

## [Transcript] My First Million / SPECIAL: The Rothschilds (Part 2)

All right.

Quick break to tell you about another podcast that we're interested in right now, HubSpot just launched a Shark Tank rewatch podcast called Another Bite.

Every week, the hosts relive the latest and greatest pitches from Shark Tank, from Squatty Potty to the Mench on a Bench to Ring Doorbell, and they break down why these pitches were winners or losers, and each company's go-to-market strategy, branding, pricing, valuation, everything.

Basically all the things you want to know about how to survive the tank and scale your company on your own.

If you want to give it a listen, you can find Another Bite on whatever podcast app you listen to, like Apple or Spotify or whatever you're using right now.

All right.

Back to the show.

All right.

Today, we have a special episode.

It is the biography of the Rothschilds family, which, if you're not a history buff, that doesn't sound interesting right off the bat, but I'm going to explain to you why we're doing this.

So Ben, who's our producer, he has this podcast called How to Take Over the World, and it is a historical podcast, but talks about the biographies of people.

So we're talking history as in like Alexander the Great, but also recent folks like Walt Disney's coming out soon, then he has Steve Jobs that's out now, and it's kind of like listening to a biography, but over the course of two episodes, amazing.

And all of the episodes are about basically business people or people on achieving great things.

So Napoleon, things like that, you know, people who are great leaders, people who are great inventors, like Thomas Edison.

It's amazing.

You're going to take it.

This one's about the Rothschild family.

I wasn't eager to listen to this when I first got into it, and then I like got 10 minutes into it.

I was like, oh my God, I'm hooked.

And I could not stop listening to it.

Basically we hear about the Rothschilds now.

They're like some secret family that like controls the world's banks or some crazy conspiracy theory like that, but they started in the 1800s in Europe, but they were eventually all over Europe and they started a bank.

They were mostly honest people and it's just a crazy fascinating story.

So give this a listen.

This has been from how to take over the world.

This is a two episode podcast and we're dropping them both at the same time.

Part one and part two.

Check it out.

## [Transcript] My First Million / SPECIAL: The Rothschilds (Part 2)

If you want more, let us know the Sampar on Twitter or Sean VP on Twitter and then look up Ben Wilson from how to take over the world.  
Hello and welcome to how to take over the world.  
This is Ben Wilson.  
So let's just get right to it.  
How did they do it?  
How did the Rothschilds become the richest family in the world?  
That's why I started studying this is what I want to know.  
So let's explain how they did it.  
And let's say that you lived in El Paso, Texas for my non-American listeners.  
El Paso is a city that is right on the border with Mexico.  
I lived in El Paso.  
I guess that's why it's the border city that comes to mind.  
Honestly, it's not as bad as you think.  
In fact, that should probably be their motto.  
El Paso.  
It's not as bad as you think.  
But let's say you lived in El Paso and you knew that gold was selling for \$100 an ounce or a pound or I don't know how much gold costs.  
I don't buy a lot of gold.  
But let's say that it cost \$100 an ounce in the United States and it cost \$90 an ounce in Mexico.  
And you know this is constant.  
What would you do?  
If you're even somewhat smart, you would go to Mexico, buy a bunch of gold for \$90 an ounce, and then come and sell it in the United States for a 10% profit.  
And you just keep going back and forth and doing this over and over again.  
And this is called arbitrage, okay?  
Arbitrage is when you take advantage of price differentials to turn a profit.  
And that's what their hostiles did.  
They used arbitrage.  
Obviously, it's a little more complicated than that.  
And we'll get into it a little bit more.  
We'll get into some of the complexities.  
But I wanted to start off talking about this idea of arbitrage because you have to understand it in order to understand how they were able to do what they did, how they became the wealthiest family of all time.  
Now before we get into it, let's go back a little bit and recap what happened just for a minute last episode.  
So we talked about Mayor Rothschild, who was the founder of the Rothschild dynasty, the guy who started it all.  
As a brief refresher, he was born in Germany, he's a Jew born in the city of Frankfurt, and he starts out as a small-time lender and merchant of metals and rare coins, but slowly makes his way up as he starts doing business on a larger and larger scale, and eventually he's

