

# SUMMARY

## THE HOUSE OF ROTHSCHILD

NIALL FERGUSON



# **Summary of “The House of Rothschild” by Niall Ferguson**

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Money's Prophets 1798-1848

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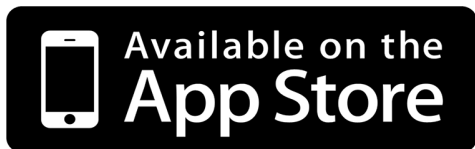


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# Introduction

You've likely heard the name Rothschild and associated the name with a wealthy Jewish family or even a successful investment banking company. But did you know that Rothschild was the biggest bank in the nineteenth century? For most of the century between 1815 and 1914, it was easily the biggest bank in the world. In fact, there can be no equivalent in the twentieth century, not even the biggest of today's international banking corporations can compare to the Rothschilds during their heyday.

Furthermore, no individual today owns as large a share of the world's wealth as Nathan and James Rothschild owned from the mid-1820s until the 1860s. And while many banks have their various histories, the Rothschilds have an entire mythology. Ever since the second decade of the nineteenth century, there has been speculation about their origins and the extent of the family's wealth. People have often wondered and questioned the social implications of their meteoric upward mobility, their political influence, and their Judaism. Was there a *secret* to their unparalleled success? Throughout *The House of Rothschild*, Niall Ferguson peels back the layers of the Rothschild family and their success to help you better understand the mythology and historical reality of some of the most mysterious, yet successful, figures of history.

# **Despite Growing Anti-Semitism, Mayer Amshel Rothschild was Able to Set the Foundation for His Family's Success**

In 1743 or 1744, Mayer Amshel Rothschild was born, the man who started it all. The father of the famous Rothschild brothers, Mayer Amshel grew up in a pious household where his father sent him off to rabbinical school after completing his primary education. But those studies were cut short when his parents fell victim to one of the many epidemics that swept through German towns in 1755 and 1756. Mayer Amshel was just twelve years old.

Instead of returning to live with his older siblings, he was sent to Hanover where he learned the basics of business at Wolf Jakob Oppenheim. This experience brought him into direct contact with the privileged world of court agents. He then became a dealer in rare coins and medals where he dealt with aristocratic collectors. Around 1764, Mayer Amshel returned to Frankfurt, where he quickly put his expertise to use. Within a year, he had succeeded in selling rare medals to the Hereditary Prince of Hesse-Kassel, and in August of 1770, he married Gutle, the daughter of Wolf Salomon Schnapper, court agent to the Prince of Saxe-Meningen. This marriage brought Mayer Amshel new connections and new capital, a dowry of 2,400 gulden, thus laying the foundation of his success.

Eventually, Mayer Amshel successfully established himself as Frankfurt's leading dealer in coins, medals, and antiques. It was during the eighteenth century, however, that Jews in Frankfurt began to experience discrimination and increasingly anti-Jewish sentiments. For example, Frankfurt Jews spent most of their lives within the high walls and gates of the *Judengasse*, or Jew's Lane, which was designed as a ghetto. Forbidden to live outside the *Judengasse*, the street became cramped as the Jewish population grew from a little more than a hundred to no fewer than 3,024 by 1711. The houses were just eight feet wide and four stories high, and

behind each row, an additional row was constructed. As a result, fires would regularly destroy houses, making the demand for housing even greater.

Jews were also prohibited from going to major public places like parks, inns, and coffee houses. Instead, most of their lives were spent confined behind the gates of the Judengasse. Even those who merely looked beyond the gate witnessed how “most of the people among the Frankfurt Jews, even those who are in the blooming years of their life, look like the walking dead...” They had a deathly pale appearance about them that set them apart from all other Frankfurt inhabitants in a most depressing way.

Despite this discrimination, Mayer Amschel still managed to become one of the most successful bankers of his time. In fact, he had acquired so much wealth, that one of his junior employees had been able to embezzle between 1,500 and 2,000 gold carolins right under his nose. You see, the firm had no safe for valuables and didn't have much security, so no one noticed when coins and notes began to disappear. In other words, his business was turning over so much cash that Mayer Amschel could hardly keep track of it all. Bags of money were simply lying around the office, in cupboards, and even on the floor. By 1800, he was among the richest Jews in Frankfurt.

