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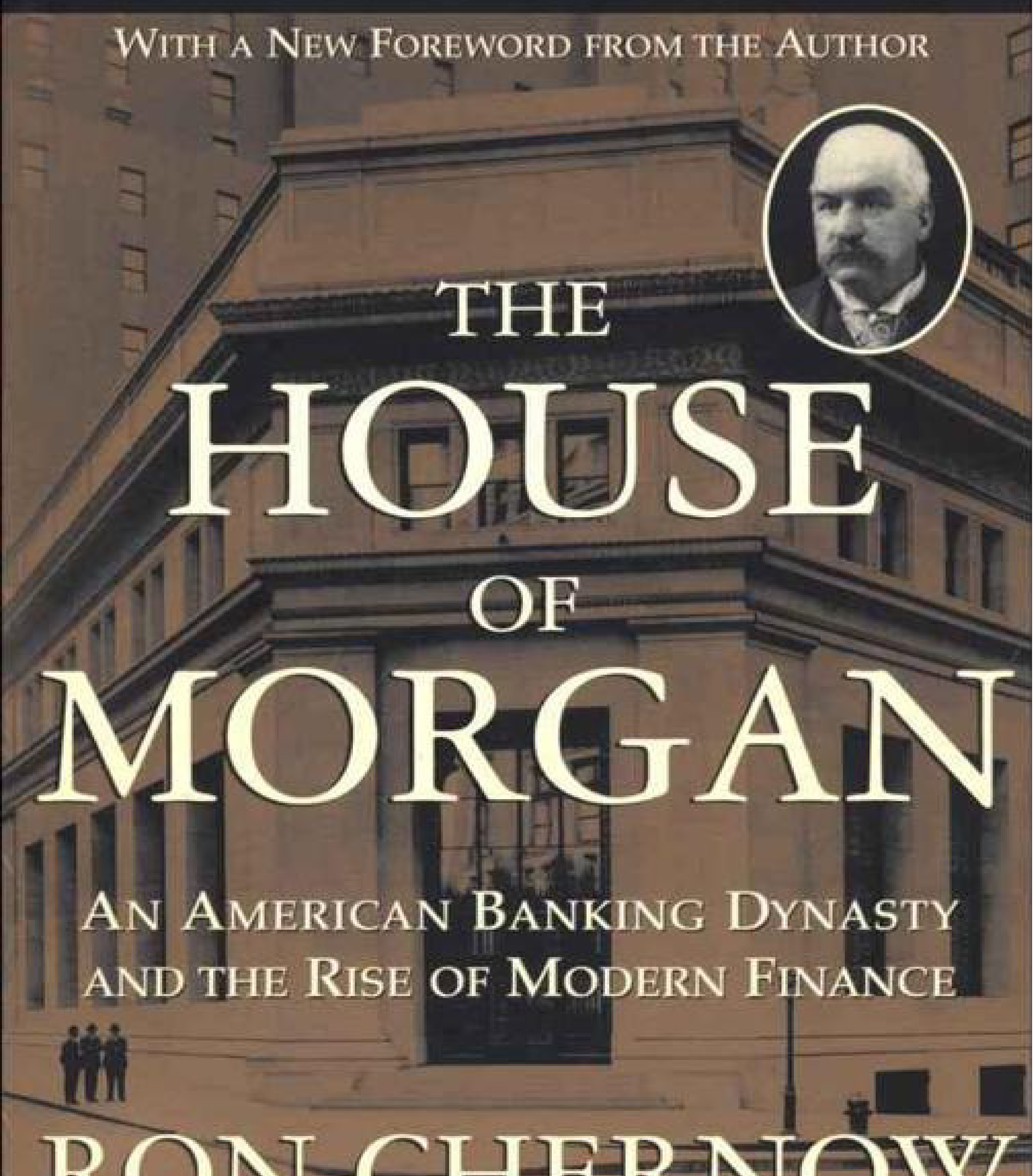

THE HOUSE OF MORGAN

AN AMERICAN BANKING DYNASTY AND THE RISE OF MODERN FINANCE

RON CHERNOW

"As a portrait of finance, politics, and the world of avarice and ambition on Wall Street, the book has the movement and tension of an epic novel. It is, quite simply, a tour de force."—*The New York Times Book Review*

Critical Acclaim for
Ron Chernow's *The House of Morgan,*

WINNER OF THE 1990 NATIONAL BOOK AWARD FOR NON-FICTION:

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—*USA Today*

"A brilliant, generation-spanning history of the Morgan banking empire, which offers a wealth of social and political as well as economic perspectives. . . . He writes in a lively, definite fashion that could make the exhaustively documented account the standard reference for specialists as well as lay readers."

—*Kirkus Reviews* (starred review)

"Entertaining and meticulously researched . . . pulls aside the cloak of mystery that has long surrounded this powerful American institution . . . that wielded far more power than most Americans ever imagined, even in their most fevered nightmares."

—*Dallas Times Herald*

"Packed with revelations, Chernow's mammoth history demystifies the inner workings of the secretive Morgan banking empire."

—*Publishers Weekly*

"Brilliantly researched and written, *The House of Morgan* is to . . . *Liar's Poker* what *War and Peace* is to a Judith Krantz novel. . . . To a potentially dry and certainly difficult subject—the influence of high finance on modern life—Chernow brings a lively style and the endurance of a trouper."

—*The Wall Street Journal*

"Long, ambitions, but highly readable . . . Chernow highlights the degree to which the Morgan bank symbolized an era of Anglo-American hegemony and the growing shift of financial power from London to New York. . . . The book is as much about the characters of Morgan as about its history."

—*The Economist*

"Chernow vividly portrays the influence that the Morgan banks have had on the history of the Western economy since the late-eighteenth century. . . . Epic . . . An important book."

—*Library Jounral* (starred review)

"Ron Chernow's The House of Morgan is utterly absorbing. The study of J. P. Morgan & Co. and its offshoots is not merely the chronicle of an institution, but indeed of American finance and society. Chernow has done his research thoroughly, and written it up splendidly. A must for anyone curious as to how things have come to work the way they do."

—Michael M. Thomas

"Far more than the history of an American banking dynasty—it's the story of the evolution of modern finance . . . so skillfully and engagingly written, it's hard to put down once begun . .. Richly woven . . . Every page is fascinating."

—*Pittsburgh Press*

"A fabulous cast of characters, some well-known by name if not personality, others well-known only to the aficionados of wealth . . . This evolution of banking and companies, and the triumphs and tragedies along the way, is both a fascinating and instructive story."

—*Fort Worth Star-Telegram*

"Rich, monumental. . . As enchanting as an old-fashioned novel."

—*Entertainment Weekly*

"A lucid and highly entertaining account of this century and a half of transmogrification, presenting the findings from newly available archival material to capture brilliantly the inherent drama, global historical sweep, immense business, and political magnitudes, high social glamour, and, above all, moral ambiguities of the story."

—*America*

"As informative and entertaining a history, especially of the period from 1880 to 1930, as this reviewer has ever read . . . Nowhere has our tenuous financial system been better described than by Chernow."

—*Los Angeles Times Book Review*

THE HOUSE OF MORGAN

An American Banking Dynasty and the Rise of Modern Finance

RON CHERNOW

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For Valerie and Israel and Ruth

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It is necessarily part of the business of a banker to profess a conventional respectability which is more than human. Life-long practices of this kind make them the most romantic and the least realistic of men.

—*John Maynard Keynes*

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“THE HOUSE OF MORGAN” 20th ANNIVERSARY EDITION

Like many first books, *The House of Morgan* was something of a happy accident in the author’s life when it was published twenty years ago. After years toiling in the vineyard of freelance magazine work, I decided to take a breather from that hectic world in the mid 1980s and landed a job in a public policy foundation called The Twentieth Century Fund, where I was put in charge of financial policy studies. During this heyday of the bull market that roared through Ronald Reagan’s presidency, huge numbers of people were swept into the financial world for the first time, whether as foot soldiers in investment banks or small investors dabbling in common stocks, and they had little historic perspective on the new world they inhabited.

As I dipped into the rich literature of financial history, I was struck that the old Wall Street—elite, clubby, and dominated by small, mysterious partnerships—bore scant resemblance to the universe of faceless conglomerates springing up across the globe. It dawned on me that the hordes of financial novices might be ripe for a history that would chronicle how the old Wall Street evolved into the new. A straight history, I knew, would be a tedious task for readers and do small justice to the turbulent pageant of heroes and scoundrels I was unearthing. So I posed the question: was there a single family or firm whose saga could serve as a prism through which to view the panoramic saga of Anglo-American finance? There were relatively few dynasties in financial history and, hence, few suitable candidates. Some names, such as Rothschild, had long since passed the zenith of their glory, while others had a contemporary resonance with only shallow roots in the past. Only one firm, one family, one name rather gloriously spanned the entire century and a half that I wanted to cover: J.P. Morgan. To reconstruct the Morgan story, I realized, would be a daunting enterprise, for I would have to narrate the intricate stories of four interlocking firms: J.P. Morgan and Morgan Stanley in New York, Morgan Grenfell in London, and Morgan et Compagnie in Paris.

As an old English major and novelist *manque*, I had no training in historical methods, nobody to steer me in the right direction, as I bumbled about in my early research. I had naively assumed that, within its august walls, J.P. Morgan & Co. housed a comprehensive set of historical papers and that it would be my task to lay my hands on it. For six months, I lunched with two affable bank representatives as they and their associates debated whether to cooperate with my project. Then one day, I made a startling discovery: the papers of Thomas W. Lamont, senior partner of the Morgan bank during the inter-war years, resided at the Harvard Business School Library. During my first day of research there, I pored over correspondence between Lamont and Franklin Roosevelt, Benito Mussolini, Charles Lindbergh, and Nancy Astor. These papers threw open a window on the hermetically sealed world of Morgan partners.

Aside from the grace and clarity of these letters—old-school bankers tended to be surprisingly literate—they were detailed and gripping beyond my wildest imaginings. When Lamont spoke on the telephone with President Herbert Hoover, for instance, a dutiful amanuensis took down a verbatim transcript. Suddenly, the opaque Morgan world had turned transparent. Soon I uncovered papers of other Morgan partners at Amherst, Yale, Columbia, the University of Virginia, and, of course, the Morgan Library in New York. Sometimes I felt as if I could trail the Morgan partners around the bank on an almost hourly basis. Curiously enough, nobody at J.P. Morgan & Co. had ever noticed the disappearance of tens, perhaps hundreds, of thousands of internal documents. So much for the vaunted Morgan reputation for secrecy!

When I signed the contract for *The House of Morgan*, I had worried about a shortage of original documents and now had to contend with the embarrassment of riches. My advance, if generous for a first book, could scarcely cover years of leisurely research, so I had to cram a gigantic amount of work into a brief span. Somehow I managed to research and write an eight hundred-page book in two-and-a-half years—a feat I could never duplicate today. I was sustained by the sheer excitement of my findings, the knowledge that I had luckily stumbled upon the foremost drama in financial history. I also coasted on the pent-up energy of a young writer who had finally secured his first book contract after many failed efforts. Whenever I think of the time spent on the book, I remember the headlong pace, the frantic reading into the night, the exhausting attempt to squeeze the epic story of finance between two covers. It is therefore with a sense of miraculous good fortune that I now open the book and find lucid, coherent prose that shows, at least to my eyes, little of the sweat and haste of its creation.

R.C.
BROOKLYN, NEW YORK
SEPTEMBER 2009

PROLOGUE

This book is about the rise, fall, and resurrection of an American banking empire—the House of Morgan. Perhaps no other institution has been so encrusted with legend, so ripe with mystery, or exposed to such bitter polemics. Until 1989, J. P. Morgan and Company solemnly presided over American finance from the “Corner” of Broad and Wall. Flanked by the New York Stock Exchange and Federal Hall, the short building at 23 Wall Street, with its unmarked, catercorner entrance, exhibited a patrician aloofness. Much of our story revolves around this chiseled marble building and the presidents and prime ministers, moguls and millionaires who marched up its steps. With the records now available, we can follow them inside the world’s most secretive bank.

The old pre-1935 House of Morgan was probably the most formidable financial combine in history. Started by an American banker, George Peabody, in London in 1838, it was inherited by the Morgan family and transplanted to New York to famous effect. In the popular mind, the two most familiar Morgans—J. P. Morgan, Sr. (1837-1913), and J. P. Morgan, Jr. (1867-1943)—are rolled into a composite beast, J. P. Morgan, that somehow endured for more than a century. Their striking physical resemblance—the bald pate, the bulbous nose, the pear-shaped frame—has only fed confusion. For admirers, these two J. P. Morgans typified the sound, old-fashioned banker whose word was his bond and who sealed his deals with a handshake. Detractors saw them as hypocritical tyrants who bullied companies, conspired with foreign powers, and coaxed America into war for profit. Nobody was ever neutral about the Morgans.

Before the Depression, 23 Wall was headquarters of an empire with several foreign outposts. Seated behind rolltop desks on the Broad Street side, the New York partners were allied with three other partnerships—Morgan Grenfell in London, Morgan et Compagnie in Paris, and Drexel and Company, the so-called Philadelphia branch of J. P. Morgan. Of these, Morgan Grenfell was easily the most powerful, forming the central London-New York axis of the Morgan empire. It was a transatlantic post office for British and American state secrets. Before the New Deal, the term “House of Morgan” applied either to J. P. Morgan and Company in New York or, more broadly, to the whole shadowy web of partnerships.

The old House of Morgan spawned a thousand conspiracy theories and busied generations of muckrakers. As the most mandarin of banks, it catered to many prominent families, including the Astors, Guggenheims, du Ponts, and Vanderbilts. It shunned dealings with lesser mortals, thus breeding popular suspicion. Since it financed many industrial giants, including U.S. Steel, General Electric, General Motors, Du Pont, and American Telephone and Telegraph, it entered into their councils and aroused fear of undue banker power. The early House of Morgan was something of a cross between a central bank and a private bank. It stopped panics, saved the gold standard, rescued New York City three times, and arbitrated financial disputes. If its concerns transcended an exclusive desire for profit, it also had a peculiar knack for making good works pay.

What gave the House of Morgan its tantalizing mystery was its government links. Much like the old Rothschilds and Barings, it seemed insinuated into the power structure of many countries, especially the United States, England, and France, and, to a lesser degree, Italy, Belgium, and Japan. As an instrument of U.S. power abroad, its actions were often endowed with broad significance in terms of foreign policy. At a time when a parochial America looked inward, the bank’s ties abroad, especially those with the British Crown, gave it an ambiguous character and raised questions about its national loyalties. The old Morgan partners were financial ambassadors whose daily business was often closely intertwined with affairs of state. Even today, J. P. Morgan and Company is probably closer to the world’s central banks than any other bank.

This empire was shattered by the Glass-Steagall Act of 1933, which erected a high wall between commercial banking (making loans and accepting deposits) and investment banking (issuing stocks and bonds). In 1935, J. P. Morgan and Company chose to remain a commercial bank and spun off Morgan Stanley, an investment house. Seeded with J. P. Morgan capital and personnel, Morgan Stanley for decades clearly exhibited common ancestry with its Morgan brother down the block. They shared many clients and kept alive a family feeling no less potent for its informality. Glass-Steagall didn’t bar J. P. Morgan from holding a minority stake in an *overseas* securities house, however. Until 1981, it kept a one-third interest in Morgan Grenfell. As our story will show, the three Morgan houses functioned as a *de facto* House of Morgan long after the New Deal ended and in the early 1970s even contemplated reunion. Today for the first time, the three houses lack formal links and are engaged in fierce rivalry. As deregulation in London and New York has dismantled old regulatory barriers, the three increasingly clash as they sell competing services.

While people know the Morgan houses by name, they are often mystified by their business. They practice a brand of banking that has little resemblance to standard retail banking. These banks have no teller cages, issue no consumer loans, and grant no mortgages. Rather, they perpetuate an ancient European tradition of wholesale banking, serving governments, large corporations, and rich individuals. As practitioners of high finance, they cultivate a discreet style. They avoid branches, seldom hang out signposts, and (until recently) wouldn't advertise. Their strategy was to make clients feel accepted into a private club, as if a Morgan account were a membership card to the aristocracy.

The truest heir to the old House of Morgan is J. P. Morgan and Company, also known by the name of its bank subsidiary, Morgan Guaranty Trust. A universe away from the coarse bustle of Chase Manhattan or Citibank, it seduces the rich with leather armchairs, grandfather clocks, and polished brass lamps. In private dining rooms, anniversaries of accounts are celebrated, with customers receiving engraved menus as souvenirs. The bank won't soil its white gloves with just anybody's cash, and many depositors bring along corporate connections. Although the bank is bashful about revealing precise figures, it prefers personal accounts of at least $5 million and will occasionally stoop as low as $2 million—as a favor. The Morgan bank is the foremost repository of old American money.

While private accounts give Morgan its glamorous cachet, they generate only a small fraction of the profits. The bank concentrates on blue-chip corporations and governments, organizing large credits and securities issues and trading foreign exchange and other instruments. The Morgan bank used to boast that ninety-six of America's one hundred largest corporations were clients and hinted that in two of the remaining cases, it had blackballed the companies as unfit. As with personal accounts, it never wanted to appear too eager for business. Instead of setting up offices hither and yon, it preferred to have clients make pilgrimages to it. This rule applied to its outposts abroad as well: a Lyons businessman would travel to Paris, a Midlands businessman to London, to see his Morgan banker. Even in today's far more competitive world, there is seldom more than one J. P. Morgan office in a country.

For more than a century, this traditional formula, reworked many times, has paid off handsomely. On the eve of the 1987 crash, J. P. Morgan and Company was America's most expensive bank, even though only the fourth largest. Based on its share price, it would have cost $8.5 billion to buy, or more than Citicorp. Although beleaguered by over $4 billion of Latin American debt, J. P. Morgan's subsidiary bank, Morgan Guaranty, was America's only major bank to boast a triple-A rating. For most of the 1980s, it had the highest return on equity of any bank, often ranking second in profits only to Citicorp and with only *half* its assets. As the nation's premier trust bank, it managed $65 billion in securities on Black Monday 1987. It has been praised as "first in quality by about any measure you can think of" and "for many the perfect bank."[1] Although a fair share of blunders and isolated scandals have undercut the hyperbole, the judgments remain generally valid.

At least until it swept into hostile takeovers in the late 1980s, Morgan Guaranty best retained the historic Morgan culture of gentlemanly propriety and conservative dealings. As confidant of the Federal Reserve and other central banks, it still exhibits vestiges of its old statesman's role. Morgan Stanley, in contrast, has wandered furthest from its roots. From 1935 through the 1970s, it enjoyed a reign such as no investment bank will ever match. Its clients included six of the seven-sister oil companies (Gulf Oil being the exception) and seven of America's ten largest companies. Such success led to storied arrogance, a comic vanity. When one partner left for First Boston in the mid-1970s, he was congratulated by another: "That's really exciting. Now you'll be dealing with the *second-best* list of clients."[2] Indeed, the client rosters of any two competitors together couldn't have touched Morgan Stanley's. When the firm started advertising in the 1970s, an agency created a sketch of a thunderbolt piercing a cloud, with the caption, "IF GOD WANTED TO DO A FINANCING, HE WOULD CALL MORGAN STANLEY." For Morgan Stanley partners, this neatly summarized their place in the cosmos. Asked at the 1988 annual meeting about the firm's policy of serving on nonclient boards, Chairman S. Parker Gilbert paused thoughtfully and replied, "We have no non-clients."[3]

Once nicknamed the house of Blood, Brains, and Money, Morgan Stanley fussily demanded exclusive relations with companies. If clients dared to consult another house, they were advised to look elsewhere for a banker. Wall Street grumbled about these "golden handcuffs," but neither it nor the Justice Department could ever break the shackles; far from feeling imprisoned, companies craved this association with the Morgan mystique and gloried in their servitude. In floating stocks or bonds, Morgan Stanley insisted on being sole manager, its name engraved in solitary splendor atop the "tombstone ads" that announce offerings. This pomposity was clever advertising, helping to make Morgan Stanley the "Rolls Royce of investment bankers."[4]

Today Morgan Stanley occupies sixteen floors of the Exxon Building in New York City. Its odyssey from a small, genteel underwriting house to a razzle-dazzle financial conglomerate traces the rise of modern Wall Street itself. It has been the perfect bellwether of postwar finance. Long regarded as uncommonly successful but stuffy, it underwent a startling metamorphosis in the 1970s, from which it emerged in unrecognizably aggressive form. Once Wall Street's most conservative firm, it violated taboos it had conscientiously upheld and made respectable a far rougher style of finance. In 1974, it carried out the first hostile raid of the modern era, then dominated that rambunctious world. (In early 1989, it was still America's top merger adviser, claiming $60 billion in deals during the year's first half.) In the 1980s, it gentrified junk bonds and amassed a huge two-billion-dollar war chest for leveraged buyouts, the decade’s riskiest innovation. After shocking Wall Street by siding with corporate raiders, it became a raider itself, acquiring stakes in forty companies. For more than a decade, an incredulous business press has exclaimed, “*This* is Morgan Stanley?” All the while, with its 30-percent return on equity, it has consistently rated as the most profitable of publicly traded securities firms. It has had unerring strategic judgment.

To complete the family album, we note Morgan Grenfell, one of London’s most prestigious merchant banks. Throughout its history, it has exuded an aura of Eton, country houses, gentleman’s clubs, and Savile Row tailoring. Tucked away at an angle on L-shaped Great Winchester Street in the City—London’s equivalent of Wall Street—it stands unmarked behind a tall, pedimented portal and gauzy curtains. Inside, it has the winding, intimate passageways of a private mansion, lined with small conference rooms named after deceased partners.

In the early postwar years, Morgan Grenfell was run by a clutch of rather tired, apathetic old peers and was derisiveily termed the House of Lords by Morgan Guaranty people. (It still has several knights and lords on its blue-ribbon board.) Through much of the 1950s and 1960s, it mostly issued securities for venerable industrial clients and battled against a lethargy bred by success. Then, like Morgan Stanley, it cast off its sloth and turned into the City’s most marauding firm, specializing in aggressive takeovers. Like Morgan Stanley, it used its prestige to stretch the limits of acceptable behavior and became the gentleman pirate of the City. As the star of London’s takeover scene in the 1980s, it shattered the sedate world of British finance it had once exemplified. Throughout the decade, it regularly ranked first in London takeovers and by 1985 was managing four of the six largest acquisitions in the City. Then its dandified raiders, with their swaggering style, led the firm straight into the share-price manipulation of the Guinness scandal. Prime Minister Margaret Thatcher would personally demand the heads of two Morgan Grenfell executives in what was regarded as the City’s worst scandal of the century.

The story of the three Morgan banks is nothing less than the history of Anglo-American finance itself. For 150 years, they have stood at the center of every panic, boom, and crash on Wall Street or in the City. They have weathered wars and depressions, scandals and hearings, bomb blasts and attempted assassinations. No other financial dynasty in modern times has so steadily maintained its preeminence. Its chronicle holds up a mirror in which we can study the changes in the style, ethics, and etiquette of high finance. To order this vast panorama, we will divide our saga into three periods. This framework applies principally to the Morgan houses but also has, I think, more general relevance to other banks.

During the pre-1913 Baronial Age of Pierpont Morgan, bankers were masters of the economy, or “lords of creation,” in author Frederick Lewis Allen’s phrase. They financed canals and railroads, steel mills and shipping lines, supplying the capital for a nascent industrial society. In this age of savagely unruly competition, bankers settled disputes among companies and organized trusts to tame competition. As the major intermediaries between users and providers of capital, they oversaw massive industrial development. Because they rationed scarce capital, they were often more powerful than the companies they financed and acquired increasing control over them. This produced a generation of headstrong bankers who rolled up fabled fortunes, aroused terror in the populace, and finally prompted a political campaign to curb their hypertrophied influence.

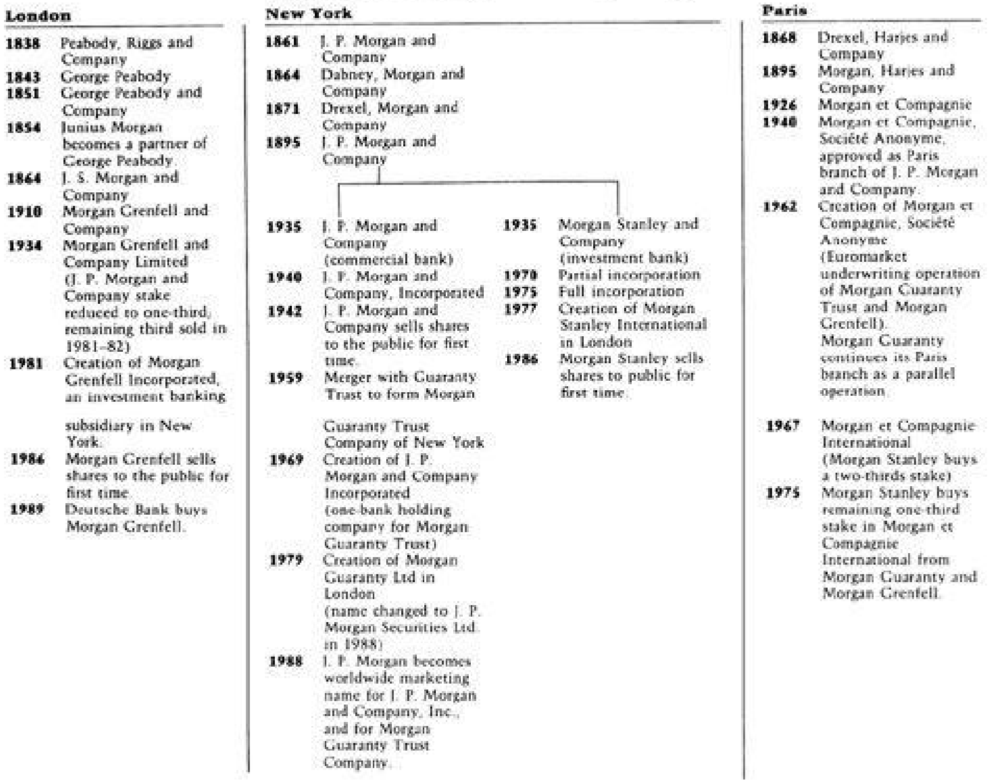
In the Diplomatic Age of J. P. Morgan, Jr., bounded by the two world wars, private bankers served as adjuncts of government, performing covert missions and operating as co-equals of central banks. Morgan bankers were now power brokers and unofficial representatives of governments at global conferences. As confidants of kings, presidents, and popes, they operated under the close supervision of Washington or Whitehall in foreign dealings. To the outside world, they often seemed the visible face of government policy. At home, they remained “traditional banker” to companies that, if still loyal, decreasingly needed the patronage of a strong banker. Maintaining exclusive relations with clients, the Morgan partners enjoyed the luxury of a world that seems enviably graceful and unhurried by modern standards.

In the postwar Casino Age, bankers have lost control over clients in the fierce, anonymous competition of global markets. Multinational corporations now tower over bankers and rival them in terms of capital and financial expertise. Institutional investors, such as insurance companies, mutual funds, and pension funds, present new countervailing sources of power. With companies and governments able to raise money in many currencies and countries, the power balance has tilted dramatically away from the bankers. This sounds paradoxical in an age dominated by daily news stories of flashy billion-dollar deals. Yet as the Morgan story shows, this new style of financial aggression is really a symptom of the bankers’ weakness. As their old clients have been liberated, gentleman bankers have had to hustle for business and search for new niches. They have found these niches in a ruthless world of corporate takeovers that has rescued them but endangered the economy. In this bruising new age of finance, bankers have jettisoned traditions that had ruled Anglo-American finance since Victorian times.

This book’s thesis is that there will never be another bank as powerful, mysterious, or opulent as the old House of Morgan. What the Rothschilds represented in the nineteenth century and the Morgans in the twentieth won’t be replicated by any firm in the next century. The banker no longer enjoys a monopoly on large pools of money. As world finance has matured, power has become dispersed among many institutions and financial centers. So our story looks back at a banking world fast vanishing from sight—one of vast estates, art collections, and oceangoing yachts, of bankers who hobnobbed with heads of state and fancied themselves ersatz royalty. Contrary to the usual law of perspective, the Morgans seem to grow larger as they recede in time.

BROOKLYN, NEW YORK
JULY 1989

Simplified Chronology of the Morgan Empire



London

- **1838** Peabody, Riggs and Company
- **1843** George Peabody
- **1851** George Peabody and Company
- **1854** Junius Morgan becomes a partner of George Peabody.
- **1864** J. S. Morgan and Company
- **1910** Morgan Grenfell and Company
- **1934** Morgan Grenfell and Company Limited (J. P. Morgan and Company stake reduced to one-third, remaining third sold in 1981–82)
- **1981** Creation of Morgan Grenfell Incorporated, an investment banking subsidiary in New York.
- **1986** Morgan Grenfell sells shares to the public for first time.
- **1989** Deutsche Bank buys Morgan Grenfell.

New York

- **1861** J. P. Morgan and Company
- **1864** Dabney, Morgan and Company
- **1871** Drexel, Morgan and Company
- **1895** J. P. Morgan and Company
- **1935** J. P. Morgan and Company (commercial bank)
- **1940** J. P. Morgan and Company, Incorporated
- **1942** J. P. Morgan and Company sells shares to the public for first time.
- **1959** Merger with Guaranty Trust to form Morgan Guaranty Trust Company of New York
- **1969** Creation of J. P. Morgan and Company Incorporated (one-bank holding company for Morgan Guaranty Trust)
- **1979** Creation of Morgan Guaranty Ltd in London (name changed to J. P. Morgan Securities Ltd. in 1988)
- **1988** J. P. Morgan becomes worldwide marketing name for J. P. Morgan and Company, Inc., and for Morgan Guaranty Trust Company.

- **1935** Morgan Stanley and Company (investment bank)
- **1970** Partial incorporation
- **1975** Full incorporation
- **1977** Creation of Morgan Stanley International in London
- **1986** Morgan Stanley sells shares to public for first time.

Paris

- **1868** Drexel, Harjes and Company
- **1895** Morgan, Harjes and Company
- **1926** Morgan et Compagnie
- **1940** Morgan et Compagnie, Société Anonyme, approved as Paris branch of J. P. Morgan and Company.
- **1962** Creation of Morgan et Compagnie, Société Anonyme (Euromarket underwriting operation of Morgan Guaranty Trust and Morgan Grenfell). Morgan Guaranty continues its Paris branch as a parallel operation.
- **1967** Morgan et Compagnie International (Morgan Stanley buys a two-thirds stake)
- **1975** Morgan Stanley buys remaining one-third stake in Morgan et Compagnie International from Morgan Guaranty and Morgan Grenfell.

PART ONE
The Baronial Age
1838-1913

CHAPTER ONE
SCROOGE

WHEN Baltimore merchant George Peabody sailed for London in 1835, the world was in the throes of a debt crisis. The defaulting governments weren't obscure Balkan nations or South American republics but American states. The United States had succumbed to a craze for building railroads, canals, and turnpikes, all backed by state credit. Now Maryland legislators, with the bravado of the ruined, threatened to join other states in skipping interest payments on their bonds, which were largely marketed in London. As one of three state commissioners assigned to renegotiate the debt, Peabody urged officials to tone down their rhetoric and placate British bankers. But American legislators found it easier to pander to the hatred of foreign bankers rather than to raise new taxes to service debt.

London was the sun in the financial solar system. Only Britain had a huge surplus of funds in a capital-short world, and sterling was the currency of world trade; its official use dated back to William the Conqueror. In the afterglow of the Napoleonic Wars, bankers of the City—London's financial district—were self-styled potentates, often with access to more money than the governments and companies they financed. Firms such as Barings and Rothschilds maintained an imperial reserve, omitting their names from doorways and letterheads, refusing to solicit business or open branches, and demanding exclusive client relations. Statesmen from Europe and Latin America trooped humbly to their doorsteps. One observer remarked, "to be asked for lunch was like being received in audience by a king."[1]

Though intensely patriotic, the forty-year-old Peabody identified with the British creditors. When the other Maryland commissioners returned home in despair, Peabody threw a glittering dinner for a dozen bankers to persuade them that Americans weren't all rustic swindlers. He argued that only new loans could guarantee repayment of the old—a convenient line to be echoed by many future debtor states. Far from cutting off Maryland's credit, the bankers advanced another $8 million. As his friend the English political leader George Owen said of Peabody, "He borrowed the money on his face."[2] To mitigate British prejudice against "venal" Americans, he boldly waived his $60,000 commission from Maryland.

Peabody, a good talker, was not prepossessing. Over six feet tall with light blue eyes and dark brown hair, he had a rumpled face, with knobby chin, bulbous nose, side whiskers, and heavy-lidded eyes. That this homely man would found the House of Morgan—later a white-glove affair with high-society partners famous for good looks and stylish dress—is ironic. He carried the scars of early poverty and was quick to feel slights and perceive enemies. Like many who have overcome early hardship by brute force, he was proud but insecure, always at war with the world and counting his injuries.

Born in Danvers, Massachusetts, he had only a few years of schooling. When he was a teenager, his father died, and Peabody worked in his brother's shop to support his widowed mother and six siblings. When he later prospered in a Baltimore dry-goods business with a rich older partner, Elisha Riggs, he remained haunted by his past. "I have never forgotten and never can forget the great privations of my early years," he later said.[3] He hoarded his money, worked incessantly, and retained a lonely air.

In 1837, Peabody moved to London. A year later he opened a merchant house at 31 Moorgate in London, furnishing it with a mahogany counter, a safe, and some desks. He joined a select group of merchant bankers who traded in dry goods and also financed such trade; hence, their businesses became known as merchant banks. They developed a form of wholesale banking remote from the prosaic world of bank books, teller windows, and checking accounts. Their specialty was "high finance"—serving only governments, large companies, and rich individuals. They financed overseas trade, issued stocks and bonds, and dealt in commodities. Ordinary people could no more do business with George Peabody than they can today place a deposit with Morgan Guaranty, Morgan Grenfell, or Morgan Stanley.

In setting up in London, Peabody planted the American flag in alien territory. The United States relied on British capital to finance development and often resented that its economic fate was decided abroad. As one congressman said in 1833, "the barometer of the American money market hangs up at the stock exchange in London."[4] Peabody, hoping to tap this transatlantic money flow, became a leading dealer of American state bonds in London, reversing a contemporary trend in which London banks sent representatives to America. The House of Baring—which bankrolled the Louisiana Purchase and always had an American on its board—employed Thomas Ward as its American agent, while the Rothschilds, who were ambivalent about America, posted August Belmont, Sr., to New York.

Instead of blending into his British milieu, Peabody shrewdly flaunted his Americanism, wrapping himself in the flag and boosting American products. He declared that George Peabody and Company would be "an American house," and that he wanted to give it "an American atmosphere—to furnish it with American journals—to make it a centre for American news, and an agreeable place for my American friends visiting London.”[5] Yet amid the patriotic pride lurked a colonial mentality, possibly a sense of his own inferiority, a constant need to impress the British. He hoped to refute what had “almost become a byword among the English. hat no American House in London could long sustain their credit.”[6]

Beneath a genial air, Peabody was a solitary miser. He lived in furnished rooms in a Regent Street hotel and aside from taking occasional fishing trips, worked nonstop. During one twelve-year period, he never took off two consecutive days and spent an average of ten hours per day at work. Notwithstanding his stirring speeches about America’s destiny, he didn’t return home for twenty years, and during that time his personality darkened along with the dismal performance of American state bonds. During the severe depression of the early 1840s—a decade dubbed the Hungry Forties—state debt plunged to fifty cents on the dollar. The worst came when five American states—Pennsylvania, Mississippi, Indiana, Arkansas, and Michigan—and the Florida territory defaulted on their interest payments. In an early debtors’ cartel, some American governors banded together to favor debt repudiation. To this day, the reprobate Mississippi remains in unashamed default.

