

I was just a capital camp for a few days. Capital camp is this investing and entrepreneurship conference that takes place every year in Missouri. And while I was away, I slept so poorly and I was so sleep deprived that on the airport, at the airport on the way home, I actually rented one of those private rooms that you can nap in. And I told my wife this and she said, you should include that in your next eight-sleep ad. And she was right. I'm so used to being able to control the temperature of my bed now that when I travel, I actually notice a difference in the quality of my sleep. I keep my eight-sleep at home, extremely cold. It's cold before I get into bed. And I had no idea because the eight-sleeps, the first mattress I've ever had, I can actually control the temperature of my mattress. And so I had no idea how much just that one feature would improve the quality of my sleep. I now find myself falling asleep faster and waking up less during the night. That one feature alone, in my opinion, is worth 10 times the price. The founder of eight-sleep Matteo listens to founders and he's giving other founder listeners a discount. You can get \$150 off and your very own eight-sleep by going to eightsleep.com forward slash founders. This isn't just for the USA. They ship everywhere, Canada, UK, parts of Europe, Australia. If you want to upgrade your sleep and get \$150 off, go to eightsleep.com forward slash founders. There was no internet in John D. Rockefeller's day. There was no internet in JP Morgan's day. But one thing is for sure, if there was, they would have both used meter to make sure that their business internet was fast, secure, reliable, and could scale up as their businesses expanded. These families that I'm about to talk to you about, the Rockefellers, the Rothschilds, the Morgans, the Toyotas, they spent their days. They were very busy laying the foundation for their dynastic domination. You are busy building a world-class business. In both cases, it would be smart to let meter handle your internet and Wi-Fi while you focus on what you do best. Meter gives your business faster, simpler, and more secure internet and Wi-Fi for all parts of your empire. It works in any commercial space. That could be your office, a warehouse, a laboratory, everywhere. One of my favorite things about meter is how easy they make it for their customers. All you have to do is give meter your address and the square footage of your commercial space, and meter takes care of the rest. That's not all. In the wise words of Steve Jobs, one more thing, there's no upfront cost to you, which means you can expand your business without worrying about expensive upfront costs. Meter grows right along with your business. You simply pay one monthly rate. Check out their website by going to meter.com. It will explain all the value that meter can provide your business. That is meter.com. As you're about to hear with the Toyota family dynasty, sometimes the smartest thing a founder can do is actually sell their business. Tiny is the easiest way for you to sell your business. Tiny provides straightforward cash exits for founders. Tiny helps founders sell their businesses without any of the hassle. Tiny buys businesses all sizes. They can do deals from \$1 million to well over \$100 million. If you have a business that you want to sell now or in the future, make sure you get in touch with Tiny. All you have to do is just email them. You can email them at high@tiny.com. One thing that I want to mention, I also know that there's a lot of venture capitalists that listen to this podcast. There may be businesses in your portfolio that you know are not going to get funded again, but would make wonderful, profitable internet businesses. Tiny wants to hear about those opportunities as well, and you can get in touch with them by emailing them at high@tiny.com, and they respond within 48 hours. Of course, you can learn more from their incredibly designed website at tiny.com. One more thing before we jump into the episode, I've been getting a lot of

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messages about people wanting to hear more about my personal history. I think the single best source

for that is this interview I did on one of my favorite podcasts. It's on the Invest Like the Best podcast with my friend Patrick. I'm going to leave a link down below, but whatever podcast player you're listening to this in, if you don't already follow that show, search for Invest Like the Best, follow that show, and then listen to episode 292, which is David Senra, Passion and Pain. This is a book about family and business. At its heart is the dynasty, the succession and interaction of family members over generations, and the firm, the business unit that embodies and expresses this interaction. I shall define a dynasty as three successive generations of family control. No small achievement. Growth, diversification, and technological advance can all work against

the continuity of the family firm. To these factors, I shall add another. Success. Simply put, as the firm develops power and prestige, the heirs find many interesting and amusing things to do rather than run their business. Typically, rather than wear the shirt sleeves of their forefathers, they finish in silks and velvets and focus on politics, culture, and the unabashed pursuit of the good life. As a historian, I was drawn into the drama of these stories and the larger than life qualities of many of these competitors for wealth. These tales trace the entangled histories of legendary lineages such as the Fords, the Rockefellers, and the Guggenheims. But one that need not be a Rothschild or a Toyota to have use for the lessons in this book. Our own families play central roles in most of our lives, and the successes, failures, and cautionary notes of these narratives can inform and inspire us all. We can learn a great deal about business from these dynasties. These are extraordinary men and women full of eccentricities and geniuses. As an example,

consider the legendary patriarch, the bold enterprises who sets out to do well for himself and ends up founding an empire. Nathan Rothschild fits this bill. He had a super keen mind, a sharp tongue, and a sense of dignity and authority that some families need many generations to acquire. Nathan quickly moved from selling merchandise into banking and outdid the best of his competitors. The Brits, his existing competitors, were not always ready or able to understand the force of this outsider who ignored the rules of proper behavior. This is an example of one of my favorite maxims, which is those on the margins often come to control the center, those on the margins often come to control the center. One day, a powerful, wealthy English dignitary pushed his way into Nathan's office and interrupted the busy banker at his task. Nathan told him to take a chair that he'd be with him in a minute. The man was offended. Don't you know who I am, he said, pointing to the

royal crest on the lining of his top hat. Nathan's reply, then take two chairs.

Another time, someone asked him how he had made his fortune, and he answered, by minding my own

business, it is from such brash, keen, dedicated entrepreneurs that great dynasties are founded. That was an excerpt from the book that I'm going to talk to you about today, which is dynasties, fortunes and misfortunes of the world's great family businesses, and it was written by David Landys. So I've told you before, one of my favorite things to do is spend time and use bookstores, and this is where I stumbled upon this book, picked it up, read within like two minutes.

I was like, oh, I'm definitely buying this book. What it is, is the author is a historian and he