# **As Mayer Amschel Built His Empire, Nathan Rothschild Successfully Continued the Business After His Father's Death**

As mentioned in the previous chapter, Mayer Amschel began a relationship with the Hereditary Prince of Hesse-Kassel, William IX. And according to the Rothschild myth, this relationship proved to be the foundation to which Rothschild was able to build his fortune. As the story goes, it was in the 1790s that Hesse-Kassel was removed from rulership by Napoleon. Afterward, William had little choice but to flee and initially headed for his brother's estate. However, just two days later, he issued a proclamation formally confiscating all assets. According to legend, it is this moment that William hastily turned to Rothschild to take care of his entire fortune. As the French army was entering Frankfurt, Rothschild had just finished burying the prince's wealth in his garden. As a result, Rothschild was stripped of all of his wealth and reduced to poverty while the prince's treasure was kept safe. When Rothschild returned the money to William, William offered Rothschild access to his fortune for many years to come.

This story, however, is just that. A fictional story. But like many Rothschild myths, it does contain a bit of truth. The service Rothschild provided to William was not burying and protecting his wealth but managing William's English investments. These investments allowed Mayer Amschel's third son, Nathan Rothschild, to establish a successful banking business in England. Around 1800, Nathan was sent to England by his father where he eventually began managing William's English investments, allowing him to become a banker in London.

In 1810, the family business turned into "Mayer Amschel Rothschild & Sons" and Mayer Amschel was now an old man at the age of 66 or 67. Even more, he was seriously ill. As he lay on his death bed, he declared that his daughters, sons-in-law, and heirs had no share in the family business; instead, the firm will be exclusively owned by his five sons. This testament



was strictly adhered to by his immediate heirs and continued for generations to come, confirming that his influence survived long after his last declaration was written. The request to maintain a family business had a long-lasting impact on the Rothschild family.

As the five brothers lived out their father's dying wish, they began to establish permanent bases in Frankfurt, London, Paris, Vienna, and Naples, which gave them power in more ways than one. You see, in 1814, Nathan Rothschild was given the responsibility of financing Britain's war against Napoleon's troops. But Britain wasn't the only country to benefit from the Rothschild's finances. Austria, Russia, and Prussia were now grouped together as the "Holy Alliance" and were in dire need of financial help, and the brothers were willing to oblige. Taking their father's advice, their plan was a masterpiece in more ways than one.

As they learned from their father, they ensured that their terms were attractive to both governments and individual officials with whom they were negotiating. The first benefit of these loans was through the use of commissions of up to 8%. Secondly, the brothers exploited the rapid and significant fluctuations in exchange rates. For instance, with bases in five different cities in various countries, they were able to buy currency at a discount in one market and sell it for a profit in another. Nathan became the master of the Stock Exchange and kept a close eye on the exchange rates of silver. Eventually, Nathan emerged as the "commanding general" of their business and operation, making financial business decisions that greatly impacted their success.

# **The Political Relationships of the Rothschilds Led to Feelings of Hostility**

It may come as no surprise that it was common practice for European politicians of the period to accept favors from bankers, ranging from investment tips to outright bribes, and the Rothschilds were no stranger to this game. For instance, Amschel Rothschild quoted that he was “convinced that we as Jews could not get by without bribing and that the Gentiles had the advantage.” By engaging in this type of practice, the Rothschilds were able to maintain close contact with the political elite who helped to advance their success and influence.

One such person whom the Rothschilds lent money to was King Louis XVIII. Nathan advanced the King £200,000 on behalf of the British government to meet the costs of his return to France in 1814. Nathan insisted on repayment with interest three years later. On the other hand, Nathan also made loans in the 1820s that benefited them in the long-term, including deals with prominent Prussian diplomat Wilhelm von Humboldt. But perhaps the most influential relationship at the time was the Rothschilds’ relationship with Austrian statesman Klemens von Metternich. He too banked with the Rothschilds and was considered “cash-poor” for much of his long political career.

Within a year of their first meeting, Metternich raised the idea of a possible loan of 300,000 gulden. Metternich had already proved himself a useful ally by supplying political news in Paris, supporting their efforts to secure Austrian financial business and sympathizing with their campaign for Jewish emancipation in Frankfurt. Despite being a “great friend,” the Rothschilds were reluctant to lend so much to an individual. Later that year, however, Metternich received a loan of 900,000 gulden after showing his support for the Frankfurt Jewish community, sealing the “friendship” between Metternich and the Rothschilds.

A year later, Metternich and Salomon began to share political news on a regular basis, Metternich informing Salomon of Austrian intentions while Salomon provided him with news he received from his brothers in London, Paris, Frankfurt, and Naples. However, this relationship proved controversial after the suicide of David Parish, who complained that “the new alliance” between Metternich and the Rothschilds had ruined him and led to the demise of his business, Fries & Co. In fact, it was many relationships like these that led to myths about the Rothschilds that led to hostility towards them.

