The House of Rothschild

THE WORLD'S BANKER

1849–1998

Niall Ferguson

PENGUIN BOOKS

The House of Rothschild

THE WORLD'S BANKER

1849–1998

Niall Ferguson

PENGUIN BOOKS

Table of Contents

PENGUIN BOOKS

HOUSE OF ROTHSCHILD

Born in Glasgow in 1964, Niall Ferguson is Fellow and Tutor of Modern History at Jesus Colleg Oxford, as well as a political commentator and author. His previous publications include *The House Rothschild: Money's Prophets*, 1798-1848, now a Penguin paperback, *The Pity of War,* and th bestselling book *Virtual History: Alternatives and Counterfactuals*.

The House of Rothschild

THE WORLD'S BANKER

1849–1998

Niall Ferguson

PENGUIN BOOKS

PENGUIN BOOKS

Published by the Penguin Group
Penguin Group (USA) Inc., 375 Hudson Street, New York, New York 10014, U.S.A.
Penguin Group (Canada), 10 Alcorn Avenue, Toronto,
Ontario, Canada M4V 3B2 (a division of Pearson Penguin Canada Inc.)
Penguin Books Ltd, 80 Strand, London WC2R 0RL, England
Penguin Ireland, 25 St Stephen's Green, Dublin 2, Ireland (a division of Penguin Books Ltd)
Penguin Group (Australia), 250 Camberwell Road, Camberwell,
Victoria 3124, Australia (a division of Pearson Australia Group Pty Ltd)
Penguin Books India Pvt Ltd, 11 Community Centre,
Panchsheel Park, New Delhi - 110 017, India
Penguin Group (NZ), cnr Airborne and Rosedale Roads,
Albany, Auckland, New Zealand (a division of Pearson New Zealand Ltd)
Penguin Books (South Africa) (Pty) Ltd, 24 Sturdee Avenue,
Rosebank, Johannesburg 2196, South Africa

Penguin Books Ltd, Registered Offices:
80 Strand, London WC2R 0RL, England

First published in the United States of America by Viking Penguin,
a member of Penguin Putnam Inc. 1999
Published in Penguin Books 2000
10

This is the second of two volumes of *The House of Rothschild*. In Great Britain
The House *of Rothschild* was published as one volume by Weidenfeld & Nicolson
under the title *The World's Banker: The History of the House of Rothschild*.

THE LIBRARY OF CONGRESS HAS CATALOGED

eISBN : 978-1-101-15357-4
1. Rothschild family. 2. Bankers—Europe biography. 3. Business people—
Europe biography. 4. Europe—Politics and government. I. Title.
HG1552.R8F-41868
332.1'092'2—dc21