## [Transcript] My First Million / SPECIAL: The Rothschilds (Part 2)

able to take over as the steward of the fortune of Wilhelm, landgrave of Hesse. This happens because the French invade Hesse, forcing Wilhelm into hiding. The French also import liberal ideas about religious tolerance, and they emancipate the Jews from many of their previous oppressions that they had suffered in Frankfurt, which allows the Rothschilds to move more freely and conduct more business. Mayor puts Wilhelm's fortune to great use and starts to make real money for his family. And he does this in part by sending his five sons out to establish new branches of the family business in London, Paris, Vienna, and Naples, and one brother stays home with him in Frankfurt. Together, they make it pretty big. Mayor teaches his sons the three cardinal Rothschild virtues of Concordia, Integritas, and Industria, Harmony, Integrity, and Industry. On his deathbed, Mayor tells his eldest son, Amschel, keep your brothers together and you will become the richest men in Germany. Mayor never moved out of the Judengasse, the Jewish ghetto in Frankfurt, and he was buried beneath a plain tombstone. Which brings us to this episode. So the brothers are in these five offices, they're running what is essentially an investment bank. Although it wasn't called that back then. And the way they're making money at this point is, for the most part, by issuing government bonds. Government bonds were not a new invention they'd been going on for a few hundred years, but the Rothschilds had radically transformed how they were issued. They made them much easier to issue, obtain, and trade. And so they basically turned it from a one-to-one interaction. You have someone who needs to borrow and someone who can lend. They turned it into an international market, and it radically altered the way that governments borrowed and who could be involved in that, who could be invested in it. And so this was right after Napoleon was defeated for the first time. All these governments had just spent a ton of money to go to war with each other, they've run up huge wartime deficits, and they badly needed money. So the Rothschilds are issuing bonds to all the great powers. By 1825, they had negotiated loans for Britain, Prussia, Austria, Russia, and France, as well as many smaller states like Denmark, Hesse, and others. So why are all these states trusting the Rothschilds to help them issue bonds? There are a few answers, but one of the most important ones is that the Rothschilds could do it for the lowest price. They had this brilliant strategy. They would offer to help issue the bonds for much lower fees than anyone else. If they could do that, why wouldn't anyone else do that, beat them on price? They could make up the difference, and much more, by speculating on the bonds in the secondary market. And they could do this incredibly effectively.

## [Transcript] My First Million / SPECIAL: The Rothschilds (Part 2)

They were better traders than anyone else, because they had the five brothers in five locations.

And, if you recall from last episode, their father had established a mail and forwarding business, the best one in Europe.

So they had five information centers, and they can communicate faster and more reliably than anyone else in Europe.

And now we come back to that word arbitrage.

This creates incredible arbitrage opportunities.

Going back to that El Paso example, they know where gold is being sold for \$100, and where it's being sold for \$90, and they can quickly buy up assets and move them and sell them to turn a profit.

But for the most part, they're not buying and selling gold, although to be clear, they do do some of that.

They do some trading in precious metals, but for the most part what they're trading is government bonds.

So hey, 3% bonds issued by the British government are selling for \$78 in Vienna and \$80 in Paris. I know that doesn't seem like a big difference.

But if they can just tell Amscholl in Vienna to buy up some British bonds really quick, and they can tell James to sell them in Paris, then they can turn a really quick profit.

And again, they're able to do this with many different kinds of bonds.

All these governments are borrowing at the time.

They can do them with precious metals.

They can do it with all sorts of assets.

And because of this arbitrage advantage, they're just making money hand over fist.

I mean, you have to understand their information advantage really was leaps and bounds ahead of everyone.

For example, when the British defeated Napoleon at Waterloo, Nathan Rothschild in London knows about it before the British government even does.

Mind you, this is the British government.

They were the ones who were fighting, right?

They're the ones who should know.

It's their soldiers, their officers who are the ones who won the battle.

But Nathan has messengers over in Belgium who are watching the battle be fought.

And as soon as the outcome of the battle is decided, they take off and they send the message through this courier service.

It gets back to Nathan and he finds out in advance of the British government.

So he goes, he takes the letter that he's received.

He goes to parliament and he says, hey, you guys, we won the battle of Waterloo.

Napoleon's defeated.

And they don't believe him.

They don't believe that he could find this out before they could.

And so as it turns out, he's waiting around and another messenger comes to him because he had a backup.

He wanted to make sure that he got this information as quickly as possible.

## [Transcript] My First Million / SPECIAL: The Rothschilds (Part 2)

So his backup comes and tells him, hey, the British won the battle of Waterloo. Napoleon's defeated.

He tells the British parliament again, they still don't believe him.

And they kind of learn their lesson because eventually, you know, I don't know how long it was, a few hours or a day or something like that.

Their messengers come, hey, we won the battle of Waterloo.

And Nathan kind of says, I told you.

But that is how effective their messenger and courier service was.

They knew information before anyone, well before anyone, they got information way faster than anyone else.

Now, I want to go back to the arbitrage example in El Paso.

Like I said, if you were smart, you would take full advantage of that opportunity.

You would just plow your savings, all the money you had.

If you knew that gold was going to stay at \$100 in the US and \$90 in Mexico, you would max out your credit cards, just buying gold and doing this transaction over and over and over again.

And that is essentially what is happening with the Rothschild family when they're first making all their tons of money.

They have such an incredibly huge arbitrage advantage over everyone that they are keeping like no cash on hand.

They are just dumping everything into assets over and over again in order to take advantage of these types of opportunities.

And so what's the consequence of that?

Well, in 1815 alone, they are already the largest, now we would call them investment bank.

They are the largest investment bank in the world and they grow by 100% in 1815.

They double in size.

Can you imagine that today, right?

