

## [Transcript] Founders / #285 How Jay Gould Built Wall Street's Biggest Fortune

The presenting sponsor of this episode is Tiny.  
Tiny is the easiest way for you to sell your business.  
They provide straightforward cash exits for founders.  
Selling a business is usually an unpleasant experience.  
Tiny removes all the hassle.  
In fact, if you go to [tiny.com](https://tiny.com),  
you'll be able to see the way that they differentiate  
their offering compared to other people that buy businesses.  
Make sure you stick around to the end of this episode.  
The last six minutes is actually a masterclass  
on product differentiation from Warren Buffett.  
I actually compare the ideas  
that Warren writes about in his shareholder letters  
to Tiny's approach to building their business.  
And like Warren Buffett, Tiny moves fast.  
The process to sell your business is very straightforward.  
You just go to [tiny.com](https://tiny.com),  
you'll get a response within 48 hours.  
They'll make an offer within seven days,  
and then they close within a month.  
If you're an investor or a founder  
and you have a business that you think is a good fit for Tiny  
that you wanna sell now or in the future,  
make sure you go to [tiny.com](https://tiny.com).  
And one more thing before we jump into  
the unbelievable life and career of Jay Gold  
for the second time,  
I wanna give you a personal podcast recommendation.  
Invest Like The Best is one of my favorite podcasts.  
The host, Patrick, is a world-class interviewer  
and he shares my passion for podcasting.  
Whatever podcast player that you're currently listening  
to this on, please search for Invest Like The Best  
and make sure you follow that show.  
I have two episode recommendations for you.  
In fact, I listened to one last night.  
It is episode 293, Mitch Lasky.  
It goes into the actual business of video games.  
I thought it was fascinating.  
And then if you want to listen  
to the episode Patrick and I did together,  
it's episode 292 is called Passion and Pain.  
And now let's jump into the life story  
of the man that Cornelius Vanderbilt said

## [Transcript] Founders / #285 How Jay Gould Built Wall Street's Biggest Fortune

was the smartest man in America.

Jay Gold took time off from counting his money

to have lunch at Delmonico's,

the fanciest restaurant in town.

While he was eating, a lawyer walked over to his table

and punched him in the face.

A series of spectacular financial triumphs

had made Gold fabulously rich.

Now at age 36, he was the most notorious businessman

in the country.

Like others who try to claw back money from Gold,

the lawyer was getting nowhere in court.

The laws were too weak, enforcement too lax,

and the judges too crooked.

Gold had them in his pocket.

This book seeks to explain Jay Gold

and his underappreciated and aggressively maligned role

in the country's transformative economic expansion

of the 19th century.

But it's just as much an exploration of Wall Street

during its Wild West era, after the Civil War,

when, by the rough means on display at Delmonico's,

the seeds of our current financial system were planted.

Cornelius Vanderbilt, John D. Rockefeller,

and Andrew Carnegie are not the focus of this book

because they made their money in industry, not in finance.

Vanderbilt toiled in steamships and railroads,

Rockefeller and oil, and Carnegie and steel.

Only the lesser known figure of Jay Gold,

as rich as any of them, was foremost a creature of Wall Street.

To the extent Jay Gold is remembered, it's for Black Friday,

the day he blew up the gold market

and paralyzed the financial system.

Lawyers swamped him with lawsuits,

prosecutors hit him with subpoenas,

and Congress hauled him in for hearings.

This was as far as things got.

Arrested three times, Jay Gold never spent a day in jail.

Frustrated opponents turned to vigilante justice.

One victim tossed gold down a stairway.

Another one pulled a gun on him.

His peers were more charitable.

Vanderbilt told a newspaper

that gold was the smartest man in America.

## [Transcript] Founders / #285 How Jay Gould Built Wall Street's Biggest Fortune

Rockefeller, when asked who he thought had the best head for business, answered Jay Gold. They recognized gold as a master of his craft. No one disputed that he was an extraordinary problem solver, an unparalleled negotiator, an expert communicator, a lightning fast thinker, and a masterful tactician with a staggering memory. He complimented his natural endowments with nerves of iron and a work ethic, even as a teenager so strong that it damaged his health and quite possibly shortened his life. With his mix of brains and single-mindedness, he was suited to make the most of the moment. But why does he matter? There's an easy answer. While he made his money on Wall Street, he did as much as anyone through his work with the railroads to build the country. Railroads changed America in the 19th century, much as automobiles changed the country in the 20th century, and the internet has changed the 21st century. And gold knew how to play the game. That was an excerpt from the absolutely fantastic book that I read this week and the one I'm gonna talk to you about today, which is American Rascal, how Jay Gold built Wall Street's biggest fortune, and it was written by Greg Steinmetz. Okay, so I gotta start by reading the inside flaps of this book, the inside cover of this book, because it gives you an absolutely fantastic overview of the life and career of Jay Gold. And this is what it says. He was richer than Rockefeller and so bare knuckled that even Wall Street had to start making rules. Had he put his name on a university or concert hall, he would undoubtedly be a household name today. The son of a poor farmer whose early life was marked by tragedy, Jay Gold saw money as a means to give his family a better life, even if to do so, he had to pull a fast one on everyone else. After entering Wall Street at the age of 24, he quickly became notorious when in an attempt to corner the market on gold,

## [Transcript] Founders / #285 How Jay Gould Built Wall Street's Biggest Fortune

he paralyzed the economy and nearly toppled President Ulysses S. Grant.

The Black Friday market collapse of 1869 remains among the darkest days in Wall Street history.

Through clever financial maneuvers, he gained control over one of every six miles of the country's rapidly expanding network for railroad tracks, coming close to creating the first truly transcontinental railroad and making himself one of the richest men in America.

I'm just gonna interrupt this real quick.

He winds up dying from tuberculosis at 52 years old.

I think he had five, I think it's six kids.

He was so rich.

So I use this calculator that's available online that'll try to tell you the value of a dollar in the past in like today's terms.

It only goes back to I think 1913.

Jay died 21 years earlier in 1892.

When he died, he left his firstborn son \$15 million and all the rest of his kids,

I think the five other kids, \$10 million.

Having \$15 million back in 1913, so the value would be even more in 1892,

it'd be like giving your firstborn son about almost \$500 million

and then giving your other five kids \$300 million.

Imagine how much more wealth he would likely build if he actually lived to the same age as like a Rockefeller or Vanderbilt.

His illness actually took away maybe another two decades of him constantly building to as well.

So it's just a staggering amount of money.

So back to this, it says it made him one of the richest men in America.

That's just an illustration of that.

American Rascal shows the complex and quirky character.

This is one of my favorite paragraphs to give you just a description of why we should spend so much time.

This is my second podcast on Jay and I'll go into more details of that in a minute, but why we should spend so much time just studying just his very unique life and career.

## [Transcript] Founders / #285 How Jay Gould Built Wall Street's Biggest Fortune

So it says American Rascal shows the complex and quirky character of the 19th century's greatest Robert Barron. He was at once praised for his brilliance by Rockefeller and Vanderbilt and condemned for forever destroying the American business values by Mark Twain. He lived a colorful life, trading jokes with Thomas Edison, figuring in Thomas Nast's best sketches, paying boss tweeds bail and commuting to work in a 200 foot yacht. He thrived in an expanding industrial economy in which authorities tolerated inside trader and stock price manipulation because they believed regulation would stifle progress. But by taking these practices to new levels, he showed that unbridled capitalism was in fact dangerous for the American economy. This eye-opening history explores how Gold's audacious exploration or exploitation, excuse me, of economic freedom triggered the first public demands for financial reform, a call that still resonates today. So I'm gonna go into his early life to give you an idea of how the circumstances and the tragedy that he had to endure when he was young really turned into this concept that you and I have talked about over and over again. It's this PSD, which stands for Poor Smart Determined. And after you're done listening to this, if you have not already listened to the very first episode I did on Jay Gold, it's episode 258 based on this fantastic book called The Dark Genius of Wall Street. There's going to be some overlap in the conversation you and I have today with that episode, but I do think of them as a two-part series, meaning that if you're interested in Jay, you should listen to both of them. And so to me, there's three traits that influence Jay's early life the most. That's poverty, early deaths, and alcoholism. And so it says, on a January morning when Jay was four, his sisters were in school and their teacher dismissed them early.

## [Transcript] Founders / #285 How Jay Gould Built Wall Street's Biggest Fortune

Mary, Jay's mother, was sick and wanted to see her children.

Jay went with the girls to Mary's room.

He pulled himself up to her bed and kissed her lips.

They were cold.

Mary was dead at age 35, a victim of typhoid fever.

