proper" requirements, and instead Jesper Nielsen was appointed as interim chief executive. Although Nielsen apparently did a good job, he had to step down already in June 2019 when it emerged that the bank had sold Flexinvest investment products to 87,000 customers despite knowing that the expected return was negative.

Berlingske Tidende thundered against the bank in a lead editorial with the headline "Danske Bank's Rotten Culture Must Go. Completely".[61] The Financial Supervisory Authority reported the bank to the police, and in November 2020 Danske Bank accepted a fine of 9 million kroner.

The next chief executive for Danske Bank was Chris Vogelzang from the Netherlands. He had extensive banking and management experience, including from ABN AMRO, but he did not speak Danish and knew little of the bank or Danish culture, and he did not have any network in the Danish financial sector. Whether it could have worked out in the end will remain unknown, because in April 2021 he came under the spotlight of the Dutch authorities for potential participation in money laundering at ABN AMRO. Chris Vogelzang left the bank after less than two years as the chief executive.

Before then, Danish TV 2 and *Berlingske* had uncovered another problematic case in 2020. For years, Danske Bank had wrongly collected debts from thousands of customers, despite the fact that the bank was aware of the problem.[62] It was hard not to get the idea that the long-standing short-term focus on shareholder value had led to the neglect of the kind of issues that constant care and more investments could have prevented.

No matter the reason, board chairman Karsten Dybvad came under fire in the press for attempting to cover up the matter. He rejected this accusation, saying that it was necessary to first determine the facts of the matter before the bank could inform the public.[63]

At the Danish Bankers Association's annual meeting in December 2018, chairman of the association and chief executive of Nykredit Michael Rasmussen said that "we must never put profit before ethics" and apologised on behalf of the entire



The fireplace, the clock, the candlesticks and the copper firewood basket. If the bank is to return to its former glory, it must remember its tradition without getting stuck in history. Carsten Egeriis is the latest of the 14 chief executives who have sat in this office with the fireplace behind him. As Danske Bank moves to its new domicile in June 2024 the fireplace will be left behind, as the building is listed. The furniture will be brought along to the new domicile.

financial sector. This showed how much pressure was on the sector, but not many believed that this gesture would change anything. One would have to look all the way back to the 1920s to find a time when Danske Bank and the financial sector were as unpopular in the Danish public. It was ground zero, version 2.0.

Anniversary

On 5 October 2021, Danske Bank celebrated its 150th anniversary. It was not the best time for a celebration, and not much was made of the occasion, yet it was still much more than at the 100th anniversary in 1971. A few months earlier, the bank had hired 44-year-old Carsten Egeriis as its new chief executive. Egeriis was a graduate of Copenhagen Business School with an MBA from the prestigious London Business School. He had worked in the financial sector since 2000 and had extensive experience from abroad, including from Barclays Bank in London, where he specialised in risk management.

In 2017, Egeriis joined Danske Bank as Chief Risk Officer and member of the executive board. Four years later, when he took over the CEOs office at Holmens Kanal 12, it was with the full package: fireplace, mantle clock, candlesticks and the copper firewood basket. These relics harked back to 1875, when the bank moved into Holmens Kanal 12. Carsten Egeriis sat in the same office as all his predecessors had.

However, in contrast to his predecessors he consistently chose not to be photographed with the 150-year-old fireplace in the background. This in itself was the marking of a new beginning. He faced the monumental task of restoring trust in Danske Bank – and as Karsten Dybvad had made clear a few years earlier, it was not something that could be completed in a day. It would take years.

It was a good sign that the bank's top management finally began to take an interest in the bank's history. No thick tomes on the history were published, but the historical part of the bank's website was greatly expanded. In an introductory video clip, Carsten Egeriis emphasised, "As a bank, we have never played a leading role, but we have always been involved."[64]

It may not have been entirely correct, but it was a wise declaration and reminiscent of Julius Schovelin's statement in the bank's 50th anniversary book from 1921 that "first and foremost, a big bank has a societal purpose – it must be a servant and not a master. If this is understood, a bank such as Landmandsbanken will undoubtedly enter a new era."[65]

As we know, things did not work out that way in the 1920s. As in 1928, a new team was appointed despite the fact that the purge of recent years had made it difficult to recruit internally.

Karsten Dybvad stepped down as chairman after appointing Carsten Egeriis as CEO. Martin Blessing was elected as the new chairman. He had only joined the board in 2020, but had a long career behind him, including at Commerzbank and UBS.

On 13 December 2022, Danske Bank announced that it had pleaded guilty to violations of the Money Laundering Act and the Financial Business Act in Denmark, as well as bank fraud and securities fraud in the United States. The settlement agreement with the US authorities was not a pretty matter, with the bank accepting a total fine of 15.3 billion kroner.[66] That was a lot of money, even for a bank the size of Danske Bank, but at least it allowed the bank to definitively resolve the matter.