Something, they're the equivalent of like Goldman Sachs or JP Morgan Chase or something like that.

They are this huge international institution and they double in size.

But of course, this strategy does not come without its risks.

All right, a quick message from our sponsor.

You know, I was thinking about the shortest day of the year earlier.

And while we technically have the same amount of time as every other day of the year, the lack of daylight makes it feel so much shorter, which is exactly the same kind of feeling as working with disconnected tools.

Our work days, the same length as always.

But before you know it, we spent three hours just fixing something that was supposed to be automated.

Thankfully HubSpot's all-in-one CRM platform can serve as a single source of truth for managing your customer relationships across marketing, sales, service operations with multiple hubs and over a thousand integrations and an easy-to-use interface, HubSpot lets you spend less time managing your software and more time connecting with your customers.

## [Transcript] My First Million / SPECIAL: The Rothschilds (Part 2)

Learn how HubSpot can help you grow your business at HubSpot.com.

First is that they still, they have more information, better information, they get it faster than anyone else, but that still doesn't mean that they have perfect information.

These things still take days or weeks and it's days faster than anyone else gets the information but stuff changes and so sometimes they make bets that don't pan out and they lose money.

The other problem is when you're doing the whole, you know, maxing out your credit cards in order to just keep buying more gold in Mexico thing, well, you are subject to liquidity crises, right?

You maxed out your credit cards.

What about when I need to go to the grocery store?

Then it's tough, right?

And one of these actually happens to the Rothschilds in the mid-1800s, 1814, 1815, they didn't just have assets, they also had liabilities, they had debts that they sometimes had to pay out on and they had one of these, Carl, one of the sons is in Naples and he has to make a payment, he has to service some debt and he doesn't have any cash, he doesn't have any money.

So he, you know, goes to Solomon in Vienna and says, hey, I need cash and Solomon says, well, I don't have the money, James must have the money over in Paris.

So he writes, James in Paris says, hey, I need the cash and James says, I don't have any cash, I think it must be Nathan and they start writing Nathan, Nathan says, no, I don't have any money and all of a sudden it turns into this circular firing squad.

Everyone says, you have the money.

No, you have them.

So someone has to have the money.

Where's the money?

Believe it or not, at this time, the Ross Childs had no accounting in place whatsoever.

It's like, if imagine you're in one of these heist movies, right, and you are in a room stacked to the ceiling with bricks of cash and you've got a backpack and one minute to get as much out as you could.

You just be stuffing bricks of cash into the backpack as fast as possible.

And if I came 30 seconds in and said, hey, how much money do you have?

You would have no idea.

You haven't been counting the money.

You're stuffing in the backpack as fast as possible.

Well, the Ross Childs, they are stuffing money into the backpack as fast as possible and they literally just don't have accounting.

They have no idea how much money they're worth.

I said that their capital doubles in 1815 and now in retrospect, we know that we can look and see that their assets, in fact, did double at the time.

They had no idea.

And so when they have this liquidity crisis and start looking around for the money, they really not sure.

They think they might be broke.

## [Transcript] My First Million / SPECIAL: The Rothschilds (Part 2)

They don't really know what's going on.

They're kind of thinking, well, how come no one has any money in this family?

In fact, here's the actual quote from Solomon who writes to his brother.

I think this one's to Nathan.

He says, quote, you must have all our money over there with you.

We hear a stinking poor.

We have an appending despair.

Amshel has less than a million left and therefore the whole lot must be with you, including what we owe.

Work out where the family money is, my good Nathan.

I don't know.

Where is our money?

It was just absurd.

God willing, it will turn up when we do the spring cleaning.

So Amshel is freaking out.

Nathan tells him to chill and he responds and says, I guess I'm rather like my eight-year-old son who asked to see our millions and think they must be piled up somewhere in the house.

In 2019, it's pretty hard to comprehend that this could happen with a major international investment bank.

Obviously, it was different times, but anyway, this crisis forces them to look at their balance sheet and figure some stuff out and start doing accounting, which is a thing an investment bank should do.

And luckily, when they do the accounting, it turns out that, yep, they are in fact fabulously wealthy.

Again, by volume, their biggest business is helping to issue big government loans and they are light years ahead of everyone else in their ability to do this.

To the point where at this time, if you're a major power like Austria and you're looking for a big loan, it is difficult to do without the Rothschilds.

I mean, technically it's possible, but it's going to be very, very difficult and it's going to cost you dearly, both in time and money.

And that makes them very influential.

They've got a lot of influence they're wielding.

For example, the Rothschilds were known to favor stable constitutional monarchies and peaceful regimes, wars introduced uncertainty into the market, and so did radical governments. Whether those were radical left or radical right, they didn't like either one.

They didn't like revolutionary Republicans who were agitating for these newfangled democratic governments.

They didn't like these absolutist reactionary monarchies because governments to either extreme didn't tend to last long and they tended to be unstable.