And this is one of the most chilling sentences in this entire book.

Jay later said that the only thing he remembered about his mother were her cold lips.

It is interesting to think about what's imprinted on us when we're really small, when we're really young children that affects the rest of our lives.

This book doesn't talk about it as much, but in *The Dark Genius of Wall Street*, it talks about that Jay had very few habits outside of family and work.

One of his habits and one of his hobbies rather was that he loved growing flowers.

The beautiful home that he had on Fifth Avenue in Manhattan later in life had a fairly large garden.

He winds up buying this massive estate.

I think it's in upstate New York.

Some were outside outside of Manhattan and then he winds up building this massive greenhouse and would spend a ton of his free time at the time that he's not working, growing new kinds of flowers.

And the reason that stuck out to me is because his mother spent an unbelievable amount of time developing her garden before she passed away.

So then after his mother dies,

his father remarries a number of times.

It says family tragedy did not end there.

John Gold immediately remarried.

And his new wife died less than a year later.

He married a third time.

The woman died within two years.

Jay's sister Nancy, who was only 11 years old, also fell ill and died.

That made four deaths in four years.

So imagine going through that, you're eight years old, your mother died, your sister died, your two new stepmoms are dead.

## [Transcript] Founders / #285 How Jay Gould Built Wall Street's Biggest Fortune

And to make it worse, his father winds up being an alcoholic.  
So it says he took to drink.  
John Gold could be cruel.  
Jay was once sent home from school for misbehaving.  
John locked him in the cellar.  
It gets even worse than that.  
So he locks him in the cellar, gets so drunk,  
forgets that he's in there.  
So Jay's older sisters are like, well, where's Jay?  
What happened to him?  
And his father couldn't remember  
that he put his son in there.  
Much later when his sisters finally found him in the cellar  
and let him out, he was in tears, completely crying.  
But even in an environment like this,  
we see that his traits, his personality traits he had,  
they develop young and they stuck with him  
throughout his entire life.  
He had an unbelievable work ethic  
and an incredibly long attention span.  
Later on, he meets like a young Thomas Edison  
because he's going to wind up buying Thomas Edison's,  
one of Thomas Edison's first inventions,  
which is a way to send multiple messages  
across telegraph lines.  
And Thomas Edison thought Jay was just one  
of the weirdest people he ever met.  
He said one time when they're meeting,  
Jay pulls out like a map.  
This is much later in the book too.  
Pulls out a map and talks without stopping for three hours  
about his plans to expand his railroad.  
And I think at the time, Thomas Edison's like,  
you know, this is way before he was famous.  
He's like in his mid twenties.  
He's like, what is going on with this guy?  
So we see a little bit of that here.  
Jay worked on math problems  
as long as it took to get an answer.  
He read whatever he could get his hands on.  
Jay was often nowhere to be found.  
He was off hiding somewhere with his books.  
Jay left home when he was 13,  
explaining that the local school was too easy.

## [Transcript] Founders / #285 How Jay Gould Built Wall Street's Biggest Fortune

He goes to try to gain admittance into a school that cost money, money he doesn't have. So it says to pay his tuition and board at his new school, he taught himself basic accounting and kept the books for a blacksmith. Two years later, so I think Jay, at this point in the story, somewhere around 16, he would wake up at three in the morning to study by firelight. His area of interest was surveying. So land surveying, this comes, this is actually really important to one of his first successful businesses. He's going to start tannery. And it's actually his knowledge of surveying that gives him an advantage in that field. So keep this in mind for later. He hated the drudgery of farming and believed that surveying, because his dad was a farmer, okay? This is going to parallel with young Henry Ford, as a matter of fact. He hated the drudgery of farming and believed surveying was his way out. I actually went into more detail on this. If you haven't listened to episode 266, which is on the second time I read Henry Ford's autobiography, Henry Ford, a young Henry Ford, hated the drudgery of farming and he thought that machinery and mechanics was his way out. And in Jay's case, he learned surveying. And so as a result of learning these skills, he planned to travel around the county they lives in and actually create a map, use the surveying skills to create a map of the county he lives in, then travel around the county and selling those maps. And this idea works and this is where he makes, to him, the first real money of his life. So it says with that, Jay was in business. He walked the roads of Ulster County where he's living and surveyed the whole thing. He sold the maps himself. He earned a few hundred dollars.



## [Transcript] Founders / #285 How Jay Gould Built Wall Street's Biggest Fortune

That was the first money I made in business, he said.  
He soon had a modest but thriving business.  
His shortcoming was his inability to slow down.  
Again, he's still young.  
He's a teenager.  
He's going to be like this his entire life.  
While other farm children mended fences and threshed hay,  
he filled his teenage years with deadlines,  
sales calls and personnel decisions.  
He was consumed by work.  
He ate poorly and slept little.  
He collapsed into bed with chills and stomach pains.  
The doctor diagnosed typhoid fever.  
So this is the first of many illnesses  
that he had throughout his life.  
I think he had typhoid fever twice.  
He had some kind of like bowel,  
like infection and bowel disease,  
I think it would reoccur as well.  
And then of course winds up getting tuberculosis later on  
and dying from that.  
And so there's going to be a few times  
when he's still a teenager that he's relegated to bed.  
We see that he's absolutely relentless.  
So he's bedridden and it says not that he was idle.  
He took the time to finish another piece of work.  
He wrote a history of his home county of Delaware.  
He sent it to a printer shop in Philadelphia  
that happened to burn down.  
From his notes, he rewrote the 426 page book.  
And this is what a young Jay Gold is writing to his friend.  
You know, this again, this is like,  
I think 17, 18 year old,  
no, he's actually 18 years old at this point in the story.  
As you know, he said to a friend,  
I'm not in the habit of backing out of what I undertake.  
And I shall write night and day until it is completed.  
So in addition to his relentlessness and his determination,  
we see that he has a lot of self-belief  
even at a very early age.  
He toyed with the idea of college.  
He visited Rutgers, Yale, Harvard and Brown.  
He concluded college was an expensive indulgence.  
Why bother with college

## [Transcript] Founders / #285 How Jay Gould Built Wall Street's Biggest Fortune

when he could teach himself from books, he said.  
He had told a friend earlier in this  
that he knew that it was his destiny to become rich.  
We see more of his self-belief here  
in his letter, he's writing his friend.  
I am determined to use all my best energies  
to accomplish this life's highest possibilities.  
So this is really interesting,  
something that you and I have talked about over and over again.  
If you do the best job possible  
and the opportunity is right in front of you,  
it's going to unlock an opportunity in the future  
that you cannot possibly predict.  
He is doing the best job surveying as possible.  
This is going to lead him to meeting Zadok Pratt.  
Zadok Pratt is one of the richest  
and most successful businessmen  
in the Northeast at this point.  
That meeting is later on is going to have them  
start a tannery business together,  
even though Pratt is I think 45 years older than Jay Gold.  
That in turn is going to lead Jay to realize  
that there's actually more money in the markets  
for the leather goods that the tannery is producing  
than the actual manufacturing of the leather goods himself.  
Which then gives him the idea,  
hey, I should stop what I'm doing here  
and go learn the secret magic of stocks and bonds on Wall Street.  
So before we get there,  
I need to introduce you to Zadok Pratt.  
He is a character and you'll see what I mean here.  
Everybody knew Zadok Pratt.  
Pratt was an inspiration.  
He was born in 1790  
and he began his career traveling town to town  
as a saddle maker.  
Then he ran a country store.  
He worked 14 hour days,  
saved money by sleeping under the counter at night.  
He had his first big commercial success,  
selling ores to the military for the war of 1812.  
When he was doing that is when he discovered  
a perfect location for a tannery.  
From the moment he signed the deed

## [Transcript] Founders / #285 How Jay Gould Built Wall Street's Biggest Fortune

for this new piece of land,  
his fortune was secure.  
Why is that?  
Because leather was a big business.  
The country needed shoes, boots, machine belts,  
leather breeches, et cetera.  
And this part of the country where Zadok sets up shop,  
he winds up owning like, I don't know,  
35, 40 of these tanneries.  
So he makes a lot of money doing this.  
But he had an advantage.  
He was in the right place at the right time  
with the right set of skills.  
The tanneries need this thing called tannic acid.  
Tannic acid is found in tree bark.  
And the tree that produces the most tannic acid is hemlock.  
And it just so happens that no place in America  
had more hemlock than the cat skills,  
which is where Zadok Pratt is living.  
This is very much a rough,  
almost like frontier-like industry.  
There's one sentence I have to read to you here  
that you're gonna need to remember for later  
when Jay literally has a shootout.  
That's not hyperbolic.  
They literally go to war  
over the ownership of this tannery.  
So it says the tanners themselves  
were rough drinking men.  
Remember that part about drinking too, which gives...  
Jay thought he had a massive advantage in life  
because he was sober.  
He talks about that over and over again.  
Let's go back to Pratt first.  
If Pratt had a business card,  
it might've said something like data scientist.  
He doubled his leather output  
by experimenting with different boiling times,  
tannin concentrations, and hide size,  
while recording every data point in a book.  
He ran for Congress.  
He never missed a day on the house floor.  
He was eccentric.  
He liked playing soldier.

