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A Frank Sinatra at the Helm of Deutsche Bank?*

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Josef Ackermann:
Mein Weg
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A few weeks ago, the memoir "Mein Weg" by Josef Ackermann[1] was published on the book market. This will be an unusual review for an unusual book. Unusual because his work is not a specialised book in the strict sense, but also because this is more of a review than a critique. But it is particularly unusual because, as a reader, I am interested in the man himself, who, as one of the key drivers of international finance, had a major impact on economic policies in many countries. How did he manage to get to the top and how did he feel at the top, where every breath is often a challenge? How does the former successful banker see himself now? (Incidentally, the book also tells us that he was most successful in the javelin.)

I am sure that the choice of the title is based on one of Paul Anka's most successful compositions, which Frank Sinatra elevated to the level of an anthem and which has featured in the repertoire of many other artists. The song's content is well-known: at the end of his career or life, a man looks back over the previous decades to see what he has put on "life's table". The answer is that whatever he has done – whether the results are positive, which he can be justifiably pleased with, or negative, which he looks back on with shame – he has done it all; either he did it himself or it was done on his initiative. It is not only the pride of achievement that resonates from the song, but also the responsibility – to be taken! – for what he has done.

Reading the book of one of the most successful, but also one of the most controversial, bankers of the last few decades, the dichotomy of "individual choice – individual responsibility" is evident throughout, and this is apparent without the readers having to constantly remind themselves of this. It is, so to speak, a thread running through the volume, from the first page to the last.

* The papers in this issue contain the views of the authors which are not necessarily the same as the official views of the Magyar Nemzeti Bank.

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So let's look in a little more detail at this 460-page book, about fifteen per cent of which is personal, covering family, childhood, adolescence and personal relationships, with the bulk of the book covering events in his career. It also discusses the causes of financial crises and the lessons to be learnt from them.

The attitudes and behaviours that would shape his later career were almost automatically instilled in Ackermann by his family, where respect for knowledge and a desire for and commitment to culture in its broadest sense were core values. In retrospect, he was also able to succeed in his profession because the vast knowledge he acquired and the healthy self-confidence – generally – supported by his family became the basis for his almost boundless confidence in his abilities. It was this that drove him to new challenges, and it was also reinforced by the saying "*Qui veut, peut.*" he heard from his mother very often. It's a corollary of the motto "Trust your own strength": "If you have a problem, try to solve it yourself, and ask for outside help only afterwards!" This attitude, which within continental Europe is perhaps most prevalent in Switzerland, proved, in the author's words, to be a cultural legacy that led him to experience some "culture shock" (pp. 95 and 101) when he started working in Germany in 1996, a country that was "characterised by confidence in a strong state" (p. 97). At the same time, this attitude helped him to make responsible decisions, and he maintains this attitude later in life as well, almost unchanged, in his assessment of his work as chairman of Deutsche Bank (pp. 277–279).

During his studies, Professor *Hans-Christian Binswanger*, under whose guidance Ackermann completed his doctoral thesis, became a key figure, and he remained so for the rest of his life. Binswanger's influence can be attributed partly to his unconventional personality and partly to the fields he studied (monetary theory, environmental economics). Most of the work on Ackermann's dissertation was done in the years during which Binswanger wrote his 1985 book,[2] in which he also attributed to money some mystical quality, referring to Goethe's Faust. One of the most important results of the dissertation is that money – besides its functions as a unit of account and as a means of holding wealth – should be considered primarily as a means of payment (p. 55), which is very close to Binswanger's mysticism.

Of course, there is much more in the first part: for example, the impact of military service on his life and his subsequent rise to the rank of colonel; the beauty of his secondary grammar school years; a bet with a child of a Hungarian family who settled in Switzerland after 1956 that he would learn Hungarian in two months as well as the Hungarian boy had learned English, a bet he lost. But instead of such interesting and important questions, let's take a look at his career as a banker.

[2] Binswanger, H.-Ch. (1985): *Geld und Magie*. Edition Weitbrecht, Stuttgart.

If we look at the main stages of his career, it is clear that he reached high positions in a very short time. In 1977, he was approached by Schweizerische Kreditanstalt with a job offer, and they soon reached an agreement. This marked the beginning of his 19 years at this long-established financial institution. In 1979, he was sent to the USA for a year to deal with lending. On his return to Switzerland, he was given the opportunity to manage the financial institution's payment flows. He held positions in several branches and did important work at the financial institution's headquarters in Zurich. In the mid-1980s, he was sent to London, where he had his first taste of investment banking with Credit Suisse First Boston. In his book, it is repeatedly mentioned that he is seen by many as always having worked in investment banking, a view that Ackermann consistently rejects: like most Swiss graduates in finance, he started his career as a "classical banker", i.e. he worked for a long time in lending. This was obviously the case. On the other hand, when Schweizerische Kreditanstalt acquired Credit Suisse First Boston in 1988, and thus took on another major business area, Ackermann, unlike many of his former colleagues, already had a wealth of knowledge and experience in the field of investment. Hence, it comes as no surprise that he was put in charge of the investment unit at his financial institution. In 1990, his successes led him to become a member of the board of Schweizerische Kreditanstalt, which had been part of Credit Suisse for a year, and from 1993 he was appointed chairman.