profiled 11 family dynasties throughout history in three primary industries. So you got banking, automobiles, and then natural resources. And so before I jump into the first family dynasty, this is what, after studying all these different families across all these different industries, this is what he realized was the largest predictor, or the largest cause rather, for their eventual like decline and downfall. And the way you and I have spoken about this in the past is the fact that they, it's very common in human nature that they go to sleep on a wind and they wake up with a loss. And so this is what I mean here, the biggest threat to continuity, meaning dynastic family continuity, okay? The biggest threat to continuity was enrichment and success. We will see this story repeated across industries. Once the family had the wherewithal to indulge their inflated ambitions, they tended to copy their better. So I need to pause there. So what are you talking about? Almost all the dynasties started as outsiders. This is something that's very obvious in this book, but also very obvious if you read, you know, a couple hundred biographies of some of the great history of entrepreneurs. That's why I said one of my favorite maxims actually comes from Game of Thrones, the one I mentioned in the intro, that those on the margins often come to control the center. So what happens after those on the margins get to control the center, you see this over and over again. Once the family had the wherewithal to indulge their inflated ambitions, they tended to copy their betters, meaning they started on the outside, they usually overtake their competitors, they wind up generating wealth, and what do they do? They just copy and imitate the people that they are replacing. So that's what he means. That is, they tend to buy estates, they purchase honors and titles, and live the life of idleness and self-indulgence that was the mark of gentility. And so all of these dynasties without exception can be traced to one formidable individual, somebody that's intensely and insanely focused on the building up of both their business and their family. Think about what David Ogrevy told us last week. I think it was on episode 306. He says, great industrial leaders are always fanatically committed to their jobs. They are not lazy are amateurs. These are power law type people, of course individual families are not going to be able to produce multiple family members of the same caliber. That doesn't mean they can't continue on. And so the first family I'm going to talk about is the one that really, out of everybody in the book, kind of buck the trend, and that's the Rothschilds. And we'll get into there, because there's never been another Nathan Rothschild, but they have been able to muster enough talent and discipline to not squander the wealth that's been built up over the last few centuries. And so David has a great way of putting the difference in mentality between the founder of the dynasty and those usually the people that come afterwards. He writes it in French, so I had to actually go and translate this. This is the first time I've come across this maxim and it's excellent. Something I already put in a read wise, something I'm going to like keep reminding myself of. And he says, for many of the great founders, appetite comes with eating. I was like, what the hell does that mean? And it's a saying that means that the more you have, the more you want to have. The great founders are obsessed with what they're doing. They want to continue doing more of it. They enjoy it. It's like work as their own hobby. Their descendants just like the fruits of the labor, in many cases, the labor that they did not themselves do. And so they like these like lazy, what he calls a life of idleness and self indulgence. But that is one of my favorite lines in the entire book. For many of the founders,

appetite comes with eating. The more that you have, the more you want to have. And I think that's obvious if you look back on a lot of the founders that you and I've talked about, a lot of the founders that you and I have read biographies on, their ex's strategy is death. They found their life's work and they had no intention of retiring and they just kept doing it because they enjoyed to do it. Okay, so with that, the first family, I picked four families that I'm going to talk about. Many of them, three out of the four families I've done multiple podcasts on. What I will do is I would use this podcast, this episode, as like a jump off point, I will list in the show notes, you can find on your podcast player and at founderspodcast.com, all of the episode and the episode numbers of all the different podcasts I've done on the Rothschilds, the Rockefellers, and the Morgan family. This would be the first time I talk about the Toyota family, which I actually really enjoyed. And then from there, based on what you hear in here, if you want to go deeper, you can use that as a reference point. But I do want to start with the Rothschilds because they seem to be the exception to the rule, at least in the 11 families profiled in this book. It says, more than anything, the Rothschilds are a case study, in tenacity, and a dynasty in which the traits of persistence and intense focus have been passed down from one extraordinary generation to the next. Their family dynasty is going to start in a ghetto, I think it's the world's actually first Jewish ghetto in Europe. It's Frankfurt, it was the ancestral home of the Rothschilds, and it was neither a pleasant nor an auspicious place to start a global empire. It was home to the first Jewish ghetto in Europe, which is created in 1460. First thing that pops out here is number one, the Rothschilds' capability of turning a liability into an asset. The ghetto is a terrible environment in which to live, but the adversity and oppression bred traits that would be central to the rise of the Rothschilds. First, a network of Jewish traders and financiers developed who offered one another support. Second, the Rothschild learned that family was their greatest resource, the one place where they could place absolute trust. So no one wants to be born into an environment like this, but the people that are capable of surviving, they develop a very unique set of skills. From this environment, they fought to overcome oppressive conditions and became stronger, more savvy, and better connected as a result. And there's really only two generations of Rothschilds that have to deal with this. So the founder of the Rothschild dynasty, I did a two-part series on the Rothschilds. Episode 197 is on the dad, mayor, and episode 198 is more on his sons. So let's go over a few traits that he had that are valuable. Number one, he had an innate talent for his trade. Starts out, they're merchants, but they're also money lenders and money changers. Mayor had a good head for figures, meaning he's good at math, which was great advantage in a world of multiple monies, multiple currencies is what they mean there. Number three, he took time and built a foundation of the empire by gaining specific knowledge, very valuable specific knowledge. One specialty of money changers, which is their business, their initial business, was a knowledge of the rare coins that passed through their hands. There was a significant market among collectors for these items, and savvy dealers, which was what mayor was, would begin systematically hunting for rarities, which then they resold to specialists. So that skill and specific knowledge is valuable and interesting. But what makes it even more powerful is that mayor combines it with a trait that actually bucks human nature. He thought that long-term relationships were more valuable than short-term profit. That may be easy to say when you're already rich. This guy is living in a ghetto. He's living in a two-room house, but I think they have something like 10 kids. So let me give you an example of this. Mayor was a go-getter.

He would shave his margin or even sell it at a loss for important people. The readiness to prefer connections to immediate profit testified to his long-term horizon. Second thing he did, he realized that they were without a lot of financial resources at the time. So everybody in the family had to help the business. This is something that they would continue over the next few generations. So they're changing money. They're collecting coins, but they're also selling, dealing merchandise. So they would sell things like fabrics, yarn, goods from tropical lands. They would sell spices, teas, coffee, and chocolate. Where's he going to put all this stuff? He's got to put it in his house. His crowded house was jammed with crate barrels and stacks of merchandise. The family occupied what little space was left. There was one bedroom for mayor and his wife. In the other bedroom, the children, boys and girls of all ages, were piled together atop one another. As they grew old enough, they were all enrolled in the business. As the children got old enough to marry, their spouses were also joined in the enterprise as employees, but never as partners. He actually puts that rule in writing on his last will and testament. They were very, very fearful of outsiders. In another way, they avoided this, which I'll get into a little bit. There was a lot of incest. Eventually, this is something that's going to reoccur. Like I said, all the dynasties can be traced down back to one formidable individual. We're going to call people the power law person. Eventually, the power law person will appear, and that is going to be for the Rothschilds. That is going to be Nathan Rothschild. It was mayor's third son, Nathan Rothschild, who gave the Rothschilds a special advantage when he immigrated to England. Nathan was bright and enterprising, and he had the kind of pride that exacerbated those who expected Jews to be suitably meek and deferential. And as we'll see, he also had extreme, extreme levels of self-confidence way before. I always talk about there's this great maxim that belief comes before ability. He had extreme levels of self-belief. Way before there was any evidence that that belief was justified, we'll get into that in a minute. He quickly made a fortune in cotton's and then married the daughter of one of the richest Jews in England. When his prospective father-in-law asked for proof of his prospects, meaning this is very common, like, are you going to be able to provide for my daughter? Like, what's your business? How much money do you make, that kind of stuff? Well, this is what I mean about excessive self-belief. When his prospective father-in-law asked for proof of his prospects, Nathan told him that if he was concerned about having his daughters provided for, he might as well just give them all to Nathan and be done with it. Whoa. Nathan then moved to London and began competing with other bankers for a share of government issues. That's going to be the main source of, like, they're going to have a bunch of different businesses, but essentially, like, they're financing governments, they're financing wars, they're having some of the most powerful people in Europe indebted to them. Nathan became the commanding general of the Klan, of his entire family. Even though his father is still alive, he's the third son. They all recognized him for as just this unique, formidable genius. He ran his office under strict rules of privacy and discipline. No one could enter unless summoned. This is something I already mentioned in the intro, but it's one of my favorite stories, so I'm going to repeat it. One day, an English dignitary pushed his way in. Nathan recognized the visitor and said, take a seat. I'll be with you in a minute. The visitor was offended by such offhand disrespect. Don't you know who I am? He said, showing Nathan the

