

Outrageous fortune

How the Rothschild family shaped world economics. BY MARK WILLIAMS

The World's Banker:
The History of the House
of Rothschild
By Niall Ferguson
1,320 pages, £30 (\$48)
Weidenfeld Nicholson

IF YOU THINK Bill Gates is the wealthiest person who ever lived, you're wrong. No one has possessed so much of the world's wealth (considered as a percentage of the world's aggregate gross domestic product) as either Nathan Rothschild of the Rothschild Bank's London house or his brother Jacob (nicknamed James) in Paris between the 1820s and the 1860s.

Then, like today, new technologies of communication, transportation, and manufacturing were accelerating commerce, and international capital movements were becoming vast. While the world as a whole grew richer, the gulf between rich and poor widened because the industrial revolution rendered livelihoods obsolete while making a very few who owned or financed the new industries richer than anybody had ever been. Among these few, none surpassed the Rothschilds. So, fittingly, Niall Ferguson's *The World's Banker: The History of the House of Rothschild* is perhaps an overly hefty book, capable of concussing anyone whose head it lands on. But Mr. Ferguson is the first historian with unrestricted access to the family's records, and, because

their multinational partnership was the biggest bank in the world, as he writes, "[t]he economic history of capitalism is incomplete until some attempt has been made to explain how the Rothschilds became so phenomenally rich."

The story is more extraordinary for commencing in 18th-century Frankfurt's *Judengasse*, or Jews' Lane. It's salutary to remember how terrible a ghetto can be. Frankfurt's ordinances forbade its Jewish population to live outside the *Judengasse*; to exceed 500 families; to leave the ghetto at night, on Sundays, and during Christian festivals; to walk more than two abreast; to use parks, inns, and coffeehouses. In the 1780s a lack of sanitation, light, and fresh air ensured that the mortality rate was 58 percent higher among Frankfurt's Jews than among its Christians.

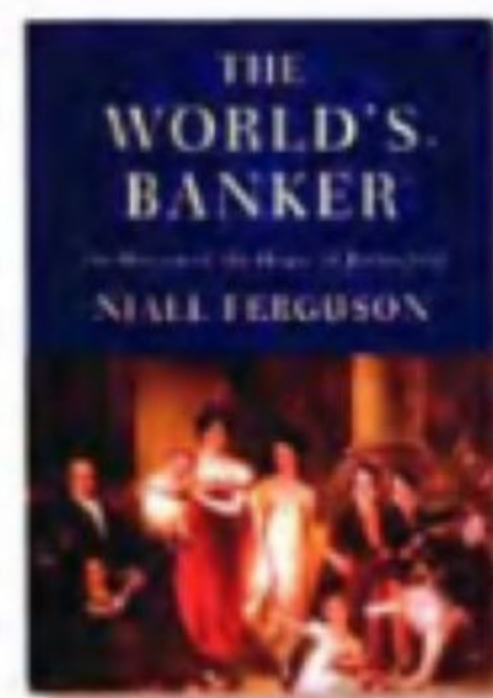
Money changing and lending were among the few trades open to Jews. In 1769 Mayer Amschel Rothschild, orphaned at 12, became at 25 a "court Jew," brokering loans for Germany's petty princes. In the 18th century's final years he dispatched his third son, Nathan, to the burgeoning industrial revolution's ground zero: northern England. Beginning with his father's orders for British textiles, Nathan expanded the credit requirements that such business entailed and became a merchant banker. Masterminding his four brothers—who had been sent, respectively, to Paris, Naples, Vienna, and Frankfurt—he orchestrated

loans and bullion transfers for Britain and its allies in the Napoleonic Wars. Contemporaries called him the *Finanzbonaparte*. After Napoleon's defeat, the Rothschilds became familiars of the British government's highest levels and of its bank. When investors accustomed to high-yield British bonds wanted new investments after the war, Nathan and his brothers created the modern worldwide bond market by facilitating investment in states' debts through internationally tradable, fixed-interest bearer bonds.

POOR MAN, RICH MAN

To what ends were the family's fortunes deployed? The Rothschilds became dominant in financing continental Europe's railroads. When the British government under Benjamin Disraeli wanted to buy a majority interest in the Suez Canal, they loaned a sum equivalent to almost a tenth of the country's budget. They were major industrial investors and owned global mining interests. They were connoisseurs of the arts, too: Chopin, Rossini, Balzac, and Heine enjoyed their patronage.

Heine, Mr. Ferguson notes, considered the Rothschilds social progressives, despite their necessary flattery of Europe's kings, statesmen, and aristocrats. Heine claimed that James de Rothschild believed that "through his system of government bonds, [he] had created the first conditions for...social progress... the foundation of a new order of things" by destroying the linkage of wealth and land underpinning the aristocracy. At the same time, the social effects of the Rothschilds' wealth were distasteful to other contemporary observers: Karl Marx (himself born Jewish) fulminated, "The Jew...determines the fate of the whole



Print

Empire by his financial power....What is his worldly God? Money."

Indeed, the family's financial authority obsessed contemporaries. "What Rothschild says is decisive, and he won't give any money for war," an Austrian diplomat said. As late as 1870, confronting the possibility of the Franco-Prussian War, Anselm Rothschild (of the third generation) insisted: "I won't stand for its coming to war...even if it costs me thousands of gulden!" But by then their preëminence was receding before the nation-state's ascendancy.

The Rothschilds' influence also waned as the younger generations drew away from banking. Like Lionel, who became Lord Rothschild at Westminster, they increasingly focused their loyalties on the national cultures in which they'd grown up. Between 1905 and 1909, the official partnership agreements between the different branches expired.

The world had enlarged, anyway, beyond the Rothschilds' ability to con-

trol it. If any of them had believed—as Heine claimed James had—that the family was creating “the foundations of a new order,” then that new order had indeed emerged. After 1880 the Rothschilds' balance sheet was substantially smaller than those of the big joint-stock deposit banks. Mr. Ferguson quotes a contemporary journalist: “From now on the universal suffrage of speculation will prevail over the...private banker.” In 1915 Nathaniel “Natty,” the richest English Rothschild of his generation, died leaving just £2.5 million.

PROPHETEERS

Heine had called the Rothschilds “money's prophets.” So, finally, they were—forerunners of the eras of more democratized wealth that have followed. *The World's Banker* makes extensive use of their letters. Translated from *Juden-deutsch*, an archaic form of German written in Hebrew script in which they encoded their communications, the

voices of Nathan and James and the other brothers are immediately recognizable: a family of intelligent businessmen pragmatically determining tactics and strategy. The fascination of the letters is their subject; the brothers were shaping the economics and politics of the world during a time when crucial structures of industry, technology, and democratic society were put in place.

Incidentally, Mr. Ferguson's U.S. publisher, Viking Press, is breaking this book into two halves. The first, *The House of Rothschild: Money's Prophets, 1798-1848*, is available now, but the second won't be published until November. Marx liked to decry the rootless internationalism of capitalists (or Jews). One could order the whole book from Amazon.co.uk immediately, save money besides, and consider it a blow for rootless internationalism. 🍷

Mark Williams is a science writer living in Oakland. Write to markred@ynn.com.