The world continued to grow more uncertain as the moral collapse of Danske Bank played out in full public view. The bank's tradition of consolidation, diligence, talent, caution and innovation was available to the new management, even if it needed to be dusted off a bit. It was time to look forward, but without forgetting or silencing the past, neither inwardly nor outwardly. The anniversary was a good occasion to use the bank's history to navigate an uncertain and unformed future – and to retake the role as a servant of society, as the Danish banks including Danske Bank did during the COVID crisis.

The problems are piling up in the form of war in Europe and the Middle East, environmental and climate crisis, and new geopolitical challenges. History is not over. Danske Bank's task is to contribute to a better world by renewing tradition, without letting go of its core values. As long as it has kept close to this tradition and purpose, the bank has done well. When it deviated, things went wrong. Very wrong, and there is not much room left for additional "missteps".



When the bank celebrated its 150th anniversary, a television show on it was produced. The highlight was when Carsten Egeriis met with 86-year-old Knud Sørensen, who had retired in 1998. A quarter of a century has radically changed banking, so what binds them together? It must have hurt Knud Sørensen deeply to follow the bank's troubles from the sidelines. It is up to Carsten Egeriis to find the right balance that can make the bank successful again.

At Danske Bank's anniversary event, Knud Sørensen was invited to speak with Carsten Egeriis. Together, they accounted for 70 years of the bank's 150-year history. The meeting was streamed in all of the bank's branches. When 86-year-old Knud Sørensen was asked if he had any advice for his successor to the chief executive post, he offered yet another one-liner: "To make more money". This was to be done by making employees proud of the bank again.

Every bank has to make money, and it is worth remembering that banks are private companies. But by virtue of their function and role in society they are more than just that, and this especially applies in the case of Danske Bank. If the bank's history shows us anything, it is that making money is not enough. It must also make a positive contribution to society in order to thrive and survive.

It has not become any easier to run a bank. Globalisation, financial crises, transnational financial crime, and ever-growing and legitimate demands that the financial sector consider the environment and sustainability have led to a wide range of new, tight and costly regulations on banks' operations, not least in relation to compliance. At the same time, a big bank like Danske Bank is subject to competition in Denmark and the Nordic countries, where it must fight for market share with other big banks, such as Nordea and SEB.

Combining ethics and profits in a highly competitive environment – and with operating conditions that are unlikely to be easier in the future – is the most important task for Carsten Egeriis and the bank's more than 20,000 employees in a time of mounting challenges.





The move in 2024 to the new domicile in Postbyen in central Copenhagen marks yet another major change in the bank's history after more than 150 years at Holmens Kanal. The new domicile has 67,900 square metres of office space. With open, bright offices and a sustainable building, the bank aims to signal that it is a modern, flexible and transparent workplace that meets customers on a level playing field and invites the outside world in.



Danske Bank Family Tree

Throughout its 150-year history of acquisitions and mergers, Danske Bank has built up an extensive network spanning the entire Nordic region. Get an overview here.

Danske Bank

2000

- 2007 — 1887 — Sampo Bank/Sampo Pankki (Finland)
- 2005
  - 1988 — National Irish Bank (Ireland)
  - 1824 — Northern Bank (Northern Ireland)
- 1999 — Fokus Bank (Norway)
  - 1993 Samvirkebanken
  - 1991 Rogalandsbanken
  - 1990 Tromsbanken
  - 1987 Fokus Bank
  - 1926 Vestlandsbanken
  - 1929 Buskerudbanken
  - 1918 Bøndernes Bank
  - 1918 Forretningsbanken
  - 1859 Privatbanken i Trondhjem
- 1997 — 1837 — Östgöta Enskilda Bank (Sweden)
- 2001
  - Realkredit Danmark
    - 1851 Østifternes Kreditforening
    - 1905 Grundejernes Hypotekforening
    - 1972 Kreditforeningen Danmark
    - 1993 Realkredit Danmark A/S
    - 1998 RealDanmark og Kapital Holding A/S
    - 2000 RealDanmark
  - Husmandshypotekforeningen for Danmark — 1906
  - Østifternes Land-Hypothekforening — 1906
  - Provinshypotekforeningen for Danmark — 1964
  - Bikuben
    - 1857 Dansk Spare- og Præmiesamt Børne- og Alderdomsforsørgelses-Forening
    - 1986 (1920) Postgiro — GiroBank
    - 1995 BG Bank
  - 1971 Ny Jyske Grundejer-Kreditforening
  - 1893 Jydske Grundejer-Kreditforening
  - 1871 Ny Jydske Kjøbstad-Creditforening
- 1995
  - Danica — 1871 — Livsforsikrings- og Forsørgelsesanstalten af 1871/Baltica

