



Book The Last Tycoons

The Secret History of Lazard Freres & Co.

William D. Cohan
Allen Lane, 2008
[Listen now](#)

- play
- pause

00:00
00:00

Recommendation

If investment banking and the history of big deals fascinate you, *BooksInShort* invites you to sit down with this compelling history of Lazard Frères & Co., from its humble beginnings through its astounding success. The stories of the dominant personalities who used the Lazard mystique to garner unbelievable fees are legendary. As a former journalist and Lazard banker, William D. Cohan has the skill and qualifications to tell this story. While he covers many of Lazard’s biggest men and biggest deals, he never bogs down in technical details. The author focuses on the firm’s leaders, and shows their personalities, strengths and foibles. These stories cover shocking self-interest and staggering amounts of money. This large book has a cast of hundreds; it is attributed carefully and well-indexed, though it could use a personnel timeline. Cohan keeps you on track by focusing on the men who led Lazard over the 157 years that it was a family firm. Many of the personal revelations are quite sensational and the book is almost always entertaining.

Take-Aways

- Lazard Frères & Co. began as a mercantile firm owned by four brothers from France.
- It initially funded San Francisco gold miners, but grew into a finance firm that traded currencies.
- Lazard maintained separate, but linked, operations in Paris, London and New York.
- André Meyer, a widely admired genius, helped create the merger-and-acquisition industry at Lazard.
- Felix Rohatyn, Meyer’s greatest protégé, was Lazard’s best all-time rainmaker. He helped New York City avoid bankruptcy by restructuring its debt and served as U.S. ambassador to France.
- Steve Rattner, another Lazard rainmaker, handled many huge media deals.
- Bill Loomis focused on Lazard’s culture and was briefly CEO.
- Heir, boss and billionaire Michel David- Weill controversially recruited Bruce Wasserstein, and ended up selling him his Lazard shares.
- David-Weill cut a deal with Wasserstein to head off his partners’ dissension.
- Wasserstein, a billionaire with many holdings, now leads Lazard as a publicly traded firm.

Summary

The Origins of Lazard

Lazard Frères & Company is a legendary Wall Street firm. Smaller than Goldman Sachs, Morgan Stanley or Merrill Lynch in their heydays, it built tremendous prestige and power. Lazard traditionally earned its fees with its brains rather than financial capital. For 157 years, its value lay in the wisdom of the great bankers that ran it.

Lazard has provided advice, connections and business methods worth billions to clients who paid bountiful millions.

“Lazard Frères & Co. stood apart, explicitly priding itself on being...superior.”

The firm’s four founding brothers began with a store in New Orleans, but after a fire destroyed it, they made an arduous move to San Francisco and focused on outfitting miners. By 1855, in need of a bookkeeper, they sent home to France for Alexander Weill, a young cousin. The firm evolved into a financial-services house that bought and sold gold and currencies. The brothers, their half-brother David Cahn and Weill signed a 14-year partnership agreement creating Lazard Frères & Co. in San Francisco and Lazard Frères et Compagnie in Paris. By the time the firm joined the New York Stock Exchange in 1888, it had seven partners. Nonfamily members joined as partners, but ownership remained in the family. In 1906, Lazard played a very significant role in San Francisco’s post-earthquake recovery. The firm’s vaults and records survived the complete destruction of its local offices.

“Its strategy was to offer clients the wisdom of its Great Men, the finest and most experienced collection of investment bankers the world had ever known.”

Frank Altschul, who became one of the first nonfamily partners in 1916, ran Lazard’s U.S. operations, becoming wealthy and influential. He managed the firm responsibly and helped European partners escape the Holocaust. Although he was sidelined when family member André Meyer took charge under a new partnership structure set up to separate the U.S. firm from its office in Nazi-occupied France, Altschul remained loyal. He “obviously felt betrayed by his partners. But somehow, in public, he managed a stiff upper lip.”

André Meyer

André Meyer, a grand-scale micromanager, got involved in the smallest details. However, his passion was for art, not for Lazard’s history. He adorned his Waldorf Astoria suite with priceless works from fashionable masters, but celebrated Lazard’s 100th anniversary in 1948 with as little pomp or ceremony as he could manage. To him, Lazard was a special place with certain lofty qualities that clients paid to experience. He fulfilled his dream of becoming a U.S. citizen in 1949, got drafted and spent two years serving in Germany, going often to see his family in Paris.

“The lucky few men – yes, always men – at Wall Street’s summit have always been portrayed as ambitious and brilliant...and unscrupulous and ruthless.”