http://us.penguingroup.com

FOR LACHLAN

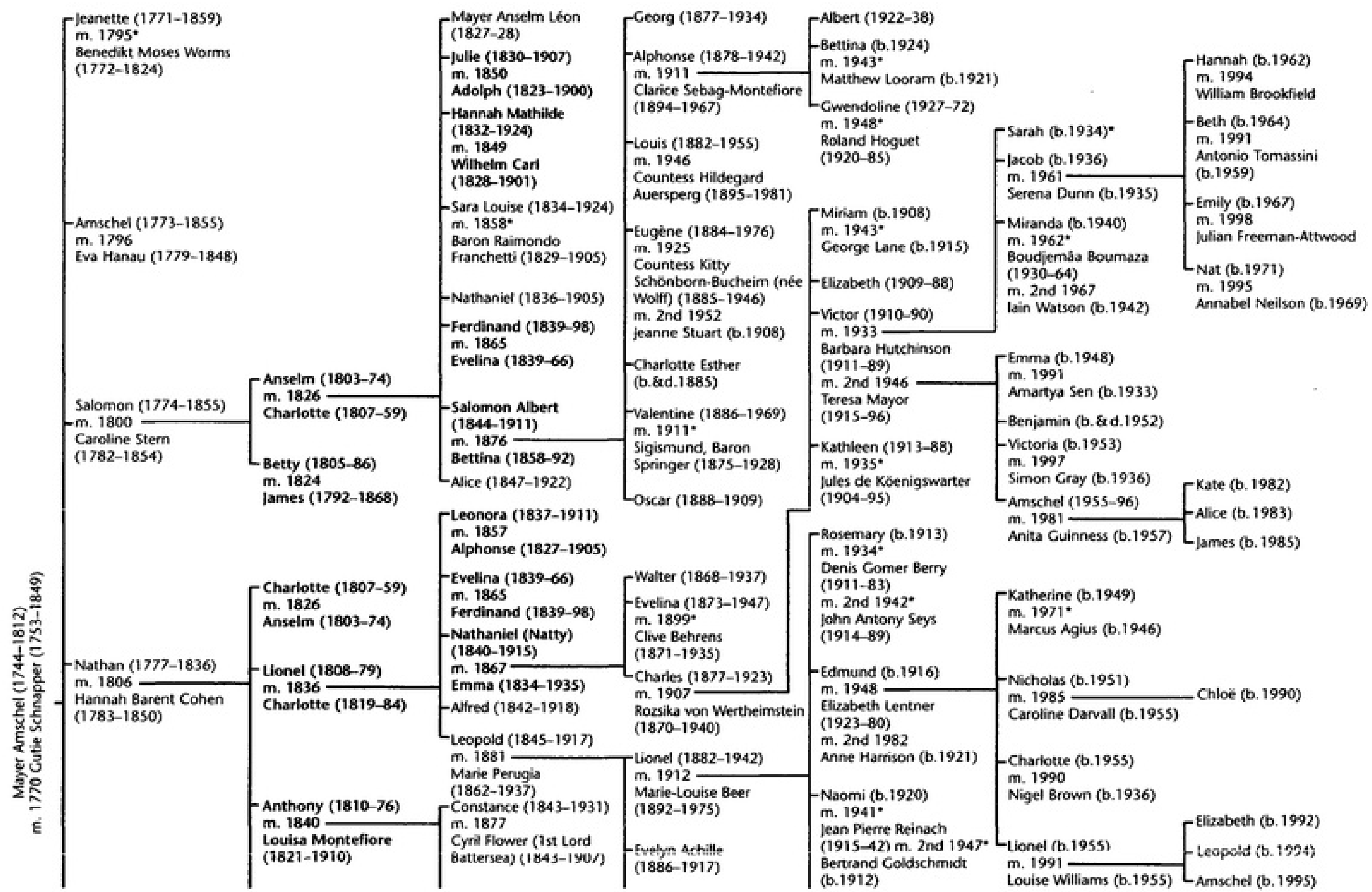
ILLUSTRATIONS IN THE TEXT

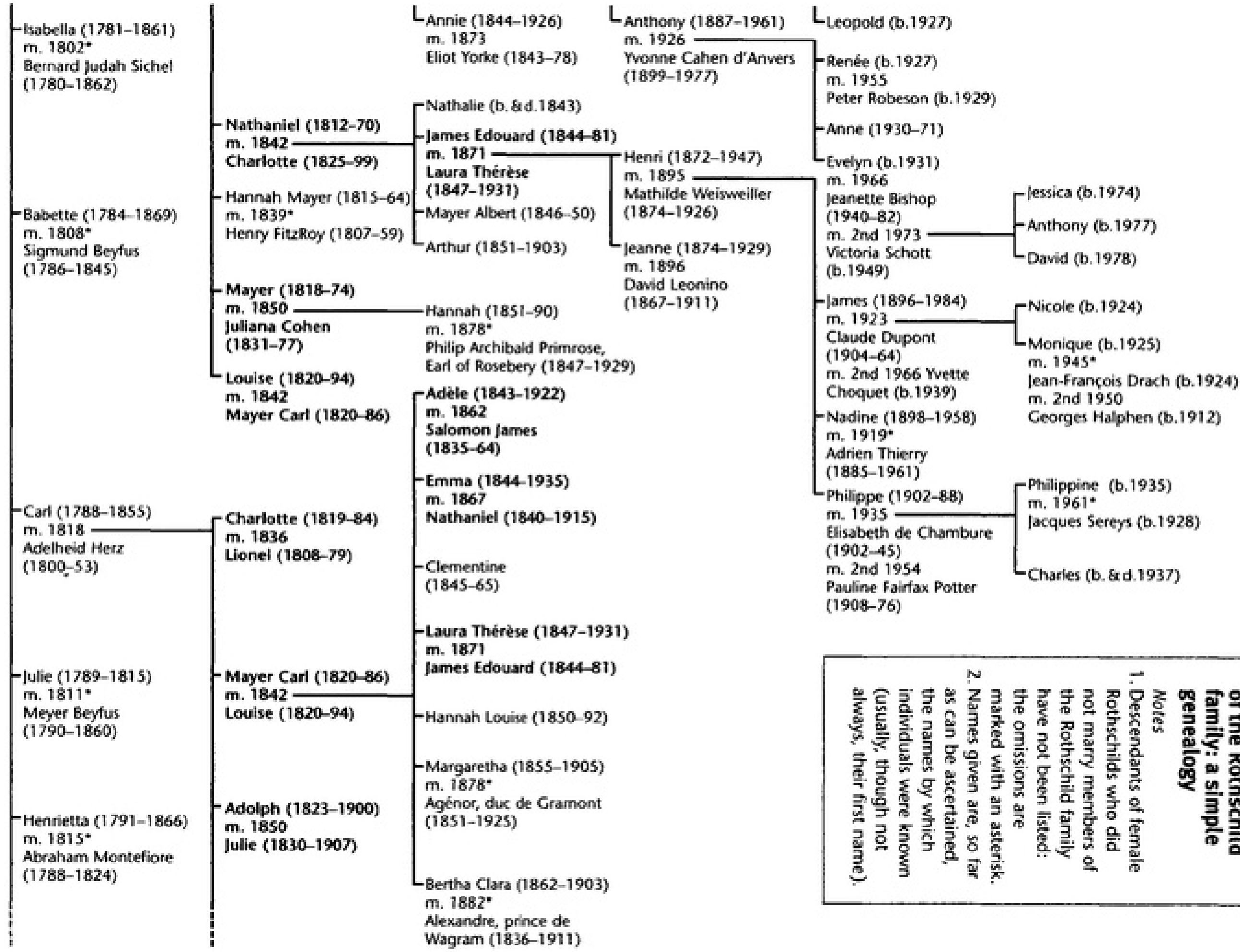
South Pole as a result of the Budget Revolution, Lord Rothschild flies from St Swithin's Lane ar
succeeds in escaping to the Antarctic regions disguised as a Penguin," *Westminster Gazette* (1909
Source: Rothschild, *Dear Lord Rothschild*, illustration 21.

