



## Bank and History

### Historical Review

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#### 150th anniversary of the birth of Arthur von Gwinner



Arthur von Gwinner (April 6, 1856 - December 29, 1931), Spokesman of the Management Board 1910 to 1919

“Gwinner is the bank’s diplomat, he not only appears outwardly calm and dignified but also acts in the same way, facilitated by a certain cosmopolitan flair. He has been to every country there is; he is familiar with their languages and customs and just as much at home in Madrid as in Constantinople, in New York as well as London or Paris.”

Arthur von Gwinner was at the crest of his professional career when this flattering account appeared in a financial publication in 1910. As the Spokesman of the Management Board of Deutsche Bank, he represented the business policy of Germany’s largest bank in public from the same year. At the same time,

Gwinner entered the political arena. He was the first representative of a joint stock bank to be appointed to the *Preussisches Herrenhaus* (upper chamber of the Prussian parliament) by Kaiser Wilhelm II; he had been awarded his title of nobility shortly prior to that.

Arthur Gwinner was born in Frankfurt on April 6, 1856. He came from a well known family of Frankfurt lawyers; his grandfather, Philipp Friedrich Gwinner held the office of Senior Lord Mayor of Frankfurt (1865) and his father, Privy Councillor Wilhelm Gwinner, was the executor and biographer of the philosopher Arthur Schopenhauer – after whom Arthur von Gwinner was named. Although he was later to be one of the co-founders of the Schopenhauer Society, it was actually Goethe he admired the most. Gwinner’s life-long quest for universal learning, his many interests in philosophy and the sciences, were primarily due to the poet prince’s example. His family home was located in the street named *Grosser Hirschgraben* – across the way from the house where Goethe was born.

He attended the *Hasselsches Lehr- und Erziehungs-Anstalt für Knaben* - a private school for boys. The period directly after leaving school was spent in Vevey on Lake Geneva so he could consolidate his knowledge of French. After returning to Frankfurt, Gwinner completed a banking apprenticeship with *Mitteldeutsche Creditbank* from 1874. As of 1876, the newly qualified banker subsequently spent the next decade almost exclusively abroad, where he gained considerable expertise in the international banking business.

The first stage led him to the London-based bank, Schuster, Sons & Co. In 1880, he joined the Spanish subsidiary of the Paris-based bank, Union Générale. During his time in Madrid, besides his professional

obligations, he also carried out the duties of an honorary consul of the German Empire – appointed at just 29 years of age. The previous incumbent had resigned from his post out of fear of a typhus epidemic. “I [...] was delighted that the wise Kaiser and his great Chancellor had signed the certificate of my appointment in person. Now I could drive my carriage in the middle lanes of the ‘Paseo’ and feel I was someone important.”

**In his own words I:**

*"One should only go to the Foreign Office when one either wants to request something specific or if one has a personal objective and would like to generate enthusiasm for it. Otherwise, nothing good comes of these discussions."*

Letter to Karl Schrader (Anatolische Eisenbahn-Gesellschaft) dated May 15, 1903

He acquired the Torre de las Damas, the ladies' quarter in the Moorish caliph's palace in the rambling Alhambra fortification complex, which he freed from later, disfiguring extensions, which he used as a country estate. In 1891, he bestowed the fully renovated architectural jewel to the Spanish state.



Torre de las Damas – Gwinner's erstwhile country estate in the Alhambra complex

Gwinner returned to Germany in 1886 and sounded out new career opportunities in a seemingly unhurried fashion. The year before he had married Anna Speyer, the daughter of the proprietor of Lazard Speyer-Ellissen, one of the most distinguished Jewish banks in Frankfurt (they went on to have three children). He could have joined this bank, but the prescient young banker had recognised that in those days “enjoyable activity and business prospects for a banker

in Germany could be sought and found nowhere else than in the rising imperial capital.”

**In his own words II:**

*You write that much as you would also like to have Holzmann involved, there is no place of sufficient benefit for Holzmann in the construction of the railway in the Philippines. Allow me to ask why this is so? It is presumed that 10% can be made on 140 million marks; you need a reliable construction company, should the business should accrue to your company, in any event, you won't find anyone better than Holzmann. He takes on every American construction company and you won't resent me for saying that in spite everything, I would personally prefer to put my money on a “Frankfurter” than on an American.*

Letter to James Speyer dated July 6, 1905

This is how Gwinner acquired the Berlin-based bank, Riess & Itzinger in 1888 which he continued to run under its own name. During this time, he came to meet Georg Siemens at the Berlin Club, who had been the leading manager of Deutsche Bank since its foundation and which also had designs on becoming one of Germany's top banks. Gwinner had already had dealings with Deutsche Bank during his time in Spain, for example, the establishment of the Banco Hispano Aleman. The initiative came from Gwinner and the majority of the capital was put up by Deutsche Bank. Gwinner recognised that the future of major financial transactions would put too much strain on traditional private banks.

