



# Book When Money Was in Fashion

## Henry Goldman, Goldman Sachs, and the Founding of Wall Street

June Breton Fisher  
Palgrave Macmillan, 2010  
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### Recommendation

The Goldman Sachs colossus straddles the financial world today, but it started as a family business. June Breton Fisher, great-granddaughter of founder Marcus Goldman, draws on information from relatives and her own memories to portray the little-known story of the firm’s founding. Two teenage boys met in a synagogue in Bavaria and throughout marriages, births, deaths, conflict and scandal, they gave life to Goldman Sachs. Whatever you may think of the bank, you’ll find its forebears, particularly Henry Goldman, to be intriguing, innovative and very human. *BooksInShort* recommends this loving memoir for its slice-of-life narrative, though astute readers will need to sort through its scattered inconsistencies and errors. And, it lacks a badly needed family tree. You might quibble over the title – after all, when hasn’t money been in fashion? – but Henry’s quote actually was, “Money will always be in fashion.” How right he was.

### Take-Aways

- Marcus Goldman and Joseph Sachs met as teenagers in Germany in the 1830s and went to the United States to seek greater opportunities.
- Goldman opened a trading firm in New York in 1869 and became wealthy his first year.
- Two of Goldman’s daughters married Sachs’ two sons, Julius and Sam. When Marcus chose who would run the firm, he bypassed his son Henry and promoted Sam.
- Thus began decades of discord between Sam and Henry – who were very different – but both continued at the company for many years.
- Sam Sachs expanded the firm internationally by building European alliances.
- Henry Goldman underwrote railroads and iconic firms, including Sears and Woolworth.
- He pioneered the use of the price/earnings ratio and directed the first auto industry IPO.
- Goldman’s allegiance to pre-World War I Germany drove a final wedge between the partners, causing Goldman’s resignation from the firm. He and Sachs never spoke again.
- Goldman rescued many refugees from the Nazis and helped Albert Einstein in the U.S.
- Despite advancing blindness, he amassed a world-class art collection, now housed mostly in museums, and mentored violin prodigy Yehudi Menuhin.

### Summary

#### In the Beginning

In the 1830s, Mark Goldmann, 16, met Joseph Sachs, 19, at a rabbi’s class in a small-town synagogue in Bavaria. Though just the sons of simple tradesmen, they shared an ambition to achieve greater things. Joseph wanted to teach and Mark wanted to make money, but increasing constraints on the freedom of Jews in Germany

diminished their prospects. Regulations did not allow Jews even to vote or marry. Local newspapers told stories about golden opportunities in America, where Bavarian immigrant Levi Strauss [of Levi's jeans] was already a success. In 1848, Joseph, then 27, eloped. Some weeks later, he and his new wife emigrated to the U.S. Soon after, Mark and his brother Simon set sail for America. By luck, Joseph found Mark on his first day in Philadelphia. Mark stayed in Pennsylvania, but Simon went to California for the gold rush.

Mark and Joseph "became fast friends, never dreaming that their futures would be entwined for more than a century in a land they had yet to see."

In 1856, Marcus Goldman (immigration authorities changed his first name, and he changed his last name when he became a U.S. citizen in 1853) married a talented milliner named Bertha. After making their first investment in a \$5 sewing machine, they opened a tailor shop, which grew into a haberdashery as they profited from the influx of Germans into Philadelphia. Although Joseph Sachs moved his family to Baltimore, then Boston, in pursuit of teaching jobs, the young couples remained friends. Marcus and Bertha had five children. Henry, their youngest, had poor eyesight and was given only menial tasks in his parents' store. When New York overtook Philadelphia as the country's prime commercial center, the Goldman family relocated. In 1869, Marcus became a broker of "commercial paper" in lower Manhattan. Buying craftsmen's and jeweler's trade bills in the morning, he made a hefty profit selling them to banks later in the day, earning "as much as \$5 million" in his first year.

"This close-knit, intermarried family would soon be enmeshed in a feud drenched in such animosity that the members...would not exchange a word for almost 100 years."

After attending Joseph Sachs' elite Manhattan boys' school, Henry became one of the few Jewish students admitted to Harvard, though his poor eyesight forced him to withdraw. By then, his sisters Rosa and Louisa had married Joseph's sons Julius and Sam, making the families relatives.

## On the Road

Henry hoped to join Marcus' trading business, which by 1882 was "turning over \$30 million a year and had accrued capital of over \$100,000." But Marcus bypassed Henry in favor of his son-in-law Sam Sachs, a high school dropout who ran "a small dry-goods business" and took care of his family after his father died. Marcus even lent Sam the money to buy his partnership, and "from then on, the firm was known as Goldman & Sachs." Marcus felt that Henry's failing sight made him an unsuitable successor, but Henry was devastated by his father's rejection. Henry soon took a job as a traveling textile salesman, crossing the U.S. by train to sell to small businesses. His years of itinerant work in the 1870s gave him an important education about what growing companies needed and what life was like outside New York City. Finally, in 1885, Marcus offered Henry a junior partnership in his firm, now named Goldman Sachs & Co. "From then on, for almost 50 years, all of Goldman Sachs' partners were members of the intermarried families."