royal

crest on his hat. Nathan was in no way disconcerted. Then take two seats. It was a great time to work

and earn in London. So it's something that you see over and over again. Some of this is just, you know, randomness, luck, whatever you want to call it, but Nathan was the right person at the right place, at the right time in history with the right set of skills. And this is an example of that. It was a great time to work and earn in London. British businessmen were far ahead of anyone else in industrial enterprise, and they needed a constant flow of funds. Nathan had come along just at the right time. So the order I have that I'm going to talk to you about, start with the Rothschilds, then I'm going to go into the Morgans. Because the Morgans, just like every... I don't even know why I'm repeating this, because this is so obvious at this point. The Morgans padded themselves off the great people that came before them. So they literally studied the Rothschilds, and they looked at the career of the Rothschild family dynasty and said, okay, how can we do that? What did they learn over the course of their career that we can use on our own, right? And what is fascinating to me is, so the Rothschilds started in London, they're at the right place, right? They miss, at this point in history, you'd rather be in London than anywhere else. Now, what the Morgans growth of the Morgan family dynasty is, the Morgans are going to play that role, but in America, and the Rothschilds had the opportunity to expand to America before the Morgans, and they didn't think they needed to do so because all their power derived from Europe. And so that gap in the market that the Rothschilds seeded, the Morgans jumped into. And so therefore, you could also argue that JP Morgan was the right person, the right place, at the right time with the right set of skills, and in the right geographic location. Okay, so moving on, at the beginning of this chapter on Rothschild, which is like 10, 15 pages earlier, within where I am in the book right now, something that was fascinating says the Rothschilds developed the technique of absolute discretion to perfection. It's like, okay, what does that mean? Later on, it gets into some of the services that they're offering these great like royal houses all throughout Europe. And a lot of them, not only did they need financing, but they also needed the Rothschild to help them hide and then move their wealth around the continent.

And so when you go back and you read books on the Rothschilds, a lot of it was the value of the network they built, not only the network for business people, but also like the logistical network. The Rothschild scrambled around using special carriages, horse-drawn carriages, pre-arranged relays of horses, and hidden compartments. They also had a network of ships where they could move things over water. Nathan's biggest coup was lending the British government

the money it needed to finance Wellington's campaign against Napoleon. Nathan had just bought 800,000 pounds in gold from the East India Company. Now here's the problem, because they're such a

secretive family, there's more unanswered questions than there are like no knowns about the Rothschild.

So like this one section, when they're talking about this, where they made an unbelievable amount of money, it starts, there's just a bunch of questions on this page like how, why, where, and the answer to a lot of these questions are we don't know. It says Nathan made this money

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available to the British crown, though we have no record of this operation in the Rothschild archive. But it is believed that this was the single most lucrative transaction that the Rothschilds ever made. So Nathan is running his family even though his father is alive. However, when his father dies,

he leaves behind like a list of guiding principles for the family. They adhere to this pretty strictly for the next, let's say two generations, there's one, one or two deviations. And then eventually, you know, it changes over time. Obviously, the further away you get from Mayor's death, he died in 1812. But I want to tell you a little about this. Before he went, he drew up a partnership agreement and a will that laid out the principles he felt should guide the family enterprise into the future. These clear rules for order, family behavior, and the succession of power very much distinguished the Rothschilds from the other banking dynasty. So that's why I wanted to start with them, because they are the ones that are the exception to the rule, the ones that buck the trend.

He began by distinguishing his direct male descendants from any other Rothschild relations. There would be no room in the business for son-in-laws. They could work as employees, but they cannot, they have no ownership and they have no say in the management.

And then very similar to Sam Walton's autobiography that he's writing when he's dying, he says, you come with any of this foolishness, I will come back and haunt you from the grave. He has like a line that's very similar to that in his autobiography. We see that Mayor puts this in his will. I shall never forgive my children if they should, against my parental will, take it upon themselves to disturb my sons in the peaceful possession of their business.

I do want to get into one way that the Rothschilds try to keep the business in the family, and this is what I referenced earlier. 16 of the 18 matches made by Mayor's grandchildren were between uncle

and niece or first cousins. So Nathan dies young at the time of his death. He is likely the richest person in the world. Nathan died in 1836 when he was only 59. He may have been the richest man in the world, but he had the misfortune to live in an age where that did not know about antisepsis. He was infected by an abscess on his lower back. And then this line is a great description of what I was explaining earlier that you shouldn't expect there to be another Nathan, especially in the own family. The brilliant entrepreneur and innovator was gone and his life would not be found again. And so what happens next should be expected. Human nature is constant. The family's rigid adherence to Mayor's rules began to lose force as time marched forward and future generations came

of age. This was inevitable. One cannot become enormously rich, drink and dine with high status dignitaries and play and flirt without absorbing new values and habits. And so it was with the Rothschilds.

And really what they're about to describe is the difference between a founder and a manager. The founder wants to innovate, he wants to grow, wants to keep on going. The family's already rich. They just don't want to lose what they already have. The passage of time changed the family gradually from an active promoter and investor to a custodian of family fortunes. So then we have this guy named Frank Harris who talks about this conversation he has with one of the grandchildren

and the grandchildren or adults and running the business at this point in history. And it says,

Harris reports gleefully on the profits made by Berings, which is another family dynasty. They actually covered it in this book on this transaction they did for the Guinness Brewing Company and where Berings made over a million dollars. And this would have been in the mid to late 1800s. And so Harris says, don't you wish that you had done the deal? And the Rothschild descendant returns a soft answer. We did have it and we turned it down. Harris said, aren't you sorry now? And the Rothschild grandchild said, when I turn down deals, I go home at night

carefree and easy. When I take on a project, I can't sleep. The tacit rules of the Rothschild dynasty now were aimed at preserving sleep and peace of mind. And so when I got this page, I left a note to myself. And I think the reason this happens over and over again is because if your goal is just accumulation of more money, like that's probably the right move. You are already one of the richest families in the world, if not the richest family, and being abundantly cautious is probably the correct move. If the just the continuation of continual accumulation of money and then pass it down to the next generation is the goal. And we are living almost 200 years after the events that you and I are discussing this book. And we can't tell how much money they have, but we know they have a lot. Or I should say it is likely that they have a lot. The author is then comparing and contrasting Nathan, the power law person, power law founder, with his descendants. Nathan had given himself heart and soul to making

money. His descendants worked rather to spend it. A theme that we show see repeat itself for many of the great dynasties. But unlike many of the great dynasties, where the offspring began to stray, many Rothschilds remain powerful in the business world. It is as if they possessed a secret genetic gift for making money. And then this summary of the section is exactly why I wanted to talk about them. First, the Rothschild family is perhaps the most important and tenacious dynasty in modern business history. Only a few dynasties have shown as much persistence across centuries.