British investors cursed America as a land of cheats, rascals, and ingrates. State defaults also tainted federal credit, and when Washington sent Treasury agents to Europe in 1842, James de Rothschild thundered, “Tell them you have seen the man who is at the head of the finances of Europe, and that he has told you that they cannot borrow a dollar. Not a dollar.”[7] Clergyman Sydney Smith sneered at the American “mob” and said that whenever he met a Pennsylvanian at a London dinner, he felt “a disposition to seize and divide him. . . . How such a man can set himself down at an English table without feeling that he owes two or three pounds to every man in the company, I am at a loss to conceive; he has no more right to eat with honest men than a leper has to eat with clean men.”[8] Even Charles Dickens couldn’t resist a jab, portraying a nightmare in which Scrooge’s solid British assets are transformed into “a mere United States’ security.”[9]

When his beloved Maryland defaulted, Peabody’s own nightmare was complete. Whenever he met a British investor, he said, he felt shame. The British were especially incensed over Maryland and Pennsylvania because those states were settled by Anglo-Saxon stock and therefore should have known better. Having marketed about half of Maryland’s securities to individual investors in Europe, Peabody was victimized by his own success. The brouhaha had direct repercussions, and he became *persona non grata* around London. The London *Times* noted that while Peabody was an “American gentleman of the most unblemished character,” the Reform Club had blackballed him for being a citizen of a country that reneged on its debts.[10] Gloomily he wrote a friend, “You and I will, I trust, see that happy day, when as formerly, we can own ourselves Americans in Europe, without a blush for the character of our Country.”[11]

A hallmark of merchant bankers was that they vouched for the securities they sponsored. At first, Peabody merely sent letters to Baltimore friends, scolding them about the need for Maryland to resume interest payments. Then he tired of persuasion and rewarded reporters with small gratuities for favorable articles about the state. At last, in 1845 he conspired with Barings to push Maryland into resuming payment. They set up a political slush fund to spread propaganda for debt resumption and to elect sympathetic legislators; they even drafted the clergy into giving sermons on the sanctity of contracts. By means of a secret account, the two firms transferred £1,000 to Baltimore, 90 percent from Barings and 10 percent from Peabody—a strategy Barings duplicated in Pennsylvania. Most shocking of all, Barings bribed Daniel Webster, the orator and statesman, to make speeches for debt repayment. The bankers conducted this shabby campaign with a skulking sense of guilt; it wasn’t their preferred style. “Your payment to Mr. Webster would not appear very well if it should get out,” Joshua Bates, the senior Baring partner, warned Thomas Ward, American bagman for the operation.[12] Bates, a sober, diligent Bostonian, cringed at what they were doing: “I have a sort of instinctive horror of doing one thing to effect another, or using any sort of subterfuge or reserve,” he confessed to Ward.[13]

Whatever their scruples, the conspiracy thrived: pro-resumption Whigs were elected in both Maryland and Pennsylvania, and London bankers again received payments from both states.[14] Peabody, never one to forget an injury, excluded the most persistent debtors, Florida and Mississippi, from his later philanthropies. Even altruism had its limits.

When the depreciated state bonds Peabody had bought up in the early 1840s paid interest again, he reaped a fortune. Then, as revolution swept across the Continent in 1848, American securities seemed a safe haven in comparison with Europe. And as the California gold rush and Mexican War wiped away the last vestiges of depression by the late 1840s, Peabody took new pride in his native roots. Now he fancied himself the ambassador of American culture in London and dispensed barrels full of American apples, Boston crackers, and hominy grits.

On July 4, 1851, he hosted the first of his Independence Day dinners, featuring the elderly duke of Wellington as guest of honor. Beneath a portrait of Queen Victoria and a Gilbert Stuart of George Washington, the British minister in Washington and the American minister in London drained an oak loving cup and toasted the start of the Great Exhibition in London’s new

Crystal Palace. Because Congress wouldn't finance American exhibitors, Peabody played the impresario, paying to display Cyrus McCormick's reaper and Samuel Colt's revolvers. But not all of Peabody's July Fourth pageants of Anglo-American friendship followed the desired script. In 1854, when Peabody toasted Queen Victoria before President Pierce—an act Washington thought arch heresy—James Buchanan, the U.S. ambassador in London and later President, indignantly stormed from the room.

As banker and cicerone for Americans in London—once, in a single week, he dined eighty visiting Americans and took thirty-five to the opera—Peabody was constantly exposed to the fierce snobbery of British aristocrats toward the American commercial class. This condescension was particularly flagrant during Commodore Vanderbilt's trip to London in 1853. The Commodore—vulgar, profane, and lecherous—wanted to show London society the full splendor of America's richest man. With his wife and twelve children, he had sailed to England aboard his ornate, two-thousand-ton *North Star*, equipped with caterer, doctor, and chaplain. Peabody squired the Vanderbilts about Hyde Park and installed them in his box at Covent Garden; meanwhile, the court ostracized the ostentatious Commodore.

Peabody amassed a $20-million fortune in the 1850s as he financed everything from the silk trade with China to iron rail exports to America. Although he built a lyceum and library for his native Danvers in the early 1850s, he mostly hoarded his money in preparation for the next panic. His insecurities only worsened as he had more to lose. He told a friend in 1852, "My capital is . . . ample (certainly nearer 400,000 pounds than 300,000) . . . but I have passed too many money panics, unscathed, not to have seen how often large Capitals are swept away, and that even with my own I must use caution."[15]

Junius Morgan, who became Peabody's partner in 1854, later told how he found him one morning at the countinghouse looking sickly and rheumatic. The miserly Peabody didn't own a carriage but came to work by public horsecar. "Mr. Peabody, with that cold you ought not to stick here," Morgan said. Taking hat and umbrella, Peabody agreed to go home. Twenty minutes later, on his way to the Royal Exchange, Morgan found Peabody standing in the rain. "Mr. Peabody, I thought you were going home," the younger man said. "Well, I am, Morgan," Peabody replied, "but there's only been a twopenny bus come along as yet and I am waiting for a penny one."[16] By this time, Peabody's bank account bulged with over £1 million.

Enjoying the clerk's revenge, Thomas Perman, Peabody's assistant, handed down a trove of nasty stories that tarnish the halo Peabody acquired as a result of his benevolence. He told how his boss, who ate lunch at his desk each day from a small leather lunch box, would dispatch an office boy to buy him an apple. These apples cost one pence halfpenny, and Peabody would give the boy twopence; although the boy dreamed of keeping the halfpenny change as a tip, Peabody always demanded it back.

By the early 1850s, Peabody was approaching sixty and plagued by gout and rheumatism. His annual savings were staggering: he spent only about $3,000 of a total annual income of $300,000.[17] With such wealth and such stinjiness, he was ripe for spiritual conversion. As he later said, "When aches and pains came upon me, I realized I was not immortal . . . I found that there were men in life just as anxious to help the poor and destitute as I was to make money."[18]

Wanting to dedicate himself to philanthropy, Peabody had only one problem. As an autocratic banker, he had never shared authority and only reluctantly made his office manager, Charles C. Gooch, a junior partner in 1851, so that someone could act in his absence. Gooch was a sad-faced Bob Cratchit who addressed Peabody like a trembling clerk; in fact, he had started as head clerk. He started one letter to his boss by writing, "Dear Sir, I do not often trouble you with letters, for I know you do not like the trouble of reading them, & mine are on subjects not over agreeable."[19] Gooch was being groomed for a career of permanent subordination and forelock tugging.

Ordinarily, Peabody would have chosen a son or nephew to take over the business. Most merchant banks were family partnerships with a few talented outsiders. But as a bachelor, Peabody was in the unusual position of having to shop for an heir and bequeath his empire to a stranger. He was, however, no stranger to the company of women. While he didn't smoke or drink, he resorted to the shadowy world of illicit pleasures. The tale-bearing Perman regaled the Morgans with the story of Peabody's mistress in Brighton, whom he liberally favored with advances of £2,000. He excluded this woman and her illegitimate daughter from his will, and for years after his death, Peabody's daughter Mrs. Thomas would materialize and badger the Morgans for money. In the late 1890s, the Morgans received an appeal from her two sons—one training to be a barrister, the other at Oxford or Cambridge. The aging Perman was dispatched to verify their Peabody genes. When he returned, he breathed with amazement, "Both of them have the old man's nose to a dot."[20]

We don't know why Peabody relegated love to the dim corners of his life. In general, he specialized in what Dickens called telescopic philanthropy—bountiful love for abstract humanity combined with extreme stinginess toward the individuals he knew personally. He would enjoy a reputation for generosity throughout the Victorian world—everywhere, in fact, but among his unacknowledged family and employees.

Peabody had definite requirements for his successor: he wanted a sociable

American with a family and experience in foreign trade. His Boston associate, James Beebe, recommended his junior partner, funius Spencer Morgan. Junius had been with J. M. Beebe, Morgan for three years. In May 1853, he visited London with his family, bringing along his high-spirited but sickly son, John Pierpont, then recovering from rheumatic fever. Pierpont was boyishly thrilled with his first exposure to British culture. He visited Buckingham Palace and Westminster Abbey, excitedly handled a million pounds of bullion at the Bank of England, and listened to a Sunday sermon at Saint Paul's. Meanwhile, his father talked business with Peabody, whom Pierpont found "pleasant but smoky."[21] In general, Pierpont found Peabody a queer, likable old buzzard.

Junius Spencer Morgan was tall with sloping shoulders and the thickening midriff of a strong but sedentary man. He had a wide face, light blue eyes, a prominent nose, and a firm mouth. He was witty and genial, but a deep reserve and watchfulness lay behind the charm. Junius Morgan always had a gravely mature air. His skeptical eyes gave him a hooded gaze, a banker's air of vigilance. Big and brooding, he was the sort of prematurely middle-aged young man old financiers found consoling. A contemporary writer called him grim-mouthed; indeed, it is hard to imagine him young or carefree. He was solemn and businesslike and always master of his emotions.

Peabody asked Morgan to be his partner and receive his empire on a silver platter. Junius's grandson, J. P. Morgan, Jr., later recounted their exchange:

"You know," said Peabody, "I shall not want to go on much longer but, if you will come as a partner for ten years, I shall retire at the end of them, and at that time shall be willing to leave my name, and, if you have not accumulated a reasonable amount of capital in the concern, some of my money also, and you can go ahead as the head of it."

"Well, Mr. Peabody," replied Morgan, "that sounds like a very good offer, but there are many things to be considered, and I could not think of giving an answer until I have looked over the books of the firm and have some idea of the business and of the methods by which it is done."[22]

It is revealing that Morgan didn't leap at the fortune but responded with cool self-control. Evidently he was mightily pleased by the books—capital of £450,000, a caliber of business only one rung below the houses of Baring and Rothschild. So in October 1854, he was admitted into partnership, and he settled into new walnut-paneled headquarters at 22 Old Broad Street. The partnership document stipulated that the firm would buy and sell stocks, engage in foreign exchange, extend banking credits, and broker railroad iron and other commodities. To entertain American visitors, Peabody gave Morgan an expense account of £2,500 per year. A fortune had been deeded over—or so it seemed at the time. A decade later, as Peabody was being canonized for his philanthropy, Junius Morgan would bitterly recall the promises Peabody had made to him. And he would join the ranks of those spurned during George Peabody's ascent to sainthood.

WHEN Morgan moved to London in 1854, it was a more auspicious time for an American banker than it had been when Peabody was flogging the hated Maryland bonds in the 1830s. American grain prices soared during the Crimean War, and western railroads that transported grain boomed as well, creating a mania for their shares. Railroads devoured vast amounts of capital, and in the decade before the Civil War, investors poured $1 billion into their development, triple any former commitment. As a leading London dealer of American railroad securities, George Peabody and Company was well placed to exploit this latest craze.

Yet, as the decade passed, Junius Morgan must have doubted the wisdom of transplanting his family to England. Peabody was a trying partner, and no real warmth existed between the two, as shown by their correspondence when the junior partner visited America each year. Their letters are formal and correct but notably lacking even in pleasantries. Morgan would make obligatory inquiries about Peabody's health—always apt to please his hypochondriacal partner—but addressed him as "Dear Sir" and signed each letter with frosty respect—"J. S. Morgan." Morgan found Peabody petty and vindictive and told how his partner once spent half the afternoon hauling some poor cab driver down to the police station for overcharging him.

Then, in 1857, it looked as if Morgan would be denied his promised fortune. Wheat prices tumbled with the end of the Crimean War, causing hardship for American banks and railroads. By October, New York banks stopped gold payments, preventing American correspondents from transferring funds to Peabody in London. He was suddenly overextended on his American bills. At the same time, London investors sold American securities, siphoning more funds from Peabody and provoking a serious cash squeeze. Rumors raced through London that George Peabody and Company was about to fail, a prospect heartily relished by rivals, who disliked the old American. Morgan had also earned the displeasure of Barings by aggressively cutting prices on American securities and trying to steal their accounts.

Now the major London houses told Morgan they would bail out the firm—but only if Peabody shut down the bank within a year. When Morgan relayed this patent blackmail to Peabody, the older man reacted "like a wounded lion."[23] Defiant, he dared them to bring down his firm. George Peabody and Company was saved by an emergency credit line of £800,000 from the Bank of England, with Barings a guarantor of the loan. The vengeful Peabody, who felt Barings had mercilessly pressed him to pay outstanding bills, asked that the name of the firm be stricken from a published list of banks rescuing his firm. For Peabody, who had just made a resplendent return to America after a twenty-year absence, the incident confirmed his innate pessimism. "It is not yet three months since I parted from you, and left the country prosperous and the people happy," he wrote his niece. "Now all is gloom and affliction."[24]

The 1857 panic made a deep impression on Morgan's twenty-year-old son, Pierpont, who had just started on Wall Street as an unsalaried apprentice at Duncan, Sherman and Company, New York agent for Peabody. Tutored by partner Charles Dabney, an excellent accountant, Pierpont learned to evaluate ledgers and fathom the mysteries of the chaotic American banking system. Ever since Andrew Jackson killed the second Bank of the United States in 1832, the United States lacked a uniform currency. Each state had a separate banking system, and in many places debts could be settled in foreign currency. Pierpont, new to Wall Street, was vexed by rumors of his father's pending default and heard about the Bank of England rescue while visiting Cyrus Field's office. His later tolerance for the proposed Federal Reserve System has often been traced to this early Bank of England bailout of his father's firm.

It was a baptism by fire for the Morgan family. Shaken, the elder Morgan became a more cautious and skeptical banker. He now demanded to see statements from correspondent banks in America, even if it meant offending them. And he began to lecture his son, often at wearisome length, on the need for conservative business practice; the 1857 panic would be the text of many sermons. "You are commencing upon your business career at an eventful time," he wrote. "Let what you now witness make an impression not to be eradicated . . . *slow* &, *sure* should be the motto of every young man."[25] Junius Morgan developed a lofty disdain for price competition and adopted the royal passivity of the Rothschilds and the Barings, who refused to offer cut-rate terms: "If we cannot keep the account on such a basis we must be content to let others outbid us."[26]

Another disaster soon followed. Like the French *banques d'affaires* or the universal German banks, London merchant banks took equity stakes in ventures. For instance, George Peabody and Company had helped to bankroll Sir John Franklin's expedition in search of the Northwest Passage. But its most farsighted bet was a £100,000 investment in Cyrus Field's transatlantic cable, which would unite Wall Street and the City. The scheme looked inspired on August 16, 1858, when Queen Victoria made the first cable call, to President James Buchanan. In a burst of national pride, New York City engaged in two weeks of fireworks and euphoric celebration. Peabody dizzily wrote to Field, "Your reflections must be like those of Columbus after the discovery of America."[27] He spoke too soon, however: in September, the cable snapped, the venture's share prices plummeted, and Peabody and Junius Morgan absorbed steep losses. Eight years would pass before full service was restored.

Although Peabody was nominal head until 1864, Junius Morgan assumed control of George Peabody and Company in 1859. In increasingly poor health, Peabody took his first European vacation in twenty-one years. After the outbreak of the American Civil War, Morgan traded Union bonds, which seesawed with the outcome of each battle. After the Union army was routed at Bull Run, bonds plunged, then rebounded sharply when Union troops stopped the Confederate advance at Antietam Creek. Sending a telegram via Nova Scotia, Pierpont alerted his father to Vicksburg's fall in July 1863—in time for the elder Morgan to profit from a sudden rise in American securities. Such calamity trading wasn't thought bloodthirsty or reprehensible among merchant bankers but had an honored place in their mythology. As one Rothschild boasted, "When the streets of Paris are running with blood, I buy."[28]

Despite his Yankee sympathies, Morgan was stymied in undertaking Union financing. After southern banks drained their deposits from the North, Lincoln cast about for new sources of funds. With Lancashire textile mills closely allied with southern cotton plantations, the City was cool to any large-scale operation for the North. To finance the war debt, the president turned to Philadelphia banker Jay Cooke—later dubbed a financial P. T. Barnum—whose agents fanned out across America to sell war bonds in the first mass-market securities operation in the country's history. Among the buyers in London were George Peabody and Junius Morgan. Yet the Civil War was the one major military conflict in which the Morgans were handicapped by political circumstances: it was a bonanza for German-Jewish bankers on Wall Street, who raised loans from the numerous Union sympathizers in Germany. In future, the Morgans' political impulses would mesh perfectly with profitable opportunities.

THE Civil War years saw the metamorphosis of George Peabody from Scrooge to Santa Claus. He had been a prototypical heartless banker, a one-dimensional hoarder. As a contemporary said, "Uncle George, as Americans . . . call him—was one of the dullest men in the world: he had positively no gift, except that of making money."[29] Yet this dour man suddenly became prodigal in his gifts; his philanthropy was as immoderate as his earlier greed. He found it hard to break his miserly habits. "It is not easy to part with the wealth we have accumulated after years of hard work and difficulty," he confessed.[30] Now a lifetime of hoarding was disgorged in one compensatory binge, cleansing his Yankee conscience. Perhaps as a young man Peabody had worked too much for others and as an adult too much for himself. In any event, he could do nothing by halves and again went to extremes.

By 1857, he had begun to endow a Peabody Institute in Baltimore. (Unlike later Morgan benefactions, often anonymous and discreet, Pea-body wanted his name plastered on every library, fund, or museum he endowed.) In 1862, he began to transfer £150,000 to a trust fund to build housing projects for London's poor. These Peabody Estates, with gas lamps and running water, would be a vast improvement over the medieval poorhouses of Victorian London, and they still dot the city. He deeded a five-thousand-share block of the Hudson's Bay Company to finance the operation. For this revolutionary act of generosity, he became the first American to receive the Freedom of the City of London. "From a full and grateful heart," he declared at a Mansion House dinner, "I say that this day has repaid me for the care and anxiety of fifty years of commercial life."[31] Peabody's openhandedness became so proverbial that he was soon besieged with a thousand begging letters a month.

During Peabody's last years, the scope of his charity grew dazzling. He endowed a natural history museum at Yale University, an archaeology and ethnology museum at Harvard, and an educational fund for emancipated southern blacks. For this last, he handed over a $l-million batch of defaulted Mississippi and Florida bonds, hoping these states would someday resume payment and enrich the fund. There were further bequests for the housing projects, finally amounting to £500,000. As Peabody turned into a one-man welfare state, admirers saw celestial virtues in this former skinflint. Victor Hugo remarked, "On this earth there are men of hate and men of love. Peabody was one of the latter. It is on the face of these men that we see the smile of God."[32] Gladstone said that he "taught men how to use money and how not to be its slave."[33] Queen Victoria tried to honor him with a baronetcy or a knighthood, but Peabody—as if a stranger to worldly pleasures—declined this one. Instead, the queen dashed off a fulsome personal note from Windsor Castle, praising Peabody's "princely munificence" to London's poor and enclosing a miniature portrait of herself, wearing the Koh-i-noor diamond and the decoration of the Order of the Garter.[34]

Throughout this apotheosis, Peabody never extended his charity to Junius Morgan. In 1864, their ten-year agreement expired, and Peabody retired. At this point, according to the promise Peabody had made to lure Morgan to London, the junior partner was to receive the use of his name and possibly his capital. Instead, Peabody decided to pull both his name and his capital from the concern. Perhaps in his new sanctity he wanted to erase his name from the financial map and enshrine it in the world of good works. But to Morgan, as later recorded by his grandson, "it was, at that time, the bitterest disappointment of [his] life that Peabody refused to allow the old firm name to be continued."[35] Junius reluctantly renamed the firm J. S. Morgan and Company (its name until Morgan Grenfell was formed in 1910). Peabody also forced Morgan to buy the office lease at 22 Old Broad Street on onerous terms. J. P. Morgan, Jr., wrote, "My Grandfather always used to say that Mr. Peabody had been very hard on him as to the price of the lease."[36] Of course, Junius Morgan's anger toward Peabody was tempered by the extraordinary profits they had divided—over £444,000 earned in a ten-year period. And he *had* inherited the chief American bank in London.

When Peabody died, in 1869 at age seventy-four, the British government dug a grave for him in Westminster Abbey, but his deathbed words, "Danvers—Danvers, don't forget" deprived London of his remains. The Prince of Wales, later Edward VII, unveiled a statue of Peabody behind the Royal Exchange—a rare honor, considering the scarce space in the City. Even in death, Peabody managed to foster Anglo-American harmony. The British had just built a forbidding warship, the *Monarch*, whose sheer size caused consternation in America and scare talk of the vessel's being used to demand tribute from American cities. The young Andrew Carnegie sent an anonymous cable to the British cabinet: "First and best service possible *tot Monarch*, bringing home body Peabody."[37] Whether this was the genesis of the idea or not, Queen Victoria shipped Peabody's corpse to America aboard the ironclad. The ship rigged up a maudlin funeral chapel, with tall candles burning above a black-draped coffin. In America, the ship was met by Admiral Farragut's squadron. Pierpont Morgan, in charge of funeral arrangements, devised a tribute of martial splendor, with British and American soldiers marching together behind the financier's coffin.

Before leaving Peabody, we might note an exchange about him within the House of Morgan in 1946. Thomas W. Lamont, chairman of J. P. Morgan and Company, asked Lord Bicester, senior partner of Morgan Grenfell, for a photostat of Queen Victoria's letter thanking Peabody for aiding London's poor. Two years from his death, Lamont was in a nostalgic mood, but Lord Bicester enjoyed shocking the unsuspecting:

> I have always understood that Mr. Peabody, though known as a great philanthropist, was one of the meanest men that ever walked. I do not know if you ever saw the statue of him sitting on a chair behind the Royal Exchange. Old Mr. Burns told me once that when subscriptions were invited in the City to erect a statue there was so little enthusiasm that there was not sufficient money to pay for the chair, and Mr. Peabody had to pay for it himself. When I first came here the head of our office was Mr. Perman, and I remember when he had been here sixty years Teddy [Grenfell] and I gave all the staff a dinner at the Saucy, and we

took them to a Music hall afterwards, and old Mr. Perman was at his desk at nine o’clock the next morning. He knew George Peabody’s form well and used to tell Jack [Morgan] many stories. . . indicative of his meanness. I always understood that when he retired he announced he was leaving his money in the business—and at once proceeded to take it out. I believe he left several illegitimate children totally unprovided for.[38]

CHAPTER TWO
POLONIUS

IF Emerson was correct that “an institution is the lengthened shadow of a man,” then the shadow-caster of the House of Morgan was Junius Spencer Morgan. Pounded into his son, Pierpont, his precepts codified Morgan philosophy for a century. He was a fussbudget father, fretting over son and bank, a figure so massive and willful that only his son, retrospectively, could reduce him to merely the “father of J. Pierpont Morgan.” As one journalist said, “The Morgans always believed in absolute monarchy. While Junius Morgan lived, he ruled the family and the business—his son and his partners.”[1] Until Junius died, in 1890, his massive shadow dominated his son’s life.

Junius was cool and steady and seldom showed his hand. He had a dry wit and a genial manner and employed iron discipline. His friend George Smalley praised his “grave, strong beauty” and his “eyes full of light” but noticed the face ended “in an immovable jaw, all will.” Sometimes the stone facade broke down, but imperceptibly. “Once or twice I have seen him angry, and he showed his anger by a sudden restraint of speech and of manner.”[2] That was as far as Junius betrayed emotion.

Where George Peabody bore the scars of early poverty, Junius Morgan had the smooth manners and poise of inherited wealth. Among the possessors of great American fortunes, the Morgans boasted a uniquely pampered lineage. They didn’t claw their way up from poverty or legitimize a bloody frontier fortune with later respectability. By the early nineteenth century, they were well-to-do, enjoying a cushion of security generations thick. Affluent and well-bred, they weren’t rejected by European aristocracy, as were the Vanderbilts. One finds it hard to track down those poor, benighted Morgans whose early suffering made later wealth glorious. By no accident, the family produced defenders of the social order whose vices sprang from too much comfort and too little exposure to ordinary human misery.

The first Morgan in America was Miles, who emigrated from Wales to Springfield, Massachusetts, sixteen years after the *Mayflower* landed at Plymouth. He prospered as a farmer and fighter of Indians, spawning generations of land-owning Morgans. His descendant Joseph Morgan fought with Washington’s army during the American Revolution. In 1817, Joseph sold his farm in West Springfield, Massachusetts, and moved to Hartford, Connecticut, which would become the Morgans' ancestral home. Joseph had a refined air, a straight, delicate nose, and coolly discerning eyes. Like later Morgans, he was a hymn-singer and Bible-thumper and subscribed to the Wadsworth Atheneum, the city's new art museum. As a businessman, he strikingly resembled his progeny: he bought a stagecoach line and the Exchange Coffee House, on whose premises he helped to organize the Aetna Fire Insurance Company. In irrepressible Morgan style, he added the City Hotel, invested in canal and steamboat companies, directed a bank, and helped finance the Hartford and New Haven Railroad, whose grisly train wrecks would haunt his descendants. Joseph made his great windfall in December 1835, when a fire in the Wall Street area destroyed over six hundred buildings. As an Aetna founder, he insisted that the firm pay customers promptly and even bought up Aetna stakes from investors who hesitated to pay. Joseph Morgan's quick action made the firm's reputation on Wall Street and later enabled it to triple its premiums.

To Joseph's wife, Sarah, the Morgans owe those strange eyes—fearful, querulous, and burning—that shone with such famous intensity in the face of young Pierpont. Sarah had a fleshy chin and bulbous nose, adding a peasant roundness to the patrician Morgan face.

In 1836, Joseph bought his son, Junius, a partnership in the Hartford dry-goods house of Howe and Mather. That same year, Junius married Juliet Pierpont, daughter of the Reverend John Pierpont of Boston, pastor of the Old Hollis Street Church. This union of Morgan and Pierpont joined together in their infant son, John Pierpont, born in 1837, a wildly improbable set of genes. A poet and preacher, the Reverend John Pierpont was a fiery abolitionist and friend of William Lloyd Garrison and Henry Ward Beecher. With craggy face and tousled hair, he spurned the Morgans' Yankee trader values. He was a failed merchant from an old New England family and had a romantic temperament and a crusading spirit. He engaged in a bitter public row with his Boston parishioners and was charged with "moral impurity" for speaking the word "whore."[3]With the church cellar rented to a local rum merchant, the congregation found his views on temperance subversive. It was said that in the heat of argument, the Reverend Pierpont's prominent nose became inflamed—as would his grandson's. To Rev. Pierpont, the Morgans probably owe the streak of repressed romanticism and moralism in their later history. Not by chance would the House of Morgan fancy itself Wall Street's conscience and attract many sons of preachers and teachers.

When Joseph died, in 1847, he left an estate of more than $1 million. Four years later, Junius cashed in his stake in Howe and Mather for an estimated $600,000 and moved to Boston to hunt bigger game. As partner in the restyled J. M. Beebe, Morgan and Company—the city's largest mercantile house—he operated on a global scale, exporting and financing cotton and other goods carried by clipper ships from Boston harbor. It was here that he came to George Peabody’s attention.

By this point, Junius’s son Pierpont already seemed quite contradictory. One side of him was pure *homo economicus.* As a small boy, he was restricted to a twenty-five-cent weekly allowance and minutely noted candy and orange purchases in a ledger. At twelve, he charged admission to a viewing of his diorama of Columbus’s landing. As an adolescent, he was ardent and high-spirited but also petulant and prone to sudden mood swings. He was afflicted with facial rashes, which made him morbidly self-conscious, and his childhood was marred by constant headaches, scarlet fever, and ailments of mysterious provenance. Perhaps the contrast between his own steady nature and Pierpont’s unruly temper made Junius fret unduly about his boy. With granite will, he began to mold Pierpont, instructing him to associate with those of his grammar-school classmates “as are of the right stamp & whose influence over you will be good.”[4] This Polonius-like voice would drone on for decades.

When his father moved the family to Boston, Pierpont enrolled in the English High School there, from which he graduated in 1854. While there, he suffered a severe bout of inflammatory rheumatism and in 1852 spent several months recuperating in the Azores, the illness left one leg shorter than the other. For the rest of his life, assorted ailments would confine Pierpont to bed several days each month. He was a curious study in contrasts, sometimes sickly, sometimes capable of great bursts of energy that would exhaust him and send him back to bed.

Early on, Pierpont figured in his father’s business plans. Junius knew that the houses of Baring and Rothschild operated largely as family enterprises, grooming sons to inherit their respective businesses. In fact, the Rothschild insignia of five arrows commemorated five sons dispatched to five European capitals. The British economist and journalist Walter Bagehot noted, “The banker’s calling is hereditary; the credit of the bank descends from father to son; this inherited wealth brings inherited refinement.”[5] Since merchant bankers financed foreign trade, their bills had to be honored on sight in distant places, so their names had to inspire instant trust. As a twentieth-century Hambros Bank chairman would put it, “Our job is to breed wisely.”[6] The family structure also guaranteed the preservation of the bank’s capital.

Besides his three sisters—Sarah, Mary, and Juliet—Pierpont had a younger brother, Junius, Jr., fondly nicknamed “the Doctor,” who died in 1858 at age twelve. So it was onto Pierpont, the lone surviving male heir, that Junius Morgan projected his imperial ambitions, in preparation for which he provided him with a gentlemanly education. To allow him to attain fluency in foreign languages and to season him for global business, Junius in 1854 sent

Pierpont to the Institut Sillig, a boarding school on Lake Geneva. This was followed by a stint at the German university in Gottingen in 1856, where Pierpont enjoyed the bluff camaraderie of student clubs. He was a dashing, foppish boy, partial to polka-dot vests, bright cravats, and checkered pants. Already self-conscious about his skin eruptions, he shied away from the popular student duels that might disfigure his face.

Throughout his life, Pierpont had little intellectual curiosity or aptitude for theorizing, and at Gottingen he excelled most at math. Beneath a rough boyish swagger, he was sensitive to art. He also collected autographs of presidents and famous figures and broken shards of stained glass found in cathedral closes. In later years, these fragments would be embedded in the windows of the West Room of his famous library.

Junius Morgan feared his son's hot temper and moaned to friends, "I don't know what in the world I'm going to do with Pierpont."[7] He said the boy needed "restraining" and tried to inculcate a strong sense of responsibility.[8] When Pierpont was twenty-one, Junius told him he was "the only one [the family] could look to for counsel and direction should I be taken from them . . . I wish to impress upon you the necessity of preparation for such responsibilities—have them ever in view, be ready to assume & fulfill them whenever they shall be laid upon you."[9] Weighty injunctions for a young man.

After Pierpont started work at Duncan, Sherman during the panic year of 1857, he displayed awesome but unsettling precocity. While visiting New Orleans in 1859, he entered into a rash, unauthorized speculation. He gambled the firm's capital on a boatload of Brazilian coffee that had arrived in port without a buyer. He bought the entire shipment and resold it at a quick profit. This first proof of his supreme confidence petrified the gray men of Duncan, Sherman. It was probably on the basis of this incident that the firm refused to make Pierpont a partner. In 1861, he struck off on his own, forming J. P. Morgan and Company at 54 Exchange Place with his cousin James J. Goodwin. At age twenty-four, he was now New York agent for George Peabody and Company. (This J. P. Morgan and Company would be short-lived. The name would be revived in 1895.) A photo of Pierpont from this period shows he had lost his look of teenage frivolity. He was now burly and handsome, with handlebar mustache, full lips, and an intense gaze. Unlike his father's composed look, his already seemed restless.

An important part of Pierpont's duties in New York was supplying his father with political and financial intelligence. Merchant banks required news about government financings or the credit of client companies and placed a premium on such information. The Rothschilds had a celebrated covey of carrier pigeons and courier boats at Folkestone. In a famous lament, Talleyrand sighed, “The English ministry is always informed of everything by Rothschilds ten to twelve hours before Lord Stuart’s dispatches arrive.”[10]

Pierpont began drafting lengthy letters to his father, outlining political and economic conditions in America and posting them on Nassau Street. He reserved Tuesday and Friday evenings for these reports. For thirty-three years, Junius not only digested them but bound them, like sacred relics, and set them on his shelf. Whether less sentimental than Junius—or else aghast at their contents—Pierpont burned the collection in 1911, twenty-one years after his father’s death.

For these thirty-three years, Junius and Pierpont had an intense relationship, despite the geographical distance. They managed to spend an enormous amount of time together: in the fall of each year, Junius made an annual trip to the United States of up to three months, and in the spring Pierpont made his ritual London pilgrimage. But their separation at other times of the year only heightened Junius’s anxiety that he couldn’t tame his son’s wayward nature. He pumped the poor boy full of endless advice and was full of maxims. No aspect of Pierpont’s life was too trivial to be overlooked. “You are altogether too rapid in disposing of your meals,” he told him. “You can have no health if you go on in this way.”[11]

During the Civil War, Pierpont confirmed his father’s fears concerning his rashness. Amid a mad rush of Wall Street profiteering, Pierpont financed a deal in 1861 that, if not unscrupulous, showed a decided lack of judgment. One Arthur M. Eastman purchased five thousand obsolete Hall carbines, then stored at a government armory in New York, for $3.50 apiece. Pierpont loaned $20,000 to a Simon Stevens, who bought them for $11.50 each. By “rifling” these smooth-bore weapons, Stevens increased their range and accuracy. He resold them to Major General John C. Fremont, then commander of the Union forces in Missouri, for $22 each. Within a three-month period, the government had bought back its own, now altered, rifles at six times their original price. And it was all financed by). Pierpont Morgan.

The extent of Pierpont’s culpability in the Hall carbine affair has been endlessly debated. The unarguable point is that he saw the Civil War as an occasion for profit, not service—though he had an alternative role model in his grandfather, the Reverend Pierpont, who served as a chaplain for the Union army when it was camped on the Potomac. Like other well-to-do young men, Pierpont paid a stand-in $300 to take his place when he was drafted after Gettysburg—a common, if inequitable, practice that contributed to draft riots in July 1863. (A future president, Grover Cleveland, also hired a stand-in, although he had a widowed mother to support.) In later years, Pierpont would humorously refer to his proxy as “the other Pierpont Morgan,” and he subsidized the man. During the war, he also leapt into wild speculation in the infamous “gold room” at the corner of William Street and Exchange Place. Prices would gyrate with each new victory or defeat for the Union army. Pierpont and an associate tried to rig the market by shipping out a large amount of gold on a steamer and earned $160,000 in the process.

If Pierpont seemed corrupted by rowdy wartime Wall Street, he could also be unexpectedly tenderhearted. In 1861, the year of the Hall Carbine Affair, Pierpont, then twenty-four years old, had a quixotic love affair with Amelia Sturges, a frail girl with oval face and hair parted down the middle whom Pierpont had known for two years. Her father was a patron of the Hudson River school of artists, and her mother was an excellent pianist. When Pierpont wed Mimi in the parlor of her family’s East Fourteenth Street townhouse, she already had a terminal case of tuberculosis. Pierpont had to carry Mimi downstairs and prop her up during the ceremony. Guests watched this vignette from a distance, through an open door. After the ceremony, Pierpont carried his bride to a waiting carriage.

They had a touching if bizarre honeymoon, Pierpont toting Mimi around the warm Mediterranean ports and hoping to restore her health. When she died in Nice four months later, Pierpont was inconsolable, and his pious adoration for her never ceased. When he afterwards bought his first painting, it was of a young fey woman, and he hung it in an honored place over his mantle. The experience with Mimi may have taught Pierpont the wrong lessons—a fear of his best impulses, a need to stifle his deep-seated romanticism. Beneath their straitlaced exteriors, the Morgans would always be a sentimental clan, their public reserve often warring with powerful private emotions. Over fifty years later, Pierpont in his will bequeathed $100,000 to endow a rest home for consumptives, called the Amelia Sturges Morgan Memorial. Even his son, Jack, would regard the memory of Mimi as sacred and to be discussed only in hushed tones.

Observing his son’s reckless dealings and startling choice of a wife, Junius decided to take Pierpont’s life in hand. Between Pierpont and Junius Morgan, there would be total loyalty but also a fierce contest of wills. In 1864, Junius orchestrated an alliance between Pierpont, then twenty-seven, and Charles H. Dabney, thirty years his elder, to form the new firm of Dabney, Morgan and Company. Bolstered by capital from Junius, it would serve as his New York agent. He would retain final control over the credits it issued and the clients it selected. Dabney was expected to exert a steadying influence on Pierpont, and for the next twenty-six years Junius kept a moderating father figure near his son.

In his private life, too, Pierpont fell into line. In May 1865, he married Frances Louisa Tracy—Fanny, as she was known—daughter of a successful lawyer, Charles Tracy, who later performed legal work for Pierpont. She was tall and pretty, with a rosebud mouth. She had a taste for elegant gloves and earrings and seemed thoroughly safe and respectable. If Mimi was a temporary madness, Frances was a return to sanity. Yet it was Mimi whose memory Pierpont would cherish, while the “practical” marriage to Fanny would prove the fiasco, causing terrible pain to them both. Pierpont’s unrequited romantic longings would only grow over the years until they later found other—and notoriously varied—outlets.

