

CHAPTER II

THE WAR ROOM AT THE WALDORF

NEW YORK CITY, 1924



HERTZ / THE MAN WHO PAINTED AMERICA YELLOW

John D. Hertz had built one of the most successful taxi companies in America.

Now, someone was trying to destroy its value.

The strange thing was that Yellow Cab had never been stronger.

Its automobiles filled the streets of Chicago. Its factories were producing more vehicles than ever before. Its revenues were growing, its operations expanding, and its reputation had transformed an industry once associated with unreliable drivers and unpredictable fares.

Yet on Wall Street, something was going terribly wrong.

The company's stock was falling.

Day after day.

And nobody could explain why.

At first, the decline might have appeared to be an ordinary market fluctuation. Stocks rose and fell. Investors changed their minds. Speculators took their chances.

But Hertz had spent too many years in business to ignore a pattern that made no sense.

Yellow Cab was expanding. Its profits were increasing. Its future appeared brighter than ever.

So why was the market treating it like a company in trouble?

Hertz decided to find out.

He could not have known that the answer would lead him to one of New York's most famous hotels, a young financier named Joseph Kennedy, and a financial confrontation that would test everything he had built.

THE INVISIBLE ENEMY

In the first quarter of 1924, Hertz had taken Yellow Cab public on the New York Stock Exchange.

It was a significant milestone.

The company that had begun with a modest fleet of taxis in Chicago was now part of America's financial establishment.

For a man born in a small village in the Austro-Hungarian Empire, the achievement was extraordinary.

John D. Hertz had arrived in America as a child. He had not inherited a fortune. He had not been born into the country's industrial elite. His success had come from recognizing opportunities that others had overlooked and pursuing them with remarkable determination.

By 1924, Yellow Cab had grown from its original fleet of forty-five automobiles to nearly two thousand.

The company employed approximately six thousand drivers and had introduced an unusually extensive range of employee benefits, including medical care, insurance, and opportunities for workers to participate in the company's financial success.

Hertz had built more than a taxi company. He had built a system.

But taking Yellow Cab public had exposed that system to a new kind of danger. One that could not be confronted on the streets of Chicago.

The enemy was operating through the stock market.

During a business trip to New York in March 1924, Hertz met with Walter Howey, a well-connected friend, Yellow Cab investor, and editor of William Randolph Hearst's Boston American.

Together, they began examining the company's trading patterns. What they discovered was disturbing.

The selling did not appear random. The movements suggested coordination.

Someone, they concluded, was deliberately attempting to drive down the value of Yellow Cab shares.

On Wall Street, the strategy had a name: a bear raid.

The principle was straightforward. Investors who expected a company's stock to fall could sell borrowed shares and later

repurchase them at a lower price. If the price collapsed, they could make substantial profits.

But when aggressive selling was combined with market fear, the consequences could extend far beyond ordinary speculation.

A falling share price could frighten investors. Frightened investors could sell. Their selling could push the price lower still.

And a company that was successful in the real world could suddenly appear to be failing in the financial one.

For Hertz, the situation was infuriating. He had spent years building a business whose value could be measured in automobiles, factories, employees, and customers.

Now men who had never driven one of his taxis might profit by undermining the confidence of the people who owned his company's shares.

But the most troubling discovery was still to come.

Howey and Hertz traced the suspicious trading to the New York office of Block, Maloney & Co.

Their investigation led them to suspect that the driving force behind the attack was Morris Markin. The man behind Checker Cab. Yellow Cab's great rival.

The rivalry between the two companies had already become one of the fiercest struggles in American transportation. Now Hertz

suspected that the conflict had reached Wall Street.

The fight was no longer simply about who controlled the streets. It was about who would control the future.

THE MAN WHO KNEW WALL STREET

Hertz needed help. Not from another automobile executive. Not from a factory manager.

He needed someone who understood the financial markets as well as he understood transportation.

Walter Howey arranged a meeting with a young Boston banker, investor, and trader named Joseph P. Kennedy.

Kennedy was ambitious, intelligent, and already experienced in the often ruthless world of American finance. He understood that stock prices were influenced by more than the underlying performance of a business.