So to give you an example of this kind of influence, when the absolutist kingdom of Prussia badly needed a loan during this time period, the Rothschilds are able to make it conditional on Prussia adopting some very mild democratic reforms.

And this sort of influence is really unprecedented.

People are looking up saying, wow, someone who can make the king of Prussia do something,

## [Transcript] My First Million / SPECIAL: The Rothschilds (Part 2)

impose their will on the king of Prussia, and previously only the Holy Roman emperor, the pope, could do something like that.

And to understand why that is, think back to this time period.

So if you were a nobleman in the 1600s, 1700s, 1800s, what did that mean?

Well, it used to mean that you were a knight and you were expected to mount up and actually fight in times of war.

But by the 1800s, this is no longer true.

And it used to mean that you had a certain number of soldiers who answered directly to you.

But once again, in the 1800s, especially in a place like England or France, this is no longer the case.

So what it really meant at this time period to be noble is that you owned land.

And that was always the most important part of being nobility.

It meant that you were in the class of land ownership.

Land was what made the whole thing work because land was the only form of durable investment that consistently generated a return.

And that was the power structure that everyone was used to.

Sure, there were bankers.

It would probably be more accurate to call them money lenders.

And there were merchants and there were people who accumulated, you know, a good deal of capital for a while.

But there was no such thing as a long term stable investment like being a noble and owning land that generated a solid three to five percent return year after year after year.

So besides their military power, that was one of the reasons that the nobility had so much power.

They were the only ones with a solid investment portfolio.

Well, by creating this bond market, the Rothschilds are changing that.

They're creating financial instruments that can rival land.

And they're also making it possible to accumulate capital on an unprecedented scale.

And so in this way, the Rothschilds change the world more than few people can claim.

It's really not just a matter of them having become the richest family of all time, of Nathan becoming the richest man of all time.

I mean, you think about the time period that they lived in, nobility was everything before then.

And afterwards, the influence of bankers and people who made money increased so much.

And this is when democracies really start to come into the world and survive and hang on.

Really, the Rothschilds innovations and the changes that happened in the larger financial world altered history, totally changed the world in a way that had never been seen.

I really like the way it's described by Hein, who said, quote, I see in Rothschild one of the greatest revolutionaries who have founded modern democracy.

They signify the gradual annihilation of the old aristocracy.

They are Europe's most fearful levelers.

Rothschild came and destroyed the predominance of land by raising the system of state bonds



## [Transcript] My First Million / SPECIAL: The Rothschilds (Part 2)

to supreme power, thereby mobilizing property and income, and at the same time, endowing money with the previous privileges of the land.

He thereby created a new aristocracy.

It is true.

But this, resting as it does on the most unreliable of elements, on money, can never play as enduringly

or aggressive a role as the former aristocracy, which was rooted in the land in the earth itself.

For money is more fluid than water, more elusive than the air, and one can gladly forgive the impertinences of the new nobility in consideration of its ephemerality.

In the twinkling of an eye, it will dissolve and evaporate.

That's such an insightful quote.

I love that.

But then again, I'm living in 2019, and many people at the time decidedly did not love that.

People were shocked and confused and amazed by these people with all this money who are foisting democracy on the kingdom of Prussia.

As you might imagine, the Rothschilds generated a lot of controversy, then as now.

People wrote about them in the newspapers, they were frequently caricatured and lampooned in political cartoons, and they were the subject of rumors, vitriol, hatred, and of course much of this very, very anti-Semitic.

But in the midst of this, I love Solomon's response to this kind of thing.

Nathan, the one in London, complained about a particularly nasty cartoon that had been drawn about him.

And Solomon responded, quote, I'm not going to cry about the fact that you have been caricatured.

So are the kings and emperors.

May God grant that this is the worst thing that ever happens to us.

May our sons also be caricatured.

Please God, as soon as they become well known in this world, I wish that for our darling children.

And this is so interesting on its face that he would wish that, right?

I hope that our children are lampooned and caricatured.

It never feels good to have people say bad things about you.

But, and this is what Solomon knew, that is the price of admission for greatness.

You can't have everyone like you and accomplish anything worth doing.

You just can't.

That's not how it works.

And that's what Solomon is alluding to here.

You know who doesn't have haters?

The assistant to the branch manager of your local paper company.

No one cares enough to be their hater.

So if you've got haters, if you've got people who dislike you and disapprove of what you're doing, listen to them.

I mean, that's not always the best thing.