TABLES

ACKNOWLEDGEMENTS

A full list of acknowledgements appeared in the first volume of *The House of Rothschild*. I wou nevertheless like to take this opportunity to thank Barbara Grossman, Molly Stern and everyone el at Penguin Putnam for their work in preparing both halves of the American edition.

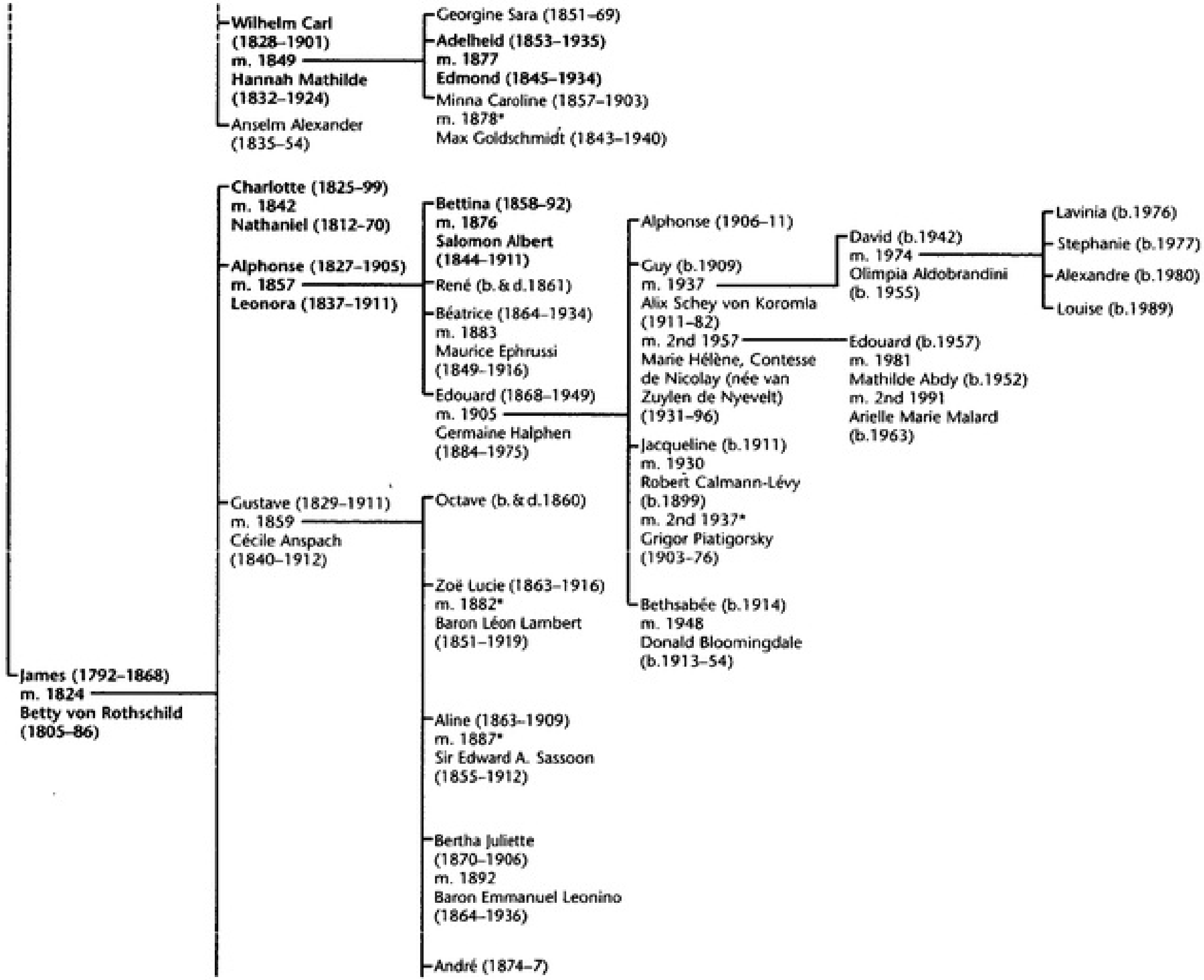

Mayer Amschel (1744–1812)
m. 1770 Gutle Schnapper (1753–1849)
Jeanette (1771–1859)
m. 1795*
Benedikt Moses Worms
(1772–1824)
Amschel (1773–1855)
m. 1796
Eva Hanau (1779–1848)
Salomon (1774–1855)
m. 1800
Caroline Stern
(1782–1854)
Nathan (1777–1836)
m. 1806
Hannah Barent Cohen
(1783–1850)
Anselm (1803–74)
m. 1826
Charlotte (1807–59)
Betty (1805–86)
m. 1824
James (1792–1868)
Charlotte (1807–59)
m. 1826
Anselm (1803–74)
Lionel (1808–79)
m. 1836
Charlotte (1819–84)
Anthony (1810–76)
m. 1840
Louisa Montefiore
(1821–1910)
Mayer Anselm Léon
(1827–28)
Julie (1830–1907)
m. 1850
Adolph (1823–1900)
Hannah Mathilde
(1832–1924)
m. 1849
Wilhelm Carl
(1828–1901)
Sara Louise (1834–1924)
m. 1858*
Baron Raimondo
Franchetti (1829–1905)
Nathaniel (1836–1905)
Ferdinand (1839–98)
m. 1865
Evelina (1839–66)
Salomon Albert
(1844–1911)
m. 1876
Bettina (1858–92)
Alice (1847–1922)
Leonora (1837–1911)
m. 1857
Alphonse (1827–1905)
Evelina (1839–66)
m. 1865
Ferdinand (1839–98)
Nathaniel (Natty)
(1840–1915)
m. 1867
Emma (1834–1935)
Alfred (1842–1918)
Leopold (1845–1917)
m. 1881
Marie Perugia
(1862–1937)
Constance (1843–1931)
m. 1877
Cyril Flower (1st Lord
Battersea) (1843–1907)
Georg (1877–1934)
Alphonse (1878–1942)
m. 1911
Clarice Sebag-Montefiore
(1894–1967)
Louis (1882–1955)
m. 1946
Countess Hildegard
Auersperg (1895–1981)
Eugène (1884–1976)
m. 1925
Countess Kitty
Schönborn-Bucheim (née
Wolff) (1885–1946)
m. 2nd 1952
Jeanne Stuart (b.1908)