Den Danske Bank

1990

Provinsbanken

- 1980 Universalbanken
- 1968 Frederiksborg Bank / Banken for Frederiksværk og Omegn / Hillerød og Omegns Bank
- 1983 Kronebanken
- 1969 Banken for Nykøbing Sj. og Omegn
- 1969 Københavns Diskonto Kasse Bankaktieselskab
- 1967 Sjællandske Bank
- 1965 Vestsjællandske Bank / Landbobanken i Slagelse / Banken for Holbæk og Omegn / Handels- og Landbrugsbanken i Slagelse / Banken for Ringsted og Omegn
- 1955 Pandrup Bank
- 1931 Hadsund Bank
- 1928 Østvendsyssel Bank (Dronninglund)
- 1925 Den Danske Andelsbank Hobro
- 1925 Danske Andelsbank Løgstør
- 1906 Skørping Bank
- 1854 **Aalborg Diskontobank**
- 1985
  - 1989 Invest Bank
  - 1988 Handels- og Landbrugsbanken i Thisted (H&L)
  - 1985 Provinsbanken
  - 1980 Banken for Vejen og Omegn
  - 1976 Foldby Sogns Spare- og Laanekasse
  - 1973 Landbo Banken i Randers
  - 1971 Skive Diskonto Bank
  - 1970 Sydjydsk Landmandsbank, Ribe
  - 1970 Nibe og Oplands Bank
  - 1969 Banken for Ringe og Omegn
- 1968
  - 1969 Banken for Skanderborg og Omegn
- 1967
  - 1967 Spare- og Laanekassen for Haandværkere i Odense
  - 1961 Banken for Otterup og Omegn
  - 1957 Banken for Kjerteminde og Omegn
- 1932 Spare- og Laanekassen for Industridrivende i Aarhus
- 1932 Odder Bank
- 1929 Hammel Bank
- 1871 **Aarhus Privatbank**
- 1846 **Fyens Disconto Kasse**

Den Danske Bank

- 1985 Haderslev Kreditbank
- 1970 Haandværkerbanken København
- 1970 Banken for Jels og Omegn
- 1970 Banken for Præstø og Omegn
- 1970 Skærbæk Bank
- 1969 Banken for Frederikssund og Omegn
- 1966 Middelfart Bank
- 1966 Thylands Bank
- 1966 Banken for Randers og Omegn
- 1965 Aulum Handels- og Landbrugsbank
- 1965 Folkebanken for København og Frederiksberg
- 1937 Ebeltoft Bank
- 1935 Vanløse-Rødovre Bank
- 1932 Banken for Fredericia og Omegn
- 1922 Kjøbenhavns Private Laanebank
- 1922 Sønderborg Bank
- 1921 Handels- og Landbrugsbanken i Svendborg
- 1920 Banken for Faaborg og Omegn
- 1918 Nyborg Bank for By og Omegn
- 1918 Grenaa Handels- og Landbrugsbank
- 1918 Thisted Bank
- 1918 Hørsholms Sparekasse
- 1917 Slangerupbanens Oplands Bank
- 1917 Banken for Korsør og Omegn
- 1917 Spare- og Laanebanken for Nykøbing Sj. og Omegn
- 1916 Tølløse-Merløse Bank
- 1913 Esbjerg-Fanø Bank
- 1913 Fredericia Bank
- 1912 Lolland Spare- og Laanebank
- 1905 Industribanken i Kjøbenhavn
- 1871 **Den Danske Landmandsbank, Hypotek- & Vexelbank i Kjøbenhavn A/S**

Handelsbanken

- 1975 Frederiksberg Handelsbank
- 1974 Ordrup-Charlottenlund Bank
- 1974 Banken for Slagelse og Omegn
- 1971 Struer Bank
- 1970 Købmandsbanken i København
- 1970 Nordsjællands Bank
- 1970 Kjøge Bank
- 1969 Banken for Næstved og Omegn
- 1967 Diskonto- og Laanebanken i Maribo
- 1966 Brønderslev Bank
- 1966 Korsør Haandværker-, Handels- og Landbrugsbank
- 1965 Lolland-Falsters Industri- og Landbrugsbank
- 1964 Lollands Bank
- 1964 Landbrugs- og Handelsbanken i Vordingborg
- 1963 Løgumkloster Bank
- 1933 Birkerød Bank
- 1924 Diskonto- og Revisionsbanken
- 1922 Kjøbenhavns Bank
- 1921 Kalundborg og Omegns Bank
- 1920 Schleswig-Holstein Bank
- 1908 Kjøbenhavns Grundejerbank
- 1898 Handelsbanken i Esbjerg
- 1881 Banken for Horsens og Omegn
- 1876 Jydsk Handels- og Landbrugsbank
- 1873 **Kjøbenhavns Handelsbank**



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Notes

* The term chief executive was not in general use until the second half of the 20th century. However, for the sake of consistency I have used it throughout the book.

Notes on Chapter 1

1 Tidens Stemme, 1935
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Danske Bank was founded in 1871 as Den Danske Landmandsbank (The Danish Farmers' Bank) during a time of great economic, social and technological change and upheaval. With its tradition of cautious and conservative banking and credit policy, it has been part of all the major changes in society ever since.

In *Danske Bank – A History of the Bank through 150 Years*, professor of business history Per H. Hansen tells the story of Danske Bank's development in close interaction with society, and how views of the bank have changed through the years, both in and outside the company. We follow the bank through more than 150 years of development and progress, and through two major crises where the bank deviated from its tradition of caution and the fundamental values on which it was built, and which have all made Danske Bank the bank it is today.

The history of Danske Bank is the story of a changing world and the bank's efforts to continuously evolve and adapt along with society, while being true to its own tradition.