## [Transcript] My First Million / SPECIAL: The Rothschilds (Part 2)

Maybe they're on to something and there's something that you can change.  
But on its face, that isn't necessarily a bad thing.  
It can be a good thing.  
The fact that you do have people who disapprove of you, that means that they care enough.  
It means that you are doing something that is important and you can't be ignored.  
And the Rothschilds for sure cannot be ignored.  
They're taking advantage of these arbitrage advantages, but also pretty quickly, their sheer size and scale becomes a primary advantage.  
They're the first banking institution of their size.  
They're 10 times bigger than their nearest competitor.  
When the Bank of England starts to go under in 1825, they turn to the Rothschilds for a bailout.  
That's how big they were.  
They are bailing out the largest central bank in the world.  
And one of the reasons that they are growing is that they plowed all of their profits back into the business, something that none of their competitors did.  
They were really focused on growing the business.  
Most of their competitors tried to keep their investment capital fixed.  
And if they happen to get a better return, well, then that meant more income for them that year.  
So they just spent more in any given year if they made more, but they kept the investment capital the same and the Rothschilds are flipping that.  
And contemporaries couldn't believe why they would do this.  
They couldn't believe how focused they were on making money.  
They viewed this as like a slavish devotion to banking.  
You guys are the richest men in the world.  
Why do you work all day?  
Go live.  
But the Rothschilds didn't see it this way.  
Nathan is quoted as saying, my only pleasure is my business.  
One time he had dinner guests over and one of them expressed the hope that, quote, that your children are not too fond of money and business to the exclusion of more important things.  
I am sure you would not wish that.  
And Nathan just looks at her and says, I am sure I would wish that.  
All the Rothschilds of this generation were somewhat this way, just completely intent and focused on business, but the only ones who really took it to this extreme are Nathan in London and James in Paris.  
They were kind of the leaders.  
And it was extreme.  
There's another story about Nathan.  
A powerful aristocrat came to see him in his office and Nathan was head down.  
He was working.  
And without looking up, he says, take a chair.

## [Transcript] My First Million / SPECIAL: The Rothschilds (Part 2)

And the man, this is this very important aristocrat is very offended.

He clears his throat and says, excuse me, you are speaking to the Prince of Thern and taxes to which Nathan again, without looking up says, okay, take two chairs then.

And if you read about Nathan, that's very true to his, his personality.

It's probably not true.

It's probably one of those, one of those apocryphal stories, but it is a very good story.

And honestly, it wouldn't surprise me if it is true.

I mean, he was very much like that.

Nathan 24 seven was about business.

Now let's take a moment to talk about the relationship between the brothers because Mayor's last exhortation was that his sons stay together.

But guess what?

Brothers fight and the Rothschild's brothers were no different.

In their letters, you can find them variously calling each other bullies, idiots and asses.

And that's in their letters.

I can only imagine what they were actually saying to each other when they saw each other in person.

I have a brother.

So yeah, I get it, you know, I shudder to think and they didn't always fight in most of their letters.

They are civil and they're asking, how are your kids and they're conducting business in a very effective and cordial manner, but they do frequently disagree, argue and fight.

And more than once throughout the years, the brothers threatened to break up the partnership and leave.

One reason for this discord is that Nathan, the London based brother, quickly rose to the top.

Nathan was this extraordinary larger than life figure.

He wasn't the oldest.

He was actually the third brother.

But he became, as Solomon put it, the commanding general.

Why?

Well, for one, Nathan was in London, the financial capital of the world.

But more importantly, he was just the best at what they did.

He was whip smart, obsessively focused, as I said, extremely hardworking and possessed with an almost maniacal appetite for risk.

In the years shortly after Mayor's death, the firm basically operated with Nathan coming up with the strategy and his brothers executing it.

A full quote from Solomon was actually, quote, my brother in London is the commanding general.

I am his field marshal.

Another brother, Carl, who was the least talented of the brothers, used an even starker analogy saying that Nathan was the wagon driver and he, Carl, was merely a wheel.

He said, quote, I look upon myself in the sense of a machine only.

But this is not going to go over easy when you've got five brothers who are all extremely smart, committed, focused, and ambitious.

## [Transcript] My First Million / SPECIAL: The Rothschilds (Part 2)

Yeah, Nathan was the smartest and the most ambitious.  
But it's not like he was leaps and bounds ahead of everyone else, except for Carl.  
I could do that every time.  
So I guess now I'll just know that they're all smart.  
But Nathan's the smartest, James is next, Carl's kind of at the bottom.  
So just imagine whenever I say the brothers, I'm saying, except Carl.  
But because of this dynamic, you know, they often chafe under the pressure when Nathan is really bossing them around and they get upset and they protest.  
But it wasn't just Nathan that was the problem.  
Yeah, this is a dynamic that makes it difficult, but they fight with each other too.  
And furthermore, you know, it's a little bit different dynamic when you're working with your family.  
I have lots of coworkers and associates and I've never been able to tell any of them, well, hey, guess what, I remember when you used to pee the bed.  
But that's exactly what is happening with the Rothschilds.  
But we only know this today, now that we have access to the letters that they wrote to each other, and we can see that they're calling each other fools and asses.  
But at the time, everyone thought they got along swimmingly, everyone thought they got along like no brothers had ever gotten along before in the history of the human race.  
And that's because they were totally unified in their investment strategy and in their representation to the outside world.  
You know, when you say, man, isn't my sister annoying?  
And your friend says, yeah, she is.  
And you suddenly go, no, wait, only I can say that.  
They had that kind of attitude.  
They fought quite a bit, but it was healthy fighting, not toxic fighting.  
It all came from a place of trying to make the best decisions and they never took their grievances public.  
They always kept it in the family, which is why you have people saying things like the British Prime Minister, Benjamin Disraeli, who said they had, quote, a unity of feeling which pervaded all branches of the family.  
And again, from a business perspective, all that their opponents and business associates saw was them working in perfect concert in harmony.  
Here's a quote from a contemporary gent who said, quote, with the greatest conscientiousness, the brothers have obeyed their father's heartfelt deathbed injunction to maintain unbreakable unity and cooperation in all business transactions.  
Each business proposition is the subject of their joint deliberations.  
Every operation of even moderate importance is carried out according to an agreed plan and with coordinated efforts.  
And all the brothers have an equal share in the results.  
Here's another contemporary who said, quote, these five brothers together formed in indomitable flanks and true to their principle, never to undertake anything individually and to agree all operations precisely among themselves always followed the same system and pursued the same goal.