## [Transcript] Founders / #285 How Jay Gould Built Wall Street's Biggest Fortune

With real gunpowder, he reenacted famous battles.  
Pratt had a weakness.  
Pride, the stuff I'm reading you is happening  
over multiple pages, by the way.  
Pratt had a weakness.  
Pride, calling his little tannin community Pratsville  
was defensible.  
There were plenty of villages named after their founders.  
Nor was it unusual when he started a bank  
and called it Pratsville National.  
It got strange with the bank notes.  
For his bank, Pratt used a self-portrait.  
That's like you and I owning a bank,  
being able to distribute our own currency.  
And instead of putting like George Washington  
or Ben Franklin on it, we put our own face...  
He was...  
This actually, I think, leads to part of why a younger,  
somebody way younger, less experienced  
and had way less access to wealth  
actually winds up beating him in this competition.  
Cause Jay gets the upper hand,  
which we'll go into in one second.  
The idea of being prideful though,  
and that is a weakness continues on the next page.  
He commissioned a stone cutter to sculpt his likeness  
on the rocks overlooking Pratsville.  
They call this the Catskills version of Mount Rushmore.  
Again, instead of putting all the people's faces on there,  
he puts his own again.  
He commissioned an author to go straight his autobiography.  
In the autobiography, we learned that Pratt  
was the best marksman, the fastest runner,  
and the strongest horseman around.  
We discovered that lesser men have neither the skill  
nor the summer for big business.  
Thus, it was Pratt's obligation to assume the burden himself.  
So that gives you a background into Jay's very first  
business partner.  
They wind up building a relationship.  
Jay's like, hey, I want to build a tannery.  
And he asked Pratt to back him.  
And so Jay's going to do all the work.  
Pratt is actually going to invest \$120,000

into this business.

And so the same work ethic and attention to detail that Jay had when he was a teenager,

now he's applying it to his business.

The business does fantastically well.

This goes on for a few years,

but then slowly but surely he's like,

oh, this is where he realizes where the real money in his industry was actually being made.

And so he says he had half interest in a profitable tanning operation.

He was just 22 years old.

He could see the day when he would be rich

just like he had predicted,

but he still felt unsatisfied.

He had not forgotten the mansions in Manhattan.

He wasn't sure what the people along Fifth Avenue did to afford such luxuries,

but he knew it wasn't tanning cow hides.

And it's just remarkable how many times in these stories that you and I cover, we see something like this.

Few years earlier, he had taken his first visit to Manhattan, couldn't believe the amount of wealth, walked around Fifth Avenue and was like, can you believe that like the house is here?

It's just amazing.

Few years after that, he winds up living on and he winds up buying a place on Fifth Avenue and living there for many decades.

And something he also found in Manhattan was this thing called the swamp.

The swamp was where they actually traded like commodities like leather goods.

And he, and where Jay's like, wait a minute, he does this actually really smart.

Let me make sure I have this in here.

Actually, you know what?

What I'm thinking of is a quote.

I just found it.

It's actually from the previous book I covered back on 258, Dark Genius of Wall Street.

So I'm gonna read that to you in one second.

It's gonna describe what's happening here in the book as well.

So it says he had noticed that leather prices

## [Transcript] Founders / #285 How Jay Gould Built Wall Street's Biggest Fortune

were as immaculately as land prices.  
And that powerful and sometimes hidden forces drove prices.  
This idea of hidden forces driving prices of stocks,  
usually in the case of Jay, up and down,  
is something that's repeated throughout the book.  
It occurred to Jay that he could make even more money  
by understanding the forces that move prices  
and then trading on that knowledge.  
He had taught himself bookkeeping.  
He had taught himself surveying.  
Now he would teach him everything about leather,  
about how leather was bought and sold.  
And so that's when he starts spending more time  
down in the swamp.  
He's gonna wind up meeting people  
that become really important to him buying out Pratt later on.  
But I just wanna go over why he found this appealing, right?  
I'm always curious, like, okay,  
why did you choose that career over something else?  
And he said, what a place he thought,  
no cruise to supervise, no steaming vats of boiling hides,  
no broken steam engines,  
no odor so vile that it made the eyes water.  
The swamp was money-making distilled to its essence.  
That's how he's gonna think about Wall Street.  
In the swamp, the value came not from making things,  
but by making decisions.  
Brains and information won the day.  
This was the place for him.  
And so around this time,  
he writes his father a letter about what he's learning.  
Remember, he's away from home.  
And so this is actually an excerpt  
from the Dark Genius of Wall Street.  
And the note out of myself when I read it the first time  
that I think we'll explain this,  
why this paragraph is so important.  
He says, good question to ask.  
Good question to ask yourself, who would you rather be?  
And so Jay says, I've come to realize  
that it is the merchants who command the true power  
in this industry.  
He means that people on the swamp, not the manufacturers.  
The tanner appears to take the greatest share of capital,

## [Transcript] Founders / #285 How Jay Gould Built Wall Street's Biggest Fortune

but merely processes that capital,  
his expenses being extensive.  
He's describing where he's at right now.  
That's exactly what he's doing.  
He's the tanner.  
I'm bringing a lot of revenue,  
but I got a ton of expenses.  
His risks are real and his labor heavy.  
He's got to manage a lot more people.  
The shippers deal with the next largest sums,  
but again, they have extensive expenses  
and much work to do.  
The brokers, meanwhile,  
take what seems the smallest share,  
but it is in fact the largest.  
theirs is nearly pure profit made on the backs  
of the shipper and the tanner.  
Never their hands dirty.  
So he's like, oh, I'm on the wrong side of this transaction.  
I would much rather be,  
instead of being the tanner myself,  
I want to be the brokers.  
And then he's going to take that idea and extend.  
He's like, okay, well, I'm not just going to trade leather.  
Like, let me go learn about stocks and bonds.  
That market is way larger than this one.  
So there is an entire crazy story  
about the shootout that happens  
after him and Pratt break up.  
And Jay has a following up with his new partners  
and they literally have to like shoot around it.  
I'm going to pull out like one,  
I'm not going to like,  
I covered it way more detail in episode 258,  
but there is an idea behind it  
that I think is really valuable for you and I to discuss.  
But before I get there, this is,  
so I'm in trouble right now.  
Sometimes this happens from time to time  
when I find a new book and I cannot stop reading it.  
I cannot put it down.  
My friend Eric Jorgensen who wrote the Almanac and the Vaal,  
which I think I covered on episode 191.  
That book is absolutely excellent.

## [Transcript] Founders / #285 How Jay Gould Built Wall Street's Biggest Fortune

There's a ton of ideas in that book that I'm using as I build founders. But anyways, I discovered this new book. I thought I had like a good idea of all the books on Charlie Munger and Warren Buffett. I discovered a new book from my friend Eric about this and it says, it's called All I Want to Know Is Where I'm Going to Die, So I'll Never Go There. Buffett and Munger, A Study in Simplicity and Uncommon Common Sense. I started reading last night. I think I'm going to be up late again tonight reading it. And I'm glad I started reading it because Charlie Munger specifically and Warren Buffett too also, but really Munger is the one the way he talks about the sticks out of my mind. He talks about the dangers of multitasking. It's almost a form of arrogance to think that you can do multiple different things at one time, that you can compete with other smart driven people that are not multitasking. So what does this mean? There's about to be this giant fight between two partners, right? You have on one side Jay Gold, 40 years younger, way less experience, way less money than Zadok Pratt. But while Zadok Pratt is partially retired from business, he's got a million different business things to think about. He's doing these battles in the field. He's got kids, he's got family. He's got all these other interests. He's got his bank. Jay just has one thing, the tannery. So he thinks about it night and day. So I was rereading, I was reading the Charlie Munger, the book I just referenced and when Charlie's talking about, you know, it's very arrogant to think that you're gonna be able to compete with other smart and driven people. And he's essentially like saying, don't multitask. Me and Warren, we focus on what's in front of us.