THE father-son team of Junius and Pierpont Morgan came on the world banking scene at a time of phenomenal expansion of banking power. We shall call it the Baronial Age. It coincided with the rise of railroads and heavy industry, new businesses requiring capital far beyond the resources of even the wealthiest individuals or families. Yet, despite these tremendous needs for capital, financial markets were provincial and limited in scope. The banker allocated the economy’s scarce credit. His imprimatur alone reassured investors that unknown companies were sound—there were no government agencies to regulate securities issues or prospectuses—and he became integral to their operation. Companies would come to be associated with their bankers. The New York Central Railroad, for instance, would later be called a Morgan road.

In this phase of the Industrial Revolution, companies were dynamic but extremely unstable. In an atmosphere of feverish growth, many businesses fell into the hands of unscrupulous promoters, charlatans, and stock manipulators. Even visionary entrepreneurs often lacked the managerial skills necessary to convert their inspirations into national industries, and no cadre of professional managers yet existed. Bankers had to vouch for securities and often ended up running companies if they defaulted. As the Baronial Age progressed, the line between finance and commerce would blur until much of industry passed under the control of the bankers.

With such leverage over companies, the leading bankers developed a superior style, behaving like barons to whom clients paid tribute. They operated according to a set of customs that we will call the Gentleman Banker’s Code. The House of Morgan would not only transplant this code from London to New York but would honor it until well into the twentieth century. Under this code, banks did not try to scout out business or seek new clients but waited for clients to arrive with proper introductions. They didn’t open branch offices and refused to take on new companies unless the move was first cleared with their former banker. The idea was not to compete, at least not too openly. This meant no advertising, no price competition, and no raiding of other firms’ clients. Such an arrangement worked to the advantage of established banks and kept clients in an abject, dependent position. But it was a stylized competition—a world of sheathed rapiers—not a cartel, as it often seemed. The elegance of the surface often blinded critics to the vicious underlying relations among the banks.

No less than to industry, bankers dictated terms to sovereign states, and countries, like companies, had their “traditional bankers.” Benjamin Disraeli wrote of “the mighty loan-mongers on whose fiat the fate of kings and empires sometimes depended.”[12] Byron’s witty couplet claimed their “every loan . . . seats a Nation or upsets a Throne.”[13] The bankers acquired such power because many governments in wartime lacked the sophisticated tax machinery to sustain the fighting. Merchant banks functioned as their ersatz treasury departments or central banks before economic management was established as a government responsibility. The London banks didn’t lend their own funds but would organize large-scale bond issues. Through conspiring closely with governments, they acquired a quasi-official aura. Joseph Wechsberg has referred to merchant banks operating “in the twilight zone between politics and economics.”[14] This was turf the Morgans would later claim as their own. It was also very lucrative turf, for bankers to sovereign states might also handle their foreign-exchange transactions and pay out dividends on their bonds.

Every London house could unfurl a scroll of illustrious state loans. From their Saint Swithin’s Lane townhouse, the Rothschilds financed Wellington’s peninsular campaign and the Crimean War. A familiar adage said that the wealth of the Rothschilds consisted of the bankruptcy of nations. In 1875, Lionel Rothschild would arrange the £4-million financing that permitted Britain to wrest control of the Suez Canal from France. Disraeli laughingly confided to Queen Victoria, “I am of the opinion, Madame, that there never can be too many Rothschilds.”[15]

Besides bankrolling the Louisiana Purchase, Barings financed the French indemnity payment after Waterloo, prompting a lapidary tribute from the due de Richelieu: “There are six great powers in Europe: England, France, Prussia, Austria, Russia, and Baring Brothers.”[16] After the failure of Ireland’s potato crop in 1845, the Peel government used Barings to buy American corn and Indian meal to relieve the famine—so-called Peel’s brimstone. By the time of the Civil War, Barings was the agent bank for Russia, Norway, Austria, Chile, Argentina, Canada, Australia, and the United States. For their trouble, the grandees at 8 Bishops-gate were awarded with four peerages by the close of the nineteenth century—Ashburton, Northbrook, Revelstoke, and Cromer.

Why this perfect mesh between merchant banks and statecraft? As private partnerships, these small banks were free of prying depositors or shareholders and could indulge their political biases. They didn’t have to submit to outside examination, and their naturally discreet style made them ideal channels for diplomacy. Because they financed overseas trade, they were far more internationalist in outlook than the High Street bankers who financed British industry and dealt largely with shopkeepers.

The rarefied world of the Rothschilds and the Barings was the one Junius Morgan aspired to—a world hitherto barred to Americans. After Peabody's death, he needed some dazzling derring-do with which to leap into the top ranks of Victorian finance. Only so much glory could be gained from trading Chinese tea or Peruvian guano or selling iron rails to Commodore Vanderbilt. Now in his late fifties, Junius had grown stout with wealth. He was an imposing six-foot figure, with high forehead, beetling brow, and watchful eyes. As an early American patron of Savile Row's "bespoke" tailors, he dressed in suits conservatively tailored by Poole's.

With Peabody gone, he urgently needed to replenish his capital base, which was still meager compared to the Rothschilds and the Barings. Yet he was extremely selective about the business he did and had learned the need for caution. As he lectured Pierpont, "Never under any circumstances do an action which could be called in question if known to the world."[17]

Junius's big chance for a state financing came in 1870, when the Prussians crushed French troops at Sedan in September, seized the emperor, Napoleon III, and laid siege to Paris. After a republic was proclaimed, French officials retreated to Tours and set up a provisional government. Otto von Bismarck, the Prussian chancellor, tried to isolate the French diplomatically. When they approached London for financing, he conducted a propaganda campaign, blustering that a victorious Germany would make France repudiate its debt.

A rare opportunity opened up for an enterprising banker. This was one of the few times in the century that financially self-sufficient France needed to raise money abroad. Barings had floated Prussian loans and didn't wish to upset delicate relations by dealing with France; the Rothschilds dismissed the French cause as hopeless. The City had lately been rocked by defaults in Mexico and Venezuela, and nobody was in a particularly venturesome mood for foreign loans. Enter Junius, who decided to float a syndicated issue for France of £10 million, or $50 million. The French hoped that by using an American banker, they might also be better positioned to purchase American arms.

The French loan showed that he hid a riverboat gambler's flair behind the steely air. This would be Junius's signature deal, complete with that obligatory Rothschild touch—carrier pigeons. In backing France, he had to contend with Bismarck, who was privy to his moves. It later turned out that the private secretary of the French finance minister was a German spy and was feeding Bismarck daily reports on their dealings. Because Junius couldn't speak French and wouldn't take anything on faith, he brought over from France his son-in-law and later partner Walter Hayes Burns to act as translator. Junius insisted that every French document be accompanied by a certified translation.

An innovation in European finance was then enhancing the bankers' power—the syndicate, elite groups of banks that practiced what the French called *haute banque.* Instead of floating bond issues alone, the banks pooled their capital to share the risk of underwriting. Reflecting the extraordinary risks of the French loan, a Morgan-led syndicate offered the bonds at 85. This was 15 points below par—the value at which the bonds could later be redeemed. This sharp discount was designed to coax a skittish public into buying. The French felt blackmailed by these degrading terms, which they thought suitable for a Peru or Turkey. Yet Junius hadn't exaggerated the risks. After Paris fell in January 1871, followed by the Paris Commune, the bonds dropped from 80 to 55, and Junius desperately bought them to prop up the price, nearly wiping himself out. This was all very strange for a man who had urged caution on Pierpont: he was betting the future of his firm on one roll of the dice.

Whatever the risks, it must have been a heady experience for an American to be swaggering like a Rothschild and playing with gigantic sums. The loan had its full complement of theatrics. A brief Morgan Guaranty history still pulsates with the excitement of the episode: "Some communications between Paris and London were implemented by the use of a fleet of carrier pigeons. Several of them, bearing capsules filled with text on tissue paper, actually completed their journeys. One particularly bulky package of documents was sent from Paris to London by balloon! "[18] Some pigeons were apparently shot down and gobbled up by starving Parisians. This left French politicians in the dark during critical moments in the bargaining.

When the war ended, the defeated French didn't renege on the loan, as Bismarck predicted. Instead, they prepaid the bonds in 1873, bringing them up to par, or 100. As with Peabody and his Maryland bonds, Junius pocketed a fortune from this sudden windfall. The loan netted him a whopping £1.5 million. This vastly augmented his firm's capital and propelled him into the upper ranks of government financing. Now the name J. S. Morgan and Company would appear frequently in "tombstone ads" (apparently so called because of their rectangular shape and placement on newspaper obituary pages) announcing underwriting syndicates.

George Smalley said that with the 1870 French loan, his friend Junius went from being a successful man to a power in the City. His impressions of Junius at this moment are telling. On the one hand, he was modest and breezily dismissive about his triumph. He said he had researched the history of twelve French governments since 1789, and "not one of these governments had ever repudiated or questioned the validity of any financial obligation contracted by any other. The continuing financial solidarity of France was unbroken." But Smalley wasn't fooled by such nonchalance. He noted "a fire in his eyes as he spoke which showed he was not insensible to the triumph he had won. Why should he be? It was considered, and has ever since been considered, an event in the history of English finance."[19]

As Junius developed into the wealthiest American banker in London, he acquired the trappings of magnificence. He lived in a Knightsbridge mansion, 13 Princes Gate, a five-story building of neoclassic design facing the south side of Hyde Park. The Morgan household was very dignified. Attended by butlers, the family dressed formally for dinner, which concluded with claret and Havana cigars. It was also a pious place, with Junius lining up the servants each morning for prayers. Following merchant-banking tradition, Junius dabbled in art collecting and often visited galleries with Pierpont when his son was in town. Junius's friends said his home resembled a museum, with sixteenth-century Spanish embroidery on the walls, silver-filled vaults, and an excellent collection of paintings by Reynolds, Romney, and Gainsborough.

Seven miles away, in the London suburb of Roehampton, Junius purchased Dover House, a ninety-two-acre estate with rolling lawns that swept down to the Thames. It was a miniature kingdom. Its dairy flowed with fresh milk and cream, its hothouses yielded blooms, gardeners tended strawberry beds, and children played on playground swings. Dover House was rustic in a formal way, with well-spaced trees and trimmed lawns. In a photograph from 1876, Junius is playing tennis dressed in bowler hat and a three-piece suit and is clutching his racket like a club; he looks incongruous in a recreational setting. Periodically he performed his patrician duty and shot pheasants on a moor.

Junius—tall, sociable, self-confident—and his wife, Juliet Pierpont Morgan, made an odd pair. She was a short, plain, buxom woman who grew increasingly sickly and hypochondriacal. Often homesick, she frequently sailed to New York to stay with Pierpont. While her husband blossomed into one of London's magnificoes and was blessed with robust health, Juliet became more feeble and withdrawn. In her later years, she was an invalid, often closeted in an upstairs bedroom. She seems to have suffered some form of premature senility. This pattern of the sickly wife and the autocratic, headstrong husband would be repeated in the life of their son Pierpont. It also set a pattern of private grief and loneliness that would come to haunt the spectacularly successful Morgan family.

CHAPTER THREE
PRINCE

As Junius Morgan's Wall Street agent for thirty years, Pierpont moved with the massed power of British capital behind him. A Wall Street jest said that his yacht, the *Corsair*, flew the Jolly Roger above the Stars and Stripes, and the Union lack above both. (Throughout his life, Pierpont would slyly hint at descent from the pirate Henry Morgan.) The young Morgan resembled a burly roughneck with a coat of British polish. Broad-shouldered and barrel-chested, he had dark hair and a pugilist's hands. Over six feet tall, he was something of a dandy, now given to checkered vests. Where Junius had a hard and impenetrable stare, Pierpont's hazel eyes were sad and cloudy. Where his father had unfailing composure, Pierpont was mercurial. In early pictures, he looks edgy, as if spoiling for a fight.

There was plenty to fight about in the rough-and-tumble of the postwar railroad boom. Everybody had a sense of immense enterprise ahead. "We are going some day to show ourselves to be the richest country in the world in natural resources," Pierpont predicted during the Civil War. The railroads would unlock the resources in the American wilderness. Perhaps no business has ever blossomed so spectacularly: within eight years of the war's end, railroad trackage doubled to seventy thousand miles, a spree fed by tens of millions of acres in federal land grants. More than just isolated businesses, railroads were the scaffolding on which new worlds would be built. As Anthony Trollope noted during an American visit, railroads "were in fact companies combined for the purchase of land" whose value they hoped to increase by opening a road. Towns sprang up along the tracks, settled by European immigrants imported by the railroads.[1]

As speculation in rail shares grew frenzied, European investors were stumbling about in the dark. Between Kansas and the Rocky Mountains, schoolboy maps showed a blank space dubbed the great American desert.[2] Europeans relied on their American agents to guide them through this financial wilderness, and American bankers had to keep posted on developments. Soon after completion of the first transcontinental railroad, in May 1869, Pierpont and Fanny Morgan made an extended rail journey across the country, stopping to see Mormon leader Brigham Young in Utah. A competition was already underway on Wall Street between Jewish bankers, such as Joseph Seligman, who wooed German investors with railroad shares, and Yankee bankers, such as Pierpont Morgan, who drew on London money.

From the outset, railways were in a chaotic state as they covered the country in a crazy-quilt expansion that frequently produced more roads than traffic. Because of their exorbitant fixed costs, they should have been public utilities. But this was impossible in an age of free-booting individualism. As a result, assorted hucksters and rogues threw up twice the trackage actually needed. What appeared to be solid investment one moment was revealed as so much watered stock the next. In Henry Adams's judgment, "The generation between 1865 and 1895 was already mortgaged to the railways and no one knew it better than the generation itself."[3]

Such anarchy could easily fire a moralistic young banker like Pierpont Morgan. In his early years, he was exposed to many incorrigible Wall Street rascals, including Daniel Drew, the rustic sharpster who sold Erie stock short while sitting on the railroad's own board (he was called the speculative director), and Jay Gould, the small, swarthy, full-bearded financier who prodigally bribed legislators as he vied for control of the Erie and other railroads.[4] This was the infamous era of the Tweed Ring, Jay Gould's 1869 attempt to corner the gold market, and other acts of larceny on a scale never before imagined. While Junius inhabited the white-glove world of the City, Pierpont had to deal with Wall Street squalor and found it alternately seductive and repellent. Confronted by corruption, he saw himself as a proxy for honorable European and American investors, a tool of transcendent purpose representing the sound men on Wall Street and in the City. But what he saw as a moral crusade others might regard simply as competing self-interest. In his early years, at least, he wasn't always clearly distinguishable from the robber barons he was supposedly contesting.

In 1869, Pierpont, aged thirty-two, was enlisted in a dispute over a small upstate New York railroad that would establish his reputation as a self-assured young banker, unafraid to dirty his hands. This corporate fight would dramatize the transition of the American banker from a passive figure issuing shares for companies to a strong, active force in managing their affairs. The line in question, the 143-mile Albany and Susquehanna, was small and inconsequential. It had only 17 locomotives and 214 cars and ran through the sparsely populated Catskill Mountains between Albany and Binghamton, New York. Yet it became a battleground for competing powers when Jay Gould decided it could advance the fortunes of his Erie Railroad, the so-called Scarlet Woman of Wall Street. Through this road, Gould hoped to sell Pennsylvania coal to New England and also vie with the New York Central for freight from the Great Lakes.

To this end, Gould bought up a block of A&S stock, made an alliance with a dissident wing of directors, and had his pet judge, George C. Barnard, suspend the railroad’s founder, Joseph H. Ramsey, from the board. Ramsey countered by having several Gould partisans judicially suspended in turn. In these early days, corporate warfare was no mere euphemism, and the Ramsey and Gould forces sometimes slugged it out directly rather than filing suits and obtaining injunctions. In the Battle of the Susquehanna, Jim Fisk, a former circus roustabout and Gould’s chief lieutenant, and his Bowery boys—thugs scraped off New York’s streets and operating as Gould’s stooges—piled onto a train heading east from Binghamton, their army numbering about 800 men. The Ramsey forces loaded about 450 fighters onto a train heading west from Albany. In a cinematic finale, the two trains crashed head-on at the Long Tunnel near Binghamton. Their headlights were smashed, one locomotive was partly derailed, and eight or ten people were shot before the Gould forces fled. Governor Toots Hoffman summoned the state militia to stop the bloodshed.

On September 7, 1869, momentarily putting down their weapons, the Gould and Ramsey forces converged on the annual board meeting of the A&S. Ramsey—“a little, grey-headed, sallow faced gentleman, weighing about 115 pounds, with a very bright eye”—had recruited the husky Pierpont, who had just returned from his western trip; Pierpont bought six hundred shares of stock in the road for Dabney, Morgan.[5] Pierpont’s son-in-law Herbert L. Satterlee later claimed that at the September 7 meeting, Pierpont hurled chubby Jim Fisk down a flight of stairs. The story may be apocryphal. But the meeting was so tense that Ramsey, who had hidden the subscription books in an Albany cemetery, had the documents lowered into the room from a back window to keep them from the hands of the Gould forces. In the end, the meeting was stalemated by competing injunctions, with each side again claiming control of the road based on two separate elections.

Under Pierpont’s tutelage, the Ramsey forces found a friendly judge in the upstate town of Delhi, New York, who obligingly ousted the Erie slate. Pierpont then advised the Ramsey forces, now back in control, to merge their railroad with the friendly Delaware and Hudson line, which they accomplished in February 1870. In settling the dispute, Pierpont made a move that marked his subsequent financial maneuvers: he took payment, not simply in money, but in power, becoming a director of the newly merged railroad. This first board seat was a sign of things to come, starting an era in which bankers sat on corporate boards and gradually came to rule them. Board membership would become a warning flag to other bankers to stay away from a captive company. During the 1870s, Pierpont began to style himself as far more than a mere provider of money to companies: he wanted to be their lawyer, high priest, and confidant. This wedding of certain companies to certain banks—“relationship banking”—would be a cardinal feature of private banking for the next century. It came about not because bankers were strong but because companies were still weak.

PIERPONT'S life was now prosperous and settled. He was making the gigantic salary of $75,000 a year. He and Fanny lived in a brownstone at 6 East Fortieth Street, just across Fifth Avenue from the Croton Reservoir, which arose like a vast Egyptian tomb on the site of today's New York Public Library. The Morgan home was comfortable and cluttered, furnished with rugs, heavy mahogany furniture, and gilt-framed pictures crowding one on top of the other. In 1872, Pierpont bought Cragston, a country retreat on the Hudson River near West Point. A three-story white Victorian house with rambling porches, its grounds comprised several hundred acres of spectacular river scenery and was Pierpont's answer to Junius's Dover House. There were horse stables, a dairy, tennis courts, and kennels for breeding collies. (When the collies got boisterous, he switched to breeding blooded cattle.) From April to October, Pierpont commuted to Wall Street, crossing the river on his steam launch, the *Louisa*, which seated about eight people. Then he took the train into Manhattan. The Morgans now had three children, Louisa, born in 1866, John Pierpont, Jr., or Jack, born in 1867, and Juliet, born in 1870. Before long, they would add another daughter, Anne.

Behind the aura of comfort and precocity, Pierpont was a troubled young man. He continued to be bedeviled by headaches, fainting spells, and skin flare-ups. In 1871, his partner, Charles Dabney, retired and their partnership was dissolved. Not for the last time, Pierpont contemplated retirement. As if unable to stop his own ambition, he would assume tremendous responsibility, then feel oppressed. He never seemed to take great pleasure in his accomplishments, and for the rest of his life, he craved a restful but elusive peace.

With Dabney retiring, Junius needed to find a partner for Pierpont. He also wanted to broaden the House of Morgan beyond its New York-London axis and strengthen its international securities business. Although we think of global finance as a modern invention, Victorian merchant banks were already multinational in structure and cosmopolitan in orientation. Instead of branch offices, they set up interlocking partnerships in foreign capitals—precisely what Junius now decided to do. In January 1871, he was approached in London by Anthony J. Drexel regarding an affiliation between his Philadelphia bank and the Morgans. Among the Philadelphia banks, Drexel's was second only to Jay Cooke's in government finance. Junius was already Drexel's London correspondent. As when George Peabody approached him, a financial fortune was being laid at Junius's feet. He was not only the ablest American banker of his day; he was also the luckiest.

Son of Francis M. Drexel, an itinerant Austrian portrait painter turned financier, Tony Drexel at forty-five was slim and refined with a smooth forehead, domed head, mild eyes, and handlebar mustache. At the time, Wall Street was shaping up as a provider as well as importer of capital as financial power gravitated from Philadelphia and Boston to New York. Sensing this seismic shift, the influential Drexel wished to fortify his New York operations. As before with Charles Dabney, Junius hoped to hedge the young Pierpont with safeguards and place him under the protective tutelage of an older man. So he suggested to Drexel that he take on Pierpont as his chief partner in New York.

However prodigious Pierpont's gifts, he was still clay modeled by his father's hands. Junius urged him to respond to any invitation from Drexel. Hence in May he dutifully traveled to Philadelphia, dined with Drexel, and chatted with him after dinner. He returned to New York with a partnership agreement scribbled on an envelope. According to the deal, Pierpont would become a partner of Drexel and Company in Philadelphia and Drexel, Harjes in Paris. He would also manage a New York partnership called Drexel, Morgan and Company. The order of the names reflected the importance of the partners. Tony Drexel and his two brothers, Francis and Joseph, were worth about $7 million, while Pierpont had a puny $350,000. To even the score, however, Junius pumped in $5 million. Pierpont always acknowledged his debt to his father—he never pretended to be self-made—and later told New York governor Grover Cleveland, "If I have been able to succeed in the station of life in which I have been cast, I attribute it more than anything to the endorsement of my father's friends."[6] The new Drexel, Morgan was the forerunner of J. P. Morgan and Company.

Before signing the deal, Pierpont laid down a curious condition—that he delay working on the new partnership. Far from itching to start, he felt a need to recuperate from emotional and physical travail. Apparently he was on the edge of a nervous breakdown. Under doctor's orders, he took a fifteen-month vacation, traveling to Vienna and Rome and sailing up the Nile. At work, Pierpont could never relax and developed a powerful urge for escape. He would vacation three months each year and joked that he could perform twelve months of work in just nine months. His son-in-law Herbert Satterlee later wrote, "He seemed to feel better when he was actually travelling than when they settled down anywhere."[7] In the late 1870s, when Pierpont tried to flee work by taking a vacation in Saratoga, New York, a blizzard of business letters and telegrams trailed after him. "There is only one way of getting real rest," he told Junius, "and that is to get on board of a steamer."[8]

Two years after its debut, in 1873, Drexel, Morgan moved to the corner of Wall and Broad streets. It would be the most celebrated address in banking, the financial crossroads of America. Tony Drexel had bought a parcel of land across the street from the New York Stock Exchange for $349 a square foot, which stood as a record for the next thirty years. He built a heavily ribbed marble building with mansard roof, dormer windows, and ornate facade and allegorical figures above the doorway; the six-story building was one of the city's first with an elevator. Splendidly symbolic, its unusual catercorner entrance simultaneously faced the Subtreasury Building on Nassau Street (the most important branch of the U.S. Treasury system) and the Stock Exchange on Wall Street. Appropriately, Drexel, Morgan would specialize in both railroad and government finance and occupy a pivotal place between Wall Street and Washington.

From a personal standpoint, the Drexel-Morgan match wasn't smooth. Pierpont was already gruff and difficult and insisted on having his own way. Joseph Seligman saw him as "a rough, uncouth fellow, continually quarreling with Drexel in the office."[9] But the merger worked just as Junius had planned in terms of tempering Pierpont's xcesses. An early Dun and Company report said, "This young man is smart and is perhaps the most venturesome member of the firm but he is kept in check by the Drexels."[10]

The merger with the Drexels gave the Morgans new international breadth. In 1868, Drexel had sent John J. Harjes of Philadelphia to set up a Paris partnership, which performed with elan during the Paris Commune, switching operations to Switzerland to service American travelers and businessmen. (This wartime role would later be quintessentially Morgan's.) As social butterflies who married into many prominent Philadelphia families, the Drexels also added a high-society image to the Morgan bank, and the Philadelphia house would always be a glamorous corner of the emerging empire. Through their interlocking partnerships, the Morgans now had footholds in New York, Philadelphia, London, and Paris. These would remain the brightest stars of the Morgan constellation for a century.

SOON after the Drexel-Morgan merger came an event that catapulted Pierpont Morgan, age thirty-six, into the empyrean of American finance. In 1873, Washington decided to refund, at lower interest rates, the $300 million in bonded debt remaining from the Civil War. Until then, Jay Cooke—Tony Drexel's main Philadelphia rival—reigned as the white-bearded emperor of federal finance. The self-made Cooke had started out as a bank clerk with a quick eye for counterfeit money. At a time when government bonds were the exclusive province of rich men and European banks, he marketed them to the masses. During the Civil War, he pioneered in retail distribution, sending twenty-five hundred "minute-man" agents to peddle Union bonds across America and winning Lincoln's gratitude. With his riches, Cooke built a fifty-two-room castle outside Philadelphia. In the early 1870s, the phrase "rich as

Jay Cooke" had the same magic resonance as "rich as Rockefeller" would have in a later day.

Cooke seemed invincible to competitors—at least until he financed the Northern Pacific Railroad in 1869. His promotion for $100 million in Northern Pacific bonds was liberally spiced with invention, fraudulence, and political bribery. To lure European settlers to towns serviced by the railroad, he created a tissue of brazenly surreal lies. Colorful ads depicted fruit groves flourishing along its Great Plains tracks—fantastic claims that won the railroad the nickname of Jay Cooke's Banana Republic. Cow towns were puffed up into vast metropolises, and Duluth, Minnesota, was trumpeted to European immigrants as the "Zenith City of the Unsalted Seas."[11] When grain prices fell after the Franco-Prussian war, the fortunes of the Northern Pacific and other railroads fell along with them. Thus began Jay Cooke's undoing. His vulnerability in relation to the Northern Pacific would provide an opening for Drexel, Morgan to usurp his exalted place in government finance.

In 1873, Cooke teamed up with two Jewish houses—Seligman's on Wall Street and the Rothschilds' in Europe—to obtain the $300 million refunding issue against a vigorous challenge from Drexel, Morgan; J. S. Morgan and Company; Morton, Bliss; and Baring Brothers. Large-scale finance was increasingly shaping up as a contest between powerful syndicates; the sums—and the risks—were now too large for single houses to shoulder alone. The Drexel, Morgan group contested the Cooke monopoly and also circulated insidious rumors that Cooke needed victory in the refunding issue to recoup his Northern Pacific losses. Tony Drexel, a close friend of President Grant, proselytized through his partial ownership of the Philadelphia *Public Ledger.* Bowing to intense pressure from the Drexel, Morgan group, the secretary of the treasury awarded half of the issue to each syndicate, although the status-conscious Junius was disturbed by Cooke's name preceding theirs on the contract. The prominence of American banks in this display of federal financing reflected the new postwar power of Wall Street.

The year 1873 was one of panicky markets that allowed the Morgans to leave behind their reputation as relative outsiders and achieve a commanding position in federal finance. Financial markets were at first unsettled by the scandal of the Credit Mobilier, builder of the Union Pacific Railroad, and exposed as a giant sinkhole of fraud and corruption. The scandal tarred the reputation of many congressmen holding the ephemeral company's stock. By August 1873, London investors wouldn't touch American bonds, one reporter said, "even if signed by an angel of Heaven."[12] Then, debilitated by the Northern Pacific, the mighty house of Jay Cooke failed on Black Thursday, September 18, 1873.

The failure ignited a full-blown Wall Street panic. For the first time since its formation, the New York Stock Exchange shut its doors for ten days. The corner outside the exchange became a wailing wall of ruined men. Diarist George Templeton Strong noted that “the central focus of excitement was, of course, at the corner of Broad and Wall Streets. People [were] swarming on the Treasury steps looking down on the seething mob that filled Broad Street.”[13] Pierpont called in his loans and cabled Junius: “Affairs continue unprecedentedly bad.”[14] Five thousand commercial firms and fifty-seven Stock Exchange firms were dragged down in Cooke’s maelstrom, a cataclysmic experience for a generation of Americans. “To my parents and to the outside world,” financial journalist Alexander Dana Noyes would later recall, “the financial crash of September 1873 had been as memorable a landmark as, to the community of half a century later, was the panic of October 1929.”[15]

By today’s standards, Wall Street looked almost pastoral: Trinity Church was the tallest structure, and street lamps on the cobblestone streets stood higher than many buildings. The six-story Drexel Building soared above its neighbors. Yet after Jay Cooke’s failure, it was popularly seen as the street of sin, a place responsible for corrupting the manners and morals of a pristine frontier nation. Not for the last time, America turned against Wall Street with puritanical outrage and a sense of offended innocence. Thomas Nast’s cartoons in *Harper’s Weekly* showed heaps of slaughtered animals in front of Trinity Church, the church itself scowling, with the words MORAL, I TOLD YOU SO emblazoned on its steeple. Wall Street already had a way of being renounced once the party was over.

In much the same way as the Morgan bank would in 1929, Pierpont managed a handy profit in the panic year of 1873. He made over $1 million, boasting to Junius: “I don’t believe there is another concern in the country [that] can begin to show such a result.”[16] With Jay Cooke conveniently wiped off the map, Drexel, Morgan stood, with miraculous suddenness, at the apex of American government finance. Never again would Pierpont Morgan be an outsider, and before long he would be the chief arbiter of the establishment. Drexel, Morgan couldn’t immediately capitalize on its fame, however, since the 1873 panic ushered in a period of extended deflation and depression, during which it became hard to credit Junius’s injunction to “remember one thing always. . . . Always be a ‘bull’ on America.”[17]

The House of Morgan’s future approach to business was shaped in the gloomy days of 1873. The panic was a disaster for European investors, who lost $600 million in American railroad stocks. Stung by all the railroad bankruptcies, Pierpont decided to limit his future dealings to elite companies. He became the sort of tycoon who hated risk and wanted only sure things. “I have come to the conclusion that neither my firm nor myself will have anything to do, hereafter, directly or indirectly, with the negotiation of securities of any undertaking not entirely completed; and whose status, by experience, would not prove it entitled to a credit in every respect unassailable."[18] Another time, he said, "The kind of Bonds which I want to be connected with are those which can be recommended without a shadow of doubt, and without the least subsequent anxiety, as to payment of interest, as it matures."[19]This encapsulated future Morgan strategy—dealing only with the strongest companies and shying away from speculative ventures.

Under the Gentleman Banker's Code, bankers held themselves responsible for bonds they sold and felt obligated to intervene when things went awry. And the railroads were going awry. Even before the 1873 panic, a new way of dealing with railroad rascality had appeared, devised, improbably, by Jay Gould. When investors boycotted an Erie bond issue in 1871, he proposed to bring in outside coal, railway, and banking interests to run the railroad as "voting trustees" who would control a majority of Erie stock. To placate the conservative side of Wall Street and the City, he proposed Junius Morgan as one trustee. The plan was stillborn but later was revived. By mid-decade, Junius was warning the president of the Baltimore and Ohio Railroad that rate wars among railroads were undermining investors' confidence.[20] The following year, when the Erie went bankrupt, the irate bondholders shackled the road with a "voting trust" that would run the operation. It was a pivotal moment—the revenge of the creditors against the debtors, the bankers against the railwaymen. Later, in Pierpont's hands, the simple device of the voting trust would convert Morgan into America's most powerful man, placing much of the country's railway system under his personal control. Through such trusts, he would convert financiers from servants to masters of their clients.

The story of Pierpont Morgan is that of a young moralist turned despot, one who believed implicitly in the correctness of his views. Strong-willed and opinionated, he had an unshakable faith in his own impulses—a quality that later made him appear as a force of nature, a child of the *Zeitgeist*, making snap decisions that were often eerily right. He differed from most of the Gilded Age robber barons in that their rapacity stemmed from pure greed or lust for power while his included some strange admixture of idealism. As he confronted an economy that offended his sense of business propriety, his very conservatism gave him a revolutionary zeal. He believed, quite arrogantly, that he knew how the economy should be ordered and how people should behave. By no coincidence, he was active in the Young Men's Christian Association, which discouraged gambling among the working class. He also sponsored revival meetings at Madison Square Garden and backed the moral policeman Anthony Comstock, who favored the covering up of nude statues.

Pierpont developed a reputation for snappishness and barking at people, a propensity that grew with his fame. Even in letters to his father as early as the 1870s, he seemed committed to his own way of doing things and wrote less as a servile son than as a highly confident business partner. In 1881, a report by R. G. Dun and Company referred to Pierpont's "peculiar brusqueness of manner" and said it had "made him and his house unpopular with many."[21] He sat behind a glass partition in the mahogany partners' room at 23 Wall Street, chewing on a big cigar and growling out "yes" or "no" when given offers on foreign exchange. He wouldn't haggle and presented his bids for foreign exchange on a take-it-or-leave-it basis. He had a way of letting people cool their heels and knew all the silent tricks of authority. With his clear-cut sense of right and wrong, he quickly became accustomed to exercising leadership.

Not surprisingly, he had trouble delegating authority and low regard for the intelligence of other people. He agonized over finding new partners, and people never measured up to his inflated standards. To find suitable candidates in 1875, he pored over business directories from New York, Philadelphia, and Boston—in vain. "The longer I live the more apparent becomes the absence of brains—particularly soundly balanced brains," he told Junius.[22] Once again, Pierpont flirted with the notion of quitting banking and casting off the oppressive weight of business. In 1876, when Joseph Drexel left the firm, Pierpont wanted to follow him, but he held back, awaiting word of Junius's plans. He was chained to his bank by a sense of mission that never abandoned him. Perhaps never in financial history has anybody else amassed so much power so reluctantly. J. Pierpont Morgan was more exhausted than exhilarated by success. He didn't enjoy responsibility and never learned to cope with it.

Pierpont was a natural leader on Wall Street. Whatever the general public might think of the Morgans, businessmen respected them for their honest dealings. August Belmont, Sr., thought Pierpont "brusque but fair."[23] Andrew Carnegie, who raised the money for his first rolling mill by brokering bonds to Junius, told the story of how during the 1873 panic the Morgans sold his interest in a railroad for $10,000. He already had $50,000 on deposit with Pierpont, and when he showed up to claim his $60,000, Pierpont handed him $70,000 instead. Pierpont said that they had underestimated his account and insisted he accept the additional $10,000. Carnegie didn't want to take the money. "Will you please accept these ten thousand with my best wishes?" Carnegie asked him. "No, thank you," Pierpont replied. "I cannot do it."[24] Carnegie decided that in future he would never harm the Morgans. Interestingly, Carnegie venerated Junius as the model of the sound, old-fashioned banker, but there was always friction between him and Pierpont. After one 1876 meeting with Carnegie, Pierpont bluntly chastised him—"You used language very offensive in its character"—and proceeded to rebut Carnegie's statements about his firm's role in a lawsuit.

The standing of Drexel, Morgan rose steadily through the 1870s. In 1877, a congressional dispute held up payment due the army of General Miles, then fighting the Nez Perce Indians out West. In a flamboyant gesture, Drexel, Morgan volunteered to cash the army's pay vouchers for a 1-percent commission—which made Pierpont very popular with the soldiers. By 1879, the ascendant Morgans were joining with August Belmont and the Rothschilds to market the last Civil War refunding loan. The United States resumed specie payment that year—that is, government notes were payable in silver or gold—and the issue was a great success.

Far from being thrilled by this new parity with the Rothschilds, Pierpont was offended by the supposed high-handedness of his partners. The more conciliatory Junius insisted that the Rothschilds share in any syndicate, but Pierpont's enormous ego brooked no condescension. As he wrote his brother-in-law Walter Burns, now Junius's partner in London: "I need scarcely tell you that having anything to do with Rothschilds & Belmont in this matter is extremely unpalatable to us and I would give almost anything if they were out. The whole treatment of Rothschild's to all the party, from Father downwards is such, as to my mind, no one should stand."[25] In fact, the Rothschilds had badly miscalculated America's importance to the future of world finance, and it would prove an irremediable blunder. Their representative, August Belmont, bemoaned their "utter want of appreciation of the importance of American business."[26] Now the Morgan star was on the rise, and within a generation it would outshine that of both the Rothschilds and the Barings.

THE financial writer John Moody said that until 1879 Pierpont Morgan was "merely the son of his grim-mouthed father."[27] Junius, all business, found it hard to give up his all-consuming work. Now portly like "an East Indian merchant prince in an old English play," he appears slightly bent in photographs, sedentary, heavy with care, gazing from beneath shaggy eyebrows.[28] The airy elegance of youth has settled into a craggy look of suspicion. In 1873, when he reached sixty, Pierpont was already urging him to cut back his schedule. He wrote, "It occurs to me to suggest that *you* need rest as much as I do, & I do not quite see why you cannot also take two days away from office per week."[29] Junius wasn't as rigidly attached to the office as Peabody, but he was domineering and at times had only one partner.

The elder Morgan now began to reap the honors of a semiretirement. On November 8, 1877, he enjoyed a last hurrah in his native country with a New

York dinner at Delmonico's in his honor, sponsored by the city's business community. This impressive gathering of more than a hundred people numbered John Jacob Astor and the elder Theodore Ropsevelt among its dignitaries. Breaking a self-imposed ban on public appearances, Samuel J. Tilden, a former governor of New York and just-defeated presidential candidate, presided. Toasting Junius as America's preeminent banker in London, Tilden lauded Junius for "upholding unsullied the honor of America in the tabernacle of the Old World."[30] As in Peabody's day, American businessmen believed they had to prove their worth in London. In reply, Junius said his lifelong crusade was that no evil should be spoken of America. Nobody in those days talked of British obligations or of nascent American power—only of how Americans should please British creditors. Under Pierpont, the financial position of the two countries would be strikingly reversed.