Okay, let's jump right into the Morgans. The great thing about the Morgan chapter is the author does a lot of the work for UNI, where he is going to constantly reference, I guess, compare and contrast the Morgans and the Rothschilds. So says the Morgans offered a very different response to success and growth from that of the Rothschilds. The Rothschilds insisted that their bank be an exclusively family enterprise. No outside partners. And they have held to that. The Morgans were not numerous enough to do that. Nor did they see outside partners as intruders. On

the contrary, they needed them. The result was that the family bank moved on to a Morgan less managerial corporation. So I just want to pause there because they're like, Hey, the Morgans couldn't do what the Rothschilds did, because there just wasn't enough of them. I can't remember which other family it's talked about in the book on another another family. I'm not going to profile where they realized that the essentially if you want to build a family dynasty, they would recommend that you have a bunch of kids, eight, 10, 15 kids, whatever the case is, you're going to because the natural distribution of let's say you have 10 kids, a handful of them are not going to be interested in business. Maybe one or two are going to have the same level of drive and intensity that maybe the founder or similar drive and intensity that maybe the founder of the family had. But that was explicitly stated in the book where they're like, Okay, the only way to get around this if you want to have a family dynasty lasts a long time is you have to have a bunch of kids

and then you have to convince your children to have a bunch of kids. And so I'm pretty sure JP Morgan's dad, Junius, who I'm going to talk about in a second, I think he only had two sons. And when they say kids in this time, you know, it's obviously it's going to be the male line of the family that they're optimizing for. Before I get to Junius, I want to talk about Junius's dad. The Morgan family dynasty is interesting because the actual Morgan company wasn't even started by a Morgan, we'll get to there in one second. But there was a lot of wealth transferred down over multiple generations. So they were successful that like they are a case study and successfully saying, Hey, we start with Joseph Morgan, he's going to make a bunch of money, he's going to give some of that money to his son Junius, Junius is going to make a bunch of money, give that money to his son JP. And so they were successful in taking an inheritance and growing it and passing it on to the next generation. So JP Morgan, his grandfather was this guy named Joseph Morgan, he did a bunch of things. But what he is most well known for is that he was, he made a lot of money in real estate, but he was also one of the founders of the Etna Fire Insurance Company. So Joseph Morgan is the first person in the Morgan family where he has a knack and a love for business

and then he passes along that love and passion for business to his son. So it says most important, Joseph put his son Junius Spencer into the trade. So Junius is going to have 10 years of experience in banking and in commercial trade before his father passes away. Joseph left in a state of over a million dollars. So that would be about 40 to 50 million dollars when this book was published, his book was published 20 years ago, so it's even more now. Junius took this money and then went after bigger game. Now he does something really smart here, he winds up moving from America, the Morgans are Americans, he moves to America because this is 1854, where is the center of commerce in the world at this point in the Western world, clearly London, he moved to London, and then send his son JP Morgan to school in France and Germany. On the past episodes I've done on the Morgan family, I told you before that I found Junius to be the most impressive of all the Morgans. This is an example of that, this untypical breakout from local to regional to national to international over the course of generations was the building of a global family fortune. Junius to me seems the most driven, we have evidence of this here, he is, he set out, he's like I want a dynasty. From the beginning Junius had far-reaching aspirations, he would build a dynasty, his models were the bearings and the Rothschilds, both European banking family dynasties both are covered in this book. So it talks about his son JP Morgan, JP's health left much to be desired throughout his entire life, work had to be compensated by intervals of recovery and repose. He would engage in fierce spells of activity, followed by long vacations and months of travel. You can still get, if you're in the right business, you could still get really wealthy by doing this like sprint, sprint, rest cadence. That's very different from I would say most of the founders at UNI cover, they're grinders. When I got to this part, all the way back on Episode 124, I did a three-part series on Larry Ellison, there's this fantastic biography of Larry Ellison called Soft War, an intimate portrait of Larry Ellison in Oracle, and Larry Ellison was like this too. He states in that book, he's like listen Bill Gates is a grinder, I'm a sprinter, and so let me just read a quote from the biography of Larry Ellison. He says, although he always talked about technology in Oracle with passion and intensity, he didn't have the methodical relentlessness that made Bill Gates so formidable and feared. By his own admission, Ellison was not an obsessive grinder like Gates. I am a sprinter. I rest, I sprint, I rest, I sprint

again. Ellison had a reputation for being easily bored by the process of running a business and often took time off leaving the shop to senior colleagues. That is very much in my mind the model I have of J.P. Morgan. And I think he was bored by the process of running a business. I think he said he did something like, I can't remember the exact number, like he would do a year's worth of work in three months or maybe a year's worth of work in nine months, something like that, but I know he took at least three months off every year. But that comes later in the Morgan family history. This is what I meant that makes their dynasty so interesting because the actual, the launching point, not including the money from their grandfather and Junius' father, Joseph, comes from George Peabody. He's not even a Morgan. Says George Peabody was also an American living in London. He was a high quality merchant banker of London. Peabody is going to run across Junius and recruit him to take over. I'm pretty sure Peabody was like this miserly figure. I think at one point I'd read about him previously. Let's say he was making like \$300,000 a year. He would live on like \$3,000. Like he wouldn't spend any of his money. I think, you know, let's say he's making \$300,000. He would live on like \$3,000. Like he would actually spend like \$3,000 a year. So anyways, I'm pretty sure he didn't have any kids. So he recruits Junius, almost like this adoptive son. And it's from this, this is the like a prehistory of what becomes now in our modern day and age, JP Morgan Chase. Chase Manhattan obviously buys out JP Morgan, I think for \$30 billion. That's how this chapter ends. This was a great opportunity, not only because Peabody was the leading house in Anglo-American trade. Peabody himself was also approaching retirement. He had run into Junius Morgan in various transactions, liked what he saw, and offered him a partnership in 1854. When Peabody then retired 10 years later, the firm became J.S. Morgan & Company. J.S. Morgan & Company. When Junius retires, it's taken over by JP, that becomes JP Morgan & Company. That is the company that Chase Manhattan buys many, many years later. I love what the author points out because this is exactly how I felt when I was reading the history of the Morgans a few years ago. The history of the House of Morgan tends to glide too quickly over the career of Junius. And yet it was he who won the family place and fame in international banking. And their first big break comes from, again, we talked about this earlier. Your competitor is always going to leave gaps in the market. He is very much Junius, is very much patterning his family off the Rothschilds, the bearings that even came before the Rothschilds. They're all operating in Britain at the time. This is the center of the financial universe. And there is this war between Prussia and France that France loses and needs a bunch of money for restoration. This is in 1870. But the leading British bankers, including the bearings and the Rothschilds, had little faith in this opportunistic French political creation. So they're like, now we're going to pass on this. Junius is like, oh, I'll take this up. I'll take you up on this. It was at this point that J.S. Morgan & Company stepped forward and agreed to underwrite the loan. And so there's a bunch more detail about what happens. I'm just going to get to the punchline. Junius made a fortune from this unanticipated windfall. It estimated he made about \$450 million in today's money from this one single transaction. Like the Rothschilds, after the Napoleonic wars, he now felt himself a legitimately important player in international finance. And like the Rothschilds, then he found the old-timers beginning now with the Rothschilds unwilling to concede status to this brash newcomer, just like in the story of Nathan Rothschild, the people that were in power, the powerful families, powerful business owners at the time in England did not want to see their position to this young upstart. Now, I think a generation, two generations later, we have Junius