## [Transcript] Founders / #285 How Jay Gould Built Wall Street's Biggest Fortune

We're not trying to do 50 different things at one time.  
And he feels like this next generation  
that's like multitasking constantly,  
he's just gonna have way less,  
way worse results than him and Warren did.  
And so when I was reading that,  
and that's not the first time  
I've been exposed to that idea by Munger,  
but I read that  
and then I read this part of the book where I'm at.  
I'm like, oh, that's a great illustration of this.  
Jay should not have won this battle  
with a much more experienced and successful entrepreneur,  
but that entrepreneur is distracted.  
Jay's only thinking about this.  
So again, I think focus and extreme,  
extreme focus is a superpower that is, in my opinion,  
almost going extinct in our modern world.  
And then after I read this to you,  
I'm gonna tie this in with a story  
from a young John D. Rockefeller.  
All right, so it says, they're fighting over this.  
It says Pratt proposed buying Jay out for \$10,000.  
The figure was laughable  
because at this point Pratt had already put up 120,000.  
The business is successful,  
but it goes up and down with the market of hides.  
And so right now it's in a lull.  
And so Pratt's like, no, we can resolve this disagreement.  
I'll just buy it for \$10,000.  
And so it says, when the economy recovered,  
leather prices would recover.  
Jay told Pratt to stuff it.  
He would take \$60,000 for his stake and not a penny less.  
Pratt turned Jay's logic back to him.  
If Jay really thought that half share was worth \$60,000,  
Pratt would be willing to sell his own half share  
to Jay for that amount.  
This is important, right?  
So forget the 10, he's like, okay, yeah, okay,  
I'm not gonna buy it off for \$10,000.  
You're saying it's worth 120,000  
and that your half is worth 60?  
Okay, cool, give me 60.

## [Transcript] Founders / #285 How Jay Gould Built Wall Street's Biggest Fortune

Why would Pratt do that?

Pratt did that because he's like,  
I know you don't have that money.

I'm gonna be able to buy you out for 60,  
you can't buy me out for 60.

This is gonna relate to the exact same thing.

It's spooky how there's so many similar experiences.

Wait till I read you this part about Rockefeller  
in a minute from a different book.

So it says, if Jay thought his share was worth 60,  
Pratt would be willing to sell his share to Jay  
for that amount.

Confident that Jay could not conjure up the money,  
Pratt gave him 10 days to decide.

And what does Jay do?

Jay doesn't just sit around.

He goes down to the swamp  
and he had built relationships  
with a bunch of these traders.

These people have a ton of money  
and he goes, hey, you have an opportunity,  
you know the value of heights, right?

We have an opportunity to buy out our partner for \$60,000.  
And so he winds up doing this deal with Louie up.

This guy named Charles Lee up.

He's gonna wind up going psychotic.

He would like see visions.

He'd be having dinner and think there was like elephants  
in the room and he winds up unfortunately shooting himself  
right in front of his daughter.

That story's in the book.

I'm not gonna cover it here.

So it says Jay took Lee up's money and paid Pratt.

A few years earlier, Jay had known nothing about tanning,  
manufacturing and trading hides.

Zaddick Pratt, on the other hand, was a seasoned veteran.

He was one of the richest men in New York.

But Pratt's pockets, not Jay Gold's,  
were the ones to pick that day.

Pratt had invested 120,000 of cash in the tannery.

Gold had invested nothing but his labor.

When the market recovered, Jay Gold,  
not Zaddick Pratt, stood to clean up.

Okay, so I'm gonna put this book down for one second.

## [Transcript] Founders / #285 How Jay Gould Built Wall Street's Biggest Fortune

I'm gonna pick up another book.  
There's an absolutely fantastic book  
written by Ryan Holiday.  
It's called Conspiracy.  
I covered this book way back on episode 31.  
I actually should reread it  
because it really gives you an insight  
into how Peter Teal thinks.  
And I hate recommending episodes that far back  
because I'd only made 31 podcasts at that point.  
I didn't have as much practice as I do now.  
But if you're interested, you can kind of go back  
and listen to that episode.  
I'd also buy the book.  
I own, when I really like a book,  
I own the physical copy of Conspiracy.  
I own the Kindle version and the Audible version.  
But I want to pull out,  
this is Ryan Holiday writing about this anecdote  
that comes from Rockefeller,  
I think it's like 25 in the story.  
Yeah, he's 25 years old.  
Let me read the whole thing.  
It is exactly to me.  
The parallel is striking to this point  
in Rockefeller's life where I'm about to read to you  
where we are in the American Rascal book.  
It's remarkable.  
There's a story, now this is Ryan Holiday writing.  
There's a story about a young John D Rockefeller  
who found himself stuck with bullying,  
corrupt business partners.  
He wants to break with them, but he can't  
because they control the votes.  
They are squeezing his business to death.  
They abuse him.  
They talk about forcing him out.  
What is he to do?  
Quietly, Rockefeller lines up financing  
from another oil man and waits.  
See the parallel?  
Finally, there's a confrontation.  
One of them tries to threaten him.  
You really want to break it up?

## [Transcript] Founders / #285 How Jay Gould Built Wall Street's Biggest Fortune

Yes, he calls their bluff.  
They go along knowing that the firm's assets  
will have to go to auction.  
They're sure they'll win.  
Rockefeller doesn't have that kind of money.  
He bids.  
They bid.  
He bids.  
They bid.  
Rockefeller wins the auction.  
A few weeks later, the papers announce  
his new partnership revealing who had backed his bid.  
And the news that Rockefeller is at 25 years old,  
an owner of one of the largest refineries in the world.  
This is like a ruthless, relentless quote  
from Rockefeller here.  
On that day, his partners woke up  
and saw for the first time that my mind had not been idle  
while they were talking so big and loud.  
He would say later, they were shocked.  
They'd seen their empire dismantled  
and taken from them by the young man they had dismissed.  
Rockefeller had wanted it more.  
And so when I get to this part of the book,  
I think of Jay Gold, I think of Rockefeller,  
and I think of Charlie Munger saying, do not multitask.  
So I'm fast forwarding way ahead in the story  
after this battle, this literal battle for Jay's tannery  
with some of his new partners.  
What I want to point out is an important part  
that Jay was like a teetotaler.  
Like he saw what alcohol did to his father  
and he didn't want anything to do with it.  
The other side in the war for the tannery was drunk.  
They were actually paid in whiskey.  
Jay paid his soldiers in cash  
and he made sure they were sober.  
And so later on, Jay talks about it.  
He thought that gave him an advantage.  
And he said, Jay was the son of an alcoholic  
and he was an advocate, advocate for sobriety.  
This would not be the last time that he preached sobriety.  
This is something repeated over and over and over again.  
It's really important to understanding.

## [Transcript] Founders / #285 How Jay Gould Built Wall Street's Biggest Fortune

Again, the story of the father's embedded in the son.  
That's an idea you and I cover over and over again.  
Jay was convinced that big money wasn't in the wilds  
of Pennsylvania, it was on a narrow street in New York.  
And so this is where he makes the best decision of his life.  
He's like, I'm getting out of this business  
and I'm going into the business that he winds up being,  
maybe arguably the best in the world at.  
I'm trying to start myself in the smoky world  
of stocks and bonds, he said.  
There are magicians skills to be learned on Wall Street  
and I mean to learn, he's 24 years old.  
And so I just want to tell you a little about  
how he approaches, he's going to set himself up  
as a stockbroker and a private investor.  
And I'm actually going to quote from one of my favorite books,  
a book I need to reread, frankly, soon.  
And make another podcast on,  
it is Ogilvy on Advertising, written by David Ogilvy.  
It was originally episode 82 of Founders.  
And if you haven't studied up on Ogilvy, I'd recommend you do.  
I've actually discovered him because Warren Buffett  
calls Ogilvy multiple times, I think,  
in his, in Buffett's shareholder letters.  
He said, David Ogilvy was a genius.  
And so that line was my first introduction to Ogilvy  
and then I tried to read every book on him.  
But Ogilvy has this thing that he would repeat  
throughout his career and he says,  
the good one's no more.  
And I think Buffett would agree with that  
because when, you know, people would say,  
hey, Buffett, like, how do I become like you?  
He's like, read 500 pages a day.  
And so we're going to see that gold and Ogilvy and Buffett  
had this in common, going to read from Ogilvy  
on Advertising real quick before I get into the beginning  
of how Jay prepared for his early career on Wall Street.  
David says, set yourself up to becoming the best informed  
person in the agency on the account to which you're assigned.  
Ogilvy made his fortune by building one of the most  
valuable advertising agencies in the world,  
an advertising agency that is still in existence  
many years after he died.