Pierpont's relationship with his father was the most important in his life. Junius was the sort of punishing father who built character by stinting on praise and setting exacting standards, keeping up psychic pressure and always making Pierpont prove himself. Tough and demanding, he produced a son who lashed himself into ever greater exertion, only to lapse into sickness, fatigue, or depression. Junius strengthened those already relentless impulses in Pierpont's nature—his overmastering need to achieve, his inordinate sense of responsibility, his hatred of disorder. Yet the patriarchal Morgan clan permitted no rebellion, only veneration of Father. Whatever fear and resentment Pierpont felt were transmuted into exaggerated love, and such filial worship would be equally apparent in Pierpont's own children and grandchildren.

Under his sometimes stern facade, Junius clearly adored Pierpont; the obsessive grooming was a tacit acknowledgment of his son's gifts. In 1876, he decided to buy Pierpont a princely gift—Gainsborough's portrait of the duchess of Devonshire, possibly the world's most popular painting at the time. The Rothschilds had already bid for it, and Junius was prepared to top them by paying Agnew's of Bond Street $50,000. Before the sale was consummated, however, the painting was stolen from Agnew's. Even a £1,000 reward couldn't coax it back. Interestingly, when the painting resurfaced in 1901, Pierpont rushed to buy it for £30,000, or $150,000. "If the truth came out," he conceded regarding the staggering price, "I might be considered a candidate for the lunatic asylum."[31] It was a deeply sentimental homage to his father. At 13 Princes Gate, the London townhouse he inherited from Junius, he hung the painting in the cherished spot over the mantelpiece.

In 1879, Pierpont began to emerge from his father's shadow and take charge of major deals. He was picked to market the largest block of stock ever publicly offered—250,000 shares of New York Central. It was a landmark event for the Vanderbilts, who owned the railroad.

Commodore Cornelius Vanderbilt had died two years before, at eighty-three, leaving a fortune of about $100 million. Though he rejected champagne as too expensive in his last days, he probably ranked as America's richest man. Crude and tobacco chewing, a white-haired, red-cheeked rogue, he chased pretty maids to the end. In his dotage, he fell under the influence of spiritualists and held business talks with the late Jim Fisk, the tough whom Pierpont bested over the Albany and Susquehanna, later killed by a rival suitor to his mistress.

Commodore Vanderbilt's death was a pivotal moment in the shift of business from family to public ownership—a transition rich in possibilities for Pierpont Morgan. To keep his railroad empire intact, the Commodore bequeathed to his oldest son, William Henry, 87 percent of New York Central stock. William was a homely, torpid, thick-set man then in his late fifties whom the Commodore had thought a dunce, berated freely, and exiled to a rude farm on Staten Island. William certainly wasn't groomed to manage the New York Central, which the rough-hewn Commodore ran from a cigar box full of records.

The Commodore had merged eleven small railroads to form the forty-five-hundred-mile New York Central. It branched north from New York City to Albany and then swept west to the Great Lakes, opening the interior to eastern ports. That such power would pass to William Vanderbilt appalled many people. As William Gladstone wrote the Vanderbilt's lawyer, Chauncey M. Depew, "I understand you have a man in your country who is worth $100,000,000, and it is all in property which he can convert at will into cash. The government ought to take it away from him, as it is too dangerous a power for any one man to have."[32] William didn't help to reassure the public, and talked his way into the history books with his retort: "The public be damned; I am working for my stockholders."[33] The scope of Vanderbilt wealth spread fear and led to new calls for public accountability.

What finally induced William Henry to reduce his New York Central stake was publicity generated by New York State Assembly hearings in 1879, chaired by A. Barton Hepburn. This investigating committee exposed secret deals made by the New York Central, which gave preferential rates to oil refiners. As the railroad's chief executive and star witness, William Henry seemed ignorant or evasive about the clandestine maneuvering; to counter bad publicity, he approached Morgan, probably steered to him by Chauncey Depew. New York State was beginning to levy punitive taxes against the New York Central, and it was hoped that by having William Henry sell a huge chunk of stock, thus making him a minority shareowner, the state legislature might relent.

That Vanderbilt chose the forty-two-year-old Pierpont to carry out this delicate operation probably stemmed from the House of Morgan's Anglo-American structure. The principal concern was how to liquidate up to 250,000 shares without collapsing the stock's price. The Morgan-led syndicate demanded that the Vanderbilts refrain from further sales for a year or until all syndicate shares were placed. Another technique to mask the high-volume sale was to sell shares abroad, and J. S. Morgan and Company took an initial 50,000-share block. Junius could act with a discretion impossible on Wall Street. But it was no easy sales job: British investors were still getting mauled by American railroads, and dozens more foundered that year. The world economy was still depressed, with a deep slump in foreign lending. And in the largely unregulated Baronial Age, stock prospectuses were comically skimpy. The New York Central prospectus, for instance, was grandly evasive: "The credit and status of the company are so well known, that it is scarcely necessary to make any public statement."[34] With so little information about a company, the reputation of the sponsoring bank was critically important.

The New York Central deal had an unstated agenda. The syndicate allotted 20,000 shares to Jay Gould, 15,000 to Russell Sage, and 10,000 to Cyrus Field. The inclusion of the odious Gould was part of a truce between Vanderbilt's New York Central and Gould's Wabash, which had been feuding. At first, Vanderbilt wasn't thrilled about this, but Gould effectively blackmailed his way into the syndicate by threatening to deprive the New York Central of Wabash traffic. Gould also felt this association with the Morgans might cloak him in a new respectability and perhaps entitle him to better credit in the future.

When Pierpont announced that he had mysteriously sold the huge block of New York Central shares, much of it abroad, the financial world gaped with wonder. The commission was a colossal $3 million. As he had during the feud over the Albany and Susquehanna, Pierpont demanded a seat on the railroad's board of directors. As Junius told a partner, Pierpont was "to represent the London interest"—that is, he would vote their proxies.[35] Having long chafed at American railroad brigands—even organizing a $300,000 defense committee to protect their stake in Gould's Scarlet Woman—European investors now exacted their revenge. They were tired of railroad shenanigans—bankruptcy, skipped dividends, poor management. So Pierpont Morgan would be their blunt instrument with which to bludgeon American railroads into responsible behavior. He had just the right clubman's pedigree to inspire their trust. Once he chastised a railroad president by exclaiming, "Your roads! Your roads belong to my clients!"[36] Because railroads required constant capital and exhausted the resources of lone entrepreneurs, they were ripe for such banker domination.

As intended, the sale of William Vanderbilt's stock dispersed ownership and New York State slackened its assault against the road. But what the legislators didn't reckon on was that Pierpont would take those scattered shares and effectively recreate their combined power in himself. He began placing his golden manacles on the road. Besides voting all the London proxies, he insisted that the New York Central maintain its $8 dividend for five years, with the House of Morgan acting as fiscal agent to disburse those dividends in New York and London. Before long, the New York Central would be a Morgan road and the company whose shares were recommended most frequently by the Morgan family.

In standing up foursquare for British creditors, Pierpont took the risky step of identifying himself with a foreign power, creating confusion in the popular mind as to his political loyalties. From this time on, he would often be criticized as a mere appendage of London bankers, "a sort of colonial administrator; a representative in America of the financial might of Britain."[37] This ambiguity regarding the bank's Anglo-American character would not only foster considerable paranoia in the American heartland but would also create an identity crisis within the Morgan empire itself.

In the meantime, while Wall Street buzzed over the New York Central affair, Pierpont seemed to derive little joy from it. Far from puffing up with pride, he sounded frazzled and dispirited. Yet again he contemplated giving up business. An 1880 letter to his cousin Jim Goodwin shows how explicitly he began to view himself as an instrument of larger purpose, the representative of masses of investors. He wrote in part,

> I am pressed beyond measure. I never have had such a winter—and although my health has been better than I have had for many winters, still, so far as time is concerned, I have had no leisure whatever. If it were simply my own affairs that were concerned, I would very soon settle the question, and give it up; but with the large interests of others on my shoulders, it cannot be done—and I do not suppose there is any reason why it should, except that I often think it would be very desirable if I could have more time for outside matters.[38]

Several commentators have noted Pierpont's "savior complex," as seen in his private life by his marriage to the tubercular Mimi and in his business life by his crusades for the "London interests." In his own mind, he often acted to benefit others, not simply for self-aggrandizement. This pronounced sense of martyrdom made him extremely sensitive to criticism and also shielded him from true self-knowledge. In more extreme moments, it could invite megalomania. It was too easy to camouflage selfish impulses by invoking a higher cause as the real cause. At the same time, he wasn't motivated by purely selfish motives and had larger concerns than most bankers of his day. In future years, Morgan partisans would praise the bank’s high ethical standards and reputation for fairness, while critics would see the self-congratulatory rhetoric as sanctimonious and hypocritical. And both sides would prove right.

CHAPTER FOUR
CORSAIR

IN 1882, Pierpont was making half a million dollars a year, and the power balance within the Morgan empire began to tip from London to New York. To mark their new financial status, Pierpont and Fanny sold their high-stooped house on East Fortieth Street and bought a brownstone formerly owned by Isaac N. Phelps (of Phelps, Dodge copper fame) at 219 Madison Avenue at the northeast corner of Thirty-sixth Street, still in Manhattan's Murray Hill neighborhood. In this less crowded New York, the East River was still visible from the house. At a time of sybaritic indulgence, when businessmen wallowed in luxury and showy greed was all the rage, the Morgan home was imposing but unadorned. Its entryway was flanked by Ionic columns, and a bay window overlooked Madison Avenue. Heavy wood furniture and bric-a-brac filled the rooms. In his high-ceilinged library, paneled in Santo Domingan mahogany, Pierpont set his massive desk; it stood in the middle of the room as if the library were the partners' room of a merchant bank. This library was a place of such forbidding gloom that the staff of twelve servants called it the "black library."[1]

A novel feature of the Morgan household was electricity: it was New York's first electrically lighted private residence. Pierpont's interest in the newly harnessed source of energy stemmed from a business deal: in 1878, Thomas Alva Edison had secured capital from the Morgan partners and other financiers to establish the Edison Electric Illuminating Company. Unfortunately, the infernal racket of the electrical generator was the bane of the Morgans' neighbors. Downtown, Drexel, Morgan hosted early meetings of the Edison company and in 1882 became the first Wall Street office to draw electricity from Edison's generating station at Pearl Street. Edison himself, in a Prince Albert coat, attended the debut of electric power at 23 Wall Street, and he kept his personal account at the bank.

The decision to stay in Murray Hill said much about the Morgans, who scorned the *nouveaux riches.* When they opted for that neighborhood, the "quality" were already moving uptown. Along Fifth Avenue, exhibitionist moguls built gaudy palaces, their styles plundered from European chateaus. From Fifty-first to Fifty-second streets, in elephantine splendor, rose William Henry Vanderbilt's mansion. Between Fifty-seventh and Fifty-eighth streets, Cornelius Vanderbilt II, son of William Henry, built another palace on the present site of Bergdorf Goodman.

Matthew Josephson has offered an unforgettable portrait of Gilded Age vulgarity:

> At Delmonico's the Silver, Gold and Diamond dinners of the socially prominent succeeded each other unfailingly. At one, each lady present, opening her napkin, found a gold bracelet with the monogram of the host. At another, cigarettes rolled in hundred-dollar bills were passed around after coffee and consumed with an authentic thrill. . . . One man gave a dinner to his dog, and presented him with a diamond collar worth $ 15,000. At another dinner, costing $20,000, each guest discovered in one of his oysters a magnificent black pearl. Another distracted individual longing for diversion had little holes bored into his teeth, into which a tooth expert inserted twin rows of diamonds; when he walked abroad his smile flashed and sparkled in the sunlight. . . . "[2]

A cross between Connecticut Yankees and London aristocrats, the Morgans shrank from extravagance and shielded their lives from the newspapers. Like European *haute banque* families, the Morgans were very private. Pierpont was fanatic about his privacy and created an enduring image of a top-hatted tycoon snarling and brandishing a stick at photographers. He belonged to nineteen private clubs, most of the sort restricted to Anglo-Saxon Christian men, and liked to mingle with old money. Unlike most members, he preferred building clubs to using them. When some friends were blackballed from the Union Club, he had Stanford White design the Metropolitan Club, which acquired the tag of the Millionaire's Club. Morgan was the first president. He was never a champion of social justice or equality. When Theodore Seligman, son of one of New York's most prominent Jewish bankers, was blackballed from the Union League Club in 1893, Pierpont didn't protest the exclusion.

For Pierpont, a gentleman wasn't a rich man but a member of a social caste. He is associated with two statements about yachting that sum up his philosophy. The first is that "you can do business with anyone but you can only sail a boat with a gentleman,"[3] and the second (perhaps apocryphal) that anyone who asked about the cost of maintaining a yacht shouldn't buy one. He had no time for bounders or upstarts and despised the rich idle young men about town who pursued women in clubs and cafés. The Morgans would always be strong believers in the work ethic and the duties of the rich. They shunned the snobbish version of high society embodied by Mrs. Astor and Ward McAllister's "Four Hundred"—supposedly the *crème de la crème* of New York society. In bluff, manly style, Pierpont would have thought their balls prissy or vulgar.

A stuffed shirt, Pierpont liked to play chess or whist in the company of older, settled men. He believed in convention and always wore social uniforms suitable to the occasion—a bowler in winter, a Panama hat in summer, for instance. Even when he toured Egypt in 1877 he wore knickerbockers, watch chain, and pith helmet—the approved dress for the imperial tourist. "Physically and intellectually, Morgan reproduced the traditional old-time London banker," said Alexander Dana Noyes.[4] At the office, sitting at his rolltop desk, he wore stiff winged collars, ascots, and heavily starched shirts—trademarks of the serious banker. Only on sweltering days would he peel off his coat in the clublike atmosphere. Like his father, he called himself a merchant and his firm a countinghouse.

The early 1880s saw Pierpont's metamorphosis from a dashing, muscular young man into the portly tycoon with fierce visage and blown-up nose. Now in his forties, he had graying hair and eyebrows and still sported a handlebar mustache. The acne rosacea that had troubled him since adolescence took root in his nose, enlarging and inflaming it until it became Wall Street's most talked-about protuberance. Over the years, it would take on a cauliflower texture. Many people would notice a link between the nose and Pierpont's fiery temper. The nose certainly contributed to an insecurity and lack of social ease that were thinly masked by a barking voice and tyrannical manner. The blustery tone warned the world not to stare at the face. The nose must have been a terrible handicap for a shy, self-conscious man with a tremendous need for female admiration.

The body swelled with the face. In the 1880s, a generation of Wall Street bankers was doomed by the wisdom of one William Evarts, who credited his longevity to "never under any circumstance having taken exercise. "[5] Pierpont usually played cards at a club after work rather than join in a game of tennis. He occasionally lifted dumbbells, but in the late 1880s a medical sage advised him to "stop exercise in every form. Never even walk when you can take a cab."[6] Pierpont loyally followed doctor's orders, doing so while smoking Havana cigars so big and black that they were dubbed Hercules' clubs.[7] A teetotaler by day—the Morgan banks, by tradition, never served alcohol at lunch—he compensated for this abstinence at night, progressing from predinner cocktails to sherry or claret with meals and then to brandy or port afterward. More than husky, he began to develop the sleek girth that symbolized contemporary tycoons.

Although a retiring person beneath his bossy manner, Pierpont maintained an acquaintance with an extensive number of people. As a merchant banker, he had to cultivate clients, and his business life was necessarily social. As a later Baring Brothers chairman remarked of the business, "One of the facets of the art is that if you do not get on with the people you are trying to advise, then you find yourselves out the door."[8] And Pierpont engaged in a constant whirl of dinners and civic functions.

These social pressures took their toll on his marriage, which had already begun to turn into a cold, empty charade. Fanny Morgan was bashful and lacked all relish for the social duties incumbent upon a merchant banker's wife. Sad and anxious, sweet and pious, she preferred reading, gossiping with friends, talking about religion, and discussing social questions. She would be more popular with both their children and their grandchildren than would the dagger-eyed Pierpont. As his world grew larger, Fanny's spirit was either not large enough or not willing enough to fill that space with him. One also suspects that the couple clashed as a result of their very similarity. Both were sensitive and high-strung and too melancholic to provide much solace for the other. Fanny wasn't a tonic to Pierpont's habitual moodiness, and he was doubtless much too busy to attend to her needs. The practical marriage, the supposed antidote to the Mimi affair, turned out to be dangerously impractical.

When Junius returned to London after his 1877 dinner, Pierpont followed. It was the first Christmas he spent away from his children. The next year, Fanny didn't join him for the annual spring trip abroad, and he thereafter developed the habit of traveling to Europe with one of his daughters, spending months apart from his wife each year. These trips combined business and pleasure, and provided cover for infidelity. As a high Victorian, he was proper and respectful toward Fanny in public, even as their separations lengthened. Over time, she would become morose and something of an invalid, pouring her heart out, to her son Jack, among others.

Pierpont wasn't the sort to suffer a loveless marriage lightly. As revealed by his love for Mimi, he was highly romantic. He made pilgrimages to Mimi's grave in Fairfield, Connecticut, traveling there on the anniversary of their wedding or of her death.[9] His eyes cloudy and troubled, he had the soul of a voluptuary beneath a banker's custom-made suit. Even as he scared people away, he was a lonely man, carrying around a vast despair that he couldn't share with anyone. His unhappy marriage probably plunged him deeper into business while also denying him the pleasure of his triumphs.

PIERPONT'S connections in the realm of charity were almost as extensive as his business interests. He preferred to give to religious, cultural, and educational causes, not to social welfare agencies. He never tried to solve the problem of poverty. He wanted to build institutions that were private and elite. He was an original patron of the Metropolitan Museum of Art and the American Museum of Natural History, had a box within the Metropolitan Opera's Golden Horseshoe (he liked romantic, florid operas, especially *Il Trovatore),* and was a major contributor to Saint Luke's Hospital. After Junius took in S. Endicott Pea-body (a distant relative of George's) as a partner in London, Pierpont helped his son, the Reverend Endicott Peabody, to buy ninety acres north of Boston for a new prep school, Groton. Modeled after Rugby, it was supposed to develop a good, manly, Christian character in its pupils. Ironically, it spawned that arch enemy of the House of Morgan—Franklin Delano Roosevelt.

Through his friend and personal physician, Dr. James W. Markoe, Pierpont gave one of his rare gifts to the immigrant masses then streaming into New York's Lower East Side. In 1893, Markoe told him of an operation he had performed in a tenement kitchen to save an immigrant mother and her baby. Pierpont counted out three hundred-dollar bills. "See that she gets the proper care," he said, handing the money to the doctor.[10] Eventually Dr. Markoe persuaded him to contribute over $1 million to erect a new building for the New York Lying-in Hospital, where nurses would provide poor pregnant women with food, milk, and prenatal care. Dr. Markoe became the director. As Pierpont became more of a philanderer, his concern for unwed mothers would be the subject of wisecracks about town, as well as stories of doctors at the hospital who married Pierpont's mistresses.

But the institution that most absorbed Pierpont was the Episcopal church, which was part of the Anglican Communion. Religion united his values—beauty, order, hierarchical relationships, veneration of the past, pageantry and pomp. As New York's most influential Episcopal layman, he attended the church's triennial conventions and participated in its abstruse debates. Religion logically accompanied the moralism that drove him at work and lay at the bottom of his indignation at American business practices. His maternal grandfather was a preacher, his paternal grandfather a lusty hymn-singer, and his father's banking maxims were phrased in the epigrammatic style of sermons, Junius often sounded like a frustrated clergyman: "Self-approbation and a feeling that God approves will bring a far greater happiness than all the wealth the world can give."[11] And Pierpont himself was wont to pontificate at 23 Wall Street.

For Pierpont and Fanny, Sundays were devoted to religion. They attended Saint George's Church on Stuyvesant Square, where Pierpont had been a vestryman since 1868, and spent Sunday evenings singing hymns. To gratify Fanny, Pierpont also attended Wednesday evening sessions of the Mendelssohn Club, a choral group. In his early years, he had a strongly prudish streak. In general, his religious interests weren't tied to codes of earthly conduct. Religion moved him on a more primitive level. Whether roaring out hymns at revival meetings or sitting alone in Saint George's, savoring organ music in semidarkness, he seemed mesmerized by ritual and lapsed into reveries of mystic depth.

Approaching Scripture with the literalism of a fundamentalist, Pierpont was as credulous as a child. In 1882, he visited Palestine. Deeply moved, he wrote Fanny about the sensations he experienced before the doorway of Christ's sepulcher: "There is the slab on which He was laid. Impelled by an impulse impossible to resist you fall on your knees before that shrine."[12] In later years, he told his librarian, Belle da Costa Greene, that he believed every word in the Bible, including the account of Jonah and the whale. Once traveling down the Nile with Bishop William Lawrence, he pointed out the precise spot where Moses was plucked from the bulrushes and insisted it happened exactly as set forth in the Bible. In view of this credulity, it is not surprising that Pierpont was fascinated by the occult. For years, he commissioned the astrologer Evangeline Adams to read his horoscope, asking her to study his stars on everything from politics to the stock market. When his son, lack, was born, the infant's horoscope showed a cardinal cross, associated with depressions—an apt prophecy for the Morgan who steered the bank through 1929.

In 1883, the thirty-three-year-old Rev. William S. Rainsford took over as Saint George's rector. He was a handsome young Irishman with a Cambridge education. Having bankrolled the church's activity, Pierpont had a hand in his appointment. As a social reformer and fiery exponent of the "social gospel," Rainsford told Morgan he would take the job only if the church were democratic and open to the poor. "Done," said Morgan, who agreed to make up the church's deficits.[13] And Rainsford indeed welcomed the poor into Saint George's now-free pews. Eventually the two men became so close that they had breakfast together every Monday morning at 219 Madison Avenue, and Morgan built several new church buildings.

Dr. Rainsford later ran into trouble when he tried to enlarge and democratize the vestry, which met in Morgan's "black library." This went against the grain of Pierpont's arm's-length philanthropy, and he bluntly retorted: "I do not want the vestry democratized. I want it to remain a body of gentlemen whom I can ask to meet me in my study—gentlemen who would feel at home and who could make up deficits out of their pockets."[14] He sent a letter to Rainsford, resigning his post as senior warden; the young rector stubbornly refused to accept it. For several weeks, the two men continued their Monday breakfasts, both eating in silence. During these meals, Pierpont may have recalled the rich men who hounded his reformer grandfather, the Reverend Pierpont. After several weeks of this standoff, Morgan invited Rainsford to see him set sail for Europe. Alone with Rainsford in his stateroom, Pierpont threw his arms around him and exclaimed, "Rainsford, pray for me, pray for me."[15] The feud ended with this melodramatic display of contrition.

Rainsford has left interesting impressions of Pierpont's religious faith: "His beliefs were to him precious heirlooms. He bowed before them as the Russian bows to the 'ikon' before he salutes the master of the house."[16] He saw that for Pierpont the Church wasn't an active, reforming spirit, but a repository of ancient beauty, powerful because it was archaic and unchanging. Rainsford also credited Pierpont with intense loyalty and forthright honesty: "When he said a thing, and looked full at you as he said it, to doubt him was impossible."[17] It was the same look that transfixed two generations of railroad presidents and industrial moguls.

ALTHOUGH the business life of Pierpont Morgan was bound up with the railroads, Pierpont felt more keenly the allure of the sea. At a time when private railroad cars were common showpieces among tycoons, Pierpont never owned one and took private cars, as needed, from the railroads he directed. By midlife, the sea was his best remedy for depression, the place where he escaped from the perpetual strain of the office and was liberated from care. When a yacht-owning fad swept fashionable New York in the 1880s, he needed little inducement to participate. In 1882, he bought the first of a series of enormous yachts, named *Corsair*, and joined the New York Yacht Club. This black-hulled steam yacht—165 feet long and the second largest in the club's fleet—marked a new Morgan magnificence.

It was probably no coincidence that Pierpont bought the *Corsair* soon after it first became apparent that his marriage was disintegrating. The boat was more than a showy bauble. It gave him a social setting beyond Fanny and the children and would later figure in many stories of secret revelry. It permitted an outlaw life beyond the stuffy Victorian bounds of his early married days. He created a group of friends known as the Corsair Club, which provided the camouflage needed to smuggle women on board. The ship was also a second home, particularly when Fanny and the children retreated up the Hudson to Cragston for the summer. Often, Pierpont would dine on the ship and spend the night as it lay at anchor off Manhattan.

Purchase of the *Corsair* coincided with a new phase in Pierpont's career, in which he became an arbiter as well as a financier of railroads. The boat was useful as a meeting place to settle disputes, a secret clubhouse beyond spying eyes. Pierpont had an actor's talent for creating dramatic backdrops for his exploits, and the *Corsair* allowed his business life to take on an aura of operatic flamboyance. This was never truer than in the 1885 dispute between the Pennsylvania Railroad and the New York Central over a railroad called the West Shore.

Pierpont's involvement had a personal dimension. One day in 1881, he saw a peddler leading a pair of donkeys up Broad Street; delighted by their resemblance to small donkeys he had seen in Egypt, he sent a clerk out to buy them. Christened Beelzebub and Apollyon, they were favorites of the Morgan children at Cragston. The following year, his children felt menaced by Irish ruffians building a new railroad below his house on the Hudson's west bank, and Pierpont forbade them to ride unaccompanied by an adult. At the same time, blasts of explosives from the construction of this new West Shore road rattled Cragston's windows, invading the tranquil Morgan hideaway.

The West Shore was that railroad bane of the period—the blackmail line. Extortion artists would lay down parallel lines just to be bought out by an established road. Since railroads were natural monopolies and couldn't survive much direct competition, they could be easily threatened by small competitors. The West Shore ran up the west side of the Hudson, parallel to the New York Central on the opposite bank, then tracked the Central to Buffalo. It was widely believed the powerful Pennsylvania Railroad stood behind the West Shore. So in retaliation, the New York Central broke ground on a South Pennsylvania road to compete with the Pennsylvania from Philadelphia to Pittsburgh.

A fierce rate war between the West Shore and the New York Central hammered down stock and bond prices for both companies, confirming Pierpont's growing hatred of competition. It came at a precarious time for railroad bankers. During a stock market plunge in 1883, there was a near-panic in American rail stocks in London, producing a rising clamor for a financial czar who could arbitrarily settle such disputes. Cyrus Field cabled Junius, "Many of our business men seem to have lost their heads. What we want is some cool-headed strong man to lead."[18] As fiscal agent for the road, Junius watched with alarm as New York Central stock fell below par for the first time; its dividend was halved. In early 1885, Pierpont went to London to consult with Junius and fumed over the "absurd struggle for preeminence" plunging America's railroads into internecine warfare.[19] By the spring of 1885, the West Shore had gone into the hands of a receiver, while the hard-pressed New York Central deferred critical maintenance.

It seems anomalous that America's most famous financier was a sworn foe of free markets. Yet it followed logically from the anarchy of late nineteenth-century railroads, with their rate wars, blackmail, lines, and lack of standardized gauges. To destroy competing lines, railroads could simply refuse to transfer freight to roads that abutted theirs. From an engineering standpoint, Pierpont knew little about railroads. What he did know was that they required steady revenues to cover their fixed interest costs on bonds marketed in New York and London. In the mid-1880s, freight rates were declining sharply under the pressure of savage price-cutting. Pierpont decided that "the principal thing was to secure a harmony between the Pennsylvania and New York Central."[20]

On the sultry morning of July 20, 1885, with an impresario's flair, Pierpont staged a reconciliation between America's two largest railroads. After picking up the New York Central's president, Chauncey Depew, he crossed to a New Jersey pier and took aboard George H. Roberts, president, and Frank Thomson, vice-president, of the Pennsylvania Railroad. Pierpont always denied his yacht was chosen for the sake of secrecy. "I do not know that that was a part of the consideration," he later testified. "It might have been."[21]

Before bringing both parties on board, he worked out the broad outlines of a truce. While the *Corsair* sailed up and down the Hudson, he sat under the rear awning, flanked by the railroad chiefs and smoking his nightmarishly huge black cigar. He stressed the displeasure of European investors with American railroads, but mostly let the railway men debate among themselves. In general, he used two negotiating ploys. He would create a "no-exit" situation and add to it threats that his rivals faced a deadline—a way of building tension and softening up the parties. Also, by saying little, he underscored his position as honest broker and permitted the antagonists to vent their anger. Pierpont was, by nature, a laconic man. He had no gift for sustained analysis; his genius was in the brief, sudden brainstorm. As one lawyer said of him, "Morgan has one chief mental asset—a tremendous five minutes' concentration of thought."[22] By the time the railroad presidents were deposited on their respective shores at seven o'clock that evening, they had agreed to buy out each other's lines and desist from their mutually destructive warfare. Years later, the tunnels and embankments from the abandoned South Pennsylvania line would be incorporated into the Pennsylvania Turnpike. And as the New York Central's business expanded, it enlisted the West Shore tracks for a second line along the Hudson River.

The newspapers lionized the author of this Great Railroad Treaty of 1885, also known as the Corsair Compact.[23] Pierpont had pulled off such a masterly feat that even Junius—so stingy with compliments—told Fanny, "Pierpont handled the West Shore affair better than I could have done it myself."[24] Pierpont was forty-eight when Junius voiced this unprecedented compliment. Once again, Pierpont had performed the kind of task of industrial arbitration that would later be left to courts and public commissions. In the rough-and-tumble of the Baronial Age, competition was naked and brutal, and businessmen lacked trade groups in which they could discuss common problems. Bankers could intervene as neutral parties, particularly where, as with Drexel, Morgan, they had performed work for both companies. Over the years, Pierpont would employ the sharpest lawyers, yet his preferred style was more British—informal deals, handshakes over brandy and cigars, cordial clubroom chats among bankers as they stood in frock coats and stiff collars.

The Morgans were never litigious. During one railroad battle, Junius wrote Pierpont, “I hope you will not be tempted into litigation. Life is too short for that.”[25]

Bloodletting among railroads intensified in the 1880s. Several rail roads skirted bankruptcy. In 1886, Drexel, Morgan reorganized the big Philadelphia and Reading Railroad. This involved issuing new bonds with lower interest rates and assessing shareholders to lighten the burden on the line. The revived railroad was then taken over by a Morgan antagonist named A. Archibald McLeod, who later declared, “I would rather run a peanut-stand than be dictated to by J. P. Morgan.”[26] He freely defied Morgan and invaded the territory of his other railroads. The experience would convince Pierpont not to release his grip on reorganized companies.

The basic weakness with America’s railroad system was overbuilding, which forced the roads into endless rounds of rate cuts and wage cuts to service debt. At the same time, the massive power of their largest consumers—notably Rockefeller in oil and Carnegie in steel—forced them to grant preferential rebates to big shippers, enraging small western farmers and businessmen and stimulating calls for government regulation. For Pierpont, the leading symbol of railway monopoly, pure competition was never an option. Years later, he said, “The American public seems to be unwilling to admit . . . that it has a choice between regulated legal agreements and unregulated extralegal agreements. We should have cast away more than 50 years ago the impossible doctrine of protection of the public by railway competition.”[27] As we shall see repeatedly, the House of Morgan always favored government planning over private competition, but private planning over either.

In 1887, Congress passed the Interstate Commerce Act, the first regulatory commission, which enshrined competition as its guiding principle and eliminated the controversial rebates. Supporters of the act formed a diverse constituency, ranging from small shippers to the railroads themselves; the latter accepted the inevitability of regulation and hoped that in the proper form it might provide some sorely needed stability. But within six months of the creation of the Interstate Commerce Commission, the rebates reappeared. Hence, in 1888 the railroad chieftains decided to graft their own form of self-regulation on the ICC framework under the aegis of Pierpont Morgan.

That December, newspaper readers were regaled with accounts of mysterious doings at Morgan’s Murray Hill home. As reporters staked out the house, they saw a procession of western railroad presidents and bankers disappear inside. Those arriving included Charles Francis Adams of the Union Pacific and a ghastly sick Jay Gould representing the Missouri Pacific. The Morgan house was under siege: reporters kept ringing the doorbell and fixed opera glasses on the windows. Inside, at the head of his library table, Pierpont opened the discussion with these words: “The purpose of this meeting is to cause the members of this association to no longer take the law into their own hands when they suspect they have been wronged, as has been too much the practice heretofore. . . . This is not elsewhere customary in civilized communities, and no good reason exists why such a practice should continue among railroads.”[28] Clearly, Pierpont’s European experience formed his frame of reference.

Backed by representatives of Barings and Brown Brothers, Pierpont offered the railroad presidents a deal: if they refrained from rate-cutting and cutthroat competition, the financiers would stop underwriting competing railways. It was a clever move, for while Wall Street accused the railroads of irresponsible behavior, the railroads blamed Wall Street for floating too many securities and creating the overexpansion that led to price wars. Morgan himself was accused of sponsoring overcapitalized lines that couldn’t weather recessions because of their heavy debt load. The December 1888 meetings produced a gentleman’s agreement to maintain rates for sixty days; then the group would reassemble at Morgan’s house.

A similar gathering took place at Pierpont’s “black library” in January 1889. This one yielded plans for a huge centralized group to regulate the entire rail system—the Interstate Commerce Railway Association. This behemoth would set rates, arbitrate disputes, and mete out fines to offending railroads. Pierpont was to head the cartel. The New York *Sun* called the new group “nothing short of a revolution in railroad methods.”[29] But the new group soon fell apart under the pressure of western rate wars.

Pierpont’s last stab at establishing railroad stability took place at a meeting on December 15, 1890. Besides the earlier luminaries, this gathering drew Stuyvesant Fish of the Illinois Central, fames J. Hill of the Great Northern, and T. F. Oakes of the Northern Pacific. Pierpont presented a plan for a Western Traffic Association, which would include one director from each railroad and would set uniform rates; any railroad that cheated would be discharged. He was mightily pleased with his plan. In a rare burst of public candor, he exulted to a reporter, “Think of it—all the competing traffic of the roads west of Chicago and Saint Louis placed in the control of about 30 men!”[30] The statement is splendidly innocent, yet perilously blind. Pierpont believed so implicitly in his own fairness and good judgment that he saw no harm in a large section of America’s economy coming under his personal dominion. The *New York Herald* blared, “RAILROAD KINGS FORM A GIGANTIC TRUST.”[31] Before too long, this plan, too, would crumble.

In the last analysis, the gentleman’s agreements suffered the historic fate of cartels. They couldn’t control small outside competitors, who cut rates, outflanked larger rivals, and won new business. With surreptitious cheating and lack of discipline, deals soon collapsed. Even the now-immense authority of Pierpont Morgan couldn't solve the structural problems caused by too many railroads chasing too few passengers and owing too much money. As scores of railroads went bankrupt during the 1893 panic, Pierpont would reorganize many of them and use controversial new techniques to bring about order.

This phase of Pierpont's life shows that his real vice was not money but power. This was not power of a pathological sort, not power to bully men and bask in glory—though there was some of that—but power to take what he saw as a topsy-turvy financial world and set it right. Among robber barons, he was unique in suffering an excess of morality. He believed that he could master the problems of his era at a time when others were confused by the sheer dynamism and speed of economic change.

As this new power accrued to the House of Morgan, making it the premier American bank, excruciating responsibility fell on Pierpont's shoulders. Yet his office staff was slim, with only eighty employees. Pierpont didn't even have a permanent secretary. Junius continued to warn his son against exhausting immersion in business. At the same time, his secretive merchant-banker's sensibility was shocked when Pierpont appointed a clerk to open incoming mail. In the late 1880s, in a final volley of advice, Junius wrote that "no body, however strong & well he may be, can stand such strain upon his physical and mental powers as you have had for the last 2 years without paying sooner or later the penalty unless he gives them a *real rest* & gives it to them *in* season."[32] Yet Junius never saw how much his own unbending style and unrealistically high standards had contributed to Pierpont's slavish dedication to work.

