

The London Institute of Banking & Finance
Henry Grunfeld Lecture, 22 January 2016

Who was Henry Grunfeld, really?
Remarks by his grandson, James Lewisohn

On Wednesday 20th January 2016 The London Institute of Banking & Finance was proud to welcome Dr. Alexander Ljungqvist to give the inaugural Henry Grunfeld Lecture. We were honoured that Mr. Grunfeld's grandson James Lewisohn was able to say a few words beforehand to give us an insight into his grandfather's eventful life and unique world view. The text of his address is below.

Good evening. I'd like to thank Alex Fraser and The London Institute of Banking & Finance for inviting me to introduce Henry Grunfeld to you. The first thing you need to know is he would have no interest in the current debate on the appropriate State pension age: he started working in Germany aged just 17 and stopped in London over seven decades later when he was 95. I've promised Alex not to speak for more than 5 minutes – which gives me three seconds for each year of his life. So please excuse my sins of compression – these are going to be considerable.

As a timesaving ruse I'm going to use the Warburg's abbreviation of his name: HG.

I am sure HG would be thrilled to know this event is taking place tonight. Alexander Ljungqvist is going to speak to us about contemporary threats to shareholder capitalism. HG would feel right at home with this theme, since as we will see, he felt his character was formed by the series of economic and political crises – and momentous changes – he worked through. To give just one emblematic example of the extent of these changes: the city of his birth, Breslau in the Eastern German Province of Silesia, now has a completely different name, speaks a different language and is in a different country. Ryanair passengers among you will know it as Wroclaw, the largest town in Western Poland.

HG, born into a secular Jewish extended family group which had become wealthy thanks to its efforts industrialising the steel and chemicals sector, came of age in 1920s Berlin, the city of Marlene Dietrich and Albert Einstein. He loved cabaret, theatre and opera. He planned a career in the exciting new science of psychiatry, or possibly chemistry. But family illness changed all that: he started working in his father's steel business aged, as I said, just 17 - a special application had to be made to the Court of Berlin to allow him to execute documents. By the time he was 22, he had already been involved in a daring attack on two of the oligopolists in the German Steel Industry, Mannesman and Thyssen.

Then he had to deal with the economic crises of the Weimar Republic: during the hyperinflation he really did pay workers with wheelbarrows of cash. But he made it through that. Then the General Strike of 1923 threatened to destroy his business, as did the Depression of 1929 and the Banking Crisis of 1931. By his late twenties, HG knew more about restructuring companies than most bankers will ever know in a lifetime. However, there turned out to be one thing that HG's business could not survive: the Nazis. In April 1934, shortly after Hitler came to power, he was arrested without warrant by the Gestapo and jailed for 54 hours – for the first 24 hours without either food or water. His liberty was saved by the fact that he had somehow managed to find time to be the Spanish Consul in Breslau. The Spanish Ambassador bravely intervened and HG fled to London with his young family. Shortly afterwards, his business and his wealth was expropriated. He was left with about £40,000 in today's money.

By the time he arrived in London aged 30 – basically broke – HG had experienced arguably enough challenges and changes for one lifetime. He had seen what extreme monetary policies can achieve for all stakeholders in capitalism. He had seen what can happen in law when habeas corpus isn't there to protect you. He had seen how easy it is for a State to help itself to the assets of an individual.

But as you know, the most exciting of his times was yet to come. I am not going to attempt to pot the history of his extraordinary partnership with Siegmund Warburg here. Suffice it to say that they started with four employees in 1936 and that by the 1990s S.G. Warburg had over 6,000. HG had become known as the most brilliant, innovative – and ethical - banker in London. For Siegmund and Henry, the client came first, profit a distant second. Whole countries were rejected on an ethical basis – Warburgs was one of the very few British firms to refuse to do business in Apartheid South Africa.

In 1974 Siegmund Warburg wrote HG a birthday letter praising his exceptional personal characteristics, which Siegmund viewed as being innate. HG rejected this idea – instead, he firmly credited his early experiences in Germany. He replied:

""You mention my sense of justice or fairness. I would have thought anyone who for no just or fair reason has been taken to prison – as happened to me in 1934 – is bound to feel particularly strongly about injustice and unfairness. Then there is the fighting spirit. When one had to fight for economic survival in 1923 and then all over again from 1933 onwards – not to speak of the fight for physical survival in Nazi Germany – it becomes an instinctive part of oneself not to give in without a fight.... I am convinced that the way I think and act is or should be the norm and that the shortcomings of others are no excuse for lowering this norm.""