## [Transcript] Founders / #285 How Jay Gould Built Wall Street's Biggest Fortune

So he's giving advice for young people that want to do it.  
Essentially saying, hey, David, Ogilvy,  
how do I become you, right?  
This is what he did, and what Buffett did,  
and what Jay Gold did, but nearly almost everybody  
that you and I have studied.  
Set yourself up to become the best informed person  
in the agency on the account to which you are assigned.  
If, for example, it is a gasoline account,  
read books on oil geology and the production  
of petroleum products, read the trade journals  
in the field, spend Saturday mornings in service stations,  
talking to motorists, visit your clients' refineries  
and research laboratories.  
At the end of the first year, you will know more  
about the oil business than your boss,  
and you'll be ready to succeed him.  
And so that's the paragraph that popped my mind  
when I got to this paragraph.  
Jay Gold did not invest on hunches.  
He dug deep to discover whatever was noble,  
separating the nonsensical from the plausible.  
This in and itself didn't make Gold special.  
Most investors would claim they did the same.  
The difference was Gold's diligence.  
He was more methodical, more voracious in search of insights,  
and more patient with minutia.  
These qualities served him well in the hard labor  
of surveying and tanning.  
They served him better in the brain labor of Wall Street.  
And so one of his first big breaks comes a few years later.  
He's going to be 28 years old  
when he gets out of this investment.  
He realizes that the books started talking about,  
you know, railroads, so just as important  
as the internet is today,  
our automobiles were in the century previous.  
And so he's going to make obviously a lot of money  
in building up and also trading on railroads.  
He realizes this is like small little Rutland  
and Washington rail line.  
And they had one way to make money  
and they would haul stone from quarries in Vermont.  
And so the volume of stones taken out of the quarry,

## [Transcript] Founders / #285 How Jay Gould Built Wall Street's Biggest Fortune

thus needing to be transported on, railroads went down.  
It would like really drop the price of the railroad bonds.  
And if you bought the bonds when they were cheap,  
you can convert to stock.  
And if you had enough, and if you convert enough stock,  
you can actually take control of the railroad.  
That's exactly what Jay did.  
And then he decides, hey, I'm going to control it.  
And then I'll just run it.  
And so he actually makes himself president of this railroad.  
Jay's a weird person to kind of classify  
because in some degree he was an operator,  
but he was also an investor.  
And he would go back and forth between those two.  
And he sometimes do them those different jobs  
at the same time.  
And this is a perfect example of that  
because he starts out as an investor.  
He's like, oh no, I'll just operate it.  
And so then he spends a long time away from his family.  
He's constantly traveling.  
He'd just come back to New York, I think on the weekends.  
And he starts building this up,  
trying to increase the value through his labor.  
And then he's eventually going to sell  
and have like the first big hit of his life.  
So it says he invested in his railroad track.  
He cut costs and pitched customers  
on the railroad services.  
He also pinched pennies.  
And so he does this for 18 months,  
but he realizes, hey, there's an opportunity cost here.  
There is a ceiling on how valuable this railroad could be.  
So I need to get out now and find a better opportunity.  
This is eventually going to lead him to going to war  
with Cornelius Vanderbilt.  
So it says, the Rutland in Washington had Western Vermont  
to itself.  
Once it reached New York, it ran into a challenge  
that gold battled the rest of his career.  
Too many railroads and not enough freight.  
That convinced him that this railroad was not a keeper.  
18 months after buying it, he got out earning a bundle.  
His \$5,000 investment,

## [Transcript] Founders / #285 How Jay Gould Built Wall Street's Biggest Fortune

an investment that others on Wall Street thought was a loser,  
brought him \$100,000,  
which would be equal to \$2.5 million in today's dollars.  
And he is 28 years old.  
And so for the rest of his life,  
he's going to have other businesses.  
He's going to do a million trades.  
He's going to get involved in the telegraph industry,  
but the rest of his life, he thought railroads  
was the greatest outlet for his,  
what he realized was like he had essentially  
uncontrollable ambition or like there's no limit  
to his ambition.  
So he winds up realizing that he's got this burning desire,  
this drive inside of him.  
So he winds up writing a letter to his friend  
where he comes to turn,  
turn where it says he confronts his ambition  
in his drive to succeed.  
And he says, now that I'm in this place,  
it is a puzzlement to me how I endured before.  
Everything prior seems to have been boxing in the dark,  
scrapping without reason.  
Now I have my railroad,  
actually now I have my road to walk  
and my reason for walking it.  
Now the piece is fit and this thing ambition  
is no longer blind, but divine.  
A true and noble and necessary path.  
I see things very, very clearly.  
I feel inspired with an artist's conception,  
divine inspiration, I cannot say,  
but my road is laid out before me in the plainest of ways.  
And so at 28, he does not know  
that he only has 24 years left, that he's gonna die at 52,  
but he does know that he's found his life's work,  
the one that he's going to dedicate  
almost every waking hour to from now until he dies.  
I don't wanna touch on aspects outside of his work,  
just real quick.  
His hobbies were essentially family.  
He spent a lot of time at home,  
him and his wife were a homebody.  
Spent a lot of time with his kids when he wasn't working.



## [Transcript] Founders / #285 How Jay Gould Built Wall Street's Biggest Fortune

I obviously told you about it.  
He had a love for flowers and then reading.  
And I think the book goes later on  
into like he's stuck to a pretty strict schedule every day.  
So it says he and Ali, his wife preferred simplicity  
and domestic pleasures.  
They were not social.  
Jay stuck to business and minimized his interactions  
outside the office.  
Around this time his father dies  
and this is what he says,  
his hard drinking father, John died.  
Jay rarely spoke about his father.  
Maybe he was out of anger over the alcoholism  
or the childhood punishments,  
including being locked in the cellar,  
which I told you about earlier.  
When asked about his father,  
Jay fell back on trite expressions  
as if to say more would prove overwhelming.  
He would say he walked a hard road.  
He drank from a bitter cup.  
So then the next few chapters go into great detail  
about this war for the eerie railroad  
that goes on between Jay Gold, Daniel Drew,  
Jim Fisk, Cornelius Vanderbilt.  
It is unbelievably complex.  
I think most people still don't understand it to this day,  
but this one sentence I think really highlights why  
Jay was unusual.  
It says this story, meaning the war for the eerie railroad,  
the story of how Jay seized eerie shows his brilliance  
as a financial strategist,  
his deep understanding of law,  
a surprising grasp of human nature  
and a mastery of political reality.  
And so the one thing that jumps out  
when now I've read about this multiple times,  
I still don't understand it completely.  
But the lesson I take away from it,  
more important than the actual tactics they used was that  
if he had a goal in mind,  
which in his case is I need to control the eerie railroad,  
like Rockefeller before him,

## [Transcript] Founders / #285 How Jay Gould Built Wall Street's Biggest Fortune

or I guess at the same time  
because they were operating the same time,  
there would be, he wouldn't just attack it from one angle.  
It's almost like they look at the problems  
and what they're trying to do from like 360 degrees  
and they're just relentless by poking any kind of weakness  
they feel will get them what they want.  
And so even though I can't really understand  
everything that he does,  
I think the value I get from understanding is like,  
oh, the way I think about the goals I want to accomplish  
or the problems I'm going to solve,  
it's unbelievably pedestrian compared to the way Jay  
or Rockefeller approached their own goals.  
And so what I hope to do is learn from their examples,  
like whatever goal you spend an unbelievable amount of time  
analyzing all the different ways,  
the possible ways that you can actually achieve  
and make a reality what you want to make real.  
And so it's happening, there's a bunch of board members  
and they're all fighting against each other for control.  
Cornelius Vanderbilt, his idea is like,  
hey, I'm just going to buy up.  
He bribes a judge to make sure that they cannot  
issue more stocks.  
And so Vanderbilt thinks that the share count is fixed  
as a result of this injunction.  
So he's just buying up more and more.  
When they mentioned that Jay had a deep understanding  
of law and a mastery of political reality,  
one of the reasons they said is because his close reading  
of the law realizes that this injunction only stops  
the board, the eerie board from issuing more stock,  
but it doesn't stop the eerie executive committee  
from issuing more stock.  
And so I'm going to read this part to you.  
I just want to really pull out how confident Jay was  
in his ability.  
At this point, he's in his 30s, has a little bit of money,  
but he's literally going up against intentionally  
the richest and most well-known and successful  
businessman of his day in Vanderbilt.  
Vanderbilt's 30, what, 40 years old or maybe?  
And so he says, Jay noticed that Barnard's injunction,

## [Transcript] Founders / #285 How Jay Gould Built Wall Street's Biggest Fortune

that's the judge that Vanderbilt paid off, against new share issuance, enjoying the eerie board and only the board.