Charlotte Esther
(b.&d.1885)
Valentine (1886–1969)
m. 1911*
Sigismund, Baron
Springer (1875–1928)
Oscar (1888–1909)
Walter (1868–1937)
Evelina (1873–1947)
m. 1899*
Clive Behrens
(1871–1935)
Charles (1877–1923)
m. 1907
Rozsika von Wertheimstein
(1870–1940)
Lionel (1882–1942)
m. 1912
Marie-Louise Beer
(1892–1975)
Evelyn Achille
(1886–1917)
Albert (1922–38)
Bettina (b.1924)
m. 1943*
Matthew Looram (b.1921)
Gwendoline (1927–72)
m. 1948*
Roland Hoguet
(1920–85)
Miriam (b.1908)
m. 1943*
George Lane (b.1915)
Elizabeth (1909–88)
Victor (1910–90)
m. 1933
Barbara Hutchinson
(1911–89)
m. 2nd 1946
Teresa Mayor
(1915–96)
Kathleen (1913–88)
m. 1935*
Jules de Köenigswarter
(1904–95)
Rosemary (b.1913)
m. 1934*
Denis Gomer Berry
(1911–83)
m. 2nd 1942*
John Antony Seys
(1914–89)
Edmund (b.1916)
m. 1948
Elizabeth Lentner
(1923–80)
m. 2nd 1982
Anne Harrison (b.1921)
Naomi (b.1920)
m. 1941*
Jean Pierre Reinach
(1915–42) m. 2nd 1947*
Bertrand Goldschmidt
(b.1912)
Sarah (b.1934)*
Jacob (b.1936)
m. 1961
Serena Dunn (b.1935)
Miranda (b.1940)
m. 1962*
Boudjemâa Boumaza
(1930–64)
m. 2nd 1967
Iain Watson (b.1942)
Emma (b.1948)
m. 1991
Amartya Sen (b.1933)
Benjamin (b. & d.1952)
Victoria (b.1953)
m. 1997
Simon Gray (b.1936)
Amschel (1955–96)
m. 1981
Anita Guinness (b.1957)
Katherine (b.1949)
m. 1971*
Marcus Agius (b.1946)
Nicholas (b.1951)
m. 1985
Caroline Darvall (b.1955)
Charlotte (b.1955)
m. 1990
Nigel Brown (b.1936)
Lionel (b.1955)
m. 1991
Louise Williams (b.1955)
Hannah (b.1962)
m. 1994
William Brookfield
Beth (b.1964)
m. 1991
Antonio Tomassini
(b.1959)
Emily (b.1967)
m. 1998
Julian Freeman-Attwood
Nat (b.1971)
m. 1995
Annabel Neilson (b.1969)
Kate (b. 1982)
Alice (b. 1983)
James (b. 1985)
Chloë (b. 1990)
Elizabeth (b. 1992)
Leopold (b. 1994)
Amschel (b. 1995)