Consequently, he didn't hesitate when in September 1893, Siemens offered him a position on the Management Board of Deutsche Bank, to start at the beginning of the following year. He was to become the successor to Hermann Wallich, who together with Siemens, had determined the bank's fortunes since it was founded. Gwinner dissolved his own bank and transferred the majority of his customers and staff to his new domain, which, according to a statement by his colleague on the Management Board, Max Steinthal, did not exactly make the negotiations for his joining the bank any easier. “Back then, I was forced to hear time and again: ‘well, I never!’ [...] Enemies believed I was ‘finished’ and people said to Deutsche Bank that I would now be twiddling my moustache at Deutsche Bank. But I was

happy, like a fish in fresh water, and at the age of 37, a new chapter of my life had begun.”

**In his own words III**

*Incidentally, we took better advantage of the last panic than Handelsgesellschaft and by and large, have already made up our outlay. We are in the enviable situation, the only company in our position, of not having issued any Russian bonds.*

Letter to Julius Frey (*Schweizerische Kreditanstalt*) dated January 10, 1906 on Russian operations

Although Deutsche Bank was energetically pursuing a path of expansion during these years, the organisation of its operations was more reminiscent of the earlier days of the bank's existence; thus Gwinner and Siemens shared an office and worked together at desks facing each other. In addition, the introduction of the typewriter to the directors' office as instigated by Gwinner required much persuasion until Siemens agreed.

The bank's major foreign financing deals were intended as Gwinner's main department because of his experiences abroad. The re-organisation of the suffering Northern Pacific Railroad Company – the financing of this crucial stretch of railway was Deutsche Bank's biggest commitment in the USA – was one of Gwinner's most important tasks during his first years at the bank. In 1896, he spent several months in the United States dealing with the bank's American operations. The re-establishment of the shareholders' trust in the Northern Pacific Railroad following years of crisis was largely due to Gwinner's skilful negotiations. The company was able to pay out a dividend again after 1897. Gwinner negotiated eye to eye with the mighty American banker, J. P. Morgan – even if he acknowledged him to be a “formidable man”.

**In his own words IV**

*I'm sorry that you lost money in Goerz shares too. I can't tell you any more than you will read in any trade journal or what you will hear yourself. [...] I personally bought a few Goldshares recently, but only according to the old preserve that you should buy low and sell high; as is generally known, the public tends to do the opposite.*

Letter to Carl Borgnis (*Gebr. Bethmann*) dated February 27, 1906

In 1900, Siemens left the Management Board of Deutsche Bank and Gwinner took over his agenda, including a mortgage

arrangement with the Wiener Tramway Gesellschaft, an unpleasant loss from which Gwinner succeeded in disentangling Deutsche Bank only after a great amount of difficulty.

Although according to the seniority principle, Rudolph von Koch was due to take over the function of Spokesman after Siemens left, Gwinner was considered, both within and outside the bank, as the successor to Siemens in the bank's management, *primus inter pares* and director of its major foreign operations.

**In his own words V**

*Kemmann's demands are absurd. If I was to calculate and argue like him, Deutsche Bank would owe me the grand sum of several millions each year. [...] If he looks for more than 10,000 marks from Deutsche Bank, and 20,000 marks from Hochbahn, then let him go. He won't go, of course, because no one in the world will pay him anything near what he gets from us and through us. He is an excellent assessor for a very specific, very limited field, but he is wholly unsuited to doing business or making money on his own.*

Memo to Max Steinthal dated November 5, 1906

In addition to financing the American railways, these mainly included the construction of the Anatolian railway, which had already started in 1889, followed by the Baghdad railway which came about afterwards in 1903. Gwinner was to dedicate 20 years of his life to this multifarious project as a Member of the Management Board, which also included the restructuring of the Turkish state debt. This - also from the point of view of time - extensive undertaking, which had as its objective a complete railway link stretching across the Ottoman Empire from the Bosphorus to the Persian Gulf and incorporated innumerable sub-projects (primary among them the cultivation of the land that ran alongside the tracks), demanded major diplomatic skill from Gwinner. The bank found itself in a situation that owing to the political ambitions of the European powers in the region, required a bank manager to have more skills than just a good understanding of business. Under his lead management, consensus on a *modus vivendi* of German, French and British interests was finally painstakingly achieved after many tough negotiations in the spring of

1914 – only to disintegrate once again a few months later upon the outbreak of the First World War.