Meyer had many friends among the social elite, including the Kennedys and Aristotle Onassis. Jackie Kennedy gave Meyer a new social circle and way of life. Even though he was disappointed when she married Onassis, he helped her negotiate a financial agreement with him. Meyer was also behind Lazard’s legendary “Matador Ranch” deal. The firm bought 800,000 acres (56 miles across) in Texas. Meyer was drawn by its oil and gas potential. Matador stock was \$6 per share when Lazard offered \$23.70 (almost \$19 million in total). The firm divided the land into smaller parcels, survived a multiyear drought, and sold it for a price that paid its investors \$10 to \$15 million. Because of this kind of deal making and his absolute power at the firm, Meyer’s partners called him “Zeus.”

“The Great Men...amassed huge fortunes...but they refused to admit to anyone, least of all to themselves, that their pursuit of these riches led to relentless infighting.”

As Meyer aged and became very ill, he sometimes asked his protégé Felix Rohatyn if he wanted to run Lazard. Rohatyn knew that if he ever said yes, Meyer would cut him out of the firm. Rohatyn was happy to be Lazard’s rainmaker and let others deal with operations. Meyer died of cancer in 1979. Clients who had profited from his deal-making acumen praised him widely, and museums and auction houses divided his art collection. Rohatyn gave an emotional eulogy. Reportedly his voice cracked as he said that he still instinctively reached for the phone to call his mentor about deals. He noted that as “Zeus,” Meyer threw bolts of lightning, but he taught his star pupil to reach for perfection and to do it with style.

Felix Rohatyn

Rohatyn, the epitome of everything an investment banker stands for, was Meyer’s greatest protégé. Meyer taught him to study industries and watch for new developments. The two men became aware of Avis when Kinney System tried to expand, but failed to lasso Hertz and passed on Avis. Based on what they had learned about rental cars, Meyer and Rohatyn had Lazard buy a controlling interest in Avis for \$5.5 million. They hired Robert Townsend to run it, and Avis went from losing \$600,000 in 1962 to making \$5 million in 1965. Lazard sold Avis to ITT for \$20.3 million. André and Felix sold many companies to ITT over the years, sometimes sailing pretty close to regulatory and tax boundaries. Using their connections to get favorable tax rulings landed them in serious legal difficulties that they eventually escaped. Rohatyn, known as the Teflon investment banker, became extremely rich. Many people thought that working for him would be a great credential, but they found that he wouldn’t share credit. He also made life hard for anyone who showed independence or a desire for reward.

“André Meyer was busy in Paris transforming himself from a currency trader into the then far more prestigious and respected role of investment banker.”

Rohatyn became active in Democratic Party politics and sat on the Council on Foreign Relations. He is famous for helping save New York from bankruptcy in the 1970s by guiding the restructuring of its debt. He wanted to serve in a high public office, such as chairman of the Federal Reserve or Secretary of the Treasury, but it was not to be. He wasn’t ready to leave Lazard during Jimmy Carter’s term, and he was Ronald Reagan’s implacable foe. The fact that he supported Ross Perot over Bill Clinton didn’t help during Clinton’s presidency, when Rohatyn allowed his name to be put forward as Fed vice chair, despite Alan Greenspan’s power. His wife and friends saw the position as beneath him. But he thought his friendship with Greenspan would give him a real role. Republican opposition killed the possibility. Clinton appointed Rohatyn as ambassador to France. In 2006, he joined Lehman Brothers to chair its international investment advisory committee and to advise CEO Dick Fuld.

Michel David-Weill

Michel David-Weill joined Lazard Frères in 1956 at age 24. He was a European scion of Lazard royalty, the great-grandson of Alexander Weill. David-Weill remained a Frenchman; even when his time came to run the firm, he spent long periods away. The firm was undergoing a severe succession war, and his tenure as the all-powerful

chair didn't end the instability or internal battles. He gained power during the partners' infighting by playing favorites. His ace in the hole was his status under the partnership agreement, which made his father, Pierre David-Weill, a prince under Meyer. Once his father's generation was gone, Michel ruled. However, he was not a rainmaker. He needed others to make the deals that earned the money he alone apportioned to employees as salary and to partners as shares. Over time, he consolidated power and prospered.

"Michel was generally happy to reward his partners...if the pie kept getting bigger, he stood to make more and more money himself, as he had the largest profit percentage by far."

The political way David-Weill managed the firm made strong disagreements inevitable. Sometimes things did not break his way no matter how much power he wielded. He opened the company to new businesses and recruited new people, including a Lehman brothers group dubbed the "Gang of Four" (though eventually six men came from Lehman in 1978). David-Weill tried to balance internal factions. He let Rohatyn have his way, but felt the need to put some bounds on him and the other partners. Periodically, he purged the ranks of partners who were no longer productive or those who earned his ire. When the remaining partners prepared a coup against him, he recruited Bruce Wasserstein, whom the partners deplored. David-Weill sowed the seeds for his own loss of the company when he gave Wasserstein management control. David-Weill later made a fortune from being bought out, but he resented losing control of what he saw as his family firm.