playing the role of Nathan Rothschild. Junius sends his son, JP, to America. Junius is going to stay in London. So they're going to have like basically the Bank of Morgan and the House of Morgan becomes like this two-headed monster. And this was perfect timing again. And this is probably why JP Morgan is so much well-known throughout history than his dad was, even though his dad might have even been a more impressive person. It's because he's at the right place where you're going to have this gigantic explosion in the American economy. And that is where his son is. Junius, Morgan continue to thrive by doing business with American exporters and importers. Much of this rise was the work of his son, JP. And so for the next 30 years, and this is terrible that this happened, JP winds up burning all these letters. But for the next 30 years, we just have Junius, you have 30 years of history of Junius and JP writing letters back to each other. And Junius is really trying to shape and get his son ready to take over the family dynasty. A little bit of detail about that here. Junius did his best to provide his enterprising son with experience, guidance, and working connections. Junius was a tough act to follow. The father was determined to shape the son to the highest standards. His technique was to scold and chastise and give no praise. And this is something he also had in common with how Nathan Rushschild, that he did the same thing that Junius did. JP exerted himself to meet these boundless demands, driving himself to fatigue, depression, and even physical illness. But not even his father could keep JP in line. JP would not haggle and he dealt with others on a take it or leave it basis. Biographer Ron Trinnell describes JP as a young, moralist turned despot. JP found it hard to find collaborators. He thought no one was good enough. When he did find a man that he wanted as a partner and he offered him a job, he would not take no for an answer. Hours at Morgan's Bank in America exceeded normal endurance. The house was known as a partner killer.

And so now we got to the point where I mentioned earlier that JP is at the perfect time in history. The Rushschilds had missed the American boat. Junius Morgan with his son's firm in New York had not. This frontier nation was a different world, different world in Europe. It was large-scale, full of business syndicates and monopolistic. And JP was the man to find the funds and take these things in hand. There's also a bunch of quotes in this book that give you an idea of who JP Morgan was as a person. I think this isn't a good example of that. JP once said, a man always has two reasons for the things he does. A good one and the real one. And so even though JP Morgan was not the richest of the robber barons, he was like involved in all the different important industries at this time. So that's why he's so well known. The American economy took off after the Civil War at the heart of its growth were the railroads. So he was involved in railroads. He also was involved in oceanic transportation. And then he winds up getting involved in steel and iron. So it says linked to both the transport industries was iron and steel. And it was Morgan that in 1901 put together US Steel. This is the world's first billion-dollar corporation. Part of that was buying, he bought a bunch of businesses, but he winds up, the main thing was buying Carnegie Steel, Andrew Carnegie's company. And the reason Morgan bought him out is because Morgan wanted to compete in steel and Carnegie had built by far, by far the best steel company. Morgan did this, meaning bought out Carnegie, because Carnegie was responding to

moves

by other steelworks by integrating backward and forward. And Carnegie could undersell those other mills. Morgan wanted to allay this potential competition. And it just so happened that Carnegie was in the mood to listen. So he winds up buying out Carnegie for like 400 something million dollars. I think out of that, Carnegie said, I think Carnegie's end after paying out his partners was something like 250 million. What I've read in the past is that at that point, at that point, he took it in cash. He did not want stock in US Steel. At that point, it was highly likely that Andrew Carnegie had the world's largest liquid fortune.

When he saw the growth of US Steel, it was like, oh, I sold out too cheaply. Carnegie came to feel that he sold too cheaply. Carnegie told Morgan that he should have asked for 100 million more. There's a great book on this. I covered it all the way back in episode 142. It's excellent. I highly recommend if you're looking for something to read right now to buy the book. It's called The Hour of Fate, Theodore Roosevelt, JP Morgan, and The Battle to Transform American Capitalism. And I think the description in that book is even better. It says, Andrew Carnegie celebrated too quickly. He later admitted to Morgan that he had sold out too cheap by at least 100 million dollars. And Morgan replied, very likely Andrew. And so if you look at all the deals that JP did, I do think this author really hit the nail on the head here with this. He said, JP had one great strength. He had a feel for new technologies and the business opportunities they created. It was not an accident that he had formed the General Electric Company. And I'm going to interrupt this paragraph because this is another demonstration. You want to know these people exist. You may not want to be friends. You probably don't want to be friends with them. And you definitely don't want to work with them because they are ruthless. Henry Villard, president of Edison Electric, had come to Morgan for help in taking over Edison's company. This was a mistake. Morgan was not by nature a helper. He was a driver. He arranged a counter coup.

And so then you can argue with JP's death, which is about to happen here, that this was actually the end of the Morgan dynasty. JP felt burned out and prepared to take one of his European yacht trips that had always done so much to revive him. In a conversation with George Baker before leaving, he asked his old friend to assume his role in the event that he, JP, did not return. He was not feeling well and indeed his premonitions were justified. He suffered an acute breakdown, was very tired mentally and physically, kept going downhill, and he stopped eating. On March 31, 1913, he died in his sleep. And this is when the Morgans permanently deviate from the Rothschilds. After JP's death in 1913, the firm needed outside talent more than ever. 10 years later, they had 13 managing, outside managing partners. This dependence on partners and managers was so

different from the Rothschilds. And it was reinforced by genealogical decline. And what they mean there is one, they didn't have enough male heirs, and the ones they did were just not the same quality of JP or Junius. JP had matched or even surpassed his father, Junius. John Junior was not in the same class as his father, and his sons were simply not cut out for business.

Okay, so now I want to move on to a family dynasty. I am ashamed to say I have never done a Founders

episode on, and I'm going to rectify this as soon as I can. If you have any great biographies or books on the Toyota family, please send them my way. This was one of the shortest chapters in this book, and it was, it might be my favorite chapter. Okay, so, and these names are Japanese, there's no way.

You know, by now, I don't think you expect me to pronounce anything correctly, but there's no way I'm going to pronounce these correctly. I'm just going to try to pronounce them phonetically.

The founding father of Toyota was Sakichi Toyoda. The patriarch of Toyota got his start in the textile industry. He was born in 1867, the son of a carpenter in a remote country village.