What if another entity, say, Aries executive committee issued the stock instead of the board?

Jay's lawyers liked the idea and they followed up by finding a judge who signed an order expressly empowering the executive committee to issue shares.

Why is that important?

Vanderbilt believed that the share count was fixed, so he kept buying.

And Vanderbilt didn't know that the stocks he's buying were issued by his enemies, right, the other people on the board.

And so that money, they went up, taken them for like \$7 million.

That goes on for a lot.

Remember, this is like, I'm telling you stuff that happens over multiple chapters.

Vanderbilt became suspicious when he noticed that his buying wasn't affecting the share price.

The prices should have skyrocketed.

Then it hit him.

Eerie had thumbed its nose at the judge's order and issued more shares.

Vanderbilt stopped buying.

If the supplies of shares was infinite, there was no point.

So Jay, Gold, Jim, Fisk and Daniel Drew, they're over, they couldn't believe this.

Like, this is amazing.

They don't realize that Vanderbilt always has a counter move.

The executive committee had reason to celebrate.

They had just tricked America's richest man into giving the treasury \$7 million.

As they toasted, a messenger came with news.

Judge Barnard had cited them for contempt.

The sheriff was on his way to Eerie headquarters to put them in handcuffs.

And so this is when Jay and his partners have to actually escape.

It was hilarious at the time.

Like, if you had to be on the lam from New York authorities, you could just go to New Jersey and there was no extradition requirement

## [Transcript] Founders / #285 How Jay Gould Built Wall Street's Biggest Fortune

between the two states.

I go over this entire story in episode 258,

The Dark Genius of Wall Street.

But there's like this standoff between both sides,  
between Vanderbilt and Jay.

And they go to Albany that like there's so many,  
there's like a bunch of like the state legislature in New York,  
there's a bunch of like open bribery that occurs  
on both sides, but eventually Vanderbilt makes them  
give them back every single dollar.

And it was in the interest of Jay and Daniel and Jim  
to settle with Vanderbilt

because I read this book called Tycoon's War,  
the subtitle of the book is How Cornelius Vanderbilt  
Invaded a Country to Overthrow America's  
Most Famous Military Adventure.

The story is remarkable.

It's unbelievable.

It's episode 55.

I'm actually going to reread the book soon.

But the reason that you didn't want to cross Vanderbilt  
is because he didn't believe in like just using the law,  
like he would use that if he had to.

But he literally would pay,  
if you cross them in business,  
he would try to have you killed.

That happens in this book where  
when they were hiding in New Jersey,  
Vanderbilt went and put a bounty on Daniel Drew's head.

So that is not a person  
that you want to be taking \$7 million from.

And so then the book spends several chapters  
going into detail about what Jay is most notorious for.

He tried to corner unsuccessfully the gold market.  
These actions result in this gigantic financial collapse.

And so I go into more detail on episode 258.

Again, I think of this as like a two-part series.

So I don't want to just make the same podcast again.

There's more detail in episode 258,  
but I do want to pull out something that was interesting.

This is after dealing with all the fallout.

This is something that was new to me  
where Jay, like a tactic that Jay would use.

And so says the biggest winner was Jay's lawyer.

## [Transcript] Founders / #285 How Jay Gould Built Wall Street's Biggest Fortune

He defended Jay in more than a hundred cases.  
Following Jay's order to stall,  
his lawyer dragged out the proceedings.  
It took a decade to clear the docket.  
There isn't any secret Jay once said.  
I avoid bad luck by being patient.  
Whenever I'm obliged to get into a fight,  
I always wait and let the other fellow get tired first.  
And the reason that was interesting to me  
is because that's a litigation  
after he tried to corner the gold market.  
The litigation that took place for his tannery  
where they had that shootout,  
that lasted like another five,  
I think five to 10 years as well.  
And by the time that he went up settling with his partner,  
went up selling his interest in the tannery  
for a nominal fee,  
he had five to 10 years of wealth accumulation.  
So by the time that came due,  
he was already so wealthy  
that it was just an insignificant amount.  
And so we see him using the same tactic here,  
maybe a decade later.  
He's like, I avoid bad luck by being patient.  
Whenever I'm obliged to get into a fight,  
I always wait and let the other fellow get tired first.  
And so there's a series of booms and busts  
and a lot of speculations in railroad stocks  
throughout this book, goes on for multiple decades.  
A lot of this was drawn because European investors  
thought they just heard American railroad  
and thought, oh, this is like a sure bet.  
But what I found so interesting about this paragraph,  
it really is talking about the difference  
between good and bad businesses.  
And this definitely still applies to this day.  
Contrary to what stockbrokers told them,  
it turned out that not all American railroads were winners.  
And it actually mattered whether tracks terminated  
in New York City or Jersey City.  
It mattered whether a railroad had mountains of debt.  
It mattered if the railroad was run by a builder  
like Cornelius Vanderbilt,

## [Transcript] Founders / #285 How Jay Gould Built Wall Street's Biggest Fortune

or a speculative director  
bent on manipulating the stock price,  
robbing the corporate treasury  
and awarding corporate contracts to himself and his friends.  
So that's the large history of the railroad industry  
is that second, the latter there.  
It's like, oh, they're really not trying to build  
a great product or a great service or a great railroad.  
They're speculative directors  
and they're just essentially rating their own stock price.  
In fact, if you want to learn about the greatest,  
was arguably the greatest railroad builder  
in American history, it's this guy named James J. Hill.  
I actually covered the book,  
his biography back on episode number 96,  
it's called James J. Hill,  
Empire Builder of the Northwest.  
I found that book because that's another book I found  
from Warren Buffett and Charlie Munger.  
They talked about, they always talk about like,  
you know, operators throughout history that they admire  
and the books they read about them.  
And so he was actually, I think the only person  
that ever built a profitable railroad  
without going bankrupt.  
And so eventually J is actually going to leave,  
some would say get kicked out of the Erie Railroad.  
Before he gets kicked out though or before he leaves,  
I think this is in the 1870s.  
I gotta read something because  
there's this thing called the Lord Gordon Gordon Affair.  
And it's actually a mistake that Jay makes.  
He's trying to gain control of the area  
and he winds up getting taken advantage of by a scam artist.  
And so the book talks about it,  
but I actually think the entry on J. Gold's Wikipedia page  
under Lord Golden Golden, it's only two paragraphs.  
And somebody sent me a message,  
they're like, oh, this would make an amazing movie.  
So let me, this is why they said that.  
So it says in 1873, J. Gold attempted to take control  
of the Erie Railroad by recruiting foreign investments  
from Lord Gordon Gordon,  
who was supposed to be a cousin of wealthy,

## [Transcript] Founders / #285 How Jay Gould Built Wall Street's Biggest Fortune

the wealthy Campbell clan who was buying land for immigrants.  
He bribed Jay, bribed Gordon Gordon  
with a million dollars in stock.  
So this is a million dollars in stock.  
I've also read in other books that they said it was \$500,000,  
but still a lot of money.  
He bribed Gordon Gordon with a million dollars in stock,  
but Gordon Gordon was an imposter  
and cashed the stock immediately.  
Jay Gold sued him and the case went to trial in March 1873.  
In court, Gordon Gordon gave the names of the Europeans  
whom he claimed to represent.  
And he was granted bail.  
This is a big mistake.  
And he was granted bail while the references were checked.  
He immediately fled to Canada,  
where he convinced authorities that the charges were false.  
This is now the second paragraph and this is wild.  
Having failed to convince Canadian authorities  
to hand over Gordon Gordon,  
Jay Gold attempted to kidnap Gordon Gordon  
with the help of his associates  
and a future member of Congress.  
Future members of Congress.  
So you got Lauren Fletcher, John Giffelian and Eugene Wilson,  
all future members of Congress are trying to kidnap this guy.  
The group captured him successfully,  
but they were stopped and arrested by the mounted police.  
This is in Canada before they could return to the US.  
Canadian authorities put them in prison and refused the bail.  
And this led to an international incident  
between the United States and Canada.  
Governor of Minnesota, Horace Austin,  
demanded their return when he learned  
that they had been denied bail.  
And he put the local militia on full readiness.  
Thousands of Minnesotians volunteered  
for an invasion of Canada.  
After negotiations, the Canadian authorities  
released them on bail.  
Gordon Gordon was eventually ordered to be deported  
but committed suicide before the order could be carried out.  
So when the author starts the book saying,  
hey, this is really a book about Jay,

