

The House Of Rothschild Summary

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1-Sentence-Summary: *The House Of Rothschild examines the facts and myth around the wealthiest family in the world in the 19th century, and how they managed to go from being outcast and isolated to building the biggest bank in the world.*

Read in: 4 minutes

Favorite quote from the author:



I love a good conspiracy theory. Do you? I remember watching a lot of 9/11 documentaries a few years ago and learning about aliens and Area 51. At some point, I also saw a documentary about money. How it works, when it was created, and why it's so complex. This documentary mentioned the Rothschilds (which translates to "red shield" by the way), a German family, who was apparently majorly involved in creating the banking system we know today.

This book tells the story of that family. Over the last 250 years, many myths and conspiracy theories about the Rothschild family have come and gone, so I'm glad Niall Ferguson took the time to tell fact from fiction.

Of course we'll also draw some actually useful lessons about business from them, Four Minute Books isn't Wikipedia, after all. Here are 3 lessons from *The House Of Rothschild*:

1. In business, use whatever industry is available to you as a springboard into the next one.
2. If the best solution isn't good enough, build your own.
3. Expect the 80/20 rule to apply, even in the most extreme cases.

Ready for a trip down memory lane Wall Street? Let's learn more about the Rothschilds!

Lesson 1: Use whatever industry's available to you as leverage for the one you really want to break into.

Even though you might think the name sounds aristocratic, the Rothschilds weren't always rich. Far from it, the head of the family, Mayer Amschel Rothschild lived, like all Jews, in a ghetto in Frankfurt, Germany, with very few narrow streets, in the 1750s. The family name is simply derived from the house they inhabited, which was marked with a red shield.

It wasn't a particularly great time for Jews, as they weren't allowed to live outside Jews' Lane (Judengasse), stay overnight elsewhere, use parks, inns, coffee houses or even walk along the promenade.

However, what they were allowed to do is trade. Hence, Mayer built a business buying and selling antiques. He knew how to handle money and turn a profit, so he kept leveraging smaller items into bigger, rarer ones, and thus eventually grew into Frankfurt's leading antique dealer.

And do you know what antique dealer's also deal with, except old chairs and lamps? Coins. Knowing a lot about currency and exchange rate, banking was a logical next step and soon Mayer extended his business to banking, scoring a few prominent clients and gaining the trust of even the Crown Prince Wilhelm of Hesse.

Instead of thinking inside his own limitations, Mayer picked an industry adjacent to the one he wanted to get into, in which he could win, and **leveraged it into bigger things**.

Lesson 2: If the best solution that's currently available still isn't good enough, build your own instead.

By the time Mayer died in 1812, he had set up his business and family for success. His five sons were establishing and running banks in Frankfurt, Vienna, London, Paris and Naples. Because the brothers cooperated and used their partnerships to their advantage, the five Rothschild houses in the finance hubs of Europe comprised the largest bank in the world at the time.

One thing they did to stay transparent amongst each other was that each brother informed the other four of his banks's transactions on a weekly basis. However, since in the 1800s you couldn't just send call someone on the phone, let alone send an iMessage or email, communicating across distances was a problem.

In a business that thrives on information, speed of communication is key. Moreover, since the government postal services weren't only slow, but also nosy and kept opening letters with sensitive information, paying a premium for express delivery also stopped working at some point.

Since even the best solution wasn't good enough any longer, the Rothschilds created their own, private courier service.

They picked people they knew and trusted, paid them well and chose the fastest routes from A to B for them. And until the telegraph and railway came around in the 1830s, it remained the best way to communicate privately and quickly within Europe.

When nothing works quite like you want it to, build your own solution. Not only will you solve your own problem, you'll even have something you can sell to people.

Lesson 3: You can expect the 80/20 rule to apply in even the most extreme circumstances and businesses.

The 80/20 Principle says that 20% of the input will get you 80% of the results. You'll find it's true in most aspects of life – for example 20% of the items in the trash can I'm looking at right now account for 80% of the volume that's filled up (I'm guessing it's the pizza boxes) – but it's especially important to remember in business.

In case of the Rothschilds, this showed in a surprising way. In 1848 many revolutions took place across Europe, including Germany. And one party, who always loses in revolutions, is the rich and elite faction. Houses of the Rothschilds were attacked and their banking business suffered tremendous losses.

So many in fact, that the conglomerate was about to go bankrupt. However, because the London branch had always outperformed the others (and Britain was spared from social upheaval), **the English Rothschild bank was able to bail out all other four banks.**

As you can see, even in extreme cases like this one, where super wealthy businesses are about to go bust quickly, the 80/20 rule still applies. Chances are, you'll find it somewhere in your business too, and it's worth remembering.

The House Of Rothschild Review

Given how long I procrastinated on writing this today, I'm super happy how it turned out (it's my first calm Saturday in three weeks). I'm happy I found this out-of-the-box read, because one of the aspects of learning to be good at making and handling money is knowing its history. *The House Of Rothschild* is especially recommended to all investors!

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What else can you learn from the blinks?

- What Mayer's testament has to do with the family's success
- Which crazy myth circulates out there about how the family made its money

- Who their most profitable customers were
- How they made their money (and which tricks they used)
- What led to all the myths surrounding the Rothschild clan
- Which kind of charity work the five brothers were most passionate about

Who would I recommend The House Of Rothschild summary to?

The 19 year old finance major, who's dad owns a bank, the 27 year old accountant, who works at a big auditing and consulting company, and anyone who thinks they'll never have a chance of breaking into the industry they really want to get into.