

The Rothschilds: The First Barons of Banking

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Nobleman: Baron David de Rothschild, the head of the Rothschild bank. The Rothschilds have helped the British government since financing Wellington's army to fight the French in 1815. Galen Clarke / The National

Among the captains of industry, spin doctors and financial advisers accompanying British prime minister Gordon Brown on his fund-raising visit to the Gulf this week, one name was surprisingly absent. This may have had something to do with the fact that the tour kicked off in Saudi Arabia. But by the time the group reached Qatar, Baron David de Rothschild was there, too, and he was also in Dubai and Abu Dhabi.

Although his office denies that he was part of the official party, it is probably no coincidence that he happened to be in the same part of the world at the right time. That is how the Rothschilds have worked for centuries: quietly, without fuss, behind the scenes.

"We have had 250 years or so of family involvement in the finance business," says Baron Rothschild. "We provide advice on both sides of the balance sheet, and we do it globally."

The Rothschilds have been helping the British government - and many others - out of a financial hole ever since they financed Wellington's army and thus victory against the French at Waterloo in 1815. According to a long-standing legend, the Rothschild family owed the first millions of their fortune to Nathan Rothschild's successful speculation about the effect of the outcome of the battle on the price of British bonds. By the 19th century, they ran a financial institution with the power and influence of a combined Merrill Lynch, JP Morgan, Morgan Stanley and perhaps even Goldman Sachs and the Bank of China today.

In the 1820s, the Rothschilds supplied enough money to the Bank of England to avert a liquidity crisis. There is not one institution that can save the system in the same way today; not even the US Federal Reserve. However, even though the Rothschilds may have lost some of that power - just as other financial institutions on that list have been emasculated in the last few months - the Rothschild dynasty has lost none of its lustre or influence. So it

was no surprise to meet Baron Rothschild at the Dubai International Financial Centre. Rothschild's opened in Dubai in 2006 with ambitious plans to build an advisory business to complement its European operations. What took so long?

The answer, as many things connected with Rothschilds, has a lot to do with history. When Baron Rothschild began his career, he joined his father's firm in Paris. In 1982 President Francois Mitterrand nationalised all the banks, leaving him without a bank. With just US\$1 million (Dh3.67m) in capital, and five employees, he built up the business, before merging the French operations with the rest of the family's business in the 1990s.

Gradually the firm has started expanding throughout the world, including the Gulf. "There is no debate that Rothschild is a Jewish family, but we are proud to be in this region. However, it takes time to develop a global footprint," he says.

An urbane man in his mid-60s, he says there is no single reason why the Rothschilds have been able to keep their financial business together, but offers a couple of suggestions for their longevity. "For a family business to survive, every generation needs a leader," he says. "Then somebody has to keep the peace. Building a global firm before globalisation meant a mindset of sharing risk and responsibility. If you look at the DNA of our family, that is perhaps an element that runs through our history. Finally, don't be complacent about giving the family jobs."

He stresses that the Rothschild ascent has not been linear - at times, as he did in Paris, they have had to rebuild. While he was restarting their business in France, his cousin Sir Evelyn was building a British franchise. When Sir Evelyn retired, the decision was taken to merge the businesses. They are now strong in Europe, Asia especially China, India, as well as Brazil. They also get involved in bankruptcy restructurings in the US, a franchise that will no doubt see a lot more activity in the months ahead.

Does he expect governments to play a larger role in financial markets in future? "There is a huge difference in the Soviet-style mentality that occurred in Paris in 1982, and the extraordinary achievements that politicians, led by Gordon Brown and Nicolas Sarkozy, have made to save the global banking system from systemic collapse," he says. "They moved to protect the world from billions of unemployment. In five to 10 years those banking stakes will be sold - and sold at a profit."

Baron Rothschild shares most people's view that there is a new world order. In his opinion, banks will deleverage and there will be a new form of global governance. "But you have to be careful of caricatures: we don't want to go from ultra liberalism to protectionism."

So how did the Rothschilds manage to emerge relatively unscathed from the financial meltdown? "You could say that we may have more insights than others, or you may look at the structure of our business," he says. "As a family business, we want to limit risk. There is a natural pride in being a trusted adviser."

It is that role as trusted adviser to both governments and companies that Rothschilds is hoping to build on in the region. "In today's world we have a strong offering of debt and equity," he says. "They are two arms of the same body looking for money."

The firm has entrusted the growth of its financing advisory business in the Middle East to Paul Reynolds, a veteran of many complex corporate finance deals. "Our principal business

franchise is large and mid-size companies,” says Mr Reynolds. “I have already been working in this region for two years and we offer a pretty unique proposition.

“We work in a purely advisory capacity. We don’t lend or underwrite, because that creates conflicts. We are sensitive to banking relationships. But we look to ensure financial flexibility for our clients.”

He was unwilling to discuss specific deals or clients, but says that he offers them “trusted, impartial financing advice any time day or night”. Baron Rothschilds tends to do more deals than their competitors, mainly because they are prepared to take on smaller mandates. “It’s not transactions were are interested in, it’s relationships. We are looking for good businesses and good people,” says Mr Reynolds. “Our ambition is for every company here to have a debt adviser.”

Baron Rothschild is reluctant to comment on his nephew Nat Rothschild’s public outburst against George Osborne, the British shadow Chancellor of the Exchequer. Nat Rothschild castigated Mr Osborne for revealing certain confidences gleaned during a holiday in the summer in Corfu.

In what the British press are calling “Yachtgate”, the tale involved Russia’s richest man, Oleg Deripaska, Lord Mandelson, a controversial British politician who has just returned to government, Mr Osborne and a Rothschild. Classic tabloid fodder, but one senses that Baron Rothschild frowns on such publicity. “If you are an adviser, that imposes a certain style and culture,” he says. “You should never forget that clients want to hear more about themselves than their bankers. It demands an element of being sober.”

Even when not at work, Baron Rothschild’s tastes are sober. He lives between Paris and London, is a keen family man – he has one son who is joining the business next September and three daughters – an enthusiastic golfer, and enjoys the “odd concert”. He is also involved in various charity activities, including funding research into brain disease and bone marrow disorders.

It is part of Rothschild lore that its founder sent his sons throughout Europe to set up their own interlinked offices. So where would Baron Rothschild send his children today?

“I would send one to Asia, one to Europe and one to the United States,” he said. “And if I had more children, I would send one to the UAE.”

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