## [Transcript] Founders / #285 How Jay Gould Built Wall Street's Biggest Fortune

but it's also about the Wild Wild West period of Wall Street, that is just two paragraphs in one of a million different machinations and ideas and trades that Jay experienced throughout his entire life. In many cases, these books, when you're reading about the business history in the 1800s and early 1900s, it's just stranger than fiction. And then they spend more time into why, even when Vanderbilt called Jay the smartest person in America, he didn't like them. And a lot of people didn't like Jay and a lot of reason they didn't like Jay is because they actually lost to him. So it says it was well known that Jay had outfoxed the Commodore, Commodore Vanderbilt, and it talks about like the fights they have with the Erie, but then it says this hilarious sentence. There was also a little episode with the cows. And so the author does a great job in one paragraph, summarizing this war, this rate war that is going on between the railroad that Jay Gold is currently in control of and the one that Vanderbilt was in control of. But the reason I think about this is because sometimes you can get like a myopic and really focused on like where you're going or where you want to go. Where Jay always actually reacted, the last time I'm taking this is like, Jay always reacted to the game on the field. He was in the middle of a rate war, right? He was trying to bleed the Commodore. So instead of continuing a rate war, he actually reacts to a change in the game which presented an opportunity for profit. And I think to me, because he couldn't have predicted this change, like he, it shows the level of intelligence that he had. So it says, there was a little episode with the cows. Back when Jay ran the Erie railroad, Vanderbilt slashed New York Central's rates and offered to move cattle across New York state for the token amount of a dollar a carload. So before that, they were both trying to gain business from the other by constantly reducing rates



## [Transcript] Founders / #285 How Jay Gould Built Wall Street's Biggest Fortune

and trying to bleed the other person, okay?  
Erie was pinched for cash.  
Vanderbilt was certain the move would bury the railroad  
and take Jay Gold down with it.  
Instead, Jay and Fisk, that was his partner  
who also gets murdered by his ex-lover's new lover.  
There's more of that in episode 258.  
But it says, instead, Gold and,  
Jay Gold and Fisk made a profit  
by buying cows in Chicago  
and shipping them to market at Vanderbilt's bargain rates.  
When the old Commodore found out  
that he was carrying the cattle of his enemies  
at great expense to himself, he nearly lost it.  
So a 21-year-old Thomas Edison happened to be  
at the Gold Exchange the day  
that Jay Gold tried to corner the gold market.  
He's actually at the telegraph.  
He was a telegraph operator.  
What they would do is they would transmit  
the change in price over the telegraph.  
And so he sees this massive financial scandal  
and panic happened, I think in the other book,  
I read The Dark Genius of Wall Street.  
He's like hanging out on a telephone pole,  
just observing one of the most insane days  
in finance history.  
And he's observing as a,  
almost like a disinterested spectator  
because he was so poor he didn't have any money to invest.  
And so Edison and Jay Gold's past  
are actually gonna cross many years later  
when Edison was 27 years old.  
It says Edison was 27 years old.  
The light bulb, the phonograph,  
and the movie camera were years away.  
For now, he had to vent away to pay his mortgage.  
And so at this point in Edison's career,  
he's just a freelance inventor.  
The inventor, the invention that he is working on  
is actually the quadruplex.  
This is the one that Jay's going to purchase from him.  
But I really wanna get into Edison's perspective  
on Jay Gold.

## [Transcript] Founders / #285 How Jay Gould Built Wall Street's Biggest Fortune

I thought that was interesting.  
Before I get there,  
something you and I have talked about over and over again,  
a good way to discover future opportunities  
is you can actually discover opportunities  
in industries adjacent to your own.  
Up until this point, Jay has been focused  
on the railroad industry.  
So it says Jay was keenly interested  
in the telegraph business now.  
Telegraphs went hand in hand with railroading.  
Telegraph companies strung their lines  
alongside the railroad tracks.  
And so he starts looking into the monopoly  
of the telegraph monopoly of the day,  
Western Union, and Jay cannot believe  
how much money they make.  
Western Union was a money machine.  
Jay Gold coveted it.  
I'd rather be the president of Western Union  
than the president of the United States, he said.  
However, Western Union was simply too big and powerful,  
but maybe he could shake it down,  
core to this scheme was Edison's latest invention.  
And so the quadruplex allows you to send  
up to four messages at once.  
So essentially just increases the amount of communications  
that existing lines could have.  
And so he's going to buy this invention  
and the patents from it, start a company,  
and then eventually build that up  
with the sole purpose of getting bought out  
by Western Union, which he was successful in doing so.  
But the part I found most interesting  
is over like the next three or four pages,  
it's Edison just telling us like what it was like to know  
and interact with Jay Gold.  
So says Edison and Gold shared some traits,  
both thought about little besides their obsessions,  
inventions for Edison and money for Gold.  
Both worked all the time.  
Both had spent their childhoods  
reading anything that came their way.  
As an employee of Gold's, Edison came to appreciate

## [Transcript] Founders / #285 How Jay Gould Built Wall Street's Biggest Fortune

what Jim Fisk had later had called previously, Gold's peculiarities. During one encounter, Gold unfurled maps and talked about rail lines. Gold spoke for three hours before exhausting himself. Edison found Gold strange and unsettling. Gold had a peculiar eye, Edison later wrote. There was a strain of insanity somewhere. Edison offered another assessment. He certainly had one trait that all men must have who want to succeed. He collected every kind of information and statistics about his schemes and had all the data, Edison said. He excused Jay Gold's greed. This is what Edison said about that. His conscience seemed to be atrophied, but that may be due to the fact that he was contending with men who never had any to be atrophied to begin with. In that other book, The Dark Genius of Wall Street, or might've been the Thomas Edison biography that I covered on episode 267, he called the wars between the robber barons strange financial warfare. Something else that I found interesting was something that Jay was working on for a long time. In fact, he was still working on it when he died, was this idea of building and controlling the country's first transcontinental railroad. And I thought it was interesting how he compared what he wanted to do with what he saw Rockefeller doing in oil. Jay Gold was aware of how Rockefeller was using coercion to grab every oil refinery he could. Jay longed to lead a similar process in railroads. He said, consolidation will prove both essential and inevitable. What was needed was unchallenged market domination. And in this story, it's just unbelievable how to turn a \$500 kidnapping into \$500,000. A storm struck New York and disabled gold's private telegraph. The blackout forced gold to contract

## [Transcript] Founders / #285 How Jay Gould Built Wall Street's Biggest Fortune

with the messenger service to deliver his trading orders by hand.

This is insane.

A cabal of crafty traders seized a moment.

They grabbed one of the messengers and dressed one of their own to take his place to gather information on Jay's trades.

For four days, they saw Jay's every order for Western Union shares.

Guessing he was trying to take it over, they bought all the Western Union stock they could and paid the kidnapped messenger \$500 to stay in a hotel and keep quiet.

The schemers bought Western Union at 80 and sold it at 120, pocketing \$500,000.

And so then the book talks about how he spent most of his time, his schedule, the last decade of his life.

And it said he was a homebody whose routine left no time for diversion.

He woke up at 7.30, ate breakfast at eight, wrote letters until 9.30.

He had lunch at noon.

He ate very little.

He drank lots of coffee.

He stayed downtown until 4.30

when he came home for dinner to have dinner with his family.

After dinner, he headed to the Fifth Avenue Hotel

to talk markets with stockbrokers

who traded there after hours.

Then he read in his library until it was time for bed at 11.

He spent Sunday in the office as if it were a regular day.

When he was at home and needed air,

he pruned his flowers.

And so he said,

I have the disadvantage of not being social.

My tastes lie in a different direction.

When business hours are over, I go home

and spend the remainder of my day

with my wife, my children and my books.

Every man has a natural inclination of his own, mine or domestic.

They are not calculated to make me particularly popular on Wall Street and I cannot help that.