The Rothschilds began to be perceived as the center of a web of “corruption,” a reputation that followed them into the 1830s. However, these myths were simply all fiction. In reality, it was not the bribes, loans, and other favors with political figures that made them the dominant force in international finance. It was the scale and sophistication of their operations. In other words, their hostile reputation came from simple rivalry and anti-Jewish sentiment.

# **The Rothschilds Were Committed to Advocating for Jews and Became Pioneers for Fast Communication**

Throughout the years, the Rothschilds garnered much influence and status. Of course, gaining their social status would have been much easier had the family been Christians, not Jews. They remained resolutely Jewish despite the wave of Jewish families converting to Christianity. In 1814, the fourth Rothschild son, Carl, stated the family had made their fortune as Jews and wanted nothing to do with converted families. In fact, they regarded themselves as “role models” in the movement against the discrimination of Jews and used their status to advocate for Jewish emancipation.

It was their relationship with the wider, poorer Jewish community that has long become the subject of many myths and jokes. Because of their great wealth and political power, they became known as the “King of the Jews” in the eyes of other Jews as they had a mythic, talismanic status. Cartoonists even suggested that having made their millions, the Rothschilds were indifferent to the plight of their “poorer co-religionists.” In reality, the Rothschilds were always mindful of their lowly origins and the Rothschild archives contain numerous letters requesting assistance from Jews and Jewish communities all around the world. Nathan, for example, subscribed to many charities for the poor and sick, including groups that specifically helped out poor and sick Jews. Additionally, he took a charitable interest in the education of Jews, donating to various Jewish schools around the world.

Despite their wealth and influence, the Rothschilds never lost sight of the fact their co-religionists remained subject to many discriminatory laws and regulations after 1815. In western Germany, Jews were stripped of their jobs and citizenship. As a result, the Rothschilds hoped to use their social status to help lead the Jewish emancipation. They set their sights on Prussian Chancellor Hardenberg to help their efforts as he had “a very

friendly attitude towards the Jews.” The Rothschilds used bribery to buy various political figures gifts, such as caskets and British stocks worth £20,000. Throughout the years, they continued their effort in gaining equal rights among Jews. Their commitment to Judaism combined with their financial and social wealth earned them the nickname, “the exceptional family.”

But they weren’t just exceptional because of their wealth, social status, and philanthropy, they were also exceptional in the way they operated as a family. In fact, their communications network is perhaps one of the greatest explanations for their success. Always trying to find a way to expedite their communications, Nathan, for example, routinely paid premiums to captains of postal ships to ensure expedited delivery of his letters. However, many offices in Germany routinely opened and copied letters that appeared to contain politically sensitive or useful information. This lack of confidentiality forced the Rothschilds to employ private couriers, a practice they began in 1814. By 1827, their practice had become so habit-forming that Salomon became infuriated when he couldn’t find a courier willing to travel from Vienna to Strasbourg at 10 p.m. on Christmas Day!

Their system was one of the best, but it wasn’t long until rivals began sending just as many couriers of their own. But during the years of 1815 and 1835, the Rothschild’s courier service had a competitive edge above the rest, offering them the ability to service politicians and diplomats faster than anyone else. This communications network certainly set them up for success, but perhaps an even bigger contributor to their success lay in the cooperation between the five houses. The five Rothschild houses were located in London, Frankfurt, Paris, Vienna, and Naples, and when combined, they comprised the largest banking system in the world. This multinational partner allowed them to disperse their financial influence throughout some of Europe’s major financial centers.

# **The Death of Nathan Rothschild Impacted the Entire World**

The successes and cooperation of the five Rothschild houses were largely due to the influence and ingenuity of Nathan. Even his brother Carl believed that Nathan should have a bigger share of the company rather than a fifth. He stated that “he has a big family, he needs more...We owe everything, really everything to him. He saved us. We wanted to take a jump earlier [that is, to sell] and he kept us back.” However, in 1836, everything was about to change due to the unexpected death of Nathan Rothschild.

Since the death of their father, Mayer Amschel, in 1812, Nathan had been leading the Rothschild business, and even the outside world perceived Nathan as the pillar of the family. Upon his deathbed, he called on his sons to “carry on in harmony and peace the banking house founded by me under my name in London.” He also expressed that the firm in London should be continued on by his four sons and that the other houses shall remain directed by his four brothers and that they remain partners. He recommended that his sons follow the advice and recommendations of his brothers.