So in the area he's growing up, the men are working in agriculture, the women are expected to earn additional income for the family by weaving cotton cloth. So most homes where he was born in the area he lived had a hand loom. That's really important because he's going to build his, the seed money for Toyota motors comes from the patriarch of the Toyota dynasty selling his technology on a more efficient and they call it like a power loom, which I'll get to in one second. From a young age, Sakichi was fascinated with the challenges presented by these looms. He set himself to making improvements, much to the spare of his father who felt his son should stick to carpentry. Sakichi had his own ideas. He traveled to Tokyo to visit an industrial exposition that showed him modern mechanical marvels that he had not imagined. A year later, he patented a new wooden

hand loom that increased productivity by 40 to 50 percent. So when I read that paragraph, the first thing I wrote down is one of my favorite quotes from the book Zero to One by Peter Thiel, which I covered on episode 278 for the second time. Properly understood, any new and better way of doing things

is technology. The patriarch of what is soon to be the Toyota family dynasty is creating his initial wealth by creating new technology. He then moves to Tokyo where he shifted his focus to a power loom

which would truly alter the dominant mode of production in textiles. His first marriage failed, he had to move back to his home village, he then divorced and remarried. He left behind his first wife, but then he brings his kids and this is important because his son, Kichiero, who as we shall see becomes a world-class entrepreneur as an adult. And on the very next page is a bunch of fascinating ideas on how to build your business. From the patriarch of the Toyota dynasty, here's some notes I left myself, do it yourself, insist on quality, make something that will benefit society and pick a mission that is bigger than yourself. In Japan, the sons and laws are often brought into the family with all the rights of a child by birth. This contrasts with that of the Rothschilds. So it is through marriage, the marriage of one of his daughters, that Sakichi gets a new son. It's this guy named Risa Burrow, who was 10 years older than his biological son, which is Kichiero. So it says Risa Burrow took the Toyota name as his last name and became in effect Sakichi's eldest son and the first heir to his fortune. Okay, so that's very, very different from the European and American dynasties that you and I have been studying. Sakichi's looms tested better than his German and French competitors, but never quite so well to beat the British, which had the highest quality looms. This is fascinating because his response was fantastic. This only stimulated him to work harder. It is impossible to create an innovative product, he wrote, unless you do it yourself. Pay attention to every detail and then to test it exhaustively. This sounds like James Dyson. Never entrust your creation of a product to others. That also sounds like James Dyson. For that will inevitably lead to failure and cause you deep regret. That whole sentence, those multiple sentences could have come out of James Dyson's mouth. Episode 300, if you have not listened to it, I've got a ton of messages in the last few weeks about that episode. People seem to really love it. These new looms found a ready market

abroad,

so that was important. Let me pause there. He's like, I'm beating the Germans, I'm beating the French, can't beat the British, I'll just have to work harder. He winds up improving it. That wind up being really important because that leads to a sale, that sale then leads to the seed money that's going to give birth to the Toyota automobile fortune. These new looms found a ready market abroad, but instead of continuing to expand the company's cloth and loom business, Sakichi made a radical choice. In 1929, he sold his patents. That sale bought in the seed money for the Toyota Motor Company. Sakichi also does something very smart, realizes, hey, I built my business and my fortune in one industry. The world has changed in a generation, just like it always does. My son, you have to figure out what your path forward is, and he gives them ideas like, well, I was just in America. These cars seem to be, this automobile industry seems to be exploding, maybe we should get into that. Sakichi himself was too old to undertake auto manufacturing, but a visit to the United States convinced him that cars had a mighty future. He saw this as a suitable task for his son, Kichiero. This is the biological son, whom he admonished. I devoted most of my life to inventing new kinds of looms. Now it is your turn. You should make an effort to make something that will benefit society. That is the most important sentence in this entire chapter. I will read it again. You should make an effort to make something that will benefit society. He challenged Kichiero to build a Japanese car with Japanese hands. So Kichiero goes to America, and he does what Sam Walton did. He visited his soon to be competitors, more than anybody else. He visited automobile plants and took copious notes on what he saw and heard, just like Sam Walton did. I don't remember if I mentioned on this recent SoulPrice episode, I did a few episodes ago, but they caught Sam Walton walking through like a price club I think at the time, and I think SoulPrice's son was the one running the business at this point, and he had been walking around, not just taking notes, but he had like a recorder, a tape recorder. He's walking around like a microphone, and he's just notes to self, do this, do that, do that, minds are getting caught. They confiscate his tape recorder and the tape. Sam Walton writes a letter to Robert Price, which is the son of SoulPrice. He's like, Hey, I understand if you don't want to give me my tape back, but can I at least have my tape recorder back? And Robert's like, you know, I'm not going to like, we're not going to destroy your tape. We're going to send him back, you know, all the notes, didn't delete anything. And just like, here, Sam, take it. Okay, so let's go back into the early development Toyota. Remember, keep this in mind, 1929 is when they have the idea. 1929 is when they have this idea that we should do cars. Okay, this is going to be the success is multiple decades in the making. At this point in history, Japan had no true automobile industry, even 30 years after major companies have been established, automobile companies have been established in Europe and America. Japan's like, Oh, we need to fix this, the state appointed a committee to look into developing a national automobile industry and urge a trio of producers. Check out the names. I think all these names are still around, maybe not Azuzu. They asked Nissan Azuzu and Toyota design a standard chassis. For all of them, this was the easy part. The big problem was the engine. They did not know how to make an engine, like the Americans and Europeans did at this point. Now, his starting point is fascinating, right? He's like, anybody can build a chassis, we need to figure out how to make an engine. He's going to wind up copying an engine. And I'll tell you why I think that's smart. But from the very beginning, he realizes like, listen, we're not just making a car, we're making a system of production.

He understood that he was creating not only products, but an industry and a new system of production. This understanding of the importance of developing successful processes lay and still lies at the center of Toyota success. So when you look at books on Toyota, a lot of them goes into the Toyota production system, which then spread to many industries outside of the automobile industry. What I found interesting is Keicho decided like, okay, we've never manufactured an engine before. And essentially, he reversed engineers and he copied the Chevy engine. And so I'm going to read this one sentence. I'm going to read the note that came to mind after this. It says, the result was an engine so exact that it could accept Chevy replacement parts. A major advantage when the inevitable breakdown occurred so a Toyota engine could break down. Toyota does not have an abundance of natural resources. They don't have a lot of money. But what they could do and they don't have a bunch of excess inventory waiting, just sitting there waiting around. And so it's like, oh, wait, my Toyota engine breaks down, we can just order parts from Chevy and then we could fix our car. This is a smart move with a country with limited natural resources for this actual industry that they're in. Now later on, obviously, you want to control as much as possible. But at this point, he's like, okay, we just want to make sure one, that we can build a car that's reliable and two, that we can sell them. There's a weird parallel that just came to mind. My friend Andrew Wilkinson started this company. He's the co-founder of Tiny. He owns a bunch of companies, like 30 something companies. But he started an email management company called Mailman. And so he had mentioned it. And so I went to the Mailman site, it's mailmanhq.com. And I was like, oh, this is really smart. Mailman starts as a Gmail plugin. And what it does, it just gives you more control over like when and what email lands in your inbox, right? But I think there's actually an interesting parallel to where we are in the story of Toyota. Now, making a Gmail plugin where you have, you know, 2 billion Gmail users out there is a great way to test if there's a market for the product. And if in that market, people are willing to pay out their hard earned money, I highly suspect that this is true. And then from there, it's like, okay, we can expand this, we can stay with the plugin, maybe it's a wonderful business, or we can create our entire own email, vertically integrated email service. But this idea of starting out with something smaller to prove what you're doing to see if there's a business there. And then if there is a business and a demand for there, going and building out and controlling more aspects of the customer experience is exactly what I think Mailman could do and is exactly what Toyota is doing at this point in the story in the book. I think that is a recurring theme in the history of entrepreneurship that the greatest entrepreneurs are usually start out resource constrained. It forces you to be more creative, to be more resourceful and to actually test to see if there's actually enough demand to build a valuable business for the product that you think that you're trying to put out into the world. And so this idea of lean production is a major theme in the Toyota family dynasty. Kichiro also began to experiment with new systems of supplying materials. He cut back on traditional cash outlays because he didn't have it by deliberately decreasing warehouse capacity. The goal was to produce vehicles on order and to use the proceeds to pay for materials and parts as needed. Kichiro's idea came to be known as lean production. And so remember earlier, I said remember 1929, this is successful many decades in the making the note I have on the next page. How many other