They were also influenced by expectations. And expectations could be manipulated.

Decades later, the Kennedy name would become one of the most recognizable in American history. Joseph's son, John Fitzgerald Kennedy, would become the thirty-fifth President of the United States.

But in the spring of 1924, Joseph Kennedy was not yet the patriarch of an American political dynasty. He was a businessman who knew how Wall Street worked.

And John D. Hertz had a problem that required precisely that knowledge.

The two men met at the Waldorf-Astoria Hotel in New York City.

The original Waldorf-Astoria stood on the site where the Empire State Building would later rise. It was a symbol of American wealth, influence, and social standing.

For Hertz, the setting represented a remarkable contrast. He had begun life in a small European village.

Now he was sitting in one of the most prestigious hotels in America, discussing the survival of a business empire with a financier whose family would one day occupy the White House.

But Hertz had not come to admire the surroundings.

He had come with a plan. And he needed Kennedy's money to make it work.

FIVE MILLION DOLLARS

Hertz believed he had found a way to stop the attack.

If speculators were forcing down Yellow Cab's stock price, he would buy the shares himself. By purchasing enough stock, he hoped to create demand, stabilize the price, and prevent the collapse the raiders were attempting to engineer.

The idea was simple. But it required enormous capital.

Hertz asked Kennedy to commit part of his personal fortune to the effort.

Kennedy considered the proposal. Then he suggested something different. Something considerably more aggressive.

Rather than simply buying shares to support their price, Kennedy proposed turning the market's own uncertainty against the speculators.

The men attacking Yellow Cab believed they understood what would happen next. They expected the stock to continue falling. They expected frightened investors to sell. And they expected to profit from the decline.

Kennedy wanted to destroy that confidence.

His strategy was to create unpredictable trading patterns. Large blocks of Yellow Cab shares would be bought and sold through brokers in different parts of the country.

The transactions would appear to come from multiple independent market participants. The apparent demand would change. The apparent selling pressure would change. And the raiders would

struggle to understand who was controlling the market.

One day, shares might be sold aggressively in the morning and repurchased before the market closed. The following day, the pattern might be reversed.

The objective was not simply to raise the share price. It was to make the men betting against Yellow Cab question their own assumptions. To make them hesitate. To make them nervous. And ultimately, to make them abandon their positions.

Kennedy was proposing to fight market manipulation with a strategy of his own.

It was bold. It was risky. And it required Hertz to place extraordinary trust in a man he had only recently brought into the conflict.

Hertz agreed.

He committed the Yellow Cab shares he controlled, together with additional capital secured from friends and investors in Chicago.

Among those supporting the effort was William Wrigley Jr., the chewing-gum magnate and a member of Yellow Cab's board of directors.

The total resources assembled for the operation amounted to approximately five million dollars.

In 1924, it was an extraordinary sum. A fortune large enough to change the lives of thousands of people.

And now, much of it would be placed at the center of a financial battle whose outcome was far from certain.

Hertz had spent years building his empire. He was now prepared to risk a substantial fortune to defend it.

THE WAR ROOM

Kennedy established his headquarters at the Waldorf-Astoria.

He rented a suite of rooms and equipped them with multiple telephone lines and a stock ticker.

From there, he could follow the market as prices changed and communicate with brokers across the country.

The luxurious hotel suite had become something entirely different.

A financial command center. A war room.

For approximately a month, Kennedy spent much of each trading day coordinating the operation.

The telephone was his weapon. The ticker tape was his intelligence. And the stock market was his battlefield.

Each morning brought a new set of decisions.

How many shares should be sold? How many should be purchased? At what price? Through which brokers? And in what sequence?

The transactions had to appear unpredictable. The men betting against Yellow Cab could not be allowed to identify a consistent pattern.

Kennedy understood that the psychology of the market was as important as the mathematics.

If the raiders believed they could predict the direction of Yellow Cab shares, they would continue their attack. If they began to doubt that prediction, the balance of power could shift.

A sudden increase in buying could force them to reconsider their positions. An unexpected wave of selling could make them question who else was participating.