Let me leave you with two thoughts. The first is that great futures are rarely planned. Here's HG again, to a trainee who asked whether he and Siegmund had planned their enormous success when they started out. He replied:

"You must have been at Harvard Business School. There was absolutely no planning. We had totally empty desks. All we were concerned for was to earn our expenses."

My second thought is that Professor Ljungqvist is about to discuss some contemporary problems of capitalism. Markets – and politics – are telling us there is trouble ahead for capitalism. We are unlikely to live through what HG did (I hope). But some of us will surely find that the experiences ahead – and the way we react to them – will help us forge our successes in the future. Just as HG's did his.

The London Institute of Banking & Finance
Henry Grunfeld Lecture, 8 February 2017

Remarks by his grandson, Mark Lewisohn

On the 8th February 2017 The London Institute of Banking & Finance was proud to welcome Lord Alastair Darling to give the Henry Grunfeld Lecture. We were honoured that Mr. Grunfeld's grandson Mark Lewisohn was able to say a few words beforehand to give us insight into his grandfather's eventful life and world view. The text of his address is below.

Good evening. Thank you for your kind words Paul. I am honoured to have been asked by Professor Hahn to introduce today's speaker and first to say a few words about my grandfather Henry Grunfeld. A few of you here today knew him but for those of you who did not have that privilege I will try to explain - who was Henry Grunfeld and in an age where bankers are no longer honoured, why should we pause to remember him in particular?

Heinrich Grunfeld was born in 1904 in Breslau which is now Polish, but was then a thriving University town in Eastern Germany. He qualified as a lawyer but owing to his father's failing health he was conscripted into the family steel business while still in his teens and was put in charge aged just 20. He successfully navigated his company through the upheavals of the Hyperinflation of 1923 and Wall Street Crash of 1929; one of his formative business experiences during this period was forcing his way into the cartel then operated by Thyssen and Mannesmann. By his late twenties, he had already become a respected businessman, as well as an expert in restructuring companies; and he would no doubt have never become a banker or left Germany, but for the rise of the Nazis, who in 1934 threw him into jail. He was lucky enough to escape their clutches by using to good effect his diplomatic immunity as the Spanish Consul in Breslau, a position which normally involved dealing with the odd consignment of defective Seville oranges, but which on this occasion saved him from the Holocaust. Unlike many of his contemporaries, he did not hang around. Having been forced to sell the family business to its Aryan managers at a knock-down price and then exchange the proceeds into so-called travelling marks, thereby realising a tiny fraction of the real worth of the business, he left for London in 1935, impoverished but free. He knew no-one there and did not speak English. On the way, a mutual acquaintance who later turned out to be a prominent member of the Nazi party in Holland, introduced him to another Jewish refugee, the banker Siegmund Warburg; they met in The Hague and got on well enough to agree to meet again in London. There they joined forces in what today would be called a boutique, the misleadingly named New Trading Company, and very slowly they built their business taking advantage of their knowledge of foreign markets by providing credit and financial advice mainly to small British companies.

Given the prevailing anti-German sentiment during this period, it was not until 1946 that Henry persuaded Siegmund to give his own name to the firm which duly became S.G Warburg & Co, greatly improving its ability to win business. In his obituary of my grandfather, Sir David Scholey suggested that, given that they were equal and complementary partners who by their own later assertion could not have succeeded in building their firm without each other, a more appropriate name for the firm would have been Warburg, Grunfeld & Co, but this was never contemplated partly owing to my grandfather's natural modesty and partly owing to his experience in Germany, which led him to avoid publicity throughout the rest of his life. Nevertheless, their splendid portraits by Raymond Skipp which hung for many years side by side in the entrance of the firm's London headquarters accurately describe them as the co-founders of S.G. Warburg & Co.

From the outset, the founders sought not to maximise profit but to develop a reputation for providing outstanding service. Contrary to the established custom they charged for their advice – and were prepared to work equally unconventional hours to earn their fees.

Henry Grunfeld's reputation – and that of the firm – grew steadily but was sealed by the successful outcome of the British Aluminium takeover battle of 1958, which pitted S.G. Warburg against practically the whole of the City establishment in what was the first hostile bid ever seen in the London market. Henry Grunfeld subsequently pioneered the reverse takeover bid and became the “go-to” banker in the fields of supermarkets, newspaper publishing and commercial television, all areas generally ignored by the establishment.