## "The Goldmans and the Sachs"

In 1890, Henry, 32, married Babette Kaufman, only 17, in a match arranged by their families. In 1896, Goldman Sachs & Co. joined the New York Stock Exchange. Soon after, the Goldman and the Sachs families celebrated Marcus and Bertha's 50th anniversary lavishly at the couple's seaside estate. However, relations between the two families soon became increasingly strained.

"Marcus hung out a shingle advertising himself as 'M. Goldman,' a banker and broker of IOUs for the tanners and jewelers."

Sam and Henry's relationship had long been difficult, but significant trouble began in 1900, when Marcus retired and made Sam Sachs the "sole senior partner." Sam brought his brother and three sons into the firm. Henry felt outnumbered. He and Sam were like oil and water. Sam was proper, conventional and totally unoriginal; he always wore a coat and tie, and kowtowed to those he saw as his social superiors. Henry was obstinate, inventive and unafraid of risk; he never worked in a suit, and he smoked Cuban cigars in the office. While Henry still smarted from his father's rebuff, Sam – ashamed of his lack of formal education, though he had undertaken apprenticeships in European banks – saw Henry as just a pampered heir.

"It must have been a lonely life, traveling cross-country in the 1870s, but it afforded Henry the time he needed for introspection and observation."

Although both were dedicated to the firm, they differed on where to take it. Sam sought to expand internationally by allying with European banks and offering currency and trade services. Henry speculated in railroad bonds and wanted to finance the booming rail industry. Voted down by his partners, Henry negotiated a deal with his friend, Philip Lehman of Lehman Brothers. Philip would finance up-and-coming firms that Henry brought in – many of them nascent businesses he had come to know about as a traveling salesman. Old-line investment banks weren't interested in retail and manufacturing firms, especially new ones, but Henry saw their profitable possibilities. He pioneered the concept of the price/earnings ratio, estimating a company's worth according to its income rather than its assets.

## The Golden Years at Goldman Sachs

Though Sam opposed having the firm support the companies Henry fostered, these investments led to the creation of many household-name companies. Henry engineered the expansion of, and pioneering initial public offering (IPO) for, the newly combined Sears, Roebuck & Co. He orchestrated IPOs and financing for Goodrich Tire & Rubber, Underwood Typewriter, F.W. Woolworth, CIT Financial Corporation and the Mays chain of department stores, which then included Filene's, Marshall Field's and Target. Despite the Panic of 1907 and the collapse of trust companies, Goldman helped the failing Knickerbocker Trust merge with the Columbia Trust, forming an entity that eventually disappeared into larger banks. He also took the Studebaker automotive company public, making it the first firm in its industry to conduct an IPO and access the capital markets. As a member of its board, Goldman promoted socially responsible practices, like vacation time and pension plans for workers, labor benefits unheard of in that era. Goldman's growing influence also positioned him to lobby President Woodrow Wilson to create the Federal Reserve System.

He "thought of himself as the family's Joseph, exiled to the wilderness by his father, yet determined to come back some day and rise to greater heights."

Henry's family life was mostly serene. Busy with philanthropy, Babette left much of the care of their young sons in the hands of their daughter. At age 20, Henry's son Robert became embroiled in scandal when he secretly wed a two-timing actress. Henry took her to court on behalf of his son, a minor. Henry agreed to \$10 in alimony

a week “in the first of Robert’s four divorces and unquestionably the least expensive.” By then, Robert was no longer Henry’s heir apparent.

Henry “saw the huge potential of gathering a number of retailers under one name, pooling their purchasing power and implementing a cooperative marketing push.”

In 1914, at the start of World War I in Europe, Henry’s support for Germany – rooted in his fluency in German and his love for the music and art of his father’s country – rankled Sam and the firm’s other partners. Upset when the firm lost money in a currency transaction involving two of Henry’s German-sympathizing clients, Henry’s colleagues begged him to tone down his public allegiance to Germany, but he refused. Henry even vetoed the firm’s participation in a loan to finance an Anglo-French war bond, though Sam contributed to it privately. As tensions grew, business slowed. The firm’s English partner bank, Kleinwort & Sons, pressured it to come out unequivocally for Britain. Finally, in October 1917, Henry realized his actions were damaging the firm and resigned. His colleagues purged the firm’s records of any trace of him, and Henry joined another brokerage. Embittered, he never again spoke to Sam or Louisa. Rumors, never proven, circulated that Babette had a liaison with Sam’s brother, Barney. After the firm’s rupture, the Sachs and Goldman descendants would not know one another for “almost 100 years.”