During his first three years on the board, his work continued to focus on the "non-classical" areas: investments, derivatives, etc., which his fellow managers still tried to avoid. Not least because this helped the financial institution successfully weather the crisis, he had an almost direct path to the chairmanship of the board of the now "most American" bank. But more instructive is how Ackermann looks back on his resignation three years later. Perhaps it is not wrong, and certainly not offensive to the person concerned, to describe the situation after three successful years as follows: the bank had become too small for him, in two senses. On the one hand, he was clearly looking outwards, believing that with his knowledge and experience he could find a more important position in the international monetary system. On the other hand, he found that the strategy that had made the bank successful was not accompanied by the organisational transformation needed to continue. Both factors clearly point to the family "heritage": the unquestionable existence of self-confidence and the duality of decision-making and responsibility in the sense that "if I take responsibility for the institution, the decision should be mine".

Already a widely known and respected banking expert in 1996, he was approached by several institutions. From them, he accepted the offer of Deutsche Bank, among other reasons because "I saw a lot of potential there," he wrote, "in the field of investment" (p. 89). Thus, between 1996 and 2012, he established his battle position in the international competition in Frankfurt am Main, initially as a member of the Board of Directors and later as Chairman of the Board of Directors of Deutsche Bank.

His work for Deutsche Bank could certainly be the basis for at least one more book, mainly because of the innovations introduced in the field of management. Exciting, of course, are the events that unfolded in 2008 without external help from the Bank – cf. his "Qui veut, peut" attitude which he got from his family – and the many subjective elements of the financial and debt crisis. Instead, let us focus here on a single theme: the role of the media and the author's relationship with it. Trust is a fundamental element of well-functioning financial systems. The latter is the result of individual assessments and is influenced in no small measure by the media. Consequently, the glorification or denigration of a (financial) institution or one of its representative who is constantly in the limelight can have a major influence on economic developments. Ackermann may have experienced this (see e.g. the sub-chapters "Communication problems", "The Kirch drama" or "The Mannesmann trial"), in both directions, where negative perceptions obviously hurt. However, when he expresses his resentment for some newspapers or some journalists, it is obviously not because of what is rightly and categorically put down in writing, but because they are repeatedly stirring up essentially marginal issues with their somewhat "rewritten" portrayals of the real situation, until – independently of them! – the situation is resolved.

Here again, the duality of power and responsibility comes into play: if the media are already gaining quite extraordinary power, they should use it responsibly, not to sensationalise and not to boost their circulation and revenue. And yet another earlier concept returns: mysticism, magic and alchemy. Just as people have long struggled to produce gold from existing materials, the media produces stories from information crumbs to create a devaluation of news for society that would have been caused by artificial gold in economic life. The difference is that those who control the media have succeeded in comparison to the alchemists. The thought can be continued: how are the alchemists' attempts, the media-induced information inflation, different from the Binswanger mystique of money? Are the banks' money creation operations not causing the same kind of inflation, now "real", as the other two areas?

At about the same time as his position as Chairman of Deutsche Bank, Ackermann took on another important assignment as Head of the International Institute of Finance. In this clearly global capacity, he became, in his own words, a "political animal" (p. 290). The debt crises that raged in Latin America in the 1980s, but especially the global financial crisis of 2008, created a new context, as economic turmoil became more global and the interaction between banking and fiscal problems increased significantly. Thus, regionality has become an increasingly important consideration for banks, and on the other hand, there has been a demand from fiscal institutions for the private sector, and here I am thinking mainly of banks, to take a greater share in debt management. Consequently, new structures and mechanisms need to be put in place and developed to solve the problems that arise with a view to success or, more importantly, to prevent similar developments. Ackermann gives a number of concrete examples of how, in close cooperation with the Basel Committee on Banking Supervision, progress has been made in this area.

Ackermann's last two positions – at the head of the Zurich Insurance Company and the Bank of Cyprus – were much smaller than the previous ones. But by then he had already reached the age at which people usually retire.

Finally, a more general comment: The book is "human" because it not only offers insight into the author's personal traits, but also clearly shows how human relationships are crucial in an often "inhuman" financial world. Working alongside the right person and learning from them can give a career a serious boost; a rash move by a superior can open the door to higher positions; a well-functioning administration is worth its weight in gold, but the suicide of an important colleague can lead to resignation, and the list goes on. After all, was Ackermann "just" lucky to be in the right place at the right time? The answer is clearly no! Luck may be a necessary condition for a successful career, but it is by no means sufficient, because for sustained success you need to show performance. Only then can one really say, "I did it my way".