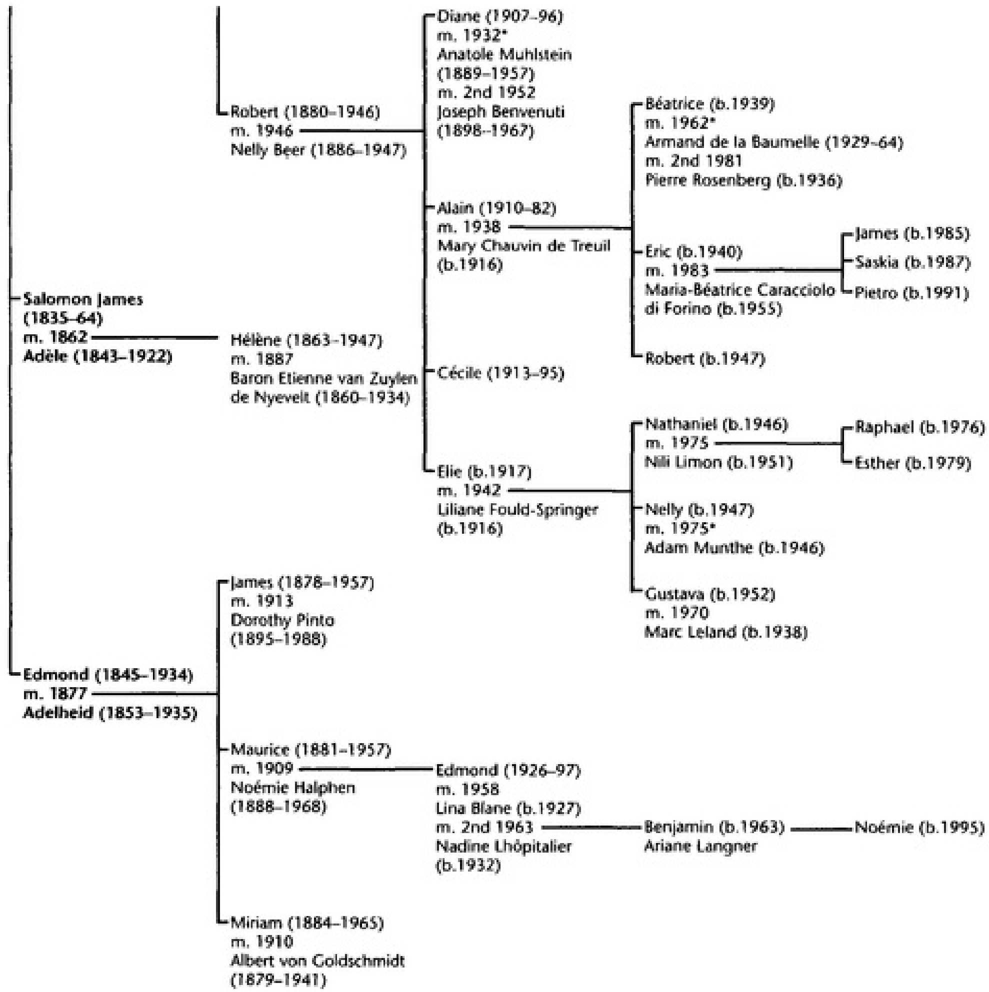


Eight generations of the Rothschild family: a simple genealogy

Notes

1. Descendants of female Rothschilds who did not marry members of the Rothschild family have not been listed: the omissions are marked with an asterisk.
2. Names given are, so far as can be ascertained, the names by which individuals were known (usually, though not always, their first name).