car companies had to pivot to making food so they didn't starve to death? This is in the middle of this Japanese imperial expansion. They're always at war. They're eventually going to go into war with America, which obviously is a bad move on their part. Toyota workers who unbeknownst

to them had barely escaped a murderous bombing scheduled by the American command for the next week wept at their machines. So they're closing down the Toyota factory, right? This is after they lost the war, World War II to America. And now they have to pivot. They're like, we cannot make cars. There's no demand. We have to make food. The outlook for Toyota was grim. They transferred their manufacturing efforts to focus on subsistence. Employees were set to planting vegetables and the company built a flour mill, a bakery, and a charcoal plant to take care of food and cooking. The family put other Toyota units set to making pots and pans. This was a family that did not know the meaning of quit and tirelessly continued seeking income in those activities that were linked to survival and everyday living. That is crazy. How many other car companies had to pivot to making food so they didn't serve to death? Very few. Now the weird thing

is this liability winds up flipping into an asset because post World War II, Japan is occupied by the American army and they need transportation. So they look around like, who can build us a bunch of trucks? Turns out Toyota has the capability of doing that. The Americans needed transportation. They asked Toyota to start making trucks again. That is in the mid to late 1940s and 1950s. Toyota has a huge influx in money from America again because of the Korean War. And then in 1950s, the company was momentarily rescued by the Korean War. America needed friendly

manufacturing in Asia and Japan was in the perfect position to supply the U.S. Department of Defense.

Between 1950 and 1954, nearly \$3 billion in industrial contracts flowed into Japan and Toyota took its share. Here's another smart thing that Kichiro did. He's getting towards the end. He's about to retire. This has been going on for multiple decades. He's like, listen, we've been making money, but we've been making money. We've been saved by this artificial market from the U.S. government. We need to have the skills to survive in a free market.

Towards the end of his presidency in a memo that became something of a moral call to arms, he said, the Japanese auto industry has been fostered and protected in a controlled economy and has never braved the rough ways of a free market system. It is like a hot house plant.

Moreover, viewed impartially from a global standpoint,

Toyota is far from being a first class company. Because of Japan's defeat in the war, we see ourselves as something like a third class auto company. So he's like, all right, we need to fix this. Kichiro retires and he leaves in charge his cousin Ejai. And Ejai does something smart. He goes to the United States. Who could dream that a Japanese car maker at this point in history would ever be able to compete with an American giant? At the time, Toyota was making 40 cars a day. Ford was making 20,000. Ejai learned much of value on his trip to the United States. Most important, he returned with the sense that nothing he'd see and he saw in America was beyond Toyota's

ability. They just have to find a way to do it with their limited natural resources. Ejai is still really young. So the actual real power in the Toyota company at this time was with this guy

named Ono, that's his last name, Ono, who was a professional manager and a mechanical engineer. Ono had vision. It was he who developed and implemented Kichiro's idea of lean production into a system that became known as TPS or the Toyota production system, which could be used in making not only automobiles, but all manner of complex industrial products. TPS was perhaps the most important technical innovation since Ford's successful implementation of the moving assembly line. And the Toyota production system has transformed manufacturing throughout the world. The aim was to waste neither time nor space, which they did not have an abundance of. They were lean and mean. Workers didn't need to move about and materials were delivered to them. Materials arrived only when needed are quote unquote just in time, which cut down considerably on waste. Much of what Ono wanted ran against deep-rooted Japanese habits of hoarding against feared shortages. His lean manufacturing process took several decades to develop and perfect, so the great benefits were not clearly visible at first. And so in 1967, the family finally thought that Eji Toyota was ready to take back the reins. He finally got his chance and he took over as president, the first family member by bloodline to hold the position since Kichiro. Growth continued at a rapid pace. In 1972, the company's annual production hit 2 million cars. In 1980, it was 3 million. By the early 1990s, Toyota could compete with anyone on equal terms. The seed of this success in 1990 was planted in 1929 by Sakichi Toyota 60 years earlier. To this day, Toyota is still a family enterprise.

Okay, so then let's end the episode on dynasties talking about a family that's not an actual dynasty. The Rockefellers are an interesting case study and any examination of dynasties. Everyone thinks of the Rockefellers as a dynasty. Everyone knows the Rockefeller name and is aware that the Rockefellers remain active in powerful business, politics, and philanthropy. When it comes down to it though, the Rockefeller story is really that of the mediocre eyes of one person, the patriarch, John D Rockefeller. Rockefeller was a brilliant but difficult man and perhaps it ought not to be surprising that a person of his drive and ruthlessness did not inspire a passion in his descendants to take command of the family enterprise as he had. And so Rockefeller is another example of right person, right place, right time, right set of skills. Rockefeller's luck came from time and place. The Cleveland of his early years was a small boom town, a place that favored energy and ambition, and John had plenty of both along with cleverness and cunning. Part of this was due to his upbringing. I cheat my boys every chance I get, his father bragged. I want to make him sharp. I trade with my boys and I skin him, and I just beat him every time that I can. As a Rockefeller did the same to the rest of his competition in the oil industry, his father's lessons paid off. John went to work as an office boy and a bookkeeper and caught the eye of his employers as an intelligent and zealous young man. Feeling underpaid, he left it to begin his own mercantile partnership. For this he needed a thousand dollars, which his father was ready to lend him at 10 percent above the then prevailing interest rate. But John was happy to take it. At 19 he was his own boss. He went down on his knees and begged the Lord to bless his new enterprise.