BY the 1880s, as his health was fading, Junius Morgan slowly eased out of business. The Iron Duke of the Morgan saga had become the most influential American banker in London, a peer of Barings and Rothschilds, his firm participating in an international smorgasbord of loans—for the Egyptian national bank, Russian railways, Brazilian provincial governments, and Argentinean public works. Whatever his health problems, he gave an impression of rock-solid durability; the London *Times* declared him "a hale and vigorous man, for his years."[33]

In 1884, Junius's wife, Juliet, died at the age of sixty-eight. Surrounded by her favorite collection of china dogs, she had been, as the Morgan family tactfully phrased it, "confused" in her later years and confined to an upstairs room much of the time. Thus, she had been unable to share in her husband's life. After her death, Junius's solitude was relieved by twice-weekly letters from Pierpont and visits from his grandchildren. J. P. Morgan, Jr., whom the family called Jack, worshiped his grandfather and particularly liked the English formality at 13 Princes Gate, including the way the servants treated him as “heir apparent.”[34] Junius was as attached as ever to Pierpont. After a visit from him in the south of France, he wrote, “Pierpont & family left today —House very lonely—miss them dreadfully.”[35]

These visits were Junius’s main pleasure at the end. A photograph of him taken in 1890 shows the firm mouth and steady gaze of earlier years. His hair was snow-white, his eyebrows white and tufty, and the top of his head was bald. He spent winters at the Villa Henriette in Monte Carlo, which had a beautiful view of the Mediterranean. Leading an orderly, bourgeois life, he dined with friends and took afternoon carriage drives. During one excursion on the afternoon of April 3, 1890, the horses were startled by an onrushing train. Junius jumped up to see whether his coachman could master the team. At that instant, the carriage ran against a heap of stones and flung him violently against a wall, breaking his wrist and causing a brain concussion. For five days, he lay unconscious. Then the flow of maxims ceased forever. Perhaps it was appropriate that Junius’s death was dealt by one stunning blow in his seventy-seventh year rather than by a dribbling away of strength,-in its obituary notice, the London *Times* remarked that he had hardly been ill in his life.[36] Certainly there was mysterious symbolism in the fact that a train’s sudden roar, upsetting a pastoral landscape, had killed one of London’s foremost railroad bankers.

Junius was buried in the Cedar Hill Cemetery in Hartford. As he had for Peabody, Pierpont devised a funeral suitable for an illustrious warrior-hero. Hartford shopkeepers along the funeral route closed their businesses for the occasion, while flags flew at half-mast over the state capitol. Pierpont’s inscription to Junius for the Morgan Memorial Building at the Wadsworth Atheneum said much about their common identification with London’s merchant-banking tradition: “In loving memory of Junius Spencer Morgan, a native of Massachusetts, a merchant of Hartford . . . afterwards a merchant of London.”[37]

Did Pierpont resent his father’s domination? Or was his admiration as unmixed as he claimed? Whatever anger or ambivalence he felt was buried beneath gigantic monuments. He honored Junius like Hamlet’ mourning the dead king. For twelve years, he gathered up land around Hartford’s Wadsworth Atheneum in order to create the Morgan Memorial, a $1.4-million pink marble building in English Renaissance style that doubled the museum’s size. Years later—glancing impatiently at his pocket watch all the while—he surveyed blueprints and rapidly picked out three new buildings for the Harvard Medical School, again to certify a son’s love. And upon the red damask wall of the West Room of his own library, Junius's portrait would hold pride of place, ringed by Umbrian Madonnas and infant Saviors—the powerful patriarch surrounded by loving children and ethereal females. After a small fire at his Madison Avenue townhouse, Pierpont was asked which treasure he would have rescued first. "My father's portrait," he said without hesitation.

An American magazine had recently listed Pierpont and Junius as among America's richest men. Now Pierpont inherited an estate of $12.4 million, and his personal fortune doubled overnight. Ten million dollars would stay in the bank. He was bequeathed control of a banking empire and assumed his father's position in the City. Like his father, he stood astride that flow of capital from Britain to America and would profit as it reversed direction in the new century.

After Junius's death, some shackle was lifted from Pierpont's spirit. A new grandiosity flowered and he self-consciously became J. Pierpont Morgan, mogul, pirate, patron of the arts. Before Junius's death, Pierpont's collections were modest; in 1888, he had bought his first literary manuscript, a Thackeray. Now he embarked on a buying spree that would eventually produce the world's largest art collection in private hands. To trumpet the new J. P. Morgan, he also enlisted his friend J. Frederic Tams to design *Corsair II.* Tams was given blank Drexel, Morgan checks and told to forget about expense; the only restriction was that the boat be able to turn around in the Hudson River near Cragston. A dark, sleek ship with a glamorous black hull and yellow smokestack, this new *Corsair* measured over two hundred and forty-one feet in length and aggressively laid claim to the title of the largest pleasure vessel afloat. In time, the mere appearance of the *Corsair II* in foreign harbors would alarm the populace, as if warning of an impending invasion of American capital.

THE men in the Morgan family might have been far happier had not each of three consecutive generations produced only one son to survive to adulthood. In merchant-banking families, the whole weight of the dynasty was at once placed on the male infants. Unlike publicly traded companies, which have a corporate life of their own, private merchant-bank partnerships often relied upon the name, capital, and reputation of a single family. If the male heir(s) refused to go into the family business, it might have to be wound up. Thus, Morgan expectations were lodged first by Junius in Pierpont, then by Pierpont in Jack. In both cases, business pressures would tremendously intensify the typical father-son tensions.

From the outset, Pierpont's relationship with Jack differed from his own with Junius. If Pierpont suffered from Junius's sometimes smothering attention, Jack suffered the curse of neglect. He craved the love of a father who seemed too remote and too self-absorbed to attend to his boyish needs. Between Jack and his father there would always be some distance, some nameless discomfort, that was very different from the intense, manly mutual fascination between Junius and Pierpont. Both Pierpont and Jack were shy and clumsy and steeped in New England formality. It was difficult for the delicate, insecure Jack to cope with the great flashing, roaring engine of a famous father.

Unlike Pierpont, who had been a wild, headstrong boy requiring a firm hand, Jack needed a father to buck up his faltering courage—which Pierpont didn't do. Jack was gentle and sedentary, lacking fire. He attended Saint Paul's School in Concord, New Hampshire, where rich adolescent boys were exposed to Spartan Yankee routines. They had to write weekly letters home but couldn't receive presents and had to seek pocket money from the rector. Where Pierpont wrote boyhood essays in praise of Napoléon, Jack seemed more protective of the weak. Explaining why one teacher was his favorite, he confessed: "I suppose that it is partly because I feel sorrier for him than any of the others—the boys do plague him so."[38] In 1880, at thirteen, he cried upon reading *Dom-bey and Son*, Dickens's novel about a stern magnate father and his sensitive son. Like his own father, Jack suffered migraine headaches that lasted for days. Big, awkward, and docile, Jack liked well-bred boys, not ruffians, and already sounded middle-aged at twelve, telling Fanny he refrained from marbles because "it doesn't pay for the wear and tear and chapping of the knuckles."[39]

Jack lacked the nerve to contest his terrifying, distant father. Where Pierpont had the fortitude to confront Junius, Jack silently hoped for approval and leaned on his mother for emotional support. He found his father a man of violent and mercurial moods. His anxiety grew especially acute about money, a subject invested with many family taboos. Like the young Pierpont, Jack kept strict accounts of his expenses. We find him recording ten cents for a library fine at school and charging expenses against his "Christmas money" or "grandpa money."[40] Whenever the subjects of Pierpont and money coincided, Jack trembled: "You see I don't mean to do anything about money that Papa wouldn't like," he told his mother. "Papa hates so to have me come to him about money matters that I did not mean in any way to hint that he ought to pay the bill."[41] Such sentiments abound in his boyhood letters.

Jack's letters to his mother form the most complete record of Morgan family life; unfortunately, no account from Fanny's side remains. It is clear, however, that Jack was passionately attached to his mother. Sensitive to each other's melancholy, they shared the great enigma of J. Pierpont Morgan and consoled each other for forty years. Later on, we shall see Jack Morgan as a bitter old man, yet here he was as an ardent boy, bursting with affection, telling his mother: "Dear, I love you as you know and just now I am full of comfort thinking I am going to see you in less than a week."[42] Even as a teenager, he felt protective toward Fanny and sometimes sounded more like parent than child. As Fanny became depressed and bedridden—there are many references to her invalidism in Jack's letters—he tried to cheer her up. In 1889, he wrote, "As to your blues,--I can only say, what every one else does, do take care enough not to overtire yourself, and watch against them all you know how."[43] As a teenager, he was slightly puzzled when a friend's mother described Fanny as "calm cold unenthusiastic."[44] Yet the episode suggests that Fanny may have been aloof in the outside world and showed her emotions only in private.

While Pierpont had a smattering of university education at Göttingen, Jack was the first Morgan to obtain a college degree, graduating from Harvard in 1889. He had a broad, smooth face, with dark hair flattened on top, and a mustache. His Harvard years, which coincided with his father's gentleman's agreements, were free of rebellion. While Pierpont knocked heads with railroad satraps in New York, Jack loafed, smoked pipes, and took a gentleman's C, spending his senior year studying the properties of seaweed. It was symptomatic of Jack's humility and his insecurity that when he made an exciting discovery in his laboratory, he chalked it off it to luck.

Like his mother, Jack enjoyed literature, but seemed unsettled by dark worldviews. Proper and squeamish, he was disturbed by *Faust's* tragic ending and found *La dame aux camélias* depressing. There would be no tubercular Mimi or tear-stained adventures in Jack's young life. Sailing to Europe in 1887, he wrote, "There is only one girl on board who could be called a belle and I have kept very clear of her because she struck me as being very *common*."[45] He flirted with no dangerous doctrines and was already impatient with meddlesome people who stirred up trouble. "I don't know why so many people . . . seem to look upon business as if it were the general sewer in which all ambition and intelligence disappear. I must confess I don't see any harm myself in making a little money, provided that it can be done honestly and reasonably."[46] He was also quite religious. Where other young men hotly debated the justice of the social order, Jack worried about whether gambling should be openly denounced from the pulpit.

Jack has left a melancholy record of the emotional chasm that separated him from his father. He told one satiric story that also said much about Pierpont's self-absorption. He had invited a Harvard classmate to visit him at Cragston, and the young man rode up on the *Corsair* with Pierpont. After introductions, Pierpont promptly buried himself in the newspaper. When they landed, he said to Jack about the classmate, "That is one of the nicest young fellows I've met."[47]

Pierpont apparently found Jack soft and rather passive, lacking the sort of gumption he had as a young man. In 1884 and 1885, he arranged for his son to take a hunting trip in the Rockies with William Rainsford, the rector of Saint George's, who was a great sportsman. Jack shot a bighorn sheep and slept in a snowbound cabin—manly pursuits Pierpont hoped would toughen the young man up. Meanwhile, Jack's intimate life remained confined to his mother.

In 1889, Jack graduated from Harvard and met Jane Norton Grew, daughter of Boston banker and mill owner Henry Sturgis Grew. Descended from several prominent families, including the Sturgises and the Wigglesworths, Jessie, as Jane was called, had a proper Bostonian pedigree. Yet before approving the match, the Morgans and the Grews circled around each other and sniffed for a while. Jack passed along Jessie's genealogy to the snobbish Pierpont and kept requesting a chance to discuss their possible marriage. Finally Pierpont consented to talk with his son during his next trip to Boston. In a letter both angry and wistful, Jack told Fanny what happened:

> On Saturday Papa telegraphed me he should be in Boston a few hours and hoped to see me. He was to arrive at 6:40 and go back at midnight, with a party of twelve for a *Corsair* dinner. I expected to be nearly an hour with him, instead of which his train was delayed and instead of seeing him I waited under a railroad bridge in the rain for an hour, and had the delightful opportunity of driving from the Station to the Club with him in the same carriage with Mr. Bowdoin [Pierpont's partner] and Mr. Depew [then president of the New York Central]. As he had not sent me on a single one of your telegrams, and had not told me anything about Rainsford's plans or even if he himself was certain to sail on Wednesday the visit was somewhat unsatisfactory. There certainly are some drawbacks to belonging to a busy man no matter how fine he may be as I believe you have sometimes found out.[48]

Most revealing is how the letter ends—with Jack portraying himself and Fanny as common victims of Pierpont. A month later, anxious and trembling, Jack blurted out the facts of the situation with Jessie. Pierpont responded that in the spring he and Fanny would consider the matter. Frightened of his father, Jack was always relieved and grateful when he received sympathetic attention. After a subsequent meeting, he told his mother, "It would be hard for me to exaggerate my thankfulness for the way in which Papa received my confidences, and the satisfaction I feel in having spoken to him. It has made me less blue than I have been for months."[49] On December 11, 1890, Jack and Jessie were wed in Boston's Arlington Street Church, a marriage that made the front page of the *New York Times.*

The oral history that has come down through the Morgan family contends that Jack wanted to be a doctor and became a banker only when his father made it a matter of family honor.[50] In 1892, at the age of twenty-five, Jack became a partner in the Morgan banks in New York, Philadelphia, and Paris. During a twenty-year business association, Jack would remain a close observer of his father, charting his manic-depressive moods and giving him more generous sympathy than he received in return, although the relationship would become somewhat more equal toward the end of Pierpont's life.

Jack entered the Morgan empire at a critical time. In June 1893, Tony Drexel died while visiting the Austro-Hungarian health resort of Karlsbad, leaving an estate said to be worth between $25 and $30 million. While giving Pierpont managerial control in New York, the Drexel family had retained control of Drexel and Company in Philadelphia and Drexel, Harjes in Paris. In October 1893, Anthony Drexel, Jr., decided to retire and devote himself to society pleasures, thus enabling Pierpont to strengthen his hold over the interlocking partnerships in New York, Philadelphia, Paris, and London. At a dinner meeting at the Metropolitan Club—the sole time in Morgan history that the New York and Philadelphia partners sat in one room—he announced a new plan for centralized control.

In the 1895 reorganization, Drexel, Morgan was rechristened J. P. Morgan and Company, while the Paris office became Morgan, Harjes. The Philadelphia house remained Drexel and Company, but the Drexel family passed from the scene, and Pierpont tapped Edward T. Stotesbury, son of a Philadelphia sugar refiner, to head the Philadelphia office. J. S. Morgan and Company in London would soon undergo a major reorganization of personnel. Among the four Morgan partnerships, the only common denominator would be Pierpont's position as all-powerful senior partner; his associates, in contrast, might be partners in some, but not all the firms. Pierpont would take 35 percent of the profits of the combined houses. Power had now passed from London to New York, which would remain the command post of the Morgan empire. Despite its multinational veneer, the Morgan empire would be American-based, with partners at 23 Wall wielding disproportionate power. Where Junius had dispatched Pierpont to New York as the lesser financial center, so Pierpont would dispatch Jack to London, soon to be eclipsed by New York. On the eve of an unprecedented industrial boom in America, which would see the creation of vast trusts, the House of Morgan had opportunely shifted its center of gravity westward across the Atlantic.

PIERPONT Morgan's thunderous presence at 23 Wall Street could be observed by visitors as soon as they entered his glass-enclosed, wood-paneled offices. (The concept was copied from Junius's office.) Seated in a swivel chair before a rolltop desk on the Broad Street side, a coal fire behind him in winter, he would rise, stroll over, and question his partners as he needed to. Lincoln Steffens recalled how he sat in a back room with glass sides and the door open. This sense of access was illusory, however, for his imperious stare could reduce interlopers to jelly. He unnerved those who overstayed a visit by simply writing and not looking up. Steffens recalled that "his partners did not go near him unless he sent for them; and then they looked alarmed and darted in like office boys."[51] Even his partners called him Mr. Morgan, or the Senior. So there he sat, displayed like a carnival waxwork, the man Bernard Baruch termed "the greatest financial genius this country has ever known."[52] He invited intimacy but then rebuffed it; his aura was so fearsome that crowds parted before him on the pavement. Once, when an Episcopal bishop visited Cragston, Pierpont was able to flag down a West Shore train in the middle of the night so the prelate could make his way back to Manhattan.

There are many stories of Pierpont's brusque impatience and his economy of self-expression. He had a short attention span and sometimes worked only from eleven o'clock to three or four in the afternoon, pausing for a sandwich, pie, and coffee at his desk. After saving one merchant's business, he interrupted the man's grateful blubbering to say, "No, it is a busy day. There's no time for that. Good morning."[53] Few were privy to his thoughts, and he often had his own unstated agenda. Journalist Clarence W. Barron tells the story of a young Boston financier, F. H. Prince, who went to Pierpont for investment advice. Prince confessed, "I shook Mr. Morgan's hand and thanked him warmly for the great interest he was taking in me as a young man and said I should never forget his advice. I knew at this time that he was doing everything he could to ruin me."[54]

After Junius's death, Pierpont needed to loosen his autocratic grip, as the sheer volume of work outgrew his need for domination. He had long bewailed his inability to delegate authority—"It is my nature and I cannot help it"—and held no formal meeting of his partners until after the 1907 panic.[55] Despite the scope of his vision, Pierpont was extremely attentive to details and took pride in the knowledge that he could perform any job in the bank: "I can sit down at any clerk's desk, take up his work where he left it and go on with it. . . . I don't like being at any man's mercy."[56] He never entirely renounced the founder's itch to know the most minute details of the business. He examined the cash balance daily, boasted he could pay off all debts in two hours, had a deadeye for fake figures in scanning a ledger, and personally audited the books each New Year's Day. When he found an error, the effect could be memorable for the responsible employee. "He was a perfectly huge man and he had a voice like a bull," said Leonhard A. Keyes, then an office boy who wound the gold Tiffany clock on his desk.[57]

Pierpont Morgan's power flourished during the steep industrial recession that began in 1893. Over fifteen thousand commercial firms failed in a contraction that led to class warfare and quasi-revolutionary strife in many parts of the United States. The bloody rout of steel workers in the Homestead strike of 1892 gave way to the government's merciless crushing of the 1894 Pullman strike. Over six hundred banks failed during this period, and cash grew so scarce as a result of hoarding that brokers traded it on Wall Street curbs. Every company that failed and was reorganized by a bank ended up the bank's captive client. In 1892, General Electric had been formed through a consolidation of the Edison General Electric Company and Thomson-Houston Electric. When the new company failed the next year, Pierpont rescued it and thus insured GE's future loyalty to the House of Morgan.

Oppressed by debt and overbuilding, more than a third of the country's railway trackage fell into receivership, and English investors exhorted Pierpont to bring order to the industry. Thwarted by gentleman's agreements, Pierpont now tried another approach to forming railway cartels: he would reorganize bankrupt roads and transfer control to himself. Then he wouldn't be at the whim of government or feuding railway chiefs. In reorganizing railways, he ascended to a new plateau of power, beyond what any other private businessman had yet achieved. The lengthy catalogue of railroads that fell under his control included the Erie, Chesapeake and Ohio, Philadelphia and Reading, Santa Fe, Northern Pacific, Great Northern, New York Central, Lehigh Valley, Jersey Central, and the Southern Railway. Virtually every bankrupt road east of the Mississippi eventually passed through such reorganization, or morganization, as it was called. Some thirty-three thousand miles of railroad—one-sixth of the country's trackage—were morganized. The companies' combined revenues approached an amount equal to half of the U.S. government's annual receipts.

It is hard to exaggerate the power that Pierpont accrued. Railroads then comprised 60 percent of all issues on the New York Stock Exchange. Utility and industrial stocks were rated as too speculative for insurance companies and savings institutions, putting railroads in a blue-chip category by themselves. Also, by issuing free passes to politicians, the railroads exercised a giant, corrupting influence on state legislatures. As his bank became a gigantic mill for bankrupt railroads, Pierpont routinely picked up $l-million fees.

With morganization, fixed railway costs were slimmed, and creditors were forced to swap their bonds for ones with lower interest rates, enabling roads to resume debt service. Pierpont would also put a lien on the railroads' vast land and mineral holdings, so that money couldn't be diverted to other enterprises. A court case nearly a hundred years later would show how binding these arrangements were. In 1987, the Burlington Northern Railroad tried to free itself from covenants Pierpont had imposed on the bonds of its predecessor, the Northern Pacific, which fell into receivership in 1893. He had put a lien on 1.9 million acres of land and 2.4 million acres of mineral rights, stipulating that all proceeds should go to improving the road. Analysts estimated that coal, oil, gas, and other minerals on the affected lands were worth billions of dollars. From beyond the grave, Pierpont stood up foursquare for creditors.

As a further guarantee that the roads would never again squander money, a majority of their stock was transferred to "voting trusts." These were usually a euphemism for Pierpont and three or four of his cronies, who ran the railroads, typically for a five-year period. It was an extension of Pierpont's old trick of trading money for power, and it usurped commercial power on a scale unprecedented in banking history. No longer would the banker just finance and advise his clients; now he would intervene directly in running the companies. The distinction between finance and industry was eroding dangerously.

Why would tens of thousands of shareholders yield their shares to this Wall Street pope in exchange for so-called trust certificates? The answer lies in a peculiarity of nineteenth-century finance: when companies lost money, shareholders in bankrupted companies could be dunned for assessments. So investors rushed to give up their shares and avoid the threatened penalties. Pierpont was now an altogether new species of robber baron—not nakedly voracious, not a Rockefeller snuffing out troublesome competitors, but a gruff, well-tailored banker with a legal, if highly controversial, system.

Within the bank, morganization was viewed benignly as the exercise of fiduciary responsibility to shareholders. Pierpont didn't seem to operate by any grand scheme—he was too instinctive for that. A later Morgan partner, Tom Lamont, remarked that he "never knew of a man who addressed himself more exclusively than Mr. Morgan to the ad hoc situation and the ad hoc job that lay before him. All this talk about his devising or building up systems is perfect tosh."[58] Pierpont didn't spin webs or plot paths to power. Rather, he had a messianic faith in his ability to reorder businesses. If he could tidy up America better than anyone else, so be it. He took the technique of the voting trust and endlessly multiplied his power. As Sereno S. Pratt, an editor of the *Wall Street Journal,* later said of him, "His power is not to be found in the number of his own millions, but in the billions of which he was the trustee."[59]

If there was nothing devious about the voting trusts, they created a frightening concentration of Wall Street power. Before the morganization period, more than two-thirds of American railroads had offices outside New

York; afterward, most were headquartered there. By 1900, the nation's railroads were consolidated into six huge systems controlled by Wall Street bankers, principally J. P. Morgan and Company and Kuhn, Loeb. In this perpetual-motion machine, Pierpont not only reorganized roads but locked up their future financing. By acting as their trustee or holding a large block of their stock, he ensured bondage to 23 Wall. The banker was strong because the railroads were weak, and however much Pierpont deplored railroad instability, he thrived on such chaos.

Pierpont alone could never have carried out the exhausting work of morganization. Hence the importance, then and later, of Morgan partners. In history books, they are often portrayed as mice scurrying in the background. Yet many were towering figures in their own right, the shadow cabinet of the Morgan government. The railroad reorganizations were carried out by a staff of fewer than 150 employees. This was at a time when old-fashioned banks, such as the House of Morgan, frowned upon typewriters as newfangled. Visitors always marveled at the discrepancy between the bank's power and its size. In 1905, Dr. Hjalmar Schacht, later Hitler's finance minister, recorded this impression: "The entire office was contained in a single room on the ground floor in which were dozens of desks where the employees worked. . . . No question of visitors being formally announced, no waiting, or anterooms. Anyone who saw that a principal was disengaged could walk right up to his desk. Relations between heads and employees were very informal and free-and-easy without thereby lacking in respect."[60]

Pierpont selected partners not by wealth or to fortify the bank's capital but based on brains and talent. If the Morgan style was royal, its hiring practices were meritocratic. The bank had many first-rate technicians. Pierpont's transportation man, Samuel Spencer, was said to know better than anyone in America every detail of railroading "from the cost of a car brake to the estimate for a terminal."[61] Most impressive was Charles Coster, a pale man with neatly brushed hair, pensive eyes, and handlebar mustache. As a young man, Coster had published a history of stamps, and his compulsion to organize and classify never left him. He was the obscure wizard of morganization. Jack Morgan said of him, "His mastery of detail was complete, his grasp of a problem immediate and comprehensive and his power of work astonishing."[62] Wall Street caught fleeting glances of this sedentary genius: "Men saw him by day—a white-faced, nervous figure, hurrying from directors' meeting to directors' meeting; at evening carrying home his portfolio of corporate problems for the night."[63] Yet Coster was no downtrodden clerk: thanks to the wonders of voting trusts, he sat on the boards of fifty-nine corporations!

The House of Morgan would have a contradictory reputation as both a gentleman's club and a posh sweatshop. During the morganization period, lights burned at the bank long after the rest of Wall Street was dark. The partners shouldered unbearable tasks. One journalist remarked that "the House of Morgan was always known as a partner-killer," and the body count mounted steadily. One day in 1894, while waiting for an elevated train after the business day, partner J. Hood Wright dropped dead at the age of fifty-eight. The most shocking death was Coster's, in March 1900, at age forty-eight. He contracted flu or pneumonia and died within a week. Mixing sympathy with outrage, the *New York Times* charged that the tasks piled upon Coster had grown "far heavier than any one man ought to bear, or could bear with safety." Naming Morgan partners who died from overwork by 1900, John Moody said they had "succumbed to the gigantic, nerve-racking business and pressure of the Morgan methods and the strain involved in the care of the railroad capital of America. 'Jupiter' Morgan had alone come through that soul-crushing mill of business, retaining his health, vigor, and energy."[64]

In choosing partners, Pierpont wouldn't tolerate a refusal. He was shameless enough to recruit Coster's successor, railroad lawyer Charles Steele, at Coster's funeral! As the cortege moved along, Pierpont presented a partnership to Steele as a *fait accompli*. "Charles," he said, "it looks as if the Lord had taken charge of this question, and I am going ahead to make the partnership agreement."[65] The courtly Steele later accumulated thirty-six corporate directorships, including those of United States Steel and General Electric, and his wealth would rival Jack Morgan's.

Even as the exhausting pace of work created scandals, a Morgan partnership became the most coveted financial post. Judge Elbert H. Gary, a chairman of United States Steel, said of Pierpont's partners, "He made them all wealthy beyond their dreams."[66] Indeed, in exchange for exquisite torture, a Morgan partner received a guarantee of riches and a seat on the high council of American finance.

CHAPTER FIVE
CORNER

IN 1895, Pierpont Morgan engineered his most dazzling feat: he saved the gold standard and briefly managed to control the flow of gold into and out of the United States. The concept behind the gold standard was simple. Ever since January 1879, the government had pledged to redeem dollars for gold, thus insuring the value of the currency. To make this more than an empty boast and reassure worried investors, Washington had a policy of keeping on hand at least $100 million in gold coin and bullion.

In the early 1890s, huge amounts of gold began to flow from New York to Europe. In the circuitous way of world finance, the trouble started in Argentina. In the 1880s, the City of London was swept by a craze for Argentinean securities, which attracted almost half of British money invested abroad. The principal conduit was Baring Brothers, which shared a good deal of Argentinean business with Junius Morgan. Then the Argentinean wheat crop failed and was followed by a coup in Buenos Aires. The prospect of default hurt the Morgan bank in London but nearly collapsed the august Barings, which lost heavily on its Argentinean bonds.

To save Barings from bankruptcy in 1890, the Bank of England organized a rescue fund, to which J. S. Morgan and Company and other rivals contributed. The old Baring partnership was liquidated; the reorganized firm would never regain its former power, and a major Morgan rival was weakened. Before long, Barings shared supremacy in Argentina with the Morgans. Meanwhile, with a stigma attached to foreign holdings, British investors retrenched and drained gold from America. This exodus of metal was greatly accelerated by the 1893 panic, with its bank failures and railroad bankruptcies.

Adding to European jitters were American attempts to tamper with the U.S. currency. Under the Sherman Silver Purchase Act of 1890, the U.S. Treasury had to buy 4.5 million ounces of silver monthly and issue certificates redeemable in gold or silver. This effectively put America on a bimetal basis—that is, money was backed by both gold and silver—expanding the money supply. For the hard-money men of Europe, this looked as if it were an effort by American debtors to debauch the currency and repay loans in cheaper dollars. These creditors venerated the gold standard as their safeguard against such backdoor default. So European bankers redeemed their dollars for gold and shipped the gold back to Europe. For Pierpont Morgan, this was an alarming throwback to the days when George Peabody had to prove that Americans honored their debt. The Silver Act was repealed in 1893 under pressure from Morgan and other bankers. But wary Europeans feared that Populist forces might yet wreck the gold standard and force them to accept unwanted silver for dollars.

Among the indebted farmers of the South and West, the gold standard generated fanatic hatred. The United States was still an agrarian debtor nation, and poor, rural debtors far outnumbered big city bondholders. These farmers had many legitimate grievances, for they contended with the curse of steadily falling prices in the late nineteenth century. Deflation meant they had to repay debt in dearer money—a recipe for ruin. There was no central bank to expand credit during hard times. At the same time, because of tariffs and industrial trusts, the prices of finished goods didn't fall as fast as the price of food. (Thanks to Pierpont and the railway barons, freight rates actually rose.) So farmers welcomed inflation—specifically, higher prices for their own produce—as the only way to remain equal in the contest against bankers and industrialists.

This discontent made bankers the favorite bogeymen in rural political demonology. So venomous was the mood that several western states outlawed bankers, and Texas banned them altogether until 1904.[1] This pervasive anger in the hinterlands crystallized around the House of Morgan, which was seen as a mouthpiece for European finance. A popular, grass-roots mythology claimed that the Bank of England and New York bankers had suborned Congress into enacting the gold standard. For decades, William Jennings Bryan rallied the Populist faithful by inveighing against America's "financial servitude" to British capital.[2] From this period dates the folklore of the House of Morgan as heartless moneymen, traitors in the pay of British gold, glorying in the ruin of American farmers.

The nineteenth-century inflationary nostrums that make for tedious study today—greenbacks, free silver coinage, bimetallism, and so on—were attempts by indebted farmers to lighten their debt load. As the 1893 panic worsened, agrarian populists asked the government to mint silver coins and create cheap money, a move supported by the new silver-producing states. Farming districts scoffed at the notion that any damage might be done by going off gold. The *Atlanta Constitution* remarked that "the people of this country, outside the hotbeds of gold-buggery and Shylockism, don't care how soon gold payments are suspended."[3] For Pierpont, however, destruction of the gold standard would subvert European faith in American securities and destroy his life's work. As he later said, his aim in 1895 was "to build up such relations of confidence between the United States and the money markets of Europe, that capital from there could be secured in large sums for our needs."[4]

During 1894, the U.S. gold reserve dipped below the $100-million floor. Bad money (silver) was driving good money (gold) out of circulation. By January 1895, gold was fleeing New York at a frightening pace. One could watch this "flight capital" in action as gold bullion was loaded onto ships in New York harbor, bound for Europe. At fashionable Manhattan restaurants, sporting men placed wagers as to when America would go bust and declare its inability to redeem dollars for gold.

The beleaguered president, Grover Cleveland, was a friend of the House of Morgan and a staunch advocate of the gold standard. During the four years he spent on Wall Street between his two presidential terms, Cleveland worked in the law offices of Bangs, Stetson, Tracy, and MacVeagh. This was the law firm of Pierpont's father-in-law, Charles Tracy, located next door to the Morgan bank, at 15 Broad Street. Cleveland had been good friends with the shrewd Francis Lynde Stetson, Pierpont's lawyer for the railroad reorganizations and known on Wall Street as Morgan's attorney general. He also befriended many Wall Street people and was one of the twelve pallbearers at the funeral of August Belmont, Sr., in 1890. Although Pierpont was a Republican, he wasn't antagonistic toward the Democratic Cleveland. In 1884, he cast his lone Democratic vote for Cleveland precisely because the candidate endorsed sound money.

As the gold reserve dipped, Cleveland faced a hostile Republican Congress, which favored free coinage instead of gold; many prairie Democrats concurred. Amid this gloomy deathwatch, Congress refused to grant President Cleveland the authority to replenish the gold reserve through a public bond offering. At the same time, Populist fury made resorting to private bankers like Morgan unthinkable. Cleveland sat paralyzed. By January 24, 1895, gold reserves had declined to $68 million, and gold coin was especially scarce at the nine Subtreasuries around the country, including that in New York, across Wall Street from the Morgan bank. As a crisis approached, Cleveland turned to the Rothschilds in London, perhaps to deflect charges of being in Wall Street's pocket. When approached by Rothschilds about a bond issue, J. S. Morgan and Company agreed to participate only if Pierpont handled the American end with the Rothschild representative, August Belmont, Jr. On January 31, Pierpont and Belmont met at the New York Subtreas-ury with William E. Curtis, the assistant secretary of the Treasury. Although no action was taken, the report of the meeting relieved skittish investors, and $9 million in gold on ships in the harbor was returned to land overnight. For Populists, news of the Morgan-Belmont-Curtis meeting confirmed suspicions of a Wall Street-Washington conspiracy.

In the cables he sent to the London partners during this period, Pierpont affords a glimpse into his deepest ideological impulses—his contempt for politics, his regard for European opinion, his allegiance to neoclassic economics, and his disdain for certain Jewish firms. Referring to one leading Jewish house, he said, “we should dislike see business largely in the hands of Speyer & Co. & similar houses.” His identification with the London creditors was patent: “We all have large interests dependent upon maintenance sound currency U.S. Important use every exertion . . . success negotiations . . . greater factor is European absorption even temporarily of bonds.”[5] His dispatches were often fervent and even melodramatic in tone.

By early February, the New York Subtreasury was losing gold rapidly. Default seemed imminent. Yet the Treasury Secretary John G. Carlisle informed Morgan and Belmont that the Cabinet had flatly rejected their proposed private bond issue. So on Monday, February 4, Belmont set off for Washington, followed by Morgan. Aware of Francis Stetson’s friendship with Cleveland, Morgan told him, “There may be papers to be drawn and I want you,” and brought him along with a new Morgan partner, the handsome young Robert Bacon.[6] Pierpont told his London partners that the United States was on “the brink of the abyss of financial chaos” and that he wanted to help the U.S. government avert calamity.[7]

Morgan, Bacon, and Stetson took a private railroad car down to Washington, hitched up to the Congressional Limited. When they arrived, they were greeted by Secretary of War Daniel Lamont, who said that the president had decided against a private syndicate and refused to see the party. Pierpont said magisterially, “I have come down to see the president, and I am going to stay here until I see him.”[8] While Stetson tried to lobby Cleveland, Bacon applied his charms to Attorney General Richard Olney. That night, in a technique he used to steady his nerves, Pierpont played solitaire—a game called Miss Milliken—until the early hours. After breakfast at the Arlington Hotel, he crossed a snowy Lafayette Square to the White House. One pictures the famous stride, described by a biographer as “elemental, jungle-like.”[9]

Pierpont was often taciturn in meetings. At the White House, obedient as a schoolboy, he sat wordless while Cleveland, Attorney General Olney, and Treasury Secretary Carlisle debated the issue. Edgy, he crushed an unlighted cigar, leaving a pile of tobacco on his pants. Cleveland still clung to the hope of a public bond issue, which would spare him congressional obloquy. Not until a clerk informed Carlisle that only $9 million in gold coin remained in government vaults on Wall Street did Pierpont pipe up, saying he knew of a $ 10-million draft about to be presented. “If that $ 10-million draft is presented, you can’t meet it,” Pierpont said. “It will be all over before 3 o’clock.” “What suggestions have you to make, Mr. Morgan?” replied the president.[10]

Pierpont laid out an audacious scheme. The Morgan and Rothschild houses in New York and London would gather 3.5 million ounces of gold, at least half from Europe, in exchange for about $65 million worth of thirty-year gold bonds. He also promised that gold obtained by the government wouldn't flow out again. This was the showstopper that mystified the financial world—a promise to rig, temporarily, the gold market. There was some question as to the legality of the proposed issue, and either Morgan or Carlisle dusted off an 1862 statute that granted the Lincoln administration emergency powers to buy gold during the Civil War. When the deal was concluded, Cleveland gave Pierpont a fresh cigar to replace the one he had nervously ground up. Pierpont's blood was now at full boil. He wired London, "We consider situation critical, politicians appear to have absolute control. If fail & European negotiations abandoned, it is impossible overestimate what will be result U.S."[11]

Populist pressure still demanded a public bond issue. As a practical matter, Cleveland awaited congressional action on the Springer Bill, which would have allowed the Treasury to sell long-term bonds; if Congress defeated it, Cleveland thought, he could then resort to Wall Street bankers with far less popular abuse. At the Tuesday-morning meeting, it was agreed that Morgan and Belmont should return when the Springer Bill was killed. By the time it was defeated on Thursday evening, Pierpont was already *en route* to Washington, arriving in a blizzard.

News of the Morgan-Rothschild operation was a sedative for the financial markets. When the syndicate bonds were offered, on February 20, 1895, they sold out in two hours in London, in only twenty-two minutes in New York. Pierpont was jubilant and exhausted: "You cannot appreciate the relief to everybody's mind for the dangers were so great scarcely anyone dared whisper them."[12] Yet the syndicate was a victim of its success. It took up the bonds at 104½, then sold them at an opening price of 112¼; they quickly soared to 119. For the cynical, this sudden appreciation proved the syndicate had cheated the government and underpriced the issue. The interest rate of 3¾ was thought extremely harsh. In just twenty-two minutes, the bankers had booked $6 or $7 million in profits. Morgan would later claim these figures were vastly exaggerated and that the syndicate had earned less than a 5 percent return. Even commentators such as Allan Nevins and Alexander Dana Noyes, otherwise sympathetic to the operation, condemned the stiff terms. Nonetheless, the bankers believed that they themselves had induced the confidence that had led to the higher prices.