Wilhelm Carl (1828–1901) m. 1849 Hannah Mathilde (1832–1924)
Anselm Alexander (1835–54)
Georgine Sara (1851–69)
Adelheid (1853–1935) m. 1877 Edmond (1845–1934)
Minna Caroline (1857–1903) m. 1878* Max Goldschmidt (1843–1940)
Charlotte (1825–99) m. 1842 Nathaniel (1812–70)
Alphonse (1827–1905) m. 1857 Leonora (1837–1911)
Bettina (1858–92) m. 1876 Salomon Albert (1844–1911)
René (b. & d.1861)
Béatrice (1864–1934) m. 1883 Maurice Ephrussi (1849–1916)
Edouard (1868–1949) m. 1905 Germaine Halphen (1884–1975)
Alphonse (1906–11)
Guy (b.1909) m. 1937 Alix Schey von Koromla (1911–82) m. 2nd 1957 Marie Hélène, Contesse de Nicolay (née van Zuylen de Nyevelt) (1931–96)
Jacqueline (b.1911) m. 1930 Robert Calmann-Lévy (b.1899) m. 2nd 1937* Grigor Piatigorsky (1903–76)
Bethsabée (b.1914) m. 1948 Donald Bloomingdale (b.1913–54)
David (b.1942) m. 1974 Olimpia Aldobrandini (b. 1955)
Edouard (b.1957) m. 1981 Mathilde Abdy (b.1952) m. 2nd 1991 Arielle Marie Malard (b.1963)
Lavinia (b.1976)
Stephanie (b.1977)
Alexandre (b.1980)
Louise (b.1989)
James (1792–1868) m. 1824 Betty von Rothschild (1805–86)
Gustave (1829–1911) m. 1859 Cécile Anspach (1840–1912)
Octave (b. & d.1860)
Zoë Lucie (1863–1916) m. 1882* Baron Léon Lambert (1851–1919)
Aline (1863–1909) m. 1887* Sir Edward A. Sassoon (1855–1912)
Bertha Juliette (1870–1906) m. 1892 Baron Emmanuel Leonino (1864–1936)
André (1874–7)


Salomon James
(1835–64)
m. 1862
Adèle (1843–1922)
Robert (1880–1946)
m. 1946
Nelly Beer (1886–1947)
Hélène (1863–1947)
m. 1887
Baron Etienne van Zuylen
de Nyevelt (1860–1934)
Diane (1907–96)
m. 1932*
Anatole Muhlstein
(1889–1957)
m. 2nd 1952
Joseph Benvenuti
(1898–1967)
Alain (1910–82)
m. 1938
Mary Chauvin de Treuil
(b.1916)
Cécile (1913–95)
Elie (b.1917)
m. 1942
Liliane Fould-Springer
(b.1916)
Béatrice (b.1939)
m. 1962*
Armand de la Baumelle (1929–64)
m. 2nd 1981
Pierre Rosenberg (b.1936)
Eric (b.1940)
m. 1983
Maria-Béatrice Caracciolo
di Forino (b.1955)
Robert (b.1947)
James (b.1985)
Saskia (b.1987)
Pietro (b.1991)
Nathaniel (b.1946)
m. 1975
Nili Limon (b.1951)
Raphael (b.1976)
Esther (b.1979)
Nelly (b.1947)
m. 1975*
Adam Munthe (b.1946)
Gustava (b.1952)
m. 1970
Marc Leland (b.1938)
Edmond (1845–1934)
m. 1877
Adelheid (1853–1935)
James (1878–1957)
m. 1913
Dorothy Pinto
(1895–1988)
Maurice (1881–1957)
m. 1909
Noémie Halphen
(1888–1968)
Edmond (1926–97)
m. 1958
Lina Blane (b.1927)
m. 2nd 1963
Nadine Lhôpitalier
(b.1932)
Benjamin (b.1963)
Ariane Langner
Noémie (b.1995)
Miriam (1884–1965)
m. 1910
Albert von Goldschmidt
(1879–1941)

PREFACE

If we consider the period between 1789 and 1848 as the “age of revolution,” then the Rothschilds we surely its supreme beneficiaries. To be sure, the political upheavals of 1848-49 had cost them dear. A in 1830, though on a far larger scale, revolutions caused the bonds of the governments,affected plummet in value. For the Rothschilds, who held a large proportion of their immense wealth in t form of bonds, that meant heavy losses of capital. Worse, it brought their “houses” in Vienna ar Paris to the brink of insolvency, obliging the others—in London, Frankfurt and Naples—to bail the out. Yet the Rothschilds survived even this, the greatest of all the financial crises between 1815 ar 1914, as well as the greatest revolution. Indeed, it would have been a strange irony if they had no without revolution, they would have had little to lose in the first place.