Henry Grunfeld was a fighter and a great negotiator to have on your side – but he was also highly ethical. Siegmund later praised his "adherence to the highest standards of integrity and justice". The firm sought to do first class business for first class clients and went to great lengths to avoid doing business with people who did not pass their very high standards, or who refused to take their advice. But otherwise once a client relationship was established, the firm would remain loyal to the end. The firm in effect established what we now call the relationship investment banking model – and was a pioneer in setting the City's banking standards.

The rest of the story of S.G. Warburg is well known; the rise of the firm to become the leading merchant bank in the City, its expansion after Big Bang to form the S.G. Warburg Group, the eventual sale of the firm in 1995 to SBC which itself subsequently carried out a reverse merger with UBS. Up to the very day before he died aged 95, my grandfather carried on working, despite nominally retiring as Chairman aged 70. During the last years of his life, he had plenty of time for reflection but in my own discussions with him he was not bitter about what happened to the firm he had founded. On the contrary he had known for many years that the firm would eventually need to be part of a much larger global bank if it were to succeed in the international capital markets which the firm had done so much to re-create after the War. He continued to look forward until the end, always seeking to understand new activities, such as derivatives, which he warned could be the cause of the next financial crisis. He was not at all nostalgic or romantic about the past; and in some ways, I think he would be rather surprised that even a few minutes of your precious time have been allocated to remembering him this evening. That was certainly not his intention when he established the foundation which after his death endowed Professor Hahn's chair.

But the reason we should remember him is to remind ourselves in an era where bankers are treated by the world at large as somewhat suspicious characters that there was a time not so long ago when Henry Grunfeld walked the corridors of the bank he co-founded and was respected throughout the City and beyond for having established something truly remarkable; a highly successful and passionately ethical financial services firm.

If you would like to learn more about Henry Grunfeld, visit the links below;

<https://www.euromoney.com/article/b1320gcd6pv6zn/obituary-henry-grunfeld>

<https://www.nytimes.com/1999/06/15/business/henry-grunfeld-95-dies-co-founder-of-s-g-warburg.html>

The London Institute of Banking & Finance
Henry Grunfeld Lecture, 6 February 2019

Henry Grunfeld 1904 – 1999
A very personal recollection
Remarks by Sir David Scholey

Good evening.

At the two previous lectures in this series Henry Grunfeld was beautifully memorialised by two of his grandsons, Mark and James and their tributes are on a table for you to take away as you leave. Please do so and please read them as he was a truly remarkable man and disappointingly little has been published about him. But then he probably would have preferred it that way.

Although I have called this A Very Personal Recollection, as I knew HG, as I shall call him, for half my life but only a third of his, I should not fail to summarise his background as a context into which to place his later achievements.

HG was born at the beginning of the last century in Prussian Breslau into an industrious and prosperous family. His life journey took him at the age of 34 impecuniously to London where he played a leading part in creating a legendary banking firm; in 1999 he died a wealthy man.

When he was 14 HG's family had to endure the privations and humiliation leading to his country's surrender after a terrible war. The efforts to reconstruct Germany by the Weimar Republic led to the 1920 standstill of international payments and then the Great Inflation.

HG's father had a practice, when his children were born, of taking out an endowment insurance policy which when he reached the age of 21, would produce a sum, in today's money, of about £250,000. In 1925, the proceeds of that policy were less than the bus fare from HG's home to the insurance office. And we think we have seen inflation!

Then in 1931 one of the century's deepest economic crises exploded with the collapse of two of the greatest European banks, the Creditanstalt Bankverein and the Darmstadter Bank. But paradoxically this provided HG with the opportunity to glean a wealth of knowledge and experience which served him so well later. In the aftermath of the banking crash, although he was still under 30, HG's reputation as an exceptional practical and legally qualified businessman resulted in his participating in over 25 public committees sorting out the affairs of distressed debtors to the shattered banks.

This was difficult and stressful work and that stress was rapidly aggravated by the emergence of Nazism and its appalling policies of anti-semitism which had already started to surface in Breslau in the early 'twenties against its small Jewish population.

And so, in 1934 with a heavy heart, very little money and even less knowledge of the English language, HG took the courageous and fateful decision to move his family to London.