The Populist uproar was furious and laced with anti-Semitism because of the Rothschild participation. Populist rabble-rouser Mary Lease called President Cleveland a tool "of Jewish bankers and British gold."[13] The New York *World* described the syndicate as a pack of "bloodsucking Jews and aliens." In his vehement denunciation in Congress, William Jennings Bryan asked the clerk to read Shylock's bond from *The Merchant of Venice.* Bryan always denied that his attacks pandered to anti-Semitism. Campaigning in 1896, he told Jewish Democrats in Chicago, "Our opponents have sometimes tried to make it appear that we are attacking a race when we denounced the financial policy of the Rothschilds. But we are not, we are as much opposed to the financial policy of J. Pierpont Morgan as we are to the financial policy of the Rothschilds."[14]

The gold syndicate, alas, was just a temporary victory: even Pierpont could dam up the gold supply for only so long. By the summer, gold again left the Treasury in large amounts. When a new loan was raised in early 1896, Pierpont had a fresh scheme for a global syndicate which would include the National City Bank of New York, Deutsche Bank of Berlin, and Morgan, Harjes of Paris. (Perhaps to appease the anti-Semites, it was a syndicate of Christian bankers.) But Cleveland didn't want to incite Populist wrath a second time and decided on a public loan, with Morgan taking only about half of a $67-million bond issue.

Despite his venality, the gold operation had been a *tour de force* for Pierpont. He had functioned as America's central bank, stepping into the historic breach between Andrew Jackson's 1832 veto of the second Bank of the United States and passage of the Federal Reserve Act in 1913. So long as governments were financially weak, with primitive monetary methods and small budgets, they had to rely on private bankers. For his part, Grover Cleveland never regretted his decision, praising the "lightning-like rapidity" with which Pierpont Morgan reached his decision and extolling him as a man "of clear-sighted, far-seeing patriotism."[15] By stubbornly adhering to principle, Cleveland alienated smalltown farm elements in his own party. In 1896, the Democrats rejected him in favor of William Jennings Bryan. For Bryan, Morgan was a Pontius Pilate who nailed starving farmers to a cross of gold. The sheer savagery of these attacks contributed to the secretive, cautious style of the Morgan bank, which, in turn, further fed popular fantasy about its power.

During the 1896 presidential campaign, Pierpont lobbied for a gold-standard plank in the Republican party platform. He entertained Mark Hanna, Ohio banker and chairman of the Republican National Committee, aboard the *Corsair II.* Generous contributions by Morgan and other bankers to the campaign of William McKinley—23 Wall Street was hung with banners in his support—were thought instrumental in persuading him to champion the gold standard, and in 1900 he signed a law bestowing upon it new legal status. The farmer-banker conflict subsided somewhat when a European wheat famine pushed up farm prices. Also, the Yukon gold rush and gold strikes in South Africa and Australia helped expand the U.S. money supply and led to higher prices. The bitter deflationary politics of the late nineteenth century subsided.

In the 1890s, Pierpont Morgan represented a fact unpalatable to Americans—that America was still financially dependent on Europe. As a debtor nation, the United States had to placate its creditors abroad. England exerted much the same influence over American economic policy as Japan would nearly a century later, when it financed much of the U.S. budget deficit in the 1980s. Like Japan, England was criticized for curbing homegrown American excesses. As Keynes noted, "A debtor nation does not love its creditor, and it is fruitless to expect feelings of goodwill."[16] The ill will descended upon the House of Morgan.

Tutored in London finance, Pierpont knew that British bankers considered the pound's stability the basis of British wealth. In the nineteenth century, it was the currency every investor wanted to hold. Pierpont adopted the same attitude toward the dollar. Sound monetary policy in the United States would be a precondition of America's rise as the chief creditor nation. In the 1920s, by one of those ironies so abundant in Morgan annals, the bank would put England itself back on the gold standard, forcing a later British prime minister to suffer the same repudiation by his own party as Grover Cleveland experienced in 1895.

IN Pierpont Morgan's career, success often bred more controversy than acclaim, so the twentieth century was his time of bittersweet triumph. Sleek and portly in top hat and black overcoat, gray slacks reaching the tops of shiny shoes, and a watch chain stretched across his paunch, he personified the new tycoon and the industrial gigantism threatening pastoral America. His exploits were rendered in mythic terminology. *Life* magazine produced a lasting catechism: "Q. Who made the world, Charles? A. God made the world in 4004 B.C., but it was reorganized in 1901 by James J. Hill, J. Pierpont Morgan and John D. Rockefeller."[17] Finley Peter Dunne's character Mr. Dooley pictured Morgan this way: "Pierpont Morgan calls in wan iv his office boys, th' prisidint iv a national bank, an' says he, 'James,' he says, 'take some change out iv th' damper an' r-run out an' buy Europe f'r me,' he says. 'I intind to reorganize it an' put it on a paying basis.' "[18] When Pierpont was quoted as saying "America is good enough for me," William Jennings Bryan's *Commoner* snapped back, "Whenever he doesn't like it, he can give it back."[19] Editorial writers competed to mint Morgan titles—king of trusts, morganizer of the world, financial titan, Napoleon of finance, or, more simply, Zeus or Jupiter.

For a republican country lacking a feudal tradition, Morgan and other robber barons were ersatz aristocrats, their feats avidly chronicled by the press. The public reacted with fear and resentment but also with some vicarious pleasure. When Pierpont brusquely ordered his chauffeur to bypass traffic and drive up on a curb, the public was shocked by his arrogance but admiring of his implacable will. When Wall Street broker Henry Clews said of Morgan, “He has the driving power of a locomotive,” he suggested something brutish and uncontrollable, but also something of superhuman strength.[20]

Now the world’s most powerful private banker, Pierpont regarded himself as a peer of royalty. With regal munificence, he dispensed benefactions to the masses. Regretting the dark interior of Saint Paul’s Cathedral in London, he underwrote the expense of electric lighting. He visited the kaiser aboard his yacht and advised King Leopold of Belgium on his finances. In 1901, Jack reported to his mother how his father and London partner Sir Clinton Dawkins went down to Gravesend “and dined with the King of the Belgians who wanted to see them about some business and brought his yacht over because Father would not go to Brussels.”[21] Pierpont did business on his own territory, even if it sometimes meant treating a king as a commoner.

In 1906, Pierpont vouchsafed a private tour of his art collection at 13 Princes Gate, the townhouse he inherited from his father, to King Edward VII. He had given the king financial advice, and the two often met at European watering holes. Gazing at Sir Thomas Lawrence’s famous portrait of the countess of Derby, the king said the ceiling was too low for the picture. “Why do you hang it there?” he asked. “Because I like it there, sir,” said Pierpont tersely, feeling no need to elaborate. His son-in-law Herbert Satterlee noted a perfect equality between king and banker: “They were just two friends together and seemed quite content to sit in silence sometimes and not try to entertain each other.”[22] As a coronation gift, Pierpont had given the king a $500,000 tapestry, which set off a long-lasting relationship between the House of Morgan and British royalty.

Pierpont also pleased Italian royalty. In 1904, he was honored by Italy for returning a treasured cope that turned out to have been stolen from the Cathedral of Ascoli. King Victor Emmanuel conferred upon him the Great Cordon of Saints Mauritius and Lazarus, making him a cousin of His Majesty whenever he set foot on Italian soil.

Even as Pierpont aspired to heaven, he made religious men think in earthly terms. After a 1905 audience, Pope Pius X breathed with regret: “What a pity I did not think of asking Mr. Morgan to give us some advice about our finances!”[23] The House of Morgan would later advise the papacy on its purchases of American stocks.

As a rule, Pierpont didn’t assemble palatial homes. In business as well, he showed surprisingly scant interest in real estate, which produced so many fortunes among his contemporaries. He would say laughingly that he only needed "a place to live in and a lot in the cemetery," and his son, Jack, proudly confessed himself an ignoramus about land.[24] Instead of grand estates, Pierpont had his solid but unpretentious Madison Avenue townhouse and his Hudson River retreat, Cragston, with its kennels, dairies, and gardens.

The splendid exception was Camp Uncas, in the Adirondack Mountains of upstate New York, and that came to him only by accident. In 1898, a friend, architect William West Durant, defaulted on a loan and signed over the rustic camp as payment. Deep in the woods, Camp Uncas crouched beneath wooded cliffs that were thick with evergreens. It covered more than a thousand acres and required a year-round staff of thirty to care for the main lodge and dozens of outlying buildings. Durant had popularized such millionaire retreats in wilderness areas, producing the most lavish log cabins ever made. They had thick wooden posts, walk-in fireplaces, and heavy exposed beams. To lend a rustic, woodland atmosphere, the furniture was nicked with ax scars, and bark was left on the pine logs. Wool Indian blankets, moose heads, and prize fish decorated the walls. When Pierpont threw parties there, he would bring up a private railroad car full of friends, and a baggage car loaded with racks of vintage champagne would rattle along behind them.

With his vagabond nature, Pierpont was too restless to be a member of the landed gentry. His splendor shone most fully at sea. As commodore of the New York Yacht Club, he offered Morgan Cups for races and helped finance the *Columbia*, which defended the America's Cup. He even provided land for the yacht club's new headquarters, on West Forty-fourth Street.

Pierpont's boats, more impressive than his homes, were the real monuments to his wealth. In 1898, over his heated protest, the navy conscripted *Corsair II* for use in the Spanish-American War. The Morgans had opposed the war, and Jack (later labeled a warmonger for his role in World War I) lamented the "needless waste of life & property."[25] The navy paid Pierpont $225,000 for the ship and transformed it into the gunboat *Gloucester.* It saw action in the Battle of Santiago and was damaged by a Spanish shell. Pierpont kept a piece of the ship's splintered mast as a memento.

Corsair III was an even more megalomaniacal affair, a modern phar-oah's tomb. Like a lover mourning his dead mistress, Pierpont had reproduced, at fantastic expense, the carpeting and other details of *Corsair II.* Measuring over three hundred feet at the waterline and requiring a crew of seventy, this black-hulled oceangoing ship was built on an altogether new and more garish scale. Among its many details was a special humidor to freshen Pierpont's black eight-inch Meridiana Kohinoor cigars. He reveled in nautical spectacle. When he returned by liner from Europe, the *Corsair* would steam out to greet him as he waved his handkerchief from the larger ship's deck. By transferring to the *Corsair*, he could slip through quarantine without having to mingle with the liner's steerage passengers.

Pierpont often slept aboard his yacht and took clients for sunset cruises. Sometimes, after entertaining friends at Cragston for the weekend, they would all steam back to Manhattan on a Sunday evening, sleep on board, and then awake to a plentiful breakfast before disembarking. The *Corsair* was a therapeutic, if expensive, toy for Pierpont. He continued to slip into depressions that he couldn't shake, and his triumphs seemed only to deepen his gloom. The sea alone would lighten his mood. As Jack told his mother of one 1898 ocean voyage, "JPM has been so worried and bothered by the number of things on his mind and this annoyance of war rumor that it will be a great thing for him to have this voyage. Then if things calm down . . . he will come back for his Aix cure and get 2 more voyages. Those are the only things which really seem to do him any good."[26] Though this may have been partly a cover story—Jack's way of shielding his mother from his father's growing number of affairs—it was also true that for Pierpont Morgan the sea was always his sovereign remedy.

THE dawning of the new century was accompanied by the first great wave of mergers in American history. Spurred by the telephone and telegraph and better transportation, local markets were newly interlaced in regional and national markets. And with American victory in the Spanish-American War, the attention of business also shifted from internal expansion to a global quest for markets. Driven by such changes in the economy, the number of mergers jumped from a modest sixty-nine in 1897 to over twelve hundred by 1899.

So long as markets were local, industry seldom required large-scale financing, and there was a Wall Street and City bias against manufacturers as small-time businessmen. The Morgans had been mostly associated with railroad securities. (As late as 1911, the second Baron Revelstoke of Barings could snobbishly protest, "I confess that personally I have a horror of all industrial companies."[27]) Now, as the great merger wave gathered pace, the focus of elite Wall Street banks shifted from railroads to industrial trusts. In a trust, stockholders would trade their shares in constituent companies for the "trust certificates" of a super holding company. After enacting a law that permitted one company to own another, New Jersey became the preferred state for trust incorporation. By 1901, these new corporate leviathans dominated a long list of industries—sugar, lead, whiskey, plate glass, wire nails, smelting, and coal.

Wall Street bankers effected many of these industrial transformations, and their power swelled in tandem with their creations. Often, trusts were cobbled together from family-owned or closely held firms that had a visceral contempt for competitors' joining the same trust; the bankers were the honest brokers who arbitrated the disputes among them. Since the bankers appraised the value of participating companies, they had to be fair; since this appraisal was seldom accepted by everyone, they had to be stern. Most of all, they had to be trusted. The populace might dread the power of Pierpont Morgan, but he paid his bills promptly, always stuck by his word, and was almost universally respected among businessmen. He also saw competition as a destructive, inefficient force and instinctively favored large-scale combination as the cure. Once, when the manager of the Moet and Chandon wine company complained about industry problems, Pierpont blithely suggested he buy up the entire champagne country.[28]

In William McKinley, the business community had a Republican president who approved of consolidation and didn't interpose any bothersome antitrust obstacles. The genesis of United States Steel in 1901 was inseparable from this permissive regulatory mood, which followed the 1900 GOP landslide. With the defeat of William Jennings Bryan and his anti-imperialist, trust-busting supporters, the business community felt emboldened to try bigger things. A few weeks after the GOP's massive victory, Vice-President Theodore Roosevelt invited Elihu Root, the secretary of war, to attend a dinner in honor of Pierpont Morgan. "I hope you can come to my dinner to J. Pierpont Morgan," he wrote. "You see, it represents an effort on my part to become a conservative man in touch with the influential classes and I think I deserve encouragement."[29]

This dinner preceded by a week the first discussions about U.S. Steel and must have reassured Pierpont that the McKinley administration would be supine in its attitude toward trusts. The inception of the steel trust is still debated. The more colorful versions attribute the idea to steelman John W. "Bet-a-Million" Gates, who allegedly came up with it while shooting pool at the Waldorf-Astoria Hotel, then on Fifth Avenue at Thirty-fourth Street. A former barbed-wire salesman and stock market plunger, Gates was a stout, raffish-looking character, with a derby always tipped back on his head and a big cigar stuck in the corner of his mouth. He used to bet on the speed of raindrops running down a train window and won his nickname from an enormous wager he once made on an English thoroughbred. Not content with an American steel trust, Gates wanted to include German manufacturers and attempt a global cartel.

The more sober versions of U.S. Steel trace the trust to a looming collision between Andrew Carnegie's steel company and two of Pier-pont's steel creations, Federal Steel and National Tube. As the top manufacturer of crude steel, Carnegie decided in July 1900 to branch out into finished products, such as pipe and wire. As head of the second largest steel group, Pierpont feared a replication of the railroad chaos, with overbuilding and price wars. He growled that Carnegie would “demoralize” the entire industry through competition. Bracing for a grim battle, he had his makers of finished products prepare to meet Carnegie head-on in crude steel.

On December 12, 1900, a week after he was feted by Teddy Roosevelt, Pierpont attended a famous dinner held for Charles M. Schwab at the University Club in Manhattan. A handsome young man with a long, smooth face, dark hair, and clear brow, Schwab was a faithful lieutenant of Andrew Carnegie’s. Morgan sat at Schwab’s right and stared at his plate as the young man delivered his after-dinner address. A mellifluous orator and self-dramatizing individual, he evoked for Morgan and the eighty other financiers present a vision of a steel trust which would handle all phases of the business, from mining ore to marketing steel products; the Carnegie and Morgan steel enterprises would be the trust’s obvious nucleus. The steel trust was to be a superior sort of conspiracy. Through economies of scale, it would attempt to lower prices and compete in burgeoning world markets. It was a form of national industrial policy, albeit conducted by businessmen for private gain.

After the dinner, Morgan, intrigued, conferred with Schwab for half an hour. As Morgan partner Robert Bacon later said, “It was apparent that [Morgan] had seen a new light.”[30] It has never been clear whether Schwab acted at Carnegie’s behest or whether he planned to recruit Pierpont first, then take the proposal to Carnegie. In any event, within three weeks, Morgan, Bacon, Gates, and Schwab worked out a proposal in an all-night session at Morgan’s “black library.” The proposed trust would control more than half the steel business. Besides Carnegie Steel and Morgan’s Federal Steel, it would include American Tin Plate, American Steel Hoop, American Sheet Steel, American Bridge, American Steel and Wire, National Tube, National Steel, Shelby Steel Tube, and Lake Superior Consolidated Mines.

In forging U.S. Steel, Pierpont had to deal with two industrialists who represented very different aspects of American business—Andrew Carnegie and John D. Rockefeller. Both were hard-bitten individualists, scornful of bankers, who preferred to finance their operations from retained earnings. Rockefeller entered the deal through his ownership of ore mines and shipping companies on Lake Superior. Pierpont considered both men too crude for his stuffily refined tastes; they saw him as pompous and overbearing. The prudish Carnegie also disapproved of Pierpont’s adulterous escapades. “Carnegie frowned on anything savoring of the flesh and the devil,” Schwab said.[31]

After the meeting in the “black library,” Schwab sounded out Carnegie on his willingness to sell his steel company to the trust. After a game of golf at Saint Andrews Golf Club in Westchester, Carnegie ruminated, then penciled his selling price, $480 million, on a scrap of paper. He wanted payment in bonds, not watered stock. When Schwab delivered the slip of paper to Morgan, the banker stared at it and said promptly, “I accept this price.”[32] In the hurly-burly, Pierpont didn’t formalize the deal with a signature and weeks later had to send a lawyer uptown with a contract. Despite his veneration of Junius Morgan, Carnegie enjoyed petty jousting with Pierpont. When Pierpont invited him to 23 Wall Street, Carnegie insisted that Morgan come to his own Fifty-first Street office instead. After a cool fifteen-minute chat, Morgan said in parting, “Mr. Carnegie, I want to congratulate you on being the richest man in the world.”[33]

Thin-skinned and vindictive, Carnegie gloated over the deal: “Pierpont feels that he can do anything because he has always got the best of the Jews in Wall Street. . . . It takes a Yankee to beat a Jew, and it takes a Scot to beat a Yankee.”[34] Carnegie celebrated too quickly. He later admitted to Morgan that he had sold out too cheap, by $100 million. Not about to spare the industrialist’s feelings, Morgan replied, “Very likely, Andrew.”[35]

In trying to coax recalcitrant companies into the steel trust, Pierpont showed his ringmaster’s flair for cracking the whip. He was irate with those who tried to extract undue advantage. During negotiations at 23 Wall, one major holdout was Bet-a-Million Gates and his American Steel and Wire. To break a deadlock, Pierpont materialized like the wrath of God and thumped a desk. “Gentlemen, I am going to leave this building in 10 minutes. If by that time you have not accepted our offer, the matter will be closed. We will build our own wire plant.”[36] His bluff called, Gates capitulated and sold out. Pierpont then went home, boyishly elated.

The House of Morgan generally didn’t sponsor new companies and abhorred stock speculation. Junius Morgan had long ago advised his son, “I would recommend your forming a resolution never to buy any stock on speculation.”[37] So Pierpont’s promotion of U.S. Steel in early 1901 lent “old money” cachet to the rage for trusts. The year 1901 was not unlike 1929 or 1987: the stock market was on everybody’s lips. Daily share volume tripled. Wall Street seers babbled of a new age, and news-papers recounted tales of hotel waiters, business clerks, doormen, and dressmakers who made fortunes on Wall Street.[38]

U.S. Steel stoked the bonfire of speculation. At a time when million-dollar issues were considered large, the new corporation was capitalized at a whopping $1.4 billion ($23 billion in 1989 dollars)—the first billion-dollar corporation in history. At the time, all U.S. manufacturing combined had only $9 billion in capitalization. To manage the flood of bonds and stock that financed the deal, Pierpont mustered a monster syndicate of three hundred underwriters. He appointed ace stock manipulator James R. Keene—a sharp-faced man with a pointed beard, known as the Silver Fox of Wall Street—to make a market in the shares. By simultaneously buying and selling shares, Keene created steadily rising prices and the illusion of tremendous volume. Despite predictions that so much stock would saturate the market, the issue's success confirmed the boast of Morgan partner George W. Perkins that a Morgan issue "from the desert of Sahara" would find buyers.[39] For its services, the syndicate took in $57.5 million in stock (nearly $1 billion in 1989 dollars). The U.S. Steel promotion made explicit the marriage of finance and industry that marked the Baronial Age; when four Morgan partners joined the new trust's board, the marriage was consummated.

For many observers, the sheer size of U.S. Steel seemed sinister and unnatural. Even the *Wall Street Journal* admitted to "uneasiness over the magnitude of the affair."[40] Among others, Yale president Arthur Hadley, a noted economist, saw a new need for federal control of large corporations. Ray Stannard Baker, later Woodrow Wilson's biographer, pointed out that the new corporation would have revenues and expenses exceeding the budgets of all but a few world governments.[41] Yet Wall Street was heedless of the critics and celebrated with a record volume of trading. In January 1901, the Big Board traded a record two million shares in one day; after the launching of U.S. Steel that spring, volume reached three million shares. Wall Street was so awash in shares that the Stock Exchange declared a special holiday just to catch up on paperwork.

An unending controversy would surround U.S. Steel: was it Pier-pont's greatest deal, as he believed, or a giant scam? The share flotation made multi-millionaires of dozens of steelmen, and the spectacle of so much sudden wealth appalled the public. In 1905, Charles Schwab, U.S. Steel's first president, built a seventy-five-room mansion on Manhattan's Riverside Drive, complete with a pipe organ, art gallery, bowling alley, private chapel, and sixty-foot swimming pool. Gaudy mansions went up all over Pittsburgh with the new steel money, symbolizing a new class of *nouveaux riches* industrialists.

Later the U.S. Bureau of Corporations, a federal agency set up by Teddy Roosevelt, would value U.S. Steel at only half its $1.4-billion selling price, suggesting that investors had purchased an enormous bag of hope, at least half of it hot air. From Vanderbilt, Morgan had learned the trick of basing value not on current assets but on projected earnings. U.S. Steel's subsequent history provided evidence for both detractors and admirers. From an opening price of 38, its stock zoomed to 55, only to skid to less than 9 during the "rich man's panic" of 1903. By January 1904, U.S. Steel couldn't even cover its dividends. Yet it is fair to say that in time the enterprise expanded to the contours of Morgan's vision, becoming America's foremost steel company. It amply rewarded its investors—at least, the patient ones.

BEHIND the growing pomp of Pierpont Morgan lay an ever-present vulnerability. If tragedy, as Aristotle said, has the power to arouse fear and pity, then Pierpont wore a tragic mask. In 1903, Pierpont sat for two minutes as Edward Steichen snapped the famous photograph of him: from deep shadow and gripping the blade-like chair, Pierpont stares out, a tense crease between his brows, his collar stiff, his eyes pitiless points of lights, the gaze legendary in its terror. Steichen tried to make him turn, but Pierpont, self-conscious about his nose, stared straight ahead. The photographer snapped him bristling with anger. Pierpont hated the photo and tore up the first prints. Yet there was sadness as well as fire in the eyes—volcanic energy and despair. The photograph captured the man whole. When Pierpont later relented and offered to pay a stratospheric $5,000 for the photo, the wounded Steichen took two years to deliver copies.

The blazing eyes were linked to the grotesque nose. As the years went by, the acne rosacea made Pierpont's nose monstrous in size and hideous in shape. The nose was invariably touched up in official photographs, perhaps adding to the shock of those who saw him in person. Of his initial encounter with Wall Street's Cyrano, art dealer Joseph Duveen wrote, "No nose in caricature ever assumed such gigantic proportions or presented such appalling excrescences. If I did not gasp, I might have changed color. Morgan noticed this, and his small, piercing eyes transfixed me with a malicious stare."[42] Many anecdotes link Morgan's nose with his short temper—an old story of the vanity of the mighty. He would furiously avenge taunts, and one writer said he never recovered from the phrase "a ruby-visaged magnate."[43] When Bet-a-Million Gates dubbed him Livernose, the jest proved costly: Pierpont blackballed Gates from the Union League and New York Yacht clubs. About his nose, Pierpont could be more sensitive than he was about his trusts. After the newspapers of clubmate Joseph Pulitzer attacked his business dealings, Pierpont complained to the newspaperman not about the allegations, but about the prominence of his nose in the papers' cartoons, which he thought very unfair.

Everybody came to terms with the nose differently. Lady Victoria Sackville-West, probably Pierpont's last mistress, recorded in her diary in 1912, "I have never met anyone so attractive. One forgets his nose entirely after a few minutes."[44] Perhaps intimates did, but not rival businessmen. And children found it scarily hypnotic. When a later partner, Dwight Morrow, brought Pierpont to his home, his wife Betty—having warned the children not to mention the nose—asked the tycoon, "Do you like nose in your tea, Mr.

Morgan?”[45]

Pierpont tried everything to cure it, including an electrical remedy recommended by England’s Queen Alexandra. But it persisted, like nature’s revenge, reminding him of his humanity. In philosophic moments, he converted it into a mark of pride. When the Russian minister of finance, Count Witte, suggested surgery, he replied, “Everybody knows my nose. It would be impossible for me to appear on the streets of New York without it.”[46] Still more grandly, he said his nose “was part of the American business structure.”[47]

It was probably the nose that made Pierpont eager to hire handsome young men, and he often sent pedigreed collie puppies as a sign of impending partnerships. Over time, the early reputation of Morgan partners as harried technicians caught in the grinding machinery of railroad reorganizations gave way to another equally pronounced tradition: the Morgan partner as elegant fashion plate, suave member of the Social Register catering to rich clients. “A homely man had no chance of being selected a Morgan partner,” wrote an early Pierpont biographer. The same could be said, with a few exceptions, of the bank under his son, Jack.[48]

The prototype was Robert Bacon, taken on as partner in 1894 after J. Hood Wright died suddenly. As soon as Bacon was hired, his former boss, Major Henry Lee Higginson, warned him, “Don’t overwork like Coster just because you can and like to do it. He is wonderful—and unwise—to do so.”[49] Trim and athletic with a strong, wide face and debonair mustache, Bacon was called the Greek God on Wall Street. As a Harvard undergraduate (and classmate of Teddy Roosevelt’s), he boxed, ran the hundred-yard dash, captained the football team, was president of the Glee Club, and was number seven on the university crew team and Model Man of his class; his presence at the Corner of Broad and Wall inaugurated a new image for the Morgan partners. With Bacon in mind, a novelist wrote, “When the angels of God took unto themselves wives among the daughters of men, the result was the Morgan partners.”[50] Pierpont doted on Bacon and wanted him constantly by his side. It was said Morgan had “fallen in love” with Bacon and “rejoiced in his presence.”[51]

Bacon’s elevation in the bank signaled a problem with the Morgan empire: Bacon, a charming lightweight, reflected Pierpont’s fear of hiring commanding figures. That Bacon was second in command spoke poorly of his boss’s managerial judgment. Art critic Roger Fry saw Morgan as a vain, insecure despot who “likes to be in a position of being surrounded by people he has in his power to make and unmake.”[52] The most talented early partners—the apostles of Pierpontifex Maximus, or Jupiter’s Ganymedes, as they were called—might have been legal and financial wizards, but they were not leaders. Since they were few in number—New York had six partners in the 1890s; the Philadelphia office, four—they had to pull enormous weight.

The danger of Pierpont's despotism was glaringly exposed during the so-called Northern Pacific corner of 1901, perhaps the most controversial takeover fight in American history. After U.S. Steel was successfully launched, Pierpont had sailed to France, where he entertained a dark French countess on the Riviera, leaving the firm in Bacon's hands. Since Coster's death the year before, Bacon knew he was in over his head and reeled under the responsibility. "My life is simply engrossed in this maelstrom," he told his wife.[53] He was soon blindsided by the most powerful Wall Street combination outside that of the Morgan firms—an amalgam of Edward H. Harriman, William Rockefeller, the National City Bank, and Kuhn, Loeb. It was a ganging up of Pierpont's most determined enemies.

A battle had been brewing since 1895, when Pierpont decided not to reorganize the bankrupt Union Pacific, which he scoffed at as "two streaks of iron rust across the plains."[54] His willingness to write off America's southwestern states provided an opening for outsiders. Edward Harriman took up the Union Pacific and merged it with the Southern Pacific. He and his bankers, the Jewish house of Kuhn, Loeb, dominated the southwestern roads as invincibly as Morgan did those of the East and the Northwest. The Northern Pacific corner was the thunderous, head-on crash of the railroad systems under the personal dominion of Harriman and Morgan.

Harriman was a very different type from Pierpont. He was short and bandy-legged, had shifty eyes, and wore wire-rimmed spectacles, an unkempt mustache, and a peevish expression. Like many on Wall Street, he was the son of a poor clergyman and an unabashed social climber. A crack shot, he had a taste for blood sport and played tough on the stock exchange as well. Where Pierpont preferred back-room deals sealed with a handshake, Harriman was a market operator—more a raider than a deal maker. Where Pierpont usually served as proxy for bondholders, Harriman preferred to buy common stock and exert direct control. Finally, where Morgan was the establishment figure, Harriman was an embittered outsider who showed the damage that could be done by a bright man barred from Pierpont's club. If bankers proved they could dominate companies through voting trusts and other devices, Harriman showed that the stock raider could dominate both the bankers and their companies.

Harriman's banker was the German-born Jacob Schiff, the unbending, white-bearded patriarch of Kuhn, Loeb who was second only to Pierpont as a financial railroad overlord. Schiff was such a grandee that one private Pullman car was seldom enough for him when he traveled.[55] He was stiff and formal and as haughty as Pierpont Morgan himself.

Like the London merchant bankers, the early Jewish bankers on Wall Street had started out as dry-goods merchants: the Lehmans began as Alabama cotton brokers; Goldman, as the owner of a Pennsylvania clothing store, Kuhn and Loeb, as Cincinnati clothiers; and Lazard, in a New Orleans dry-goods business. These firms were dynastic, with only blood or marriage securing partnerships. They worked in the interstices left by the big Christian houses and dealt more directly in markets than the Morgans did. Markets were considered coarse by fancy gentile bankers. So Goldman, Sachs specialized in commercial paper, Lehman in commodity trading. Around 1900, they began underwriting shares for companies that were spurned by the gentile firms as too lowly—retail stores and textile manufacturers, for instance. Among them was Sears, Roebuck, introduced by Goldman, Sachs and Lehman Brothers in 1906. Of such relatively small issues, the gentile firms would sniff, "Let the Jews have that one"—snobbery for which they paid dearly in the twentieth century.[56]

Schiff didn't want to settle for the scraps left to the Jews. Alone among the Jewish bankers he had the gumption to play the grand game and contest Morgan in government issues and railroad financing. He fun-neled German and French money into American shares no less expertly than Pierpont did with British money. Much of Kuhn, Loeb's exceptional power derived from the fact that it voted stock shares in American railroads as proxy for legions of German investors.

Morgan referred to Schiff dismissively as "that foreigner."[57] Schiff, in turn, professed to admire Morgan, but his compliments sometimes had a slightly hollow, envious ring. After Pierpont's heroic role in the 1907 panic, Schiff said, "Probably no one could have got the banks to act together . . . as he did, in his autocratic way."[58]

Political, ethnic, and religious differences among bankers permeated Wall Street in the early 1900s. The Yankee-Jewish banking split was the most important fault line in American high finance. And since the two groups would come to dominate American investment banking, their feuds form a recurring theme in the Morgan banking saga. Pierpont's anti-Semitism was well known. Said an early biographer: "He had a deep-seated anti-Semitic prejudice and on more than one occasion needlessly antagonized great Jewish banking firms."[59] His dislike of Jews may have been sharpened by dealings with the Rothschilds. The Jewish tycoon Joseph Seligman noted Pierpont's "freeze-and-thaw attitude" toward him, which he attributed to his discomfort with Jews.[60] During thaws, the two men collaborated on issues, and when Seligman was barred from a fashionable Saratoga hotel, the Morgan bank signed an advertisement protesting the exclusion. In addition, Kuhn, Loeb, in particular, managed many syndicates with the Morgans. The strain of anti-

Semitism running through the Morgan story is fascinating precisely because it had to be so carefully suppressed.

The group making common cause with Harriman and Schiff against Morgan in 1901 was the Rockefellers. In 1881, John D. Rockefeller had financed the Standard Oil trust from its huge cash reserves, staying free of Wall Street. As the 1880s progressed, Standard Oil was generating so much cash that the Rockefellers looked about for a financial repository. They chose the National City Bank—the forerunner of today's Citibank—and pumped in so much money that by 1893 it ranked as New York's largest bank. It was a significant development: at a time when bankers tightened their grip on industry, here was an industrial empire fastening its grip on banking. National City became known as the oil bank, much as J. P. Morgan and Company would be called the steel bank. National City Bank's president, James Stillman, with his coldly alert and penetrating eyes, would oppose Pierpont in the Northern Pacific battle but become a close ally later on. Two of Stillman's daughters married two of William Rockefeller's sons, sealing the union of the Rockefellers with the National City Bank.

The Northern Pacific quarrel began when northwestern railroad magnate James J. Hill decided to buy a midwestern road called the Chicago, Burlington, and Quincy. Hill was a garrulous man with a bushy, white untamed beard, shoulder-length hair, and a troll's face. With Morgan's help, he had consolidated the Great Northern and Northern Pacific into a railroad system that dominated transport in the northwestern United States. The purchase of the CB&Q, Harriman feared, would provide Hill with an entree into Chicago and a possible connection for a transatlantic line; it might even link up with Morgan's New York Central.

Schiff and Harriman pleaded with Hill and Morgan for a stake in the road but were rebuffed. Harriman said implacably, "Very well, it is a hostile act and you must take the consequences."[61] In a manner that anticipated mergers of the 1980s, Schiff and Harriman decided to swallow the railroad that had swallowed the CB&Q—the Northern Pacific. The Northern Pacific ran west from Wisconsin through North Dakota and Montana, terminating in Seattle, Washington. Schiff, torn between dreams of glory and dread of Morgan, passed a sleepless night before acceding to Harriman's plan. It was an extraordinary act *lèse-majesté*, because the House of Morgan had a substantial stake in the Northern Pacific and wouldn't tolerate such an attack.

The raiders went into the market secretly, buying up $78 million in Northern Pacific shares—at the time, the largest such market operation in history. As share prices rose in April 1901, Pierpont credited it to the bullish tone of stocks set by the launching of U.S. Steel. Schiff cunningly circulated rumors that the rise reflected Northern Pacific's enhanced value after the CB&Q purchase. When a block of shares came into Robert Bacon's hands, he gladly sold. Even the railroad's board sold. It was a masterly con job by Harriman's forces, camouflaged by the ebullient financial markets that followed McKinley's reelection. The newspapers noted that many young men-about-town with newfound stock market fortunes were now calling themselves financiers. At the same time, many investors, apprehensive about the giddy market activity, predicted a general panic.

Then, in May, Northern Pacific stock shot up so fast it seemed to levitate. Hill, who had been beguiled by Bacon's beauty, was troubled by bad dreams. Asleep in his private railroad car in Seattle, he was visited by "a dark-complected angel" who warned of trouble in New York. Hill raced clear across America to Wall Street. On Saturday, May 4, he alerted Bacon to what he saw as a catastrophe in the making. They cabled Pierpont, now in Aix-les-Bains, and awaited instructions.

At this point, the Harriman-Schiff forces were 40,000 shares short of majority control of the Northern Pacific. That Saturday morning, Harriman ordered Kuhn, Loeb to buy the needed stock, but Jacob Schiff was attending services at Temple Emanu-El, and the order never got executed. The lapse was fateful, for the next day Pierpont told Bacon to purchase 150,000 shares at any price. That Monday morning, Morgan brokers fanned out across the Exchange floor, and insane trading in Northern Pacific ensued.

The jumps in the stock were staggering. On Tuesday, May 7, the stock closed at over 143—a gain of 70 points in three days. The next day, it shot up to 200. This was a corner, a bloody trap for speculators. Speculators kept "shorting" the stock—that is, selling borrowed shares in the belief that the bubble would pop and enable them to buy back the shares at a cheaper price. Instead, the Northern Pacific geyser kept rising, forcing them to liquidate shares of other companies to pay for their borrowed Northern Pacific shares. Hence, the problem was generalized to the entire stock market.