For it had been the original French Revolution that, in 1796, had literally demolished the walls the Frankfurt ghetto and enabled the Rothschilds to begin their phenomenal, unprecedented and sin unmatched economic ascent. Before 1789, Mayer Amschel Rothschild and his family’s lives had bee circumscribed by discriminatory legislation. Jews were prohibited from farming, or from dealing weapons, spices, wine and grain. They were forbidden to live outside the ghetto and were confin there at night, on Sundays and during Christian festivals. They were subject to discriminato taxation. No matter how hard Mayer Amschel worked, first as a rare coin dealer then as a bill brok and merchant banker, there were strict and low limits to what he could achieve. All that changed whe the French exported their revolution to south Germany. Not only was the Judengasse opened; the leg restrictions on the Frankfurt Jews were also largely removed—thanks not least to Mayer Amschel financial influence over Napoleon’s henchman in the Rhineland, Karl von Dalberg. Despite the be efforts of the Frankfurt Gentiles after the French and their collaborators had been ousted, the o apartheidlike system of residential and social restriction could never wholly be restored.

Moreover, the Rothschilds were presented with undreamed-of business opportunities by t revolutionary wars. As the scale and cost of the conflict between France and the rest of Europe rose, too did the borrowing needs of the combatant states. At the same time, the disruption of establish patterns of trade and banking created room for ambitious risk takers. Thus it was Napoleon’s decisi to drive the Elector of Hesse-Kassel into exile, which allowed Mayer Amschel (one of the Elector “court agents” since 1769) to become his principal fund manager, collecting the interest on thos assets that eluded the French and reinvesting the money. This was dangerous business: the Frenc police were suspicious enough about Mayer Amschel’s activities to interrogate him and his famil though no prosecution resulted. But the profits were in proportion to the hazard; and the Rothschil quickly mastered the art of secrecy.

Likewise, revolution and war made possible the ascent of Mayer Amschel’s domineering so Nathan from exporting British textiles in Manchester to financing the British war effort in the City London. In normal times, Nathan would doubtless have prospered as a cloth merchant: his strategy cutting prices and increasing volumes was right; his energy, ambition and capacity for work were a prodigious. (“I do not read books,” he told his brothers in 1816. “I do not play cards, I do not go to t theatre, my only pleasure is my business.”) But Britain’s wars with France created conditio especially favorable to the bold and innovative newcomer. By prohibiting British exports to t Continent in 1806, Napoleon inflated the risks but also the potential returns for those, like Natha willing to beat the blockade. The naive will ingess of the French authorities to allow British bullion ~~cross the Channel gave Nathan a still more lucrative line of business. In 1808 he was able~~ to leav Manchester for London, now unrivaled as the world's biggest financial center since the Napoleon occupation of Amsterdam.

The "masterstroke" which enabled Nathan to leap into the first league of merchant bankers was h use of the Elector of Hesse-Kassel's English investments to bolster his own resources. In 1809 Natha secured authorization to make new purchases of British bonds with the interest the Elector's existi portfolio was earning; over the next four years he bought securities worth more than £600,000. peace-time this would have made him a major fund manager; in the turmoil of war, however, Natha was able to treat the Elector's bonds like his own capital. Unwittingly, the exiled Elector became sleeping partner in a new banking house: N. M. Rothschild. (His minister Buderus was a more willi investor in the Frankfurt house.) In 1813 Nathan was therefore able credibly to offer his services to t British government as it struggled to finance Wellington's penultimate campaign against Napoleo This was what Carl meant when he said later that "the Old Man"—meaning William—had "made o fortune."

In truth, they probably owed more to the industry and acumen of their own "old man." It was May Amschel who in 1810 designed the partnership structure that was to endure, modified but essential the same, for very nearly a century, binding together the male line over four generations, rigorous excluding female Rothschilds and their spouses. And it was Mayer Amschel who taught his sons su hard-nosed business rules as: "It is better to deal with a government in difficulties than with one th has luck on its side"; "If you can't make yourself loved, make yourself feared"; and "If a high-plac person enters into a [financial] partnership with a Jew, he belongs to the Jew" *("gehört er de Juden").* This last piece of advice lay behind the brothers' practice of plying politically powerf individuals with gifts, loans, investment tips and outright bribes. Above all, Mayer Amschel taught h sons to value unity: "Amschel," he told his eldest son on his deathbed in 1812, "keep your broth together and you will become the richest people in Germany." His sons were still repeating the precepts to the next generation thirty years later, by which time they were the richest people in t world; indeed, the richest family in all history.