## [Transcript] My First Million / SPECIAL: The Rothschilds (Part 2)

I want to read from the House of Rothschild by Niall Ferguson, a quote that I think illustrates a really interesting point.

He compares the Rothschilds to other banking families at their time.

He says in a quote, relations between the hope brothers and the bearing brothers were less turbulent

than the Rothschilds, but they failed to transcend their personal differences in the name of fraternal unity.

Okay, so in other words, and we'll use the bearings as the counter example, the bearings were another extremely successful banking family, and they were much more independent. They realized what the Rothschilds also realized.

If you're living under the same roof, if you're splitting profits from the same pot, then you tend to have disagreements.

So the bearings each went their own way.

There was less fighting that way and more peace in the family.

But they missed out on the exponential value that comes with working together.

By 1825, the Rothschild Bank was more than nine times bigger than bearing brothers, despite coming from more obscure origins more recently.

And by the way, it's not like the bearing brothers were blowing it or making some big strategic mistake.

They were the second biggest investment bank in the world.

They were only behind the Rothschilds.

And that's the way more common way of doing things.

And this is something I see a lot.

People saying, oh, I would never work with my spouse because I know we would fight, or I would never live in the same street as my sister because I know we would fight.

Well, yeah, I'm sure you would fight.

But guess what?

Your relationship would get stronger and would be closer.

Fighting is actually a sign that your relationship is alive and growing.

It means you're doing things together that matter.

When the Rothschild family eventually breaks up 80 to 90 years later, it's not because they fought too much.

In the end, they weren't fighting at all.

They didn't care what was happening with other branches of the family.

If you want to have a strong relationship, whether familial, romantic, friendly, or professional, it's probably going to take working through some differences and some conflict.

And if you're no longer doing that, then your relationship with that person probably isn't growing.

OK, tangent over.

Now, in 1836, Nathan dies.

Of course, before Nathan dies, he does exactly what his father did.

He encourages the whole family to maintain unity, and so shortly after he dies, a new agreement is signed that once again ties the branches of the family together in a profit-sharing structure.

## [Transcript] My First Million / SPECIAL: The Rothschilds (Part 2)

At the time of his death, Nathan was by far and away the richest man in the world. His fortune, if you use an inflation calculator, was something like \$10 to \$15 billion. And that doesn't sound that impressive.

It's not as much as Bill Gates or Jeff Bezos, but you have to understand that the world was just a less rich place back then, and no one had anything like that kind of wealth.

One interesting way to measure wealth is to look at share of global GDP.

So rather than using an inflation calculator and trying to say, OK, if you just scaled up how much was Nathan's money worth today, you basically say, OK, well, how much money was there in the world, and what percentage of that did he own?

And if you look at that, Nathan is by far the wealthiest person of all time.

Now, again, this is kind of the early to mid-1800s.

So it's a little sketchy to try to get a firm grasp on what exactly his assets were, but I've seen some estimates that he had something like a half a percentage point of global GDP, which is insane.

Using that calculator percentage of GDP metric, his wealth has never been matched, and it's not particularly close.

Now, how does that compare to someone like Crassus from the Roman Empire or Montezuma or Monsimosa?

Well, I don't know.

I mean, how do you compare them?

We don't have anything resembling accurate global GDP numbers for those time periods.

It's impossible to calculate inflation accurately when they were just buying completely different goods from us.

And we also don't have great numbers around how much money they actually owned.

And Nathan did live in a time when you calculate those things.

He was buying and building homes that still stand today in 2019.

So I think Nathan, you really can compare to other people going to the present day.

And by that percentage of GDP measure, which I think is the one that makes the most sense, he was the richest person to ever have lived.

So yeah, I mean, I buy that argument that Nathan Rothschild was the richest man of all time.

When Nathan dies, James becomes the new de facto head of the Rothschild family.

He's the youngest brother, but he's the most like Nathan, energetic, intelligent, domineering.