## For Germany

After World War I, Henry continued his trips to Europe, Germany in particular, and saw the war’s wreckage firsthand. He described the Allies’ punitive reparations as hitting Germany “like *Gotterdammerung*” [the twilight of the Gods]. He worked to arrange loans and investments for German states and companies, but much of the proceeds went to reparations. Germany’s president, Paul von Hindenburg, conferred honorary citizenship on Henry, who considered it “the highest of honors.” In Berlin, Henry and Babette befriended Albert Einstein, who told Henry about the lack of research funding, and later the personal deprivations, affecting German scientists, such as future Nobel laureate Max Born. Henry responded with generous contributions of money, clothing and shoes. In 1929, unaffected by the crash (he owned mostly railroad bonds and retail-store shares), Henry gave Einstein a 23-foot sailboat. The scientist spent “among the happiest days of his life” on board before the Nazis seized the boat in 1931 while Einstein was in the U.S. Einstein soon emigrated. He and Goldman remained friends.

“In a day...when business was developed solely with talent, imagination and brains, he was responsible for the initial organization of many of America’s most successful publicly owned corporations.”

On a visit to Berlin in 1933, Henry experienced personally the harsh attitude toward Jews, the armed guards at Jewish-owned stores, old friends who avoided him and passersby who pushed him, despite the white cane his declining eyesight forced him to carry. On his return, he worked tirelessly to raise awareness of the worsening conditions in Germany and to obtain money for those who were affected. He met with the noncommittal President Franklin Roosevelt. Henry also arranged jobs and visas for “scientists, musicians, doctors and businessmen to leave Austria and Germany.” Henry “spirited” Max Born and his fellow physicist Otto Stern out of Germany. In a letter to a friend, Henry said, “A 15th century reign of terror exists there. I’ll not return to Germany while present conditions continue.” He never went back.

“We have to set our own criteria for what constitutes failure and what constitutes success. It’s not the same for everyone.” (Henry Goldman)

Without Henry, Goldman Sachs & Co. lagged in new underwriting, so the partners hired Waddill Catchings, a “smooth-talking southerner.” During the 1920s, he had profitably engineered mergers that created such companies as General Foods, an umbrella for Jell-O, Maxwell House Coffee and the Postum Cereal Company. Chafing at the firm’s restrictions on his capital, and aiming to become senior partner, Catchings started several inordinately successful “closed-end mutual funds.” Sam’s son Walter became suspicious of the funds’ rapid growth. When he confronted Catchings, the man retorted, “The trouble with you, Walter, is that you’ve got no imagination...this is the biggest deal Goldman Sachs has ever had!” But in the October 1929 crash, the funds lost \$121 million; half was the partners’ own money.

## “With the Eyes of a Loving Memory”

Goldman’s eventual blindness didn’t halt his lifelong passion for collecting fine art, including Old World masterpieces. Max Born recalled, “It was moving to see him amongst his pictures, which he described in every detail as if he could still see them.” Joseph Duveen, a charming British art dealer, became first Henry’s art adviser, then his confidant and friend. Babette was somewhat wary of Joseph, who would track his prospects’ whereabouts through their servants and then, as if by magic, appear at the same places as his would-be clients. His clientele came to include John D. Rockefeller and the Lehmans. Henry and Joseph both profited from their association: Henry gained access to the art he loved, and Joseph prospered on commissions and on Henry’s investment advice. Much of Henry’s collection, including works by Rembrandt, Rubens, Donatello and Cellini, is now housed in museums worldwide.

“Most men can stand adversity; very few men can stand success.” (Walter Sachs)

In 1914, the Goldmans had purchased Bull Point Camp in the Adirondacks. The compound, which became a beloved gathering place as Henry aged, included a Tudor-style main house, where the Goldmans hosted such luminaries as Einstein, Sigmund Freud, Helen Keller and Queen Marie of Romania, as well as many of the German refugees Henry had helped. The compound’s large four-bedroom, log cabin guest cottages had rock fireplaces and window seats that concealed games, toys and art supplies for the children. The entire Goldman family of 20 – often plus visiting friends — gathered at Bull Point each summer, holding weekly barbecues by the lake.

Henry Goldman “would undoubtedly find it rather amusing that, in modern times, the firm he influenced so greatly is referred to simply as ‘Goldman,’ although no Goldman has worked there since 1917. And it is unlikely one ever will again.”

In the 1930s, Goldman mentored classical violin prodigy Yehudi Menuhin, sometimes so closely that he aggravated the child’s possessive “Mama.” Henry was so taken with Menuhin’s talent that he bought him a \$60,000 Stradivarius violin for his 12th birthday and often traveled to hear him.

Henry Goldman died on April 4, 1937, at his home in New York. His dying wish was to hear Yehudi Menuhin play once again, but Menuhin, bullied by his jealous mother, paid his final visit to his mentor without his Stradivarius. As it happened, Goldman’s granddaughter June, age 10, provided one of his last musical moments. Using his Steinway, she played a piece she wrote called “The Bull Point Waltz” – a little girl’s gift to her grandfather, a “Renaissance gentleman whose ethics and morals never ran second to ambition and drive.”

# About the Author

**June Breton Fisher**, Henry Goldman’s granddaughter, lives in Santa Barbara, California.

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