Steve Rattner and Bill Loomis

Steve Rattner, a paint manufacturer's oldest son, came to investment banking via journalism. He graduated from Brown University and became a *New York Times* reporter in New York and London. He became friends with publisher Arthur Sulzberger and developed important contacts in government. When Rattner befriended gifted reporter R. W. Apple, he realized that his own true abilities might be more suited to a different path. He used his contacts with Carter administration officials, such as Bob Strauss, to open doors on Wall Street and joined Lehman. His professional peers were amazed how effective he was as an investment banker from his first day. He knew how to brief clients on products and could make complex subjects understandable.

"Before Rattner's arrival at Lazard, the firm had quite purposefully not made group-head designations...Michel had the long-held view that specialist groups would balkanize the firm."

In 1989, Rattner joined Lazard, and founded its media and communications practice. He generated huge fees, bringing him into competition with Rohatyn. When the media focused on Rattner, Rohatyn became irritated. *Vanity Fair* magazine's hint that Rattner might succeed Rohatyn intensified their conflict. When the acrimony became destructive, David-Weill got them to resolve their public differences. However, Rattner's subsequent appointment as deputy CEO angered other important partners, such as Ken Wilson, Ira Harris and Jerry Rosenfeld. They left within a 12-month period, as did Rohatyn. This terribly harmed Lazard's M&A business but it gave Rattner the opportunity of a lifetime. By 1998, he was pushing for a Lazard IPO, which David-Weill saw as a play to force him to sell the firm. He would have none of it. Rattner soon had only two choices: side with David-Weill or with the other partners. He chose the partners and left Lazard in early 2000 to start the Quadrangle Group, his own billion-dollar private-equity firm.

"By Michel's design, the matter of succession at Lazard...was always convoluted and fraught with peril."

Bill Loomis had come to Lazard with James Glanville in 1978 with the Lehman "Gang of Four." Loomis had been Glanville's associate, not one of the four partners, but he had a long-term impact on Lazard. He was noted for writing memorandums (sometimes, but not always, ignored) to management about the organization, its culture and its future. Loomis was influential in getting Lazard to create M&A products that they could take to prospective clients, rather than waiting for clients to come to them. Loomis's most influential period came when Michel David-Weill tapped him to help complete the merger of Lazard's Paris, London and New York firms under Michel's sole control, the first time one person had run all of Lazard. Months after the union, many top European partners began leaving. The merger of the three offices' culture, technology and business approaches was not effective. To stop the flight, a plan was put forward to give top partners equity (not just shares of profits). David-Weill vacillated about the plan and began courting Bruce Wasserstein more openly. Loomis resigned and left Lazard as 2001 ended.

Bruce Wasserstein

Bruce Wasserstein came from a creative home in Brooklyn. His family ran Wasserstein Brothers Ribbons, which had the slogan "Ribbons Fit to Be Tied." His sister, Wendy Wasserstein, a well-known gifted playwright, died in 2006 and his family is raising her daughter. Exceptionally bright, Bruce graduated from high school at 16, and finished the University of Michigan in three years. He was one of the first students to pursue a joint JD-MBA degree at Harvard. Joseph Perella recruited Wasserstein to join First Boston's up-and-coming M&A group, which he eventually controlled. The aggressive unit did many deals, such as DuPont's \$7.6 billion takeover of Conoco, while beating out Mobil and Seagram (represented by Rohatyn).

"There was an increasingly loud chorus inside Lazard calling for Michel to think seriously about selling the firm. For Michel, of course, just the thought of a public Lazard was anathema."

Where Rohatyn had personal charm and emphasized relationships, Wasserstein was less social and exercised his brilliance as an M&A expert. One coup was breaking up the 1984 Getty Oil-Pennzoil merger so his client, Texaco, could buy Getty. Pennzoil sued Texaco, winning a \$10.5 billion judgment; Texaco soon filed for bankruptcy. Wasserstein developed a reputation for using extremely high leverage and very aggressive valuations to win deals, but he hated his nickname, "Bid 'Em Up Bruce." Wasserstein and Perella did many deals, earning big fees as M&A bankers.

"The depth and breadth of Bruce's control of the firm were not only unprecedented for Lazard; they were unprecedented for almost any financial institution."

No one could have been more antithetical to the traditional Lazard culture than Wasserstein, but David-Weill thought he could help counteract the partners' uprising. Even before Wasserstein took charge on New Year's Day 2002, he was making pronouncements about changes in the firm. He used all the firm's resources, including its short-term profitability, to consolidate his power while buying off partners, including David-Weill. He pushed out those who wouldn't go quietly. Even though it is a publicly traded firm, Lazard became and remains Wasserstein's company.

About the Author

William D. Cohan won awards as a journalist before becoming an investment banker. Cohan worked at Lazard for six years before moving to other investment banking positions.