The purchase and restructuring of the Romanian oil company Steaua Romana in 1903 saw the beginning of the expansion in Deutsche Bank's oil interests, a sector for which Gwinner also took on responsibility. Although the company succeeded in securing a good market position in Romania, American companies dictated the prices in the export markets and especially in Germany. Gwinner summed up the Bank's commitment as follows: "we had to learn that the main difficulty lay not in extracting the oil but in selling it [...]. Deutsche Bank even ended up making quite a lot of money from it but if I had to do it again, as a banker, I wouldn't touch the oil business."

**In his own words VI**

*Meanwhile, I have had the opportunity to convince myself of the excellence of the running of a municipal railway on electricity and especially of the transportation of people and luggage by means of electric machines at the railway station of the Orleans Company on the Quai d'Orsay and you may depend on my advocating, at every possible opportunity, the introduction of this magnificent innovation in Germany too.*

Letter to Heinrich Schwieger (Philipp Holzmann), dated June 15, 1909

In the years leading up to the First World War, Gwinner was one of the most influential German bank managers; even the *New York Herald Tribune* described him as the "Dean of the German financial world". He held the position of Spokesman of the Management Board of Deutsche Bank from 1910 to 1919. It was part of Deutsche Bank's "style", also maintained by Gwinner, that the Spokesman of the Management did not have any outstanding title. Gwinner consequently wrote to the *Berliner Tageblatt* in 1912: "In reference to your report yesterday [...], I politely request that you refrain from calling me general director. Deutsche Bank has never had one and never will as long as I am a member of the Management. Our Articles of Association are democratic." Some of his closest colleagues also went on to become members of the bank's Management Board: Elkan Heinemann, Alfred Blinzig and Emil Georg von Stauss.



Arthur von Gwinner and Emil Georg von Stauss, a fellow member of the Management Board

Gwinner's management style was completely different to that of the ingenious and restless Siemens. Calm and worldly-wise, he was not so much a passionate visionary as a rather decisive practical politician who always kept an eye on the whole picture without getting bogged down in the details. Max Fuchs, a former archivist of the Bank – who would today be described as a chief economist – characterized Gwinner's delicate negotiating skills as follows: "he argues for his opinions and rights in an informal, well-formed language by which he rejects out of hand the feigned outrage and deliberate misrepresentations of his counterpart using the soberness and strength of the facts, on top of which he then even points out the weaknesses that he knows of or has seen in the opposing camp with a gentle irony. His speeches are based strictly on the facts themselves [...]. Consequently, he avoids being longwinded and a quote at the end usually sums up the central tenet and goal of his line of argument."

Gwinner's professional success, which especially in the case of the Baghdad railway and the oil business was also of use to Germany's political interests, did not go without recognition by the Kaiser. Gwinner received his hereditary title of nobility (which entitled him and all his descendants to place a *von* before their surname) in 1908 and was appointed to the *Preussisches Herrenhaus* (the upper chamber of the Prussian parliament) in 1910. His personal friendships with imperial chancellor Bernhard von Bülow and the German ambassador in Constantinople, Freiherr Marschall von Bieberstein were helpful in this instance.



Bronze medallion of Arthur von Gwinner (1909)

Gwinner never gave any cause to doubt his patriotism. He was ever ready to make commitments of a patriotic nature – in contrast to the liberal “internationalist” Siemens. However, this almost never had any negative effect on his much vaunted quick judgement, in particular his keen eye when it came to what could be gained from business abroad.

**In his own words VII**

*My stay in Egypt gave me the opportunity to look at purpose-built railway facilities like those that have long been introduced and put to the test by the practical English in India and Africa. We would be doing the wrong thing if we were to use the type of railway stations, buildings and materials which may well suit Germany and Switzerland, in a tropical climate .*

Letter to the Baghdad Railway Company, March 23, 1914

Gwinner’s appearances in the *Herrenhaus* – the speeches he gave there in the years between 1910 and 1913 dealt with the state and railway budgets – made those present listen attentively and even met with a response in the international press. He relentlessly criticized Freiherr von Rheinbaben’s, the Prussian finance minister, budgeting policy. Instead of including the continuous losses by the Prussian railways in the general budget, Gwinner recommended issuing railway bonds and increasing their popularity among the general public. It was during this debate that in a sitting on May 30, 1910 that Gwinner made his now famous remark: “As for bonds, everything takes talent, but borrowing requires genius!” His parliamentary efforts were highly valued by the public: “Gwinner’s critique, as a result

of which, the fresh wind of mercantile views blew for the first through the antiquated cameral system of persistent fiscal inactivity, had such a lasting effect that [...] von Rheinbaben moved from his post in Berlin to assume the office of an Oberpräsident of the province of the Province Rhine” – and thereafter sank into political obscurity.