The operations of 1814 and 1815, in which Nathan and his brothers raised immense quantities bullion not only for Wellington but also for Britain's continental allies, ushered in a new era financial as well as political history. The Rothschilds stretched their credit to breaking poi sometimes losing sight altogether of their assets and liabilities, gambling everything they owned f the sake of governmental commissions, interest payments and speculative gains from exchange ra and bond yield fluctuations. In 1815 alone, Nathan's account with the British government totall close to £10 million, a huge sum at that time. Lord Liverpool employed heroic English understateme when he called Nathan "a very useful friend." It was, as other contemporaries acknowledge Napoleonic finance, without which Napoleonic generalship could not have been defeated. Ludw Borne justly called the brothers "*Finanzbonaparten*"; Nathan, as Salomon acknowledged, was the "commanding general." Though they came perilously close to ruin when the French were defeated Waterloo—a much quicker end to the war than Nathan had foreseen—the Rothschilds emerged 1815 as sterling millionaires. Almost at once, Nathan embarked on perhaps the most successf transaction of his career: a huge investment in British government bonds (consols) whereby he ro the upswing caused by the government's postwar financial stabilization, taking his profits just befo the market peaked. This was Nathan's supreme *Meistergeschäft,* realizing profits of more th £250,000 at a stroke.

The 1820s were a time of political as well as fiscal restoration. Throughout the Continent, th ~~deposed were (mostly) put back on their thrones. Under the leadership of Prince Metternich, the~~ gre continental powers combined to resist new revolutionary impulses wherever they might occur. Th Rothschilds bankrolled this restoration, no doubt. They enabled Austria, Prussia and Russia—th members of the Holy Alliance—as well as the restored Bourbons in France, to issue bonds at rates o interest only Britain and Holland had previously been able to enjoy. In that this made it easier fo Prince Metternich to "police" Europe—notably when Austria and France intervened to restore th Bourbon regimes in Naples and Spain—there was truth in the jibe that the Rothschilds were the "chi ally of the Holy Alliance." Rothschild loans also bolstered the private finances of many of the "high placed persons" of the period, including Metternich himself, King George IV and his son-in-la Leopold of Saxe-Coburg, later King of the Belgians. As Ludwig Borne complained, "Rothschild" wa "someone who gives nobles the power to spite freedom and deprives peoples of the courage to resi violence ... the high priest of fear ... on whose altar liberty, patriotism, honour and all civil virtues a sacrificed."

Yet there was always an ambivalence about the Rothschilds' view of the restoration. They coul hardly relish the return to power of conservative elites which—most obviously in Germany—soug to reimpose second-class citizenship on the Jews. Nor was Nathan the kind of man to turn down goo business on ideological grounds. Interventions by the Holy Alliance against revolutionary movemen in Spain or Italy were not necessarily good for business: war unsettled the bond markets, not lea because of its deleterious effect on state budgets. The new regimes that emerged in countries lik Spain, Brazil and Greece were also potential new customers ; and experience seemed to suggest th parliamentary monarchies were better creditors than absolutist regimes. Significantly, the Rothschild were tempted to lend to the Spanish liberals, but refused to bankroll Ferdinand VII after he had bee restored to absolute power. As Byron put it in *Don Juan*, the Rothschilds held sway over "royalist an liberal" alike. Heinrich Heine went further in calling Rothschild a revolutionary on a par wi Robespierre, because

> Rothschild ... destroyed the predominance of land, by raising the system of state bonds supreme power, thereby mobilising property and income and at the same time endowin money with the previous privileges of the land.

It was also Heine who memorably declared: "[M]oney is the god of our time and Rothschild is h prophet." Without doubt, the Rothschilds' most important contribution to economic history was th creation of a truly international bond market. There had, of course, been cross-border capital flow before: the Dutch had invested in British government bonds in the eighteenth century while th Rothschilds' rivals in Frankfurt, the Bethmanns, had marketed large issues of Austrian bonds in th same period. But never before had a country's bonds been simultaneously issued in multiple marke with (as in the case of Prussia in 1818) such alluring conditions as denomination in sterling, payme of interest at the place of issue and a sinking fund.

Bond issuance was not the Rothschilds' sole business. They also discounted commercial bills, acte as bullion brokers, dealt in foreign exchange, engaged directly in commodity trade, dabbled insurance and even offered private banking services to an elite of indivual clients. Their role in th gold and silver markets was important: it was the Rothschilds' role as "lender of last resort to th lender of last resort" that prevented a suspension of convertibility by the Bank of England in 1825. B it was the bond market which came first. Moreover, buying and selling in the various secondar markets for bonds was almost as important a source of profit as issuance: this was the principal for sample content of The House of Rothschild: Volume 2: The World's Banker: 1849-1999