And one of the really sad parts about Jay's life

## [Transcript] Founders / #285 How Jay Gould Built Wall Street's Biggest Fortune

is not only he was married for I think 24 or 26 years,  
his wife unfortunately dies.  
And it's just two strokes.  
And she dies young a few years before he dies young.  
And yet even though he's in diminished health,  
he's still chasing after this lifelong dream he had.  
So it says he declared that he'd combined  
the Union Pacific Railroad with his other railroads  
to create the seamless transcontinental system  
that had been his dream.  
When the press asked why at his age  
he'd wanna do something so challenging,  
he said he couldn't help it.  
The vision of an end to end rail link  
between the East Coast and California  
was too beautiful to let go.  
Although he had once left the Union Pacific  
out of necessity, he never stopped loving it.  
There's nothing strange or mysterious about it.  
He said, I knew it very well when I was a child  
and I have merely returned to my first love.  
I think we will have good times in the future.  
And unfortunately his health forbid that.  
His dreams for the Union Pacific were better suited  
for a young man than one who knew that his time was up.  
In his feeble state, it took all his strength  
to get out of bed.  
The railroad drifted in the absence of leadership.  
And so he winds up passing away at 52 years old  
from tuberculosis and leaving behind his six children.  
And then the book closes with why it's so hard  
to nail down what J. Gold's legacy should be.  
In a 1986 biography, University of Rhode Island  
Professor Mori Klein suggested Gold be judged  
by his entirety rather than on his business activity alone.  
His record as an upstanding family man  
should be figured into the equation.  
Wharton Professor Julius Grudinski,  
who in 1957 completed the first serious analysis  
of J. Gold, took pains to credit Gold's contributions.  
His aggressive track building lowered freight rates.  
His success as a railroad investor attracted speculative  
capital into a vital industry  
when other sources fled the field.

## [Transcript] Founders / #285 How Jay Gould Built Wall Street's Biggest Fortune

But after examining every transaction of his career,  
pouring over every scrap of correspondence,  
considering every accusation of victims  
and compiling spreadsheets to measure his investments,  
Grudinski couldn't pull the trigger  
on a definitive judgment about his subject.  
His conclusion was unsatisfying.  
He had his virtues and he had his faults, he wrote.  
The worst thing about these fellows  
is that they're so good and in their work at least,  
so intelligent, you can't hate them properly.  
That's the thing about Gold.  
He lied, he cheated, he stole,  
but he was so good at what he did,  
so intelligent in the execution  
and such a clean, kind and industrious family man  
that tries you might, you can't hate him properly.  
And that is where I'll leave it.  
There's so many more stories in the book.  
Highly recommend reading it.  
If you buy the book using the link  
that's in the show notes of your podcast player,  
you'll be supporting the podcast at the same time.  
And if you want more founders,  
highly recommend you signing up for Founders Premium.  
I'm no longer doing these short daily episodes anymore,  
but instead I'm doing long form AMA  
ask me anything questions.  
So subscribers to Founders Premium  
actually are able to ask me questions directly.  
And then I record my answers in these form  
of these long form AMA episodes.  
I published my first AMA episode probably about a week ago  
with answers to questions like,  
hey, if I could only read five books for my life  
over and over again, what would they be?  
Who are the best strategists out of the people  
that I've read about?  
Why is the show growing so much?  
And if I had any insight into growing a podcast,  
if I'm gonna start a new podcast interviewing founders  
and practice habits, I'm gonna be doing two of these a month.  
I'm gonna probably record the next one probably tomorrow.  
So if you're interested in listening to them

and then contributing by asking questions,  
you can subscribe with the link that's in the show notes  
on your podcast player.  
It is also available at [founderspodcast.com](http://founderspodcast.com).  
That is 285 books down 1,000 to go.  
And I'll talk to you again soon.  
Okay, so all the way back on episode 227.  
I read this fantastic book called  
The Essays of Warren Buffett.  
So all the way back on episode 88,  
I read every single one of Warren's shareholder letters.  
But what this book that was put together by Lawrence Cunningham,  
called The Essays of Warren Buffett,  
did that was so smart is that he took the shareholder letters  
and instead of organizing them by year, which is standard,  
he organized them by topic.  
And so in the original podcast I did on this book,  
which again is episode 227,  
one hour and 28 minutes into the podcast of their abouts,  
I go over this letter that I'm about to read to you now.  
It's under the heading titled On Selling One's Business.  
And the reason I'm bringing this up  
is because one of the sponsors of this episode is Tiny.  
And one way that Tiny has been described  
is that they're building the Berkshire of the internet.  
And you can go to [tiny.com](http://tiny.com) and read the testimonials  
and see all the founders that have sold their business to Tiny  
and how their main differentiation,  
just like Warren Buffett and Charlie Munger is,  
there's no BS.  
We're gonna make this transaction as simple  
and easy as possible,  
where a lot of people that buy businesses  
make you jump through hoops and it's just a headache.  
And so if you think about what Warren is doing here  
in this letter is his business is buying businesses.  
And so his customer or founders or managers of businesses.  
And so he is essentially writing a letter to a guy.  
So he wrote this letter in 1991 to a guy who indicated  
he might wanna sell his family business.  
And so I'm just gonna pull out a few highlights here  
and really think about what Warren's doing is  
he is differentiating his services  
from other people that also buy businesses.

## [Transcript] Founders / #285 How Jay Gould Built Wall Street's Biggest Fortune

He says, if you should decide to sell,  
I think Berkshire Hathaway offers some advantages  
that most other buyers do not.  
Practically all of these buyers will fall  
into one or two categories.  
And so now Warren is going to describe his competition.  
If you go to tiny.com,  
you'll see they described their competition  
in some ways their competition,  
which is typically VCs or private equity companies.  
So Warren says, number one,  
a company located elsewhere,  
but operating in your business  
or in a business somewhat akin tiers.  
Such a buyer, no matter what promises are made,  
will usually have managers who feel they know  
how to run your business operations  
and sooner or later will want to apply some hands-on.  
And he puts the word help in quotation marks.  
Obviously, Warren does not think that the managers  
that are gonna install in that business  
are actually gonna be helpful at all.  
The second other option, a financial maneuverer,  
invariably operating with large amounts of borrowed money  
who plan to resell either to the public  
or to another corporation as soon as the time is favorable.  
Frequently, this buyer's major contribution  
will be to change accounting methods  
so that earnings can be presented  
in the most favorable light just prior to his bailing out.  
And then listen to this persuasion technique that he uses  
because he's writing to somebody  
that he knows it's a family business,  
which means they put a lot of their time  
and life energy into.  
So he says, if the sole motive of the present owner,  
it's to cash their chips and put their business behind them  
and plenty of sellers do fall into this category,  
either type of the buyer that I just described to you  
is satisfactory.  
But if the seller's business represents  
the creative work of a lifetime  
and forms an integral part of their personality  
and sense of being, buyers of either type



## [Transcript] Founders / #285 How Jay Gould Built Wall Street's Biggest Fortune

have serious flaws.

So he's just described his competitive landscape.

He says, listen, there's option one, there's option two, but then there's a new option, something that's completely different and better.

And he's describing the services that he provides to founders, right?

So he says, Berkshire is another kind of buyer, a rather unusual one, we buy to keep.

Tiny does too, by the way.

All of the businesses we own are run autonomously to an extraordinary degree.

When we buy a business, the sellers go on running it just as they did before the sale.

We adapt to their methods rather than vice versa.

And in Tiny's case, it's up to the founder if they wanna stay or if they wanna go.

Tiny's fine with either solution.

And then Warren does something fantastic.

He's like, listen, you know who the past businesses that we bought.

In fact, I'm including in this letter

a list of every single person we've ever bought a business from, Tiny does something very similar on their website, which you can go see.

You know some of our past purchases.

I'm enclosing a list of everyone from whom we have ever bought a business.

And I invite you to check with them as to our performance versus our promises.

And then Warren says, hey, I'm gonna keep it simple with you.

If you should decide to do business with Berkshire, we would pay in cash.

Tiny says the exact same thing on their website.

Your business would not be used as collateral for any loan by Berkshire.

There would be no brokers involved.

Warren also says, you deal with me.

And finally, you would know exactly with whom you are dealing.

You would not have one executive negotiate the deal only to have someone else in charge a few years later or have the president regretfully tell you that his board of directors required this change

## [Transcript] Founders / #285 How Jay Gould Built Wall Street's Biggest Fortune

or that change.

And because Warren has hacked away at the unessential, all that is left is simplicity.

And his pitch is simple.

Do you want a great home for your business?

Then call me and I will do a cash transaction really fast.

Same thing that Tiny does.

I will not pester you.

If you have any possible interest in selling,

I would appreciate your call.

I would be extraordinarily proud to have Berkshire along with the key members of your family own blank.

So you took out any identifying information of who he's writing to, okay?

I believe we would do very well financially and I believe you would have just as much fun running your business over the next 20 years as you have during the past 20.

Sincerely, Warren Buffett.

I think reading the entire letter is worth your time.

If you buy the book, it's on pages 230 through 233 and make sure you go back and listen to episode 227, the essays of Warren Buffett.

If you have not done so already and if you have a business that you're interested in selling now or in the future, make sure you go to [tiny.com](http://tiny.com).