By Wednesday, almost every stock on the Exchange was crashing, with money sucked from the rest of the list to feed the spectacularly surging Northern Pacific. Then came Thursday, May 9, and the biggest market crash in a century. Northern Pacific zoomed up as much as 200 or 300 points per trade, finally hitting 1,000. Then it dropped 400 points on a single trade. The Exchange was a scene of wild pandemonium as speculators found it impossible to locate certificates to cover short sales. The *New York Times* reported: "Brokers acted like insane men. . . . Big men lightly threw little men aside, and the little men, fairly crying with indignation, jumped anew into the fray, using hands and arms, elbows, feet—anything to gain their point. . . . To the spectators in the distant gallery of the Produce Exchange it was something incomprehensible, almost demonic—this struggle, this Babel of voices, these wild-eyed excited brokers, selling and buying, buying and selling."[62]

When brokers appeared with Northern Pacific certificates, they were clawed at by men who feared they would be ruined without them. One broker hired a train from Albany just to deliver one certificate of five hundred shares. Amid this free-for-all, Pierpont Morgan regained control of the Northern Pacific, but at the price of a full-blown panic. It was the madly destructive act of an egotist bent on winning at any cost. The carnage ended when a new Morgan partner, George Perkins, acting with Schiff and Harriman, announced that short sellers would be allowed to buy up shares at only $ 150 a share. Had the action not been taken, more than half the brokerage houses on Wall Street might have gone belly-up. It had been a pageant of extreme cupidity, one that sparked public apprehension about the omnipotent new financial magnates. The *New York Herald* banner headline of May 9, 1901, summed up the popular view: "GIANTS OF WALL STREET, IN FIERCE BATTLE FOR MASTERY, PRECIPITATE CRASH THAT BRINGS RUIN TO HORDE OF PYGMIES."[63]

The devil-angel nature of Pierpont Morgan was such that he alone started and stopped panics. He often appeared to be two different people of identical appearance but contrasting personalities. Comically, at the panic's height, a *New York Times* reporter found a forlorn investor named Jefferson M. Levy at the Waldorf-Astoria; Levy sighed, "If Mr. Morgan had been here this never would have happened."[64]

Pierpont brooked no criticism of his role in the Northern Pacific. Appearing at the Morgan, Harjes offices in Paris, he said with baronial bluntness, "I owe the public nothing."[65] The closest he ever came to an explanation was a reiteration of the Gentleman Banker's Code: "I feel bound in honor when I reorganize a property and am morally responsible for its management to protect it, and I generally do protect it."[66] Yet his power on Wall Street was now such that like a female elephant charging to protect her young, he couldn't help but crush innocent bystanders. He was too large for the flimsy regulatory structures that encased him; he had outgrown his age. Coming after the U.S. Steel promotion, the Northern Pacific corner reinforced the view that the public was being held hostage by the stock manipulations of a few Wall Street moguls.

For the most part, President McKinley was deaf to such outrage. Then, on September 6, 1901, he was shot by an anarchist named Leon Czolgosz as he stood in the Temple of Music at the Pan-American Exposition in Buffalo. We have graphic descriptions of Pierpont's reaction to the news. He was about to leave 23 Wall Street for the evening and already had on his silk hat when a *New York Times* reporter rushed in with the report. "What?" said Pierpont, seizing the man's arm. He stared into his eyes, overcome with amazement. Then he slumped into a desk chair, awaiting the confirmation that soon came by telephone. "This is sad, sad, very sad news," he told the *Times* reporter.[67] Other accounts describe him as red-faced and almost reeling with shock.

McKinley's assassination would be a turning point in Pierpont Morgan's life, for it installed in the presidency forty-two-year-old Theodore Roosevelt, a man whose view of big business was far more ambivalent than his predecessor's. Jack Morgan was mildly hopeful about the new president, although TR's noisy chatter had grated on him after the March inauguration. "What I fear is that he may perhaps talk too much which would be very undesirable," he said.[68] In fact, the presidency of Teddy Roosevelt would mark the start of periodic warfare between the White House and the House of Morgan, warfare that would rage through three straight presidencies—those of Roosevelt, Taft, and Wilson.

Two months after McKinley's assassination, the feuding parties of the Northern Pacific corner made their peace. They set up a holding company, the Northern Securities Co., which merged the Northern Pacific, Great Northern, and CB&Q lines. Both Hill and Harriman were given seats on the board. If this brought peace between the two most important groups on Wall Street, it also heightened public alarm that a railroad monopoly had taken hold west of the Mississippi. "And it will be much easier for them to obtain the second half than it was the first," said one newspaper editor, foreseeing a subsequent eastern rail monopoly. "One railroad after another will slide gently into their grasp until any passenger anywhere who objects to traveling on their lines can take a trolley car or walk."[69] The dreams of the architects of Northern Securities went beyond the most vivid Populist fear. After tying up transcontinental railroads, they planned to link them with steamship lines to Asia—a vision that later would culminate in Edward Harriman's plans for an around-the-world transportation network. Pierpont, meanwhile, meditated on a rail-ship monopoly of the North Atlantic, extending his domain beyond the borders of the United States. Wall Street increasingly gazed abroad.

Besides bankrupting thousands of investors, the Northern Pacific corner claimed a last casualty—Morgan partner Robert Bacon. Although he remained at 23 Wall for another year and a half, his nerves were shot by the strain. On doctor's orders, he rode to hounds for two years—a very Morgan form of therapy. When he returned to the United States from his travel abroad, he occupied a series of positions—assistant secretary of state, secretary of state, and ambassador to France—of a far less taxing nature than being chief lieutenant to J. Pierpont Morgan.

CHAPTER SIX
TRUST

ASSIGNED to J. S. Morgan and Company in London in 1898, Jack Morgan, now thirty-one, was a lonely prince in exile. Tall and broad-shouldered, he was a husky young man with a broad face, a direct gaze, a black mustache, and prominent nose that never assumed the gross proportions of his father's. From afar, Jack watched the epochal events unfolding in New York—the formation of U.S. Steel and the cornering of Northern Pacific—with a vague yearning. He may have felt his date with destiny had been continually rescheduled. While conceding London's pleasures, he complained to his mother, "when I think of home the time does seem a bit long."[1] He grumbled how "profoundest peace" reigned at 22 Old Broad Street, while everything was "jumping about" at 23 Wall Street.[2] Worst of all, he had to watch Pierpont turn the spotlight of his favor on Robert Bacon.

At first, Jack's stay in London was meant to be temporary, but it took a few years before tangled personnel problems at J. S. Morgan and Company were straightened out. In 1897, Pierpont's brother-in-law Walter Hayes Burns died and was replaced by Jack's cousin Walter Spencer Morgan Burns. The senior Burns's death left the London bank short of experienced hands. Young Walter's sister Mary married Lewis Harcourt, the first Viscount Harcourt, spawning a branch of "British Morgans" who were lineal descendants of Junius Morgan. From this blue-blooded lineage would spring Lord William Harcourt, a postwar Morgan Grenfell chairman. A photograph of Pierpont at a house party at the Harcourt estate, Nuneham Park, in 1902 shows Mary Harcourt seated next to King Edward VII.

During his London exile, which lasted until 1905, Jack often seemed embarrassed by his remoteness from Pierpont. To inquiries as to whether Pierpont would attend Edward VII's coronation, he confessed sheepishly, "He is not easy to keep track of and I have almost given up."[3] (In the end, Teddy Roosevelt made Jack a special attaché to the Westminster Abbey coronation.) Once when Jack wished to join his father for a naval pageant at Spithead, he lamented that Pierpont "will probably not think of asking us."[4] He was often excluded from business deals and had to read about the U.S. Steel trust in the newspapers.

Pierpont liked Jack but found him lacking in fire and grit, which only accentuated Jack's insecurities. When Pierpont sailed from London in 1899, Jack wrote his mother how things couldn't proceed in New York in Pierpont's absence. He added, "I only hope it will never come to that with me. Probably it won't owing to the fact that things always will move on without me."[5] The scope of Pierpont's business ventures was too vast to allow for a son's self-doubt to be of concern, and the problem was exacerbated by Jack's not being as bright or as forceful as his father.

Another son might have rebelled. Jack sulked and pined, waiting for approval. Like Junius, he worried perpetually about Pierpont's work binges and "imprudent" appetite and was steadily watchful of him. He described with whimsical humor the sight of his father playing dominoes with Mary Burns: "It is too funny to see Father and Aunt Mary gravely sitting down to play that imbecile game."[6] He also saw his father's vanity, noting how after one good deed he was "simply too pleased with himself."[7] Jack also spied Pierpont's inner pain, his secret well of loneliness: "He is very well and jolly by bits but sometimes I see he feels as lonely as I do and he looks as glum as if he hadn't a friend in the world."[8] Considering that Jack was also cheering up his mother—a partially deaf, sickly woman abandoned by Pierpont for months at a time—one finds admirable his capacity for evenhanded empathy and tender solicitude toward both parents.

Jack's fatalistic acceptance of the London years was eased somewhat by a show of generosity from Pierpont. When Jack arrived in 1898, his father gave him and his wife, Jessie, the use of 13 Princes Gate. Pierpont added 14 Princes Gate to the property and joined the two townhouses. The original house now had the magnificence of a great museum and was resplendent with oils by Velázquez, Rubens, Rembrandt, and Turner—export duties kept Pierpont from taking the collection to America. Jack also used Dover House, Junius's country estate at Roe-hampton, with its jersey cattle and old-fashioned dairy. Ecstatic at this fatherly attention, Jack told his mother, "He has been dear to us ever since we landed, most thoughtful of everything and immensely interested in Jessie's social *career!* I know he has much enjoyed our being in the house, for it must have been very lonely for him with no one there and we have not hampered him at all, or bothered him with responsibilities."[9] In 1901, Pierpont gave Jack a Christmas gift—an amount of money so large that he bought a portrait by Sir Joshua Reynolds with just part of it.

Yet Jack and his family found life amid such splendor a shade overwhelming. Every evening—whether Pierpont was in Europe or not—the domestic staff would place periodicals and warm milk beside the master's bed and adjust his reading lamp. And with the townhouse full of so many fragile masterpieces, the housekeeper just didn't dust on days when she felt jittery.

Jessie took pride that nothing was broken, but the Morgan children, who now numbered two boys and two girls, found the need for self-control in their play stifling. Later the children recalled family prayers, reading Thackeray and Trollope, strolling in Hyde Park—everything but fun at Princes Gate.

In 1901, Jack rented Aldenham Abbey, a three-hundred-acre country estate in Hertfordshire stocked with pheasant and Southdown sheep said to rival the king's in quality. Jack had a British gentleman's taste for solid country comforts. After buying the abbey in 1910, he restored its original name, Wall Hall. Landscaped by Humphrey Repton, the estate included a turreted house with fake ruins, a conservatory full of tropical plants, and a library that resembled a college chapel. In the Anglophile Morgan world, Pierpont's Dover House staff would meet Jack's Wall Hall crew for cricket matches. The Morgans counterbalanced this Britishness with American touches—for instance, by shipping New York State pippin apples to the London partners.

For Jack, the London years were passed in a gilded cage. He had many friends from merchant-banking families and worked out at Sandow's gym with Eric Hambro. As neighbors there were Earl Grey and Florence Nightingale; for occasional dinner companions, Rudyard Kipling, Henry James, Sir James Barrie, and Mark Twain. Most of all, he had Jessie, a beautiful round-faced woman with pale golden hair, a fair complexion, and smoky blue eyes. Although she had gone to England grudgingly, its society soon reminded her of Boston's, and she became a confirmed Anglophile. She hoped that one of her two sons—Junius Spencer, Jr., born in 1892, or Henry Sturgis, born in London in 1900—would marry an American and the other a British woman; they both ended up marrying Americans.

Jessie Morgan didn't believe in an outside education for girls, and her daughters, Jane and Frances, were tutored at Wall Hall; they never set foot in a formal schoolroom. Jack held that a university education reduced a young woman's femininity, so college was also out of the question. The girls weren't allowed to talk to strangers on steamers or in public places and later saw their upbringing as a suffocating round of social duties.

Jessie and Jack Morgan's marriage was so all-encompassing and so absorbing as to exclude their own children at times. Jessie would not only rule Jack's estates with crisp, managerial efficiency, but she would guide her husband, advise him, and support him emotionally. Having watched the chill descend upon his parents' marriage and been conditioned by a confessional intimacy with his mother, Jack established a marriage that would be the exact opposite of his father's; philandering, for instance, was one Morgan tradition he would not perpetuate.

Jack's London stay had immense advantages for the House of Morgan. England would be Jack's second home, and he grew as tearfully patriotic as any British subject. In 1900, after watching Queen Victoria ride by, he said, "That wonderful little old woman in black and sables with the big spectacles means so much to so many—she represents in a current form so much of the past that it is very thrilling to see her driving through the crowd."[10] During the Boer War, he stood in a cheering throng before the Mansion House after Ladysmith, under siege by the Boers for four months, had been relieved by British troops. Amid a fanfare of silver trumpets, he heard the new King Edward VII proclaimed at Saint James's Palace. He always loved British pageantry.

Jack and Jessie were received into social circles that were closed to most American industrialists of the era. On February 21, 1898, Jack trooped along in sword and cocked hat as Jessie was presented in the throne room of Buckingham Palace. Bedecked in glittering jewels and black robes, Queen Victoria presided in solemn state while Jessie came forward in diamond tiara and obligatory ostrich feathers—the London *Daily Mail* later gushed in describing her beauty and her white satin train trimmed with blue velvet and pink roses. The Morgans also befriended the vivacious Lady Sybil Smith and her husband, Vivian Hugh Smith. Lady Sibyl took them to Windsor Castle to meet her mother, Lady Antrim, a lady-in-waiting, who gave them a private showing of the queen's Holbein and Leonardo drawings. Almost without realizing it, Jack was forging connections that would provide the Morgans with a unique entrée into the society of British nobility and politicians.

As a microcosm of the Anglo-American alliance, the House of Morgan would faithfully reflect its internal power shifts. If the New York office basked in London's glory after the Civil War, the situation was reversed in the new century, with J. S. Morgan and Company participating in creasingly in issues that originated in New York. Much of the London capital came from Pierpont, who by the early 1900s was pocketing anywhere from one half to three-quarters of the annual profits booked at 22 Old Broad Street. The London house reflected some of Pierpont's rambunctious spirit. Pierpont's first biographer, Carl Hovey, wrote, "Inside the office there is always a marked amount of bustle and confusion, contrasting with the sedate atmosphere of the typical London institutions surrounding it."[11] Pierpont was just egalitarian enough to stop the practice of clerks bowing in his presence.

Although the Morgans were the darlings of the British establishment, the relationship would always be fraught with tension—less a love affair than a tense jockeying for power. The British could never figure out whether Pierpont and Company were allies or the first wave of a barbarian horde. Wall Street was gaining on the City in the fight for financial supremacy, with the Morgans overtaking the Barings and Rothschilds. "In London, the resuscitated Barings are the only people nearly in the same rank with us," said Sir Clinton Dawkins, a new partner of f. S. Morgan and Company, in 1901.

“In the US they are nowhere now, a mere cipher, and the US is going to dominate in most ways.”[12] To combat the Yankee upstarts, Barings and Rothschilds, the great nineteenth-century rivals, became less antagonistic toward each other.

During the Boer War, the British government, its gold depleted, turned to Rothschilds in London and Morgans in New York to raise Exchequer bonds. When Pierpont initially balked, the British treasury brought in Barings as well, adding to his displeasure. Sir Clinton Dawkins called the chancellor, Hicks-Beach, “notoriously stupid and most unbusinesslike.”[13] The Boer War financing of 1900 had disquieting effects in the City. J. S. Morgan’s new office manager, Edward C. Grenfell, noted dismay in London when half of the issue was scheduled for New York. Where Junius had accommodated the Rothschilds, Pierpont defied them, secretly demanding a higher commission on the issue—blackmail to which Britain reluctantly acceded. On the 1902 issue, the Rothschilds unsuccessfully tried to freeze Morgan from the syndicate. From then on, Grenfell, with grim triumph, would note in his journal the mounting ascendancy of the House of Morgan over the House of Rothschild.

With the 1901 creation of U.S. Steel, British financiers were unnerved by Pierpont’s daring. The *New York Times* said they were “appalled by the magnitude of the American Steel combination,” and the London *Chronicle* termed the trust “little less than a menace to the commerce of the civilized world.”[14] Among other things, formation of the trust heralded an export boom of U.S. products to Europe, which would sharpen commercial rivalry between the two.

Around this time, too, Pierpont took a controversial interest in proposals to electrify underground and surface rail lines in London. New tube lines were being built as inner-city congestion required new building in London’s outskirts. Pierpont competed to finance an underground line running from Hammersmith through Piccadilly, and into the City. By taking over tube financing, Pierpont also hoped to generate business for two companies in which he had a stake—British Thomson-Houston and Siemens Brothers. Eventually he lost the underground financing to a syndicate headed by Chicago tycoon Charles Tyson Yerkes, the Traction King, best known as the model for Theodore Dreiser’s ruthless Frank Cowperwood, protagonist of *The Financier, The Titan*, and *The Stoic*. Despite his rare loss, Pierpont’s involvement kindled fears that he would steamroller the English economy, and the London County Council warned that the metropolis was being handed over to the two Americans.

There was now enormous British ambivalence toward Pierpont. On the streets of London, peddlers sold penny sheets entitled “License to Stay on the

Earth" and signed "J. Pierpont Morgan."[15] A 1901 cartoon in the New York *World* showed Pierpont asking John Bull, the personified Englishman, "What else have you for sale?"[16] Yet however much the British were distressed by Pierpont's bravado, they relied upon him in American financial matters. In 1901, to safeguard their American investments, London financiers insured his life at Lloyd's for $2 million, placing him, as Jack said, "in the same category with Queen Victoria and other rulers on this side of the Atlantic."[17]

No Morgan move could have aroused more primordial British fears than the one Pierpont made in 1902—the formation of a shipping trust to monopolize the North Atlantic. This was a natural extension of America's new export orientation. Soon after he had formed U.S. Steel, Pierpont was asked by a shipping executive whether it was possible to put North Atlantic steamships under common ownership. "It ought to be," he replied.[18] The shipping scene was then reminiscent of an earlier railroad era—too many ships and destructive rate wars. The Germans threatened British naval superiority, while Americans believed they should profit more from the immigrant traffic, as well as the new vogue among rich Americans for making luxurious transatlantic crossings.

Nakedly asserting American interests, Pierpont assembled a plan for an American-owned shipping trust that would transpose his "community of interest" principle—cooperation among competitors in a given industry—to a global plane. He created an Anglo-American fleet of over 120 steamships—the world's largest under private ownership, dwarfing even the French merchant marine. From a political standpoint, his critical conquests were the Belfast shipyard of Harland and Wolff and the White Star line. In the new trust, Lord Pirrie of Harland and Wolff saw a captive market for his ships, but J. Bruce Ismay, whose father had co-founded White Star, balked at the deal. Pierpont offered White Star shareholders such a rich premium—ten times over the high 1900 earnings—that Ismay not only stayed on as White Star chairman but was coaxed by Pierpont into becoming president of the trust itself, to be called the International Mercantile Marine. Through the White Star purchase and his hiring of Ismay, Pierpont would become ensnared in the *Titanic* catastrophe ten years later.

It was imperative that Pierpont bring the Germans, newly dominant in the North Atlantic, into his trust. Their jumbo transatlantic liners—multitiered wonders of wedding cake extravagance—were setting speed records for Atlantic crossings. An important architect of the shipping trust was Albert Ballin, whose Hamburg-Amerika Steamship Line, with hundreds of vessels, was the world's largest shipping company. In a secret 1901 report, Ballin sketched out the scope of Morgan's ambitions:

It is no secret that Morgan is pursuing his far-reaching plans as the head of a syndicate which comprises a number of the most important and the most enterprising business men in the United States and that railway interests are particularly well represented in it. Morgan himself, during his stay in London a few months ago, stated to some British shipping men that, according to his estimates, nearly 70 percent of the goods which are shipped to Europe from the North Atlantic ports are carried to the latter by the railroads on Through Bills of Lading, and that their further transport is entrusted to foreign shipping companies. He and his friends, Morgan added, did not see any reason why the railroad companies should leave it to foreign-owned companies to carry those American goods across the Atlantic. It would be much more logical to bring about an amalgamation of the American railroad and shipping interests for the purpose of securing the whole profits for American capital.[19]

In late 1901, Morgan struck a deal with Ballin for carving up the North Atlantic traffic: the Morgan syndicate wouldn't inaugurate service to German harbors without express permission from the Germans, while they, in turn, vowed not to expand their service to Britain or Belgium. The partners in the shipping trust would also pool profits and jointly acquire the Holland-America Line.

After meeting with Morgan in London, Ballin, the court Jew of his day, went to Kaiser Wilhelm's Berlin hunting lodge and briefed him on the pact. At first, the kaiser feared American financial trickery. But Ballin pointed out that while the British companies were being swallowed whole, the Germans would remain independent partners. Impressed, the kaiser sat down on his bed and read the agreement, making changes and insisting on the inclusion of North German Lloyd in the cartel. Later, when the kaiser came aboard *Corsair III* at Kiel, Pierpont strolled the deck with him. But in inviting the kaiser to sit down, he committed a serious *faux pas;* Wilhelm, however, accepted the offer from the royal Morgan.

As news of the German agreement leaked out, the public was shocked that consolidation had reared its head on a global scale. In an editorial entitled "Incredible," the *New York Times* said, "If dispatches from Paris should tell us that Mr. Morgan had . . . cabled orders to his home office to take out all the telephones, discharging the stenographers and typewriters and smash the ticker, no man, woman, or child in New York would believe the yarn. Neither will intelligent persons accept as true the story about the terms of the agreement with the German lines."[20] The *Times* saw this restraint of competition as outmoded and inefficient—a line of reasoning now gaining new adherents as revulsion from the trust kings increased.

The British were especially edgy about Pierpont's shipping cartel. They feared that International Mercantile Marine ships might exclusively transport to Europe those goods that originated in the American interior and traveled on Morgan railroads to East Coast ports. Morgan partner George Perkins confirmed this when he exulted that the shipping trust would "practically result in stretching our railroad terminals across the Atlantic."[21] It seemed as if Pierpont Morgan were spinning a seamless web around the world.

Pierpont had to contend with a single holdout, Britain's Cunard Line, whose exclusion Ballin thought might wreck the trust. (There may have been some personal pique here: once detained by a strike of Cunard workers at Liverpool, Pierpont had sworn, on the spot, never to use the line again.) Now, with near-panic in British shipping circles and a popular clamor for Parliament to "save" the seas for Britain, a cabinet committee pressed Cunard not to sell. The British admiralty wanted transatlantic liners available as warships in an emergency and feared having Cunard in foreign hands. To woo the line, the British government granted it lavish subsidies to build two new ships, the *Mauretania* and the *Lusitania*, which would be the world's biggest steamships. In exchange, Cunard agreed to stay in British hands and keep its fleet at the government's disposal.

In crafting a trust, Pierpont had never before had to contend with foreign governments. But as finance became increasingly international and affected sovereign interests, it took on a more political coloring. To temper British fears, Pierpont lobbied Colonial Secretary Joseph Chamberlain, a vocal critic, and resorted to a ruse familiar to modern multinationals: he camouflaged American ownership, first with the trust's very name, the International Mercantile Marine. Pierpont also agreed to man his British ships with British crews, fill their boards with British directors, and have them fly the Union Jack. Finally, his British ships would be in the reserves of the British navy and could be conscripted in case of war. Yet the IMM's five-man voting trust would have an American majority, with Pierpont and his partner Charles Steele joined by P. A. B. Widener, along with Ismay and Lord Pirrie.

The IMM would become a famous Pierpont Morgan flop. When shipping traffic slackened after the Boer War, the Morgan combine and Cunard exhausted each other in debilitating rate wars. From its inception in April 1902, the Morgan syndicate struggled to unload the IMM's unwanted securities. The stock had so much water—that is, inflated value—that it couldn't get a New York Stock Exchange listing. In 1906, the underwriters still held nearly 80 percent of the shares. As the *Wall Street Journal* concluded in a postmortem on Pierpont's shipping trust, "The ocean was too big for the old man."[22]

The British revulsion toward Pierpont probably changed the complexion of his London partnership, J. S. Morgan and Company. Not only had the bulk of its capital been his, but its mostly American partners had largely been recruited from among family members. In the new century, more partners would be British, and the choices more political, as Pierpont spent lavishly to build up the London house. In 1900, he signed up as a partner Sir Clinton E. Dawkins, a distinguished civil servant who had just completed a tour of duty in Egypt and was about to become a finance minister in India. The press saw fresh plans to expand the Morgan domain into Asia.

It was dissatisfaction with Dawkins, apparently, that led Pierpont into merger talks with Barings in 1904. He also feared his new rivals on Wall Street. Lord Revelstoke of Barings, in recalling his meeting with Pierpont on the subject, wrote, "He inveighed bitterly against the growing power of the Jews and of the Rockefeller crowd, and said more than once that our firm and his were the only two composed of white men in New York."[23] The two firms had long identified with each other as the leading Protestant houses in their respective cities.

The proposed merger centered on a plan for the House of Baring to handle the London side, the House of Morgan the New York side; J. S. Morgan and Company would disappear. The talks foundered for two reasons, according to Lord Revelstoke: Pierpont was afraid of disappointing Dawkins by merging the London house; and with Jack Morgan spending so much time in London, his position in the merged firm would be a ticklish affair. "I expect there is little sympathy and less confidence between father and son," said Revelstoke, who was also afraid of being smothered by Pierpont.[24] Soon after these talks collapsed in 1905, Dawkins had a heart attack and died. Jack was then entrusted with the sensitive assignment of recruiting well-connected British partners for the firm of J. S. Morgan and Company. Now the Morgans would buy some expensive British bloodlines.

In 1904, Edward Grenfell was elevated to partner; he became a Bank of England director a year later. A cool, dapper young bachelor who wore smart clothes and had a sharp tongue, Grenfell was snobbish and conservative and possessed a penetrating intellect. He also had a taste for practical jokes. Educated at Harrow and Trinity College, Cambridge, he had eminent ancestors, both his father and grandfather having been directors of the Bank of England and members of Parliament. Even as a young man, he peered at the world unsentimentally and spied out the fraudulent and hypocritical in people. Grenfell would become the London firm's political fixer and ace diplomat, its main contact with the British Treasury and the Bank of England.

In 1905, Grenfell brought in his cousin and Jack Morgan's friend, Vivian Hugh Smith, then working in a family business that managed wharves. A tall, handsome redhead and a charming raconteur, he had gone to Eton and Trinity Hall, Cambridge. He more than Grenfell was in Pierpont's mold. He was a business go-getter, with his hand in many deals. He invested in Caucasian copper and African goldfields and in other Rhodesian enterprises. Smith's father had been a Bank of England governor, and he was a member of the most prolific banking family England has produced, the so-called City Smiths, descended from a seventeenth-century Nottingham banker. (Grenfell wasn't a Smith; he and Vivian were related through their mothers.) Charting the power of this prodigious brood in 1959, Anthony Sampson estimated that seventeen Smith descendants in the City controlled eighty-seven directorships in seventy-five companies and were chairmen of six companies. The Martin Smiths would intermarry with the Hambros, strengthening that banking alliance. Vivian Smith married the tall, slender, flaxen-haired Lady Sybil, the mischievous, high-spirited only daughter of the sixth earl of Antrim, who owned Glenarm Castle and several square miles of land in Ulster and whose mother had been a lady-in-waiting to Queen Victoria. Gradually, then, the London bank shed its character as an American colony in the City. When Jack returned to New York in 1905, Grenfell and Smith were in charge. When the firm was restyled Morgan, Grenfell in 1910, it was the first time it had ever carried a British name. The Morgans had built their Trojan horse well.

DURING Theodore Roosevelt's presidency, Pierpont Morgan received his most pronounced comeuppance for his role in the American scene. He was now so grand and cloud-wreathed that only a president could chop him down to mortal scale. The public revulsion from him was easy to explain. Wall Street had flourished with the trusts: many were headquartered in New York and enjoyed closer relations with Wall Street bankers than with the companies from which they were compounded. Teddy Roosevelt wanted to correct the imbalance between government and corporate power, and in so doing he inevitably collided with Pierpont Morgan.

Although he had created great industrial combines, Pierpont couldn't allow commensurate power to accrue to labor and government. Despite his reverence for the past, patent in the religious and Renaissance art he collected, he was a radical force, unsettling to small-town America, with its agrarian traditions and faith in its own innocence. However much businessmen might respect him, he was now an ogre in the popular press. One Broadway hit show depicted devils blowing across a fiery seat as they sang in unison, "This seat's reserved for Morgan, the great financial Gorgon."[25]

Soon after President McKinley was shot, the House of Morgan tested his successor. Pierpont's new lieutenant, the smooth, insinuating George W. Perkins, cabled the new president, "The country's only consolation at this time is that it has an honest, fearless, loyal American to assume its world wide burdens.[26] A few weeks later, Perkins and Robert Bacon, a former classmate of TR's at Harvard, visited the White House to urge caution and scout out

Roosevelt's intentions. The president said he wanted reform and afterward described Perkins and Bacon "arguing like attorneys for a bad case, and at the bottom of their hearts each would know this if . . . he were not the representative of so strong and dominant a character as Pierpont Morgan."[27]

As much a showman as Pierpont, TR would endlessly manipulate the Morgan symbolism. With the public appalled by the Northern Pacific corner, Roosevelt saw the political wisdom of filing an antitrust suit against the Northern Securities Company, whose formation had marked the Morgan-Harriman truce. Attorney General Philander C. Knox announced the suit after the stock market's close on February 19, 1902. The news caught Morgan by surprise at a dinner. Clearly, *this* White House wouldn't automatically succumb to Morgan pressure. The subsequent confrontations between TR and Morgan showed the tycoon in all his sublime arrogance. The two men shared membership in New York's aristocracy; Pierpont and TR's father were both founders of the American Museum of Natural History. This common background perhaps gave their feud a special rancor—a pattern that would repeat itself with Jack and another notable "class traitor," Franklin Roosevelt.

At a White House meeting that included Attorney General Knox, Morgan expressed indignation that he hadn't received advance word of the Northern Securities suit. In what history has engraved as the ultimate hauteur, he suggested to Roosevelt that Knox and his lawyers meet privately. "If we have done anything wrong," said Pierpont, "send your man to my man and they can fix it up."[28] Knox said testily that they didn't want to fix the merger, but stop it. Worried about U.S. Steel, his favorite stepchild, Morgan asked Roosevelt if he planned to "attack my other interests." Not "unless we find out . . . they have done something we regard as wrong," Roosevelt replied.[29]

In Roosevelt's reaction to the meeting, there was the keen relish and cynicism of the well-bred rebel. He told Knox how Morgan "could not help regarding me as a big rival operator, who either intended to ruin all his interests or else could be induced to come to an agreement to ruin none."[30] Back at 23 Wall, Pierpont dashed off an angry letter to the president, but cooler associates dissuaded him from sending it. In 1903, a court in Saint Paul, Minnesota, backed the government in dissolving the Northern Securities Company and the Supreme Court narrowly upheld the decision a year later. The Sherman Antitrust Act, moribund under McKinley, suddenly took on new life with TR.

Although the Roosevelt-Morgan relationship is sometimes caricatured as that of trust buster versus trust king, it was far more complex than that. The public wrangling obscured deeper ideological affinities, as first demonstrated in the anthracite miners strike of May 1902. The principal coal companies were owned by railroads, such as the Reading, Lehigh Valley, Erie, and others close to the House of Morgan. They wanted to avenge a 10-percent wage increase granted the miners in 1900—a deal that Pierpont had helped to broker—and reacted to the strikers with feudal ferocity. By the fall of 1902, schools were shut in New York for lack of coal, and the Republicans feared retribution in the elections. On October 11, 1902, Elihu Root, the secretary of war, met with Pierpont aboard *Corsair III* in the Hudson River. Roosevelt was ready to run the mines with soldiers and wanted Morgan's support for an arbitration committee. TR was taking an enlightened stand for a president—strikebreaking had been the more typical presidential response.

The approach appealed to Morgan, who liked order and negotiation. He and Root went straight to the Union Club to meet with some railroad presidents. Paternalistic in his own bank, he was more conciliatory toward the miners than the railroad presidents were. At a White House meeting on October 3, the railroad men angrily abused (ohn Mitchell, the young president of the United Mine Workers of America, who reacted with commendable dignity. Two days later, Roosevelt sent Robert Bacon a letter designed to enlist Pierpont's further help. The president said of Mitchell, "He made no threats and resorted to no abuse. The proposition he made seemed to me eminently fair. The operators refused even to consider it; used insolent and abusive language about him, and in at least 2 cases assumed an attitude toward me which was one of insolence."[31] While sympathetic to Roosevelt's plea, Morgan lacked the total power over the railroad men popularly attributed to him, and Roosevelt complained to Henry Cabot Lodge that Morgan hadn't been able to "do much with those wooden-headed gentry."[32]

The crisis climaxed on October 15, 1902, when Perkins and Bacon visited the White House and stayed up close to midnight with Roosevelt, trying to find a way out of the impasse. Roosevelt again saw the two Morgan partners as melodramatic, even slightly ridiculous. As the night wore on, he said, they "grew more and more hysterical, and not merely admitted but insisted that failure to agree would result in violence and possible social war."[33] Roosevelt finally hit upon a way that would allow the operators to save face: they would place the labor representative on the board in a seat reserved for an "eminent sociologist." In the end, the arbitration board granted the miners a 10-percent wage increase but no union recognition. Roosevelt glowingly wrote Morgan, "If it had not been for your going in the matter, I do not see how the strike could have been settled at this time, and the consequences that might have followed . . . are . . . very dreadful to contemplate."[34]

Even on the trust issue, Roosevelt and Morgan were far from antithetical. Roosevelt saw trusts as natural, organic outgrowths of economic development. Stopping them, he said, was like trying to dam the Mississippi River. Both TR and Morgan disliked the rugged, individualistic economy of the nineteenth century and favored big business; they wanted to promote U. S. entry into world markets. But whereas Roosevelt thought economic giantism warranted an equivalent growth in government regulation, Morgan saw no need for countervailing powers. A Victorian gentleman banker at bottom, Pierpont saw trust, honor, and self-regulation among businessmen as providing the needed checks and balances.

That Roosevelt and Morgan were secret blood brothers can be seen in the strange odyssey of Morgan partner George W. Perkins, who ended up a lieutenant to both. He was a handsome, highly imaginative man, with roguish, heavy-lidded gambler's eyes and a sinister baby face behind a handlebar mustache. His father had founded a missionary slum school in Chicago, and George grew up on the grounds of a reform school that his father ran. Before he joined the bank in 1901, he was already an empire-building executive at New York Life Insurance. A voluble, glad-handing deal maker, he was an experiment on Pierpont's part—more chief than Indian—and showed Morgan's knack for picking bright people. He had come to the Corner to solicit a donation for preserving the Palisades, the high cliffs on the western bank of the Hudson. Pierpont gave $25,000 of a requested $125,000, then said to Perkins as he was leaving, "I will give you the whole $125,000 if you will do something for me." When Perkins asked what, Pierpont motioned toward the partners' area. "Take that desk over there."[35]

Morgan gave Perkins a day to decide. President McKinley warned him against the killing regime of a Morgan partner, but the cocky Perkins accepted. Things were stormy from the start. J. P. Morgan and Company employed men for secretarial positions, and Perkins wanted to bring his female secretary from New York Life. "I will not have a damned woman in the place," Pierpont roared, and poor Mary Kihm was stashed away in a bank building around the corner.[36] Later, Perkins moved her over to 23 Wall, but with the proviso that she remain upstairs and never appear on the banking floor.

Flamboyant and outgoing, George Perkins stands out among early partners because he wrote about trusts even as he created them. He challenged the mores of tight-lipped bankers of the Baronial Age. In August 1902, he pulled off a deal that put him in Pierpont's league. For a $3-million fee, he merged the McCormick Harvesting Machine Company and the Deering Harvester Company plus three smaller companies into International Harvester. This new trust had an 85-percent share of the farm-equipment market. Perkins chose the name International Harvester because he foresaw the rise of global corporations and hoped the new trust would "comply with the laws of various countries and be at home everywhere."[37] Because of the popularity of McCormick Harvesting among farmers, International Harvester was spared the trust-busting fervor that was directed against U.S. Steel.

As the Deering and McCormick families vied to control International Harvester, Perkins came up with an ingenious solution: the House of Morgan would control it. Perkins boasted to Pierpont, “The new company is to be organized by us; its name chosen by us; the state in which it shall be incorporated is left to us, the Board of Directors, the Officers, and the whole outfit left to us—nobody has any right to question in any way any choice we make.”[38] Cyrus Hall McCormick, Jr., later called Perkins the most brilliant negotiator he had ever known.[39] When International Harvester was listed on the Stock Exchange, Perkins proudly sent its first report to Roosevelt, writing that “so far as I know, this is the first instance on record that a corporation, on offering its securities to the public, has given to the public complete information as to its affairs.”[40]

Perkins’s advent came at an auspicious time for Pierpont Morgan. The trusts had thrust Wall Street into the national spotlight and brought about growing federal scrutiny of high finance. Pierpont was still mired in a nineteenth-century businessman’s contempt for government—when a fellow vestryman at Saint George’s Church, William Jay Schieffelin, the son-in-law of Dr. Markoe, came one day to talk to him about a civil service reform movement, Pierpont thundered, “What do I care about civil service reform!”[41] To worsen matters, Pierpont had a ferocious attitude toward the press, rarely granted interviews, violently refused to be photographed, and warned employees to withhold information from reporters.