Lastly, Nathan suggested a series of amendments to the new partnership agreement. But overall, his dying wish was for the family to remain together and work as a unit, no matter how much or how little money they had. Nathan’s death had more than just an impact on the family, there were many economic effects as well. For instance, many foreign markets had been falling in value in the week prior to his death; however, the effects were only temporary because Nathan’s death coincided, and possibly exacerbated, the onset of an international financial crisis that had been developing throughout his illness.

Because of his international financial influence, it is not an exaggeration to call Nathan’s death “one of the most important events for the city and

perhaps for Europe... for his financial transactions certainly pervaded the whole of the continent” and that his influence was exercised on almost every major financial business of his time.

# The Rothschilds Had Influence in Arts, Music, and the Railway

As you now know, the Rothschilds held great influence in the world of finance and Jewish philanthropy. But there is still one area of influence that we have yet to discuss: the patronage of the arts. Over the years, the family collected a number of prestigious works of art. While they had quite a collection of various paintings, the family had an affinity for the art of seventeenth-century Holland. In 1840 James bought Rembrandt's *The Standard Bearer* from George IV's collection and hung the painting in the grand salon at the rue Laffitte.

They also acquired works by Anthony van Dyck, Peter Paul Rubens, Jacob van Ruisdael, and Philips Wouwermans. The family, however, had little interest in the art of their own day, leading to many myths that exaggerated this indifference. For instance, there is one story of James antagonizing two artists, Jadine and Horace Vernet, in his efforts to secure a cut-price portrait. It is said that Vernet took revenge by depicting James as a cowardly Jew in *On the way to Smala*; however, the figure in the painting has no resemblance to James or any Rothschild. This, of course, is all just a myth.

For the Rothschild's, art, like today, was a form of investment. In fact, James' entire collection was insured for 10 million francs or £400,000. But art was more than just an investment, it was also a form of decoration. In fact, in the nineteenth century, musicians were a prerequisite for any successful soirée or ball. So in January 1828, Nathan secured a performance by Ignaz Moscheles - Felix Mendelssohn's tutor. Other notable performers who played at the Rothschild houses include Mendelssohn himself, Franz Liszt, the pianist and conductor Charles Hallé, and the violinist Joseph Joachim. Some also believe that the Polish pianist Frédéric Chopin's career in Paris began in James Rothschild's home.



Of course, in return for their performances, musicians were treated to financial assistance from the Rothschilds. For example, many performers borrowed money from the family to fund their various tours. Even the most outspoken anti-Semite, Richard Wagner, is said to have banked with the Rothschilds. In other words, the Rothschilds had incredible influence and value in the musical world, and they used that influence to push their Jewish emancipation agenda, which allowed them to benefit from their social status in more ways than one. The Rothschilds infiltrated almost every influential area they could, the arts, politics, etc. and as a result, became one of the wealthiest, most influential families in history.

Of course, this influence wasn't always met with positivity. In the mid-1830s, the Rothschilds turned their focus to industrial finance and invested heavily in railway construction. They played a leading role in the development of the French railway; however, many journalists began to view their influence as a corrupt, private monopoly and began to write with hostility about the family. In 1846, the hostility grew when a train on one of the Rothschild lines derailed and crashed, resulting in the death of 14 people. They were then made targets for the social revolution of 1848 as the public became increasingly concerned over civil rights and the growing disparity in wealth.

As a result, the Rothschild's safety became threatened, and in Frankfurt, the Rothschild houses were attacked and windows were smashed. Furthermore, the family suffered more losses due to their ties to government securities. As the value of government securities fell dramatically, the Rothschilds were on the verge of bankruptcy. Luckily, because the social revolution never reached Britain, the house in London was able to bail out the other four, ensuring the success and survival of the family legacy.

## Final Summary

The Rothschilds were perhaps the most influential and wealthiest family in nineteenth-century Europe. With five houses in all parts of the continent, the family was able to conduct financial business in the center of Europe's major financial cities. Not only did they have financial influence, but their relationships with major political figures increased their influence among various groups and allowed them to further their Jewish emancipation agenda. Furthermore, their relationships with various artists and musicians gave them even more influence in the world of the arts. Overall, there wasn't an area of influence that the Rothschilds didn't have their hand, or money, in. As a result, the family was able to create one of the most successful businesses of their time, which led them to become the subject of various myths, all of which are largely untrue.



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