In keeping with his elevated status, Gwinner deemed it appropriate to keep a look out for a country residence. Following a lengthy search, he found and acquired the Krumke estate in the Altmark region of Saxony-Anhalt in 1911. In 1917, he donated a large sum for the benefit of Deutsche Bank employees, which was used to establish a convalescent home near Potsdam.

**In his own words VIII**

*If we could get some raisins for the canteens, clubs and the gentlemen at the bank and their friends, it would be most desirable but the conditions [...] indeed do not allow it. Once again, dear old Lutz misunderstood the matter completely and is currently talking about a “tropical fruit” department. [...] Do you see any way of getting a consignment of raisins here if we could get them as far as Constantinople?*

Memo to Paul Millington-Herrmann, September 12, 1917

In the First World War, Deutsche Bank’s major foreign projects, including the Baghdad railway, were forced to take a back seat because of different conditions – military, not economic, benefit came to the fore. Gwinner was later to reject vehemently any claims that the Baghdad railway project contributed to the escalation of the crisis in 1914. Most of Deutsche Bank’s international relations had disintegrated by the end of the war. A dynamic era in German banking history, shaped to a large extent by Gwinner, had irrevocably come to an end. His memoirs, compiled in 1926 focus – in a jovially ironic tone – predominantly on this period.

Gwinner drew conclusions from this altered situation: he resigned from the Management Board and transferred to the bank’s Supervisory Board, where he held the position of Deputy Chairman from 1923 until his death in 1931. There was, nevertheless, almost no change to his workload, which was verified by the financial press on the occasion of his 70<sup>th</sup> birthday: “the directors of Deutsche Bank withdraw in good time from their office and departments only to continue to operate as Supervisory Board members in a fresher,

more unattached and tranquil manner.”

**In his own words IX**

*The reason for my pending retirement from the Management Board of Deutsche Bank is nothing other than I have had my nose to the grindstone for 46 years now and would like to allow myself a little more freedom, namely also for the odd trip or a longer stay at our estate. In all other respects, I will remain a daily employee of the bank.*

Letter to Ernst Vohsen, February 7, 1919

Gwinner was to live to see and lend his support to the merger in 1929 with Disconto-Gesellschaft – once Deutsche Bank’s biggest rival. In the final years of his life, he was closely involved in the Paneuropa-Union, set up in 1922 by Count Richard Coudenhove-Kalergi, the first movement for a unified Europe. He held the position of treasurer in its German section.

Gwinner’s many interests outside banking – in addition to philosophical observations – predominantly included mineralogy, numismatics and botany. A section of his extensive collection of minerals was gifted to the University of Bremen in 1998. He liked to draw parallels between the laws of nature and human characteristics, for example in an article on mineralogy: “content – purity – refinement – and – cut – is thus part of both gemstones and genius. However, the cut requires a certain toughness. In people, we

refer to this as a solid character.”

**In his own words X**

*The next time a prospectus on Deutsche Bank is done, I would prefer to be referred to as just ‘Arthur von Gwinner’ and not as ‘Dr’.*

Memo dated November 1, 1922

Gwinner donated large amounts of money to the sciences. Thus, he paid a handsome sum out of his own pocket towards the establishment of the *Kaiser-Wilhelm-Gesellschaft* (today the *Max-Planck-Gesellschaft*) in 1911. He subsequently obtained a foundation in his name for scientific expeditions. The natural history *Senckenberg* museum in the city of his birth was yet another beneficiary. He received a honorary doctorate of science from Frankfurt University and the University of Erlangen awarded him an honorary political science doctorate.

Arthur von Gwinner died in Berlin, aged 75 on December 29, 1931 and is buried at the *Krumke* estate. To mark the 150th anniversary of his birth, his memoirs have been published as an audio book in German, read by the actor Robert Atzorn.

Further reading:

Arthur von Gwinner: “*Lebenserinnerungen*”, 2nd edition, Frankfurt am Main 1992.

Max Fuchs: *Arthur von Gwinner. Eine Widmung zu seinem 75. Geburtstag*, Berlin 1931.

## Lost and found

### Fuel loan

“In order to give our employees the opportunity to make the most of the cheaper price of coal during the summer months, the Management is prepared to provide a coal advance of up to DM 240, which must be

paid back in monthly instalments by December 1958. Applications should be made by the individual departments.”

(Announcement by the Personnel Department of Deutsche Bank in Hamburg, May 31, 1958)

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