His journey took him though the Netherlands where, in The Hague, he and another German were introduced to each other. Ironically the person who introduced them subsequently became the Nazi Gauleiter in The Hague but fortunately the person to whom he introduced HG was a 32-year-old banker from Hamburg also heading for London - named Siegmund Warburg.

They immediately took to each other and spent the next twelve years working separately but together in their respective companies, Portman Hill (impressively named from the London's Mayfair A - Z, Portman Square and Hill Street!) and The New Trading Company (an inappropriate translation into English of the well-known German term *Handelsgesellschaft*) engaged in small financial operations, much of which related to helping fellow emigres salvage such moneys as they could from their embattled homeland.

After the end of their second World War they decided to join forces and set about building a serious if small finance house and HG persuaded a reluctant Siegmund that the firm should carry his name, well known and long- respected in the annals of banking and in keeping with the houses which they aspired to join and which all bore family names.

It was a hard road which they had bravely chosen. They received support and help from a few friends from pre-war days and accumulated some outstandingly able fellow immigrants, but they were hardly helped by their obvious provenance in the fiercely protective and hidebound environment of the City. But in the shared but varied backgrounds of this team, in which HG was the only one without a banking background, there lay the seeds of the firm's future hallmark of international experience and its necessity of invention.

The most promising and potent ingredient of the new little firm was the partnership between the almost romantic vision of the charismatic, imaginative, volatile, contrarian, determined Siegmund and the laser-like focus of the level-headed, steadfast, incisive, realistic, creative, utterly professional HG.

Their complementarity was magical, almost mystical and they behaved like true partners from the firm's foundation in 1946 to their eventual separation, by Siegmund's death in 1982.

My personal recollection does not start, of course, until well into HG's banking life, 1962 to be precise, when I was 27 and HG was 58. I was working as a manager in an old-established merchant bank in which my family had an interest. A friend's brother-in-law, whom I hardly knew, casually asked me if I would like to meet Mr. Warburg. Well who wouldn't. Although still very small, with about 100 people, Warburgs had already become controversially famous, notably for victory in what became known as The British Aluminium War. I won't go into details but suffice it to say that Warburgs had flouted just about every convention in City conduct in successfully concocting and implementing an unwelcome bid by a foreign interloper for an iconic British company supported by the full panoply of the merchant banking establishment.

When I met Mr. Warburg our conversation unexpectedly centred on non-banking subjects such as my education, foreign travel, interest in literature and music and reasons for choosing a banking career. After an hour (yes, an hour!) he apologised that he had to see another visitor but instead of bidding me goodbye he took me into the next office and introduced me to HG. Well that was entirely different. It rapidly became an interview. I was asked about my business training, my experience in insurance and banking, my current responsibilities, my special interests. It became so detailed that I felt constrained to say that I was delighted to meet him, but I wasn't actually looking for a job as I was very busy and happy where I was!

The imprint of that first encounter has remained with me to this day. HG's easy but penetrating manner, his clarity of thought and expression, his own detailed knowledge of all aspects of financial business were immediately and pellucidly clear - but in the kindest and most engaging way.

I had just had my first vivid glimpse of the contrasting characteristics of Siegmund Warburg and HG which were destined to fascinate and edify me for the next forty years.

Two years later my circumstances led me to tell my friend, who is here today 55 years later, that I was considering a move, and would he like to see me. In January 1965 I first sat with him in a small room, colloquially known as the Nutcracker Suite or the Fallout Shelter, between HG's and Siegmund's offices.

During those years they were a form of Yin to each other's Yang. If Siegmund was the passionate impresario, HG was the dedicated deliverer, constantly discussing, arguing and worrying about the firm, its objectives, opportunities, its risks, its values and its character. Whatever differences of approach, of priorities, of ideas, of opinion they may have had, and I am very sure that there were many, when among others they never showed anything but total unanimity.

Their humour - and contrary to the misapprehensions of many outsiders they enjoyed a great deal of humour - was also very complementary. While Siegmund tended to be mischievous, adoring the brilliant satirical scripts regularly produced by a sharp-penned colleague, HG's wit was dry and straight face. Once, when we were discussing a very complex excuse I had to give to a client about a mishap, when we had agreed the script he said, as I left his office 'and remember - it has the added advantage of being true'. On another occasion, when he had had two lengthy briefings of the newly fashionable Derivatives, he finally said 'Ah! Now I understand. We unpack a package of securities, keep the pieces that we think we understand and sell the rest to people who probably understand them less than we do.' We did not embark on a large Derivatives programme!