The uncertainty itself became part of the strategy.

Kennedy orchestrated purchases and sales through brokers across the United States, deliberately creating patterns that were difficult to interpret.

On some days, large blocks of shares were sold, only to be bought back later. On others, the reverse occurred.

The objective remained the same. Confuse the short sellers. Undermine their confidence. Force them to retreat.

For Hertz, it was an unfamiliar kind of battle. He understood the automobile business. He understood manufacturing, operations, employees, and customers.

But Wall Street followed a different logic.

In Chicago, a successful company could be recognized by the number of automobiles leaving its factories and the passengers entering its taxis.

In New York, its value could change dramatically between breakfast and lunch.

The contrast was extraordinary.

One man had built his fortune by making transportation more predictable. The other was now defending that fortune by making the stock market less predictable.

Together, they were attempting to turn the raiders' own strategy against them.

THE TURNING POINT

The battle continued through the spring of 1924.

Kennedy maintained the pressure. The trading patterns shifted. The market reacted. And gradually, the strategy began to work.

The men who had expected Yellow Cab shares to continue falling were confronted with increasingly unpredictable movements.

The certainty on which their positions depended began to disappear.

By the middle of May, the result was clear.

Yellow Cab's shares had returned to their pre-raid values.

The attack had failed. The company remained financially strong. Its operations continued. And the market had recovered the confidence that the raiders had attempted to destroy.

For Hertz, the outcome represented more than a successful defense of a stock price.

It was a lesson.

He had discovered how vulnerable even a thriving business could become when its fate was placed in the hands of financial markets.

And he had learned something about the extraordinary power of the men who understood those markets.

Kennedy had helped save the value of Yellow Cab. Hertz did not forget it.

He rewarded the young financier with a substantial cash payment and Yellow Cab shares.

But he offered him something else as well.

An opportunity to participate in a new business.

One that Hertz had been developing quietly.

One that would eventually become even more internationally recognizable than Yellow Cab.

THE NEXT AMERICAN REVOLUTION

While the battle on Wall Street had consumed much of the spring, Hertz had continued thinking about the future of transportation.

For years, he had been studying a simple but powerful idea.

What if Americans could enjoy the freedom of an automobile without having to own one?

The concept was not entirely new. But Hertz believed it could be developed into something far larger.

A national business. A recognizable brand. A transportation service that could reach customers far beyond Chicago.

By the summer of 1924, he had been testing the concept through a small number of Drive-Ur-Self locations in Chicago and Louisville, Kentucky.

The early results were promising.

Hertz saw the possibility of an entirely new industry. And he invited Joseph Kennedy to become an early investor.

The man who had helped defend Yellow Cab on Wall Street would now have an opportunity to participate in the next stage of Hertz's transportation ambitions.

On September 28, 1924, Hertz announced the formation of the Hertz Drive-Ur-Self Corporation in an advertisement published in the San Antonio Express.

It was another step in a journey that had begun thousands of miles away.

A journey from a small village in Central Europe to the forefront of American business.

From the streets of Chicago to the financial markets of New York.

From yellow taxis to an idea that would help transform the way people traveled.

The battle at the Waldorf-Astoria had revealed the dangers of success. But it had also demonstrated something fundamental about John D. Hertz.

He was not simply a man who built companies.

He was a man who continued to see possibilities beyond the companies he had already built.

And even after one of the most difficult financial battles of his career, his attention was turning toward the next opportunity.

Years later, reflecting on his experiences with Wall Street, Hertz would explain to the publisher B. C. Forbes that he had come to an important conclusion.

His greatest responsibility was to concentrate on building and managing a successful business rather than allowing the movements of the stock market to dictate his decisions.

It was a lesson earned through experience.

The spring of 1924 had taught him that fortunes could be threatened by forces far removed from the businesses that created them.

But it had also shown him that knowledge, determination, and the right allies could change the outcome.

And perhaps most importantly, it had reinforced the principle that would continue to shape his career.

Build something valuable. Protect what matters. And never stop looking toward the future.

The battle for Yellow Cab was over.

But John D. Hertz was already preparing to change America again.