He takes the family business in a slightly different direction and invests heavily in railroads, which we're just starting to come into existence.

James leads the family very ably, and Nathan's sons are able to take over the London branch in a very capable way, especially his oldest, a man by the name of Lionel Rothschild.

The world financial market is very volatile in the mid 1800s, as is the political situation in Europe.

There are constant revolutions, as well as constant booms and busts, and obviously those two things are in large part related.

One of the great things about the Rothschild family structure is that you have these five branches who are all linked, but their markets are not.

So basically at one point or another, every single one of the branches nears bankruptcy

## [Transcript] My First Million / SPECIAL: The Rothschilds (Part 2)

and has to be bailed out by the other branches.

But that's okay, because if you're the French Rothschild bank and there's such a big financial collapse that you only survive by getting bailed out from your brothers or cousins in Vienna and London, guess what happened to all your other major competitors in Paris? So you may have only survived by the skin of your teeth, but you're in a much better competitive position than you were.

The recession has essentially wiped the chessboard for you.

And that's what basically happens in 1848.

The French Rothschilds are heavily invested in railroad lines.

There's a huge financial collapse throughout Europe, especially France, and it is especially affects railroads.

But guess who is basically unscathed by all this?

England is.

And so the British Rothschilds come to the rescue of the other banks.

Now the Rothschilds have had this enormous impact on the world that is sort of hard to grasp, hard to understand.

Up until World War I, they're like the forest gump of global events.

No matter what happens, the Rothschilds are involved in some way.

They prevent a breakout of war in 1830 and 1848.

They help underwrite the creation of multiple states, including Belgium, Greece, and Brazil.

When the American Civil War breaks out, they're being petitioned for money by the Confederacy in figuring out what to do with their tobacco and cotton investments.

When the Franco-Prussian War breaks out, they're the diplomatic go-between trying to broker a deal and preserve peace.

Their influence is incredibly far-reaching.

But something starts to happen.

Remember, all five of Mayor's sons were very capable bankers, except Carl.

I mean, even Carl, poor, maligned Carl, was a pretty solid banker, but in the third generation, it starts to get checkered.

It's basically half and half.

There are two gifted bankers in London, two in Paris, one in Vienna, and the rest are kind of duds.

So there are five gifted bankers, five guys who are not.

So when James dies in 1868, you're basically back to five partners, with five hangar honors who show up and collect paychecks.

And this isn't good because they really need to be expanding to new markets.

And one market in particular.

You can probably imagine what it is, but it's the United States and specifically New York.

Individual Rothschilds did end up moving to the United States, but it really wasn't until the latter half of the 20th century.

They were never able to establish a solid presence in the United States, and that was probably their single biggest tactical mistake.

Their other big mistake is they violate the Rothschild cardinal virtue.

They get disunited.

## [Transcript] My First Million / SPECIAL: The Rothschilds (Part 2)

They come unglued.

The second generation were all brothers.

And they fought.

They had tons of shared experience they could lean on.

When one of the brothers was getting mad at Carl for something he had done, Carl, Carl, Carl, Carl put things in perspective by saying, was anything more promised to us when we slept together in one attic room in the Frankfurt, Judengasse?

Which I mean, that's obviously very touching and amazing.

Go Google Rothschild mansions, go to images and just start clicking around.

The Rothschilds built some of the most opulent palaces of all time, which they proceeded to decorate with some of the greatest art collections of all time.

I mean, they are the richest people ever.

And yet these brothers all slept in the same bed in a dingy attic bedroom in a ghetto when they were young.

So you could see how those brothers would stay united no matter what.

For the next generation, the third generation, there was a way of doing things that also helped keep them united.

You started working with your father as soon as you were able, you know, when you were a teenager, 15 or something like that.

Then when you got a little bit older, you were sent to apprentice with one of your uncles for a few years.

Then after that, you were given a solo assignment abroad for a little while where you could really show your metal.

And then you came home and helped run one of the main branches.

And with this system, you spent a lot of time in the office with your cousins who were also apprenticing.

And then you went and you met your uncles and you got to see the rest of the family in a different part of Europe.

And it's this whole big family dynamic where everyone is intermingling with each other when they're young and get to know each other really, really well.

They spend a lot of quality time together.

But for the fourth generation, things start to come undone.

This changes a little bit.

And partially, I think it's just the normal things that you come to expect with rich families.

These guys are two generations removed from the struggle.

They have never known a bad financial day in their life and neither have their parents.

I think there's also just something that comes with bad luck for whatever reason.

This fourth generation just happens to be a bad cohort for the Rothschilds.

They're not too bright.

But there is one other thing, an unlikely element that starts to pull the family apart.

College.

With the fourth generation, the Rothschilds make the decision that these people need formal educations.

So they're no longer getting their education by doing an apprenticeship with Uncle Amscholl



## [Transcript] My First Million / SPECIAL: The Rothschilds (Part 2)

in Vienna.

