

SCHRODERS

MERCHANTS & BANKERS



RICHARD ROBERTS

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Preface

Schroders: Merchants & Bankers is a history of one of the City of London's oldest and most important merchant banks. In the nineteenth century, it played a central role in financing world trade and in raising long-term capital for governments and railway companies. Today it is a public company conducting business worldwide and is a leading provider of international merchant and investment banking services. Yet very little is known about the historical development of the firm since there has been virtually nothing published on the subject. Thus it was exciting and challenging to be invited by the firm to write a history, being given full access to all its records and every other co-operation.

There are several long-term themes in the history of Schroders. First, the important role of the founding family, which continues to this day. Indeed, an important reason why the firm has a lower public profile than some of its peers has been the family's concentration on business and its limited involvement in British high society and politics. Second, probably more than any other London merchant bank its business orientation has been outward looking, leading to a heavy involvement in Germany and to the establishment of a fully fledged firm in New York in 1923, a unique initiative. Third, is its disciplined and unflamboyant, though in no way conservative, style of conduct of business. In combination these long-term traits largely explain why the firm still exists and is at the forefront of its industry.

There are several points to be made about my approach to writing the book. First, it is a history of the firm, not the Schroder family. Second, the bulk of Schroders' records until the mid-twentieth century comprise financial accounts and it is these data which provide the framework of the story, although the formal presentation of financial analysis forms a minor proportion of the text. Third, I have devoted considerable attention to the key decision-takers since historically the performance of merchant banks has been highly dependent upon the initiative, imagination and judgement of their partners or leading directors. Fourth, I have endeavoured to produce a chronologically evenly balanced account of the evolution of the firm in London, New York and internationally from the early nineteenth century to 1973. This is followed by a full, but qualitatively different, description of subsequent developments, particularly the reorientation of the business in the 1980s.

Recent years have seen the publication of several impressive histories of merchant banks and merchant banking. These studies greatly assisted my understanding of the development of the merchant banking industry

and helped to identify how Schrodgers differs from its peers. I have intentionally provided quite extensive accounts of the evolution of London and New York as international financial centres considering that this contextual information is important for comprehension of the development of the Schroder firms.

An innovation which I believe will help many readers, though some may regard it as distracting, is to provide conversions in the text of some financial figures in 1990 values. The purpose is to permit the reader to have an indication of the magnitude of statistics of capital, profits and certain key numbers whose scale is obscured by inflation. The conversions are based upon the conversion multiples listed in Appendices V(i) and V(ii), which are derived from well-known retail price series. Retail prices are the most commonly used yardstick of inflation, but it should be borne in mind that the rate of retail price inflation is not necessarily identical with the rate of financial asset inflation, particularly in the short-term. Moreover, inflation-adjusted figures from the past understate the relative significance of activities because of the expansion of aggregate economic activity. Thus the conversions provided in the text should be regarded as indicative not definitive figures. Since any conversion will be virtually immediately out of date, the beginning of the decade of the 1990s was chosen as the conversion point and the converted numbers are flagged by the phrase 'in 1990 money'.

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