Rockefeller met with immediate success because he was patient and methodical. His life aim was to get money and then use it as wisely as possible. This pursuit of wealth was a sacred calling. I've done multiple episodes on Rockefeller. I will continue to do multiple episodes on Rockefeller in the future because he may be arguably the most important entrepreneur in history. This is so important to understand Rockefeller. Me and you may look at

this as like this is obviously not true. He believed that he was put on the earth by God to make as much money as possible and then therefore he could give it away for the betterment of humanity. From the outside there's this huge disconnect between his methods and his accumulation of monopolistic power and his divine belief in his mission. But just as you and I believe that the sky is blue, Rockefeller believed this. The pursuit of wealth was a sacred calling. Wealth was a sign of God's grace and poverty then the sign of heavenly disapproval. Rockefeller believed that he would be rich and he believed that this was because God wanted him to be. So he has this fundamental religious belief but he's also one of the most talented entrepreneurs that's ever walked the face of the planet. Rational, thoughtful, systematic, committed, and diligent. He also cultivated an intense curiosity, a spirit of calculation, and an attention to opportunity. His competitors and associates were amateurs by comparison and he saw them for what they were. More on the right place, right time, right set of skills. John D. did not look for oil. Oil came to him. He was partners with this guy named Maurice Clark, a boyhood friend of Maurice Clark is going to make Rockefeller aware of the opportunity in oil. I'll get there in one second. People had long known that oil was abundant in western Pennsylvania but looked on it as a nuisance. It stained the water and spoiled the ground for cultivation. This guy named George Bissell changes all that. He came to the idea that rock oil might outdo coal oil as illuminant and so he sent a sample to a professor at Yale and asked him to analyze it. The answer came back positive. Not only could the kerosene and rock oil provide light, but the oil would yield a number of other useful components. This was all took and the oil rush was on. Sam Andrews was an industrial chemist who knew how to cleanse the oil and just happened to come from the same hometown as Maurice Clark. Andrew would visit Clark and Rockefeller and talk up the possibilities of them investing in industrial refining. The result was a major shift in the content and direction of the partnership. The story of oil was in large part a story of transportation. So the question became how are you going to move this stuff? And so they realized well the best choice at this point, this is before they mentioned the pipelines by the way, the best choice is railways. And so it says anyone who looked at the situation at that point would have declared that railways are going to be the inevitable winner. They could squeeze producers and refiners within an inch of their survival yet that is not what happened. And so this is the idea that John D. Rockefeller and his partner Henry Flagler come up with that gives them a major edge over every single one of their competitors. The idea was to elicit discounts and rebates, not only on one's own shipments by rail, but on those of the competitors. And what could be better than to have your competitors working for you, especially when the railways raised rates to cover the cost of rebates to Rockefeller and company. Rockefeller won on every count. Published railway tariffs, meaning what they're putting out publicly as this is what it costs to move your goods on my railroad. It's fake. Published railway tariffs were for the small man. They were not for major shippers who could pay, who could play one railroad against another while promising steady cargo. This is why this is the most important fact that this all hinges on. Rockefeller was such a large producer that he could promise the railways steady amount. As you probably know, there's a history of booms and busts with railway traffic just like in many other industries, just like in the oil industry. And Rockefeller was like, I'll smooth that out for you, but I want the best prices available. Another important part. This was secret. When it was found out,

it was made illegal. These were not seen as ethical so that in the long run, federal legislation made preferential rates illegal. By then the game had long been played out. Rockefeller succeeded in persuading just about every refiner of importance to join his cartel. That was the only way that they could obtain good rail rates. The stubborn holdouts, meaning the other oilmen, the stubborn holdouts went under and died hating him. The wise ones sold. Most of them took cash. The smart ones

took stock and became rich. John D told them to do that. Good advice. Even so, they hated him. And this goes back to that predilection for long term thinking when most other humans can only see what's right in front of their face. John D deserves credit for vision. The vision of what could be if only the industry could have been gotten under control. Where others could think only of quick profits and fast living, he thought of restraint, organization, rationality, and frugality.

He also knew he was best in class in a brand new industry. His business was by far better. It was run more economically. In fact, that advantage fed kept like kept compounding. This is one of my favorite all time Rockefeller stories is he'd go, he's approaching all these different oil companies. He's going to, you know, build, he's going to monopolize this entire industry. And he's like, listen, just, just you can't compete against me. Better. Let me buy you out. I'll give you cash if you want, but you can get stock in the best oil company that the world has ever seen. And one of his closers was that he would actually give the people he's trying to overtake. Look at our books. Look at, how can you think that you're going to compete with me? His clincher was to offer the victim a look at the books of standard. A potential seller was dumbfounded to learn that standard was able to sell at less than his own cost of production. They could kill him whenever they pleased. Another smart move that John D Rockefeller did, and I've told you about in the past, he's bought, you wouldn't even know if he bought up other companies. He would say, Hey, listen, it is very important to keep these contracts confidential, keep the deal secret, even from your wife. And this is also another advantage to compound. So let's say there's oil company A oil company B, right? Rockefeller wants to buy A and B approaches them both B says, hell no, I'm not going to sell to you. I know what you're doing. Company A sells to him. Rockefeller now secretly owns and controls company A. And then he has people from company A go, Hey, let's go to company B and we can stand up and fight against Rockefeller. You just got to sell to me and B is like, Okay, to get back at Rockefeller, I'm the owner of company B, I'm going to sell to you, not realizing that company B had secretly sold to Rockefeller thinking that he was just selling to company A. That is another reoccurring theme in the history of entrepreneurship, bad boys move in silence. And so the reason the author says that Rockefeller dynasty properly understood is actually not a dynasty at all, is because Rockefeller never tried to have the continuation of the business run by his family. He had partners with Standard Oil, says well into their lives, the Rockefeller children were kept in ignorance of the family fortune. And when Rockefeller retired, and I say retired and like quotation marks, because he's still running the show, he's just not showing up at the office anymore, what's fascinating is that he actually retires before the mass production of cars. And so all the demand that the automobile industry will bring for oil. So he actually gets much richer in retirement, technically retirement than he did when he was actually working at the office today. But when he chooses to retire, he actually picks his hand appointed successor who still reports directly to him. And you need to pick a son, he put this guy named John Archbold. And so the strange decision that Rockefeller does here is

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he gives a ton of money to his son, but actually doesn't try to teach him the business. Between 1917 and 1922, John D gave almost half a billion dollars to his children. Almost all of it went to junior. I think he had one son and maybe three daughters from her correctly or maybe two. Junior did not have the same taste for business that his father did. And by age 36, he stepped aside from many of his duties at Standard Oil to focus on the family's philanthropic work. The old patriarch wasn't doing anything to familiarize the next generation with the oil business. The founder who built the dynasty failed to influence his descendants in any way other than by encouraging a commitment to thrift and philanthropy. That urgent money making impulse was lost, as was the sense of the family business, which was transformed to merely the family fortune.

And that is where I'll leave it for the full story. I recommend getting the book. The great thing about the book is each chapter, each family is covered in about 30 to 40 pages, and you don't have to read in chronological order. So if you like a family that's profiled, you can go look for a more in-depth and longer biography to go a little deeper.

I will leave a link down below. If you buy the book using that link, you'll be supporting the podcast at the same time. Another great way to support the podcast is to sign up for Founder's Premium. I've been doing a bunch of these AMA episodes. You can listen to the AMA episodes and ask me questions directly. That link is down below if that sounds interesting to you. And finally, if you haven't yet joined my email newsletter, for every book I read, I usually take somewhere between like 50 to 100 different highlights. I go over all my highlights after I'm done recording, try to distill that down to my top 10 highlights from every book, and then I email you those top 10 highlights. That link is also down below and available at FoundersPodcast.com. That is 307 books down, 1000 to go, and I'll talk to you again soon.