HG's capacity for innovation also stemmed from the unconventionality that is so often stimulated by necessity. When a client who owned a small regional newspaper wished to buy a renowned aristocrat-owned national title which was on hard times, but he couldn't afford, HG said 'Let's buy it with his own money!' So, a large element of the purchase consideration consisted of long-dated preference shares with the unheard-of interest coupon of 30 per cent - when a normal rate would have been 5 to 6 per cent.

Again, when the aluminium producers were in the middle of a massive expansion of production facilities and were facing a cyclical fall in demand, to help smooth the cycle he created an independent company to buy huge stocks of the metal, which were securely held in the producers' own premises with the financing secured by forward put options to sell the stocks back to the producers. Brilliant!

He also had unconventional ideas about team building. He didn't organise recruitment programmes. He said that acquiring people was like buying a tie. You didn't buy a tie because you needed one; when you saw one you really liked you bought it.

But the indispensability of HG was never more in evidence than in a crisis and that magnificent quality was no doubt founded on the many disasters to which he had been witness and subjected in his earlier life. There were inevitably many occasions when the firm suffered unexpected financial setbacks or transaction went badly awry or some mishap threatened the firm's precious reputation. Then the ice-cold temperament, fearless analysis and razor-sharp perception were brought into full play, calming those around him, marshalling the right people and resources, concentrating on one thing and one thing only - solving the problem.

Even though HG formally retired from the chairmanship in 1974, when the time came in 1986 for radical change in the structure and practices of the City's financial operations, the so-called Big Bang (conceived by a minister who had learnt his business many years before at HG's feet), HG was pivotal in advising and implementing the creation of the integrated banking, securities and asset management company,

Mercury International Group which became the poster-boy for the new City. (And of course, Hg is the symbol of the chemical element Mercury!)

While I had many wonderful opportunities to hear about his early days in Germany and England, he hardly ever seemed to look nostalgically or regretfully backwards; perhaps it would have only caused him pain to do so. His mind, heart and spirit were always in the present and the future, whether in the context of his own firm or the many and varied businesses of his clients. He seemed to have taken to heart the advice which his grandfather had given him in his youth. "If you reach the age of eighty you should then live as though you expect to live for ever."

His continuing interest in and comprehensive grasp of so many different and modern businesses, - television, publishing, supermarkets as well as traditional industry and commerce was extraordinary.

For all his success and achievements in his chosen field of finance, a field which has become notorious and berated for its highly-publicised excessively-paid participants, HG was the spirit of modesty and the soul of discretion for whom personal aggrandisement was taboo and the face of the firm was paramount. He was the personification of Walter Bagehot's ideal Trusted London Banker.

What did he look like? From the start I saw him as a Prussian Professor, aquiline, upright, balding, a quiet but commanding presence with a steely twinkle.

He dressed immaculately with understated elegance (and tastefully decorative ties!). His tailor was amused and delighted when, regularly ordering new suits into his nineties, he would pause as he left the fitting, saying, "You know Mr Parker, I really do want them".

What did he sound like? He spoke English fluently, stylishly and idiomatically with a soft but clear - what he called - "Continental" accent. When he spoke one listened!

His partner Siegmund liked to enchant and captivate people, to mould and influence, even control them. HG liked to guide people in their development, to encourage their strengths and to protect themselves from their weaknesses.

Above all he always looked for the best in people, assessing, not judging, nurturing not controlling.

And so from a tiny office in bomb-ravaged King William Street in 1946 with a few fellow immigrants via Gresham Street, and eventually back to King William Street in a new fortress-like modern building housing more than a thousand investment bankers and asset managers at the centre of a worldwide network, HG had played a seminal role in the creation of a renowned and respected firm which had sparked the transformation of the old traditional City of London merchant banking scene into the global financial centre that it is today.

The Warburg flag that he had jointly flown with his eponymous partner fluttered and gradually faded after he handed it on to the next generation but HG's name will forever feature prominently with those who take the trouble to study in depth the City's banking history of those fascinating and fabled forty years from a Gentleman's Club to the Big Bang.

If I seem to have described a paragon, then so be it. I have been fortunate to have known, to have been influenced, to have been helped by many remarkable and generous people; no one was a greater mentor and finer friend to me than Henry Grunfeld.

Thank you.