They're going to college to get their education.

And so suddenly they're not spending their formative years thinking about banking with their cousins.

They're spending time thinking about girls' booze and maybe some classes when they have some time to fit in with their fellow countrymen in Germany, Austria, France, and England. And so the family unity starts to fade a little bit.

The Austrian Rothschilds become more Austrian.

The British Rothschilds become more British.

The French Rothschilds become more French.

This really starts to come into full effect after James dies in 1868, but it reaches its nadir in the early 1900s when the firms actually separate and the British, French and Austrians all decide to remove the profit sharing and go their own way.

During this time period, the Rothschilds' partners are generally working about three to four hours per day.

They roll in around 11, take a lunch at 12.30, and then leave by 3.30.

In stark contrast with Nathan and James, they hardly get involved with the day-to-day operations, and generally they act more like royalty than bankers.

Now the firm can survive for a while on sheer inertia.

They're huge, the largest investment bank in the world.

They're completely lacking in innovation, hard work, but they can survive on just being cautious and taking the business that finds them.

And so that's what they do for 50 years.

In fact, there are stories about ambitious young associates seeing that some country is looking to issue a bond and telling a partner, hey, maybe we should call them up.

And the partner basically says, why?

They want to do business with Rothschild, they know how to reach us.

But after World War I, this no longer becomes tenable.

It is during this time period that they are surpassed, they're no longer the largest in the world, and during World War II this becomes even worse.

Their decline is, of course, accelerated by Nazism.

The German and Austrian Rothschilds have all their assets seized, and two are even killed in the Holocaust.

The French Rothschilds have many of their assets seized when Germany invades France, and although, unlike their German cousins, they are able to recover many of them after the war, it's still a major setback.

By the 1950s, the Rothschilds are little more than a name, many of them still have tens and hundreds of millions of dollars in personal wealth, but the Rothschild banks have faded into obscurity and no longer really matter in terms of global financial markets.

But sometime in the 1960s, this long, slow decline starts to turn around.

In 1962, they reestablished links between all their institutions, which at this point are mostly in England, France, and Switzerland.

And they also start to modernize a little bit.

For the first time, they allow a non-family member to become a partner in the firm.

## [Transcript] My First Million / SPECIAL: The Rothschilds (Part 2)

And so they start to make a comeback, but they also start to, frankly, become a little bit more normal.

They start to resemble a lot of their competitors.

Sometime during the 1970s, there's a rift with one of the French Rothschilds, Jacob.

He wants to go all the way fully modernize and open up a Rothschild to outside investment and ownership.

This causes a big rift, and he has a contentious departure from the family.

He takes his share of the inheritance and opens a firm called RIT.

RIT actually does really well, and while there are still many Rothschilds, Jacob now has the distinction of being the only Rothschild billionaire on planet Earth.

Since the Rothschild firm reunited in the 60s, they've made something of a comeback.

They're no longer the biggest investment bank in the world, not even close.

But they are a large, successful financial advisory group, and they're relevant again.

The Rothschilds are no longer what they once were, and frankly, they never will be.

But to me, it's heartening to see them make something of a comeback.

And why is it heartening?

Why do I care?

Why am I feeling that?

Why am I rooting for these multi-millionaires who've never had to work a day in their life to make a comeback?

Well, I mean, one of the reasons that I wanted to do this episode, that I wanted to study this family, is I'm interested in legacy.

I wanted to see how a man who started a banking dynasty over 200 years ago, nearly 250 years ago, could leave a legacy that lasts to this day, to have an advisory firm still named after him.

I mean, that's cool to me.

And so when I read and researched more into the story and saw that they had really faded into obscurity for a while there, and kind of had to be reestablished in the 60s and 60s, I mean, that was disheartening.

It kind of made me contend with my own mortality.

I mean, I had known that I'm going to die.

Everyone dies.

But it's just kind of brought home that not only will I die and will you die, but everything that we build will also die.

Organizations don't last forever.

Nothing that we build does.

Countries don't last forever.

But Mayor Rothschild clearly articulated the principles that he believed in most.

Those three words, Concordia, Integritas, Industria, though some of his descendants would turn away from those ideas by articulating them so clearly and instilling them in his children, he planted the seeds for the Rothschild's rebirth.

We will not survive forever, nor will the things that we build in our lifetimes.

But our ideas and the virtues that we espouse can have lives whose ends we cannot see.

So there you go.

## [Transcript] My First Million / SPECIAL: The Rothschilds (Part 2)

Thanks for listening.

I know this was a slightly different episode than we usually do, talking about a whole family rather than an individual.

Let me know what you thought of it.

And speaking of different episodes, we're going to be having some different episodes coming up.

Things are about to start changing a little bit.

You should be hearing from me a little bit more often, but I'll be talking a little bit more about what those new episodes are going to sound like, how they're going to be slightly different from what you're used to hearing, but look forward to an announcement coming on this feed sometime in the next couple weeks.

Until then, thank you very much for listening.