The slick, cool George Perkins, with his natty gray alpaca suits and ingratiating manner, enjoyed the smoke-filled rooms. He was the House of Morgan’s first real power broker and high-level lobbyist. His later antagonist in the struggle for Theodore Roosevelt’s soul, the Kansas Progressive William Allen White, has left some marvelous impressions of Perkins as a silver-tongued devil. White became fascinated with Perkins after Senator Albert J. Beveridge urged White to go into the Senate and said that Perkins, who liked him, could arrange it. White observed that Perkins “made quick decisions, spoke in a soft voice, smiled ingratiatingly, easily.” He wrote, “I used to watch him fishing for men with a certain pride in his skill, which I greatly admired.” He also declared that “he exuded pleasantly the odor of great power that came from the Morgan connection.” At the Bull Moose National Convention in 1912, White saw a “smiling, simpering” Perkins, “spick-n-span, oiled and curled like an Assyrian bull, and a young one, trim and virile.”[42]

From his days at New York Life, Perkins would always carry a faint spice of scandal and a reputation as a master manipulator. In 1905, the New York State legislature held sensational hearings regarding the life-insurance industry. They were named after Senator William Armstrong and they made the reputation of chief counsel Charles Evans Hughes, later secretary of state and chief justice of the Supreme Court. The committee showed how rapacious insurance executives poured money into trust companies in which they held stock and squandered policy-holders' money on fancy balls. There were stories about a racy house of mirth in Albany and other devices used by New York Life and other insurance companies to sway legislators. Perkins had been in too high a position at New York Life to get off scot-free. Against Pierpont's advice, he had retained his New York Life position and Hughes pummeled him with conflict-of-interest issues. Perkins was charged with illegal campaign contributions and falsifying company records related to the sale of railroad securities. Although the indictments were later thrown out, he had to resign from New York Life.

Where Pierpont's theorizing was largely nonexistent, Perkins's was sophisticated. He gave speeches and published pamphlets on every conceivable subject. He was an oddity at the world's most cryptic bank. He preached a gospel of industrial cooperation, contending that small-scale business depressed wages and retarded technological advance. Not Wall Street, he said, but steam engines and telephones produced trusts. "What is the difference," he proclaimed, "between the U.S. Steel Corporation, as it was organized by Mr. Morgan, and a Department of Steel as it might be organized by the Government?"[43] He drew a parallel Pierpont wouldn't admit to—that trusts, with their centralized production and distribution, were a form of private socialism. And unlike Pierpont, he saw that they had acquired a public character, and he favored government licensing of interstate companies and extended worker benefits, including profit sharing, social insurance, and old-age pensions. This, he boasted, would be "socialism of the highest, best, and most ideal sort."[44] Although Teddy Roosevelt sometimes wondered whether Perkins simply rationalized a selfish Morgan agenda, there was a striking likeness between their views.

That a Morgan partner should advocate socialism is not so startling. After all, Pierpont, starting with his railway associations of the late 1880s, espoused industrial cooperation instead of competition. He liked his capitalism neat, tidy, and under bankers' control. The House of Morgan was banker to established enterprises—the great industrial planning systems that favored stability over innovation, predictability over experimentation, and were threatened by upstart companies; so the bank had a heavy stake in the status quo. Perkins wasn't the only one in the Morgan camp to applaud moves toward a planned, integrated economy. Later on, Judge Elbert Gary of U.S. Steel, who held private dinners to fix prices in the steel industry, testified: "I would be very glad if we had some place where we could go, to a responsible governmental authority, and say to them, ’Here are our facts and figures, here is our property, here our cost of production; now you tell us what we have the right to do and what prices we have the right to charge.”[45]

As we shall see, the mortal attacks on the House of Morgan came not from socialists but from such trustbusters as Louis D. Brandeis, Felix Frankfurter, and William O. Douglas, who favored small economic units and sharp competition. This tradition would lambaste the Morgan Money Trust as the biggest and most dangerous trust of all. Because the House of Morgan preached socialism for the rich, it always had a partial affinity for those who preached it for the poor.

Yet another dimension of the Pierpont Morgan-Teddy Roosevelt relationship may be seen in the Panama Canal affair. Even as TR fulminated against excessive financial power at home, he gratefully exploited it abroad. In 1902, Congress authorized Roosevelt to pay $40 million to France to buy its uncompleted assets in the Isthmus of Panama for the construction of a canal. Two years later, Pierpont carried out the financing for this largest real estate transaction in history. He traveled to France to oversee the shipment of gold bullion and paid the rest in foreign exchange to the Banque de France. After receiving payment from the United States, the new state of Panama—which TR helped to pry loose from Colombia—named J. P. Morgan and Company its fiscal agent on Wall Street, with exclusive rights to receive its U.S. government payments. The House of Morgan also handled Panama’s single biggest investment: $6 million of first mortgages on New York City real estate. So integral was Pierpont in the whole shady Panama Canal affair that one biographer has dubbed him “Roosevelt’s bagman in the taking of the Panama Canal.”[46]

Thus, in the sparring between Roosevelt and Morgan there was always a certain amount of shadow play, a pretense of greater animosity than actually existed. In the 1904 campaign, the Morgan bank gave $ 150,000 toward Roosevelt’s reelection. In return, Pierpont was sternly lectured by TR at a 1907 dinner of the Gridiron Club, the president wagging his finger at Morgan and Standard Oil’s Henry Rogers and thundering for business reform. “And if you don’t let us do this,” he insisted, “those who will come after us will rise and bring you to ruin.”[47] When TR enunciated the famous phrase about “malefactors of great wealth,” reporters thought he glanced in Morgan’s direction.[48]

Nevertheless, some of the most eloquent encomiums of Pierpont came from TR himself, who “was struck by his very great power and his truthfulness. Any kind of meanness and smallness were alike wholly alien to his nature.”[49] Morgan was less forgiving. When Roosevelt went on an African safari, Pierpont declared that he hoped the first lion he met would do its duty.

BADGERED by trustbusters, Pierpont turned with relief to other matters in his later years. By the 1900s, in his early sixties, he was often an absentee boss. Cabling instructions to Wall Street two or three times daily from vacation haunts, he never loosened his grip. He was a restless, frustrated man. He didn't gloat over the stupendous sums he earned, and one doesn't picture him counting up his net worth in the dead of night. He never mistook business for the whole of life. His real passions and temptations were women, art, and religion.

Pierpont tried to suppress press gossip about his escapades, but the Morgan estrangement was no secret. Husband and wife had little in common, and Fanny remained aloof from the social rigors required of a famous man's wife. In a 1902 photograph, she still looks tall, refined, and handsome, with her wavy hair swept up. Yet she was frail and sickly and sometimes lacked the strength to travel. By the early 1900s, she had become rather deaf and used an enormous ear trumpet; she was a semi-invalid and ate alone upstairs when the family gathered for Sunday breakfast.

Despite the tensions between Pierpont and Fanny, the Morgans were family-oriented. In 1904, Pierpont bought Jack a big Victorian brown-stone at the corner of Madison Avenue and Thirty-seventh Street, almost a twin of his own. Unexpectedly light and spacious inside, it had forty-five rooms, twenty-two fireplaces, and a dozen bathrooms. By tearing down an intervening house, Jack and his father lived as next-door neighbors, with a common garden in between, from 1905 until Pier-pont's death, in 1913.

Jack continued to manage emotional acrobatics, propping up his mother's failing spirits while retaining his father's love. In later years, he functioned as a post office, informing his mother of Pierpont's movements abroad and reporting to his father on his mother's whereabouts. It was formal and awkward, yet Pierpont and Fanny never turned their children against one other. A thoroughgoing Victorian, Pierpont would inquire respectfully after Fanny and try to minimize Jack's discomfort.

In letters often heavy with piety, Jack preached resignation to Fanny. Life, he argued, was simply a matter of bowing to eternal verities. Hadn't he dealt with his father by accepting the inevitable? In the stuffy, patriarchal Morgan world, Fanny's options were terribly limited. In one 1900 letter, he congratulated her for her better health, then said, "Do keep hold of it now it's come at last and don't squander your health on things which seem a necessity to you because they would be a pleasure to others. Keep on letting people do things without you, you'll be better able to do things for them later on. Here endeth the sermon—and there is no collection."[50]

Fanny never achieved such holy resignation and suffered terrible anguish. In 1901, when she visited Rome, Jack wrote her a letter that poignantly stated his conviction that she had to submit to her fate. Although Pierpont isn't mentioned, his ghost hovers in the air:

> Your letter from Rome struck me as distinctly blue. . . . I know there are lots of things in your circumstances which you and others would like to have differently but one must accept the inevitable as a thing which is not in one's own hands, as one does a death or a great anxiety. Nothing one could ever have done and left undone would make two and two into five—if the four is unpleasant there is a moral and religious necessity for accepting the fact and believing in the eternal love which lies behind the troubles.[51]

It seems doubtful that any woman could have wholly gratified Pierpont's appetites. There were two Pierponts—the proper banker and the sensualist—yoked together under extreme pressure; Pierpont could never integrate the two. His attitude toward women was characterized by the common double standard. At the bank, he was stoutly opposed to women employees, and he didn't discuss business with women, whom he saw as inhabiting a separate realm. Once a year, on New Year's Day, Fanny lunched at the Corner—the only time women were invited. At home, however, he was a different man. A female visitor to 219 Madison Avenue once teased Pierpont, saying that while he was charming at home, she heard of the fear he inspired at work. Pierpont blushed, began to protest, then said, "I'm afraid you are right."[52]

For Pierpont, marriage required discretion, not fidelity. It was a matter of paying homage to convention. In January 1902, Charles Schwab, now president of U.S. Steel, motored to Monte Carlo with Baron Henri Rothschild; their scandalous escapades at roulette made the front pages of New York papers. Disgusted with the "wicked" Schwab, Andrew Carnegie wrote Pierpont, "Of course he never could have fallen so low with us. His resignation would have been called for instanter had he done so."[53] George Perkins cabled Schwab that the incident hadn't scandalized Pierpont and that Schwab should go ahead "and have a bully good time."[54] When he returned to New York, Schwab defended himself, telling Morgan he hadn't resorted to closed doors. "That's what doors are for," snapped Morgan.[55] There's no question he possessed a wide streak of cynicism. He once told an associate, "A man always has two reasons for the things he does—a good one and the real one."[56] A revealing comment from a man who styled himself Wall Street's conscience.

In matters of art, Pierpont's standards were puritanical. As a member of the board of the Metropolitan Opera, he was instrumental in canceling production of Richard Strauss's *Salome*. The first-night audience had found the story of the crazed princess who wanted John the Baptist's head too daring for its tastes. Also, rehearsals had been held on Sunday mornings, which infuriated the local clergy. The production was spiked. In embarrassment, another board member, Otto Kahn, wrote to Strauss that “the responsibility for the *Salome* veto must be shared by the clumsiness and the honestly felt, but in this case, totally inappropriate religiosity of Morgan.”[57]

While protecting public morals, Pierpont conducted amorous escapades aboard his yachts, in private railroad cars, and at European spas. Wall Street wits said he collected old masters and old mistresses. “Few women could withstand his leonine love-making,” insisted an early Pierpont biographer.[58] In his larks can be seen the familiar comedy of the older man suddenly unbuttoned—he could be a jovial Santa Claus. In Paris, he would squire mistresses to a jeweler on the rue de la Paix and invite them to indulge themselves. Once, in Cairo, he tossed a handful of gold jewelry on a hotel table and cried to the ladies, “Now, help yourselves!”[59] (The party included a bishop: did he join in the merriment?) During one Seattle outing, everyone was given a fur. A New York joke of the early 1900s apparently referred to Pierpont’s florid face and generosity. One chorus girl says to another, “I got a pearl out of a fresh oyster at Shankley’s.” “That’s nothing,” replies her friend. “I got a whole diamond necklace out of an old lobster.”[60]

Given Pierpont’s theatrical approach to business, it is fitting that he preferred the company of actresses. He gravitated toward women who were free and independent, sassy and high-spirited. Rumors had him competing with Diamond Jim Brady for the affections of Lillian Russell. His most celebrated affair involved the tall, voluptuous Maxine Elliott. She was a stately woman with dark eyes, a long neck, and an imposing presence. She had a provocative tongue—something that always seemed to attract Morgan. “Why, you men in Wall Street are like a lot of cannibals,” she taunted him. “You devour anything that comes along—if it is edible.”[61] She made such withering comments about the design of *Corsair III*—especially Pierpont’s having placed the cabins below-decks—that he shifted the arrangements.

Maxine Elliott was the first woman to build a Broadway theater, purchasing the needed lot two months after the 1907 panic. Scandalmongers attributed the financing to Morgan. When he and Maxine returned from Europe aboard the same ship in 1908—a rare lapse in Morgan discretion—reporters asked him if he had a stake in the theater. “The only interest I have in Maxine Elliott’s Theatre is that I’d like to get a free ticket on opening night,” he said.[62] Legend claims he shared her favors with King Edward VII, whom she met at Marienbad in 1908.

These larks, concentrated in Pierpont’s later life, were not without Falstaffian pathos. Yet Pierpont could also be a courtly, old-fashioned lover. His last mistress seems to have been Lady Victoria Sackville-West, the daughter of a former British ambassador to Washington. She recorded how the portly old banker, randy as a schoolboy, suddenly crushed her in his embrace. She wrote in her diary in 1912, “He holds my hand with much affection and says he would never care for me in any way I would not approve of, that he was sorry to be so old, but I was the one woman he loved and he would never change.”[63] For a financial god, how tenderly apologetic!

Even at the end of his life, Pierpont had a craving for romance that had probably not been satisfied since his brief marriage to Mimi Sturges fifty years before. Some spot inside him was left untouched by the storied maneuvers on Wall Street, some emptiness that his giant exploits couldn’t fill. Even after Pierpont’s death, his family would track his liaisons as *objets d’art* he had owned mysteriously surfaced in the collections of other families. In 1936, a German wrote to Jack claiming to be a bastard from Pierpont’s student days at Gottingen. Jack wasn’t sure the whole thing was a hoax until he established that the man hadn’t been born until after his father had left the university. Yet years after his father’s death, Jack didn’t dismiss the notion out of hand.

In spite of their number, these affairs consumed less of Pierpont’s time and interest than his true aphrodisiac—art collecting. When Junius died, Pierpont had a Thackeray manuscript and a few Egyptian antiquities. Then his collecting blossomed along with his banks’ profits. At first, he concentrated on books and manuscripts and letters of British royalty, storing them in his Madison Avenue basement. Soon they were heaped upon chairs, and he couldn’t keep track of them. Other works gathered dust in 23 Wall’s vaults and in a warehouse on East Forty-second Street.

In 1900, he bought property adjoining his house, on East Thirty-sixth Street and drafted architect Charles F. McKim to design a library for his collection. McKim created an Italian Renaissance palace of a coldly remote and balanced beauty. Its marble blocks were so perfectly fitted they required no binding material—a method McKim copied, at considerable expense, from the Greeks. When he settled into the library in 1906, Pierpont took for his office the magnificent West Room, with its walls of crimson damask from the Chigi palace in Rome. A door in the corner opened into the vault. Junius’s portrait hung above the mantel. The library was nicknamed the Uptown Branch of J. P. Morgan and Company.

To catalogue the collection, Pierpont in 1905 hired a pretty young woman named Belle da Costa Greene. Only twenty-two, she had impressed Pierpont’s nephew with her knowledge of rare books at Princeton’s library. She was the product of a broken marriage—she grew up in New Jersey with her mother, who was a music teacher—and had no college education. Dark and enchanting, with green eyes, she had a complexion so dusky that she referred fancifully to her “Portuguese origins,” and she was probably part black. Belle Greene had a ferocious wit and remarkable self-confidence. She became more than Pierpont’s librarian: she was his confidante, soul mate, and possibly mistress. She read Dickens and the Bible to him and would even attend him at the all-night library session during the 1907 panic.

If the financier liked saucy women, Belle Greene surpassed all rivals. When a lumber magnate proposed to her, she cabled back “All proposals will be considered alphabetically after my fiftieth birthday.”[64] She daringly posed nude for drawings and enjoyed a Bohemian freedom. Also the toast of the Harrimans and the Rockefellers, she stayed at Claridge’s in London and the Ritz in Paris when on Morgan missions. She could be a buccaneer as well; she once told an assistant, “If a person is a worm, you step on him.”[65] Even when she became famous as the director of the Pierpont Morgan Library, she was as mysterious as her mentor and never lectured in public or accepted any honorary awards. Like Pierpont, she burned her letters and diaries before she died in 1950.

In Belle Greene, Pierpont’s infatuation with women and art converged. There was some sexual element to the relationship. When she had a four-year affair with connoisseur Bernard Berenson, she insisted that he keep it secret, so as not to awaken Pierpont’s jealousy. She flowered in her role as doyenne of the library, presiding in Renaissance gowns, gesturing with a green silk handkerchief, and personally representing Pierpont at art auctions. The forty-six-year age difference between tycoon and librarian didn’t seem to matter. “He was almost a father to me,” she said after Pierpont died. “His never-failing sympathy, his understanding, and his great confidence and trust in me bridged all the difference in age, wealth, and position.”[66] She would be an important figure for many members of the Morgan family and would later appeal to Jack no less than to his father.

Eventually Pierpont put together the largest art collection of any private individual of his day, perhaps of any day. It had Napoleon’s watch, Leonardo da Vinci’s notebooks, Catherine the Great’s snuff box, jewelry of the Medici family, Shakespeare first folios, a five-page letter of George Washington’s, Roman coins showing the heads of all twelve Caesars save one. Oblivious to Impressionists and modern American artists, he favored objects with long, romantic histories, European art sanctified by age. The banker of old money did prefer old masters, and valued exquisite craftsmanship and costly materials. Yet paintings accounted for a scant 5 percent of his collection. He preferred tapestries, jewel-encrusted books, gilded altarpieces, illuminated manuscripts, gold and silver cups, porcelains, and ivory. In stressing decorative arts, he followed in the footsteps of the Rothschilds, the Medicis, and other merchant princes. He was proud of his holdings and printed up private catalogues of his collection, which he distributed to the royal households of Europe.

Morgan the collector was recognizably the same man as Morgan the banker. He hated to haggle. He would come to terms by asking a dealer what he had paid and then tacking on 10 or 15 percent; one recalls Pierpont barking bids for foreign exchange on a take-it-or-leave-it basis. In art and finance, he relied on the deal maker as much as the deal. Francis Henry Taylor, who studied Morgan's habits as a collector, wrote, "He was accused of not looking at the objects when in reality he was looking into the eye of the man who was trying to sell it to him. It was, after all, how he had reached the summit in finance and it had paid off well."[67] To protect himself, he would buy a picture conditionally and leave it on a chair, gathering the free comments of other dealers before completing the purchase. Once, to test art dealer Joseph Duveen's knowledge of Chinese ceramics, he set out five on display. "Only three of them are genuine," he said. "Now tell me which they are." Duveen smashed the two fakes with his cane.[68]

The godfather of U.S. Steel knew that to create a *big* collection he had to buy art in huge batches and purchase entire collections. He roared tenaciously through art history like a freight train shunting from one track to the next. "I have done with the Greek antiquities," he wrote his sister Mary Burns. "I am at the Egyptian."[69] His determination was awesome. Wanting manuscripts owned by one of Lord Byron's relatives in Greece, he stationed an agent there, armed with a letter of credit. For several years, this lonely sentinel bought Byron manuscripts as they came on the market until the collection was complete.

Pierpont could also be childishly impulsive. He loved to hear the stories behind works of art, which he would commit to memory. This genuine interest served him better than the feigned sophistication of insecure millionaires who bought "fine art" and ended up with high-priced junk. When one art dealer appeared with a Vermeer, Pierpont asked, "Who is Vermeer?" After being told, he peered at the $100,000 painting again. "I'll take it," he said. The story may be apocryphal—Morgan had visited European museums for decades and would have seen Vermeers—yet it captures his enthusiasm. In the last analysis, Pierpont relied on his own fallible judgment. In 1911, Jack excitedly reported that a dealer had offered $176,000 for an original 1530 Copernicus manuscript, the basis of modern astronomy. In a huff, Pierpont cabled back: "Do not care for Copernicus, certainly not at such absurd price."[70]

And Pierpont could be disarmed by sentiment. One dealer tried to sell him a manuscript collection that included Poe's *Tamerlane* and Hawthorne's *Blithedale Romance.* When Morgan wouldn't budge, the dealer played his trump card. He noted a Longfellow poem about his grandchildren that, the dealer said, reminded him of Pierpont and *his* grandchildren. "Let me see it," replied Morgan. He put on his spectacles, read the poem, then pounded the table. “I’ll take the collection.”[71]

The scale of Pierpont’s collection was so outsize—it included 225 works of ivory, 140 pieces of majolica, 150 works of Continental silver, and so on—that vanity alone cannot explain it. Rather, it was founded in an impulse that paralleled his banking ambition—to put America on a par with the European civilization he so admired. As in banking, he honored Old World traditions even as he ransacked them. It was said he wished to acquire a collection so huge that Americans wouldn’t have to travel to Europe for culture. After 1897, he gave steadily to the Metropolitan Museum of Art and became its board president in 1904. The board of trustees often met in his house. To mount a patriotic assault on European masterpieces, he packed the board with millionaire friends—Frick, Harkness, Rogers, and other industrial captains. In 1905, he brought Sir Purdon Clarke from the South Kensington Museum to direct the museum and then Bloomsbury art critic, Roger Fry, as its curator of paintings. Fry would later taunt Pierpont for his “perfect insensibility” and “crude historical imagination.”[72] But the high quality of the Morgan collection would be proof against Fry’s petty gibes.

In 1904, after acquiring the townhouse next-door to 13 Princes Gate, he considered converting the two buildings into a museum as a memorial to his father. He also hoped to create memorials to Junius in the four cities in which he had lived—Holyoke, Massachusetts, Hartford, Boston, and London. After deciding that the enlarged London house still couldn’t encompass his collection, he commemorated Junius by building the $1.4-million Morgan Memorial in Hartford, doubling the size of that city’s art museum, the Wadsworth Atheneum. This single bequest, Pierpont’s largest, surpassed the $1 million he had given to the Harvard Medical School in 1901 to honor his father.

A final note on Pierpont’s collection concerns the rashness with which he financed it. Usually buying art during the summer, he would postpone payment until early the next year—extraordinary to think of the world’s foremost banker buying art on credit! As early as 1902, Teddy Grenfell noted in his journal “vague and disquieting rumors” in the City about the Morgan banks’ financial soundness as a result of the whirlwind art collecting.[73] He also noted the tension when the time came to settle these purchases at the London or Paris offices. The sums weren’t trivial. At Pierpont’s death, the collection was valued at an estimated $50 million, or nearly half his entire fortune.

This nonstop buying posed a potential threat to Pierpont’s banking capital. This was especially serious because he chose partners for their talent, not to inject fresh capital into the business. It was one of the House of Morgan’s glories that poor boys could join its exclusive club. Yet Pierpont didn’t always husband his capital. Years later, Morgan partner Russell C. Leffingwell passed along the insider stories about the problems created by the art sprees. “The notion that the elder Morgan bought pictures and tapestries partly to make money is certainly contrary to the fact,” he told a colleague. “It was a self-indulgence on a magnificent scale, and a source of great anxiety and at times weakness to his firm, which could well have used the money as capital in the business if he had not spent it so lavishly.”[74] In the last analysis, the collector’s impulse to spend won out over the banker’s impulse to save.

CHAPTER SEVEN
PANIC

THE folk wisdom of Wall Street says that if a crash is widely expected, it won't occur, for a saving fear will filter through the marketplace. This was refuted in 1907, when Wall Street spent a cliff-hanging year awaiting the crash that *came.* On March 25, panic selling roiled the Stock Exchange. The financial powers—Henry Clay Frick, Edward H. Harriman, William Rockefeller, and Jacob Schiff—assembled at the Corner for a secret meeting. They wanted a $25-million pool to steady prices. Jack cabled Pierpont in London, saying Schiff "thought amount of money really needed would be very small, as moral effect of concerted action on part of large interests heretofore antagonistic would be sufficient without actual purchases."[1] While Jack favored cooperation, Pierpont fired back a hostile cable, saying such an action "would be unwise, entirely at variance with all the policies we have ever adopted being at the head of a declared Stock Exchange manipulation."[2] The next day, the market rallied—partly on the basis of incorrect reports that Pierpont had joined relief efforts—and the plan was scrapped. All spring, as Pierpont cruised around Europe, his partners wired him that a serious autumn drop appeared likely.

At age seventy, Pierpont was often in low spirits. In photographs, his eyes look slightly unfocused, as if telling of inner turmoil. The October 1907 panic found him at the Episcopal Convention in Richmond, Virginia. As a lay delegate from New York, he would attend these conventions in opulent style, bringing bishops down by private railroad car and throwing parties catered by Louis Sherry. Nothing pleased him more than recondite controversies over prayer-book revisions and other matters remote from the material world. At the same time, the contradictory Pierpont brought with him a lady friend, Mrs. John Markoe of Philadelphia, a relative of his personal physician, Dr. James Markoe, and often mentioned as a possible mistress.

As the Richmond convention progressed, emergency telegrams came in thick and fast from 23 Wall Street. Morgan's friend Bishop William Lawrence noted in his diary how Morgan would study the telegrams, place his palms on the table, then stare fixedly ahead. Though Pierpont was needed on Wall Street, his partners feared a premature return might itself touch off a panic. By Saturday, October 19, he decided to rush back by private railroad car to deal with a spreading bank crisis. "They are in trouble in New York," he told

Bishop Lawrence. “They do not know what to do, and I don’t know what to do, but I am going back.”[3]

The 1907 panic was Pierpont’s last hurrah. Although semiretired, reporting to work periodically for only an hour or two, he suddenly functioned as America’s central bank. Within two week’s time, he saved several trust companies and a leading brokerage house, bailed out New York City, and rescued the Stock Exchange. His victory was Pyrrhic, however, as America decided that never again would one man wield such power. The 1907 panic would be the last time that bankers loomed so much larger than regulators in a crisis. Afterward, the pendulum would swing decidedly toward government financial management.

The panic was blamed on many factors—tight money, Roosevelt’s Gridiron Club speech attacking the “malefactors of great wealth,” and excessive speculation in copper, mining, and railroad stocks. The immediate weakness arose from the recklessness of the trust companies. In the early 1900s, national and most state-chartered banks couldn’t take trust accounts (wills, estates, and so on) but directed customers to trusts. Traditionally, these had been synonymous with safe investment. By 1907, however, they had exploited enough legal loopholes to become highly speculative. To draw money for risky ventures, they paid exorbitant interest rates, and trust executives operated like stock market plungers. They loaned out so much against stocks and bonds that by October 1907 as much as half the bank loans in New York were backed by securities as collateral—an extremely shaky base for the system. The trusts also didn’t keep the high cash reserves of commercial banks and were vulnerable to sudden runs.

That Pierpont rescued the trusts was ironic, for they were anathema to the Wall Street establishment. As George Perkins said, “Indeed, we hadn’t any use for their management and knew that they ought to be closed, but we fought to keep them open in order not to have runs on other concerns.”[4] When J. P. Morgan and other prestigious houses referred clients to them for trust work, the unscrupulous trusts tried to steal the nontrust business of these clients. Two young bankers, Henry Pomeroy Davison of the First National Bank and Thomas W. Lamont of Liberty Bank, were among those who in 1903 set up a “captive” trust called Bankers Trust. Although commercial banks couldn’t do trust business, they could own trusts, and they pooled their money to set up the new bank. The idea was that the House of Morgan and its allies would refer trust business to Bankers Trust, which would politely return the customers once their trust business was complete. By no accident, the Morgan bank would stare vigilantly at Bankers Trust across the Corner of Broad and Wall.

On Monday, October 21, the day after Pierpont returned from Richmond, a collapse in copper shares undermined the trusts. There were fears of a copper glut, spurred partly by news that the Morgans would join the Guggenheims in developing new Alaskan copper mines. When an attempt to corner United Copper burst, its stock skidded 35 points in just two hours, spreading ruin and dragging stocks to levels unseen since the 1893 depression. Charles T. Barney, president of Knickerbocker Trust, was associated with F. Augustus Heinze and other speculators who had cornered United Copper. So the stock's fall alarmed the Knickerbocker's eighteen thousand depositors. At its new main office at Thirty-fourth Street and Fifth Avenue, customers lined up on Tuesday morning to empty their accounts.

As panic spread to other trusts around town, Pierpont took charge of the rescue operation. Emergencies seemed to fortify his confidence even as they introduced doubt or terror in others. He formed a committee of young bankers, including Henry Pomeroy Davison of the First National Bank and Benjamin Strong of Bankers Trust. He sent them to audit the Knickerbocker's books. Later, as all-powerful governor of the New York Federal Reserve Bank, Strong would recall peering out at grim depositors from the bank's back room. "The consternation of the faces of the people in the line, many of them I knew, I shall never forget. I know that Harry left the building with a sense of dejection and defeat which it is quite impossible for me to describe." Pierpont wrote off the Knickerbocker as hopeless and it failed on Tuesday afternoon, October 22.[5] "I can't go on being everybody's goat," he said. "I've got to stop somewhere."[6] A few weeks later, refused admission to see Pierpont, Charles Barney of the Knickerbocker shot himself, an act that produced a wave of suicides among the bank's depositors.

On Tuesday night, Pierpont and other bankers met at a Manhattan hotel with Treasury Secretary George B. Cortelyou, who pledged cooperation. The next day, Cortelyou put $25 million in government funds at Pierpont's disposal. It was an extraordinary transference of power to a private banker and further proof of Teddy Roosevelt's high regard for Morgan.

The Knickerbocker's failure triggered runs on other trusts, especially the Trust Company of America, which was just down Wall Street from the Morgan bank. On Wednesday, October 23, Pierpont summoned the trust presidents and tried to prod them into a rescue pool. It turned out they didn't know one another, making it difficult for them to band together in a crisis. The situation illustrated why bankers believed implicitly in their old-boy networks. After Ben Strong delivered a favorable report on the Trust Company of America, Pierpont made his *ex cathedra* pronouncement: "This is the place to stop the trouble, then."[7] Morgan, George F. Baker of First National Bank, and James Stillman of National City Bank provided $3 million to save the Trust Company of America.

For two weeks, Morgan and his associates stood fast against a spreading typhoon. As panic increased, depositors thronged banks across the city. People sat overnight in camp chairs, bringing food and waiting for the banks to open in the morning. New York police distributed numbers to people to save their places; in other cases, exhausted depositors paid enterprising standees to wait for them. (A later Wall Street eminence, Sidney Weinberg of Goldman, Sachs, earned $10 a day holding down places in line.) To reduce withdrawals and avert the need for shutdowns, trust tellers counted out the money in slow motion, like people in a trance.

Strapped for cash, the trusts called in margin loans from stock market speculators. The price of call money—that is, the interest rate on margin loans to buy stocks—zoomed to 150 percent. Nevertheless, there remained a shortage of ready funds. Perkins cabled Jack, who was in London: "At all times during the day there were frantic men and women in our offices, in every way giving evidence of the tremendous strain they were under."[8] Pierpont was accosted by hundreds of distraught brokers who faced ruin and pleaded for help. Photographs of the Corner show dense throngs of men in derbies and dark coats, solidly massed along Wall Street in somber ranks. For these terrified men, Morgan emerged as the Redeemer, the one man who could save them. In a human wave, they surged right to the door of 23 Wall, where "the struggling mob fought their way on, all looking up at the windows of J. P. Morgan & Co."[9]

On Thursday, October 24, with stock trading virtually halted, New York Stock Exchange president Ransom H. Thomas crossed Broad Street and told Morgan that unless $25 million were raised immediately, at least fifty brokerage firms might fail. Thomas wanted to shut the Exchange. "At what time do you usually close it?" Morgan asked—though the Stock Exchange was twenty paces from his office, Pierpont didn't know its hours: stock trading was vulgar. "Why, at three o'clock," said Thomas. Pierpont wagged an admonitory finger. "It must not close one minute before that hour today."[10] At two o'clock, Morgan summoned the bank presidents and warned that dozens of brokerage houses might fail unless they mustered $25 million within ten or twelve minutes. By 2:16, the money was pledged. Morgan then dispatched a team to the Stock Exchange floor to announce that call money would be available at as low as 10 percent. One team member, Amory Hodges, had his waistcoat torn off in the violent tumult. Then a blessed moment occurred in Morgan annals: as news of the rescue circulated through the Exchange, Pierpont heard a mighty roar across the street. Looking up, he asked the cause: he was being given an ovation by the jubilant floor traders.

The next day, call money soared again to extortionate rates. Eight banks and trust companies had already failed during the week. Pierpont went to the

New York Clearing House, the banker’s trade group for clearing checks, and got it to issue scrip as a temporary emergency currency to relieve the serious cash shortage. Herbert L. Satterlee has left a wonderful vignette of his father-in-law returning to 23 Wall. It shows why contemporaries saw Morgan as the incarnation of pure will:

> Anyone who saw Mr. Morgan going from the Clearing House back to his office that day will never forget the picture. With his coat unbuttoned and flying open, a piece of white paper clutched tightly in his right hand, he walked fast down Nassau Street. His flat-topped black derby hat was set firmly down on his head. Between his teeth he held the paper cigar holder in which was one of his long cigars, half smoked. His eyes were fixed straight ahead. He swung his arms as he walked and took no notice of anyone. He did not seem to see the throngs in the street, so intent was his mind on the thing that he was doing. Everyone knew him, and people made way for him, except some who were equally intent on their own affairs; and these he brushed aside. The thing that made his progress different from that of all the other people on the street was that he did not dodge, or walk in and out, or halt or slacken his pace. He simply barged along, as if he had been the only man going down Nassau Street hill past the Subtreasury. He was the embodiment of power and purpose.[11]

That Friday night, Pierpont called in city religious leaders and asked them to preach calm in their Sunday sermons. Archbishop Farley held a special Sunday mass for businessmen. Grappling with a bad cold that had dogged him for days, Pierpont went up to Cragston for the weekend. On Monday, October 28, New York City mayor George B. McClellan came to the Morgan Library with another serious brush fire to extinguish. Alarmed by events on Wall Street, European investors were withdrawing money from America, and the city couldn’t place its warrants abroad. The city needed $30 million to cover its obligations, McClellan said. Morgan, Baker, and Stillman agreed to provide the needed money—the first of four Morgan-led rescues of New York City in this century. In a bravura performance, the seventy-year-old Pierpont extemporaneously drafted a letter-perfect contract on Morgan Library stationery. He also demanded a bankers’ committee to monitor the city’s bookkeeping practices, a feature of later New York City crises as well.

For a seventy-year-old man with a bad cold, Pierpont handled the 1907 panic like a virtuoso. He sucked lozenges and worked nineteen-hour days. He said that he missed Jack. At moments, his physician, Dr. Markoe, plied his throat with sprays and gargles, as if the banker were an aging boxing champ being resuscitated between rounds. The doctor also extracted a pledge that Pierpont would cut down his cigar consumption to only twenty a day! When he dozed during an emergency meeting, nobody dared disturb the royal snooze. One banker “reached forward and lifted from the relaxed fingers, as one might take a rattle from a baby, the big cigar that was scorching the varnish on the table.”[12] For a half hour, he was fast asleep as bankers discussed a $10-million loan.

During the 1907 panic, Pierpont proved that American finance could aspire to high drama. In an elaborate finale on Saturday night, November 2, he devised a rescue for the still-shaky Trust Company of America, for Lincoln Trust, and for Moore and Schley, a speculative brokerage house that was $25 million in debt. This last company held a gigantic majority stake in the Tennessee Coal and Iron Company as collateral against loans. If it had to liquidate that stake, it might collapse the stock market. If Moore and Schley, in turn, collapsed, it might topple other houses as well.

Like an impresario creating his theatrical masterpiece, Pierpont gathered the city’s bankers at his library. He settled commercial bankers in the East Room, beneath signs of the zodiac and a tapestry of the seven deadly sins, while in the West Room trust-company presidents sank into deep red couches and armchairs beneath the gaze of saints and Madonnas. In between, like lupiter above the fray, Pierpont played solitaire in Belle Greene’s office.

One spectator was Tom Lamont, now a vice-president of Bankers Trust. Then only an “experienced errand boy,” as he said, he was entranced by the pageantry. Of Pierpont’s successors, only Lamont would possess the flair to stage such events. He recalled: “A more incongruous meeting place for anxious bankers could hardly be imagined. In one room were lofty, magnificent tapestries hanging on the walls, rare Bibles and illuminated manuscripts of the Middle Ages filling the cases; in another, that collection of the Early Renaissance masters—Castagno, Ghirlandaio, Perugino, to mention only a few—the huge open fire, the door just ajar to the holy of holies where the original manuscripts were guarded.”[13]

To save Moore and Schley, Pierpont wanted some payoff for himself. With his usual sense of martyrdom, he felt it was his due. With his peculiar bifocal vision, he saw the panic as a time for both statesmanship and personal gain. At this point, he told friends that he had done enough and wanted some *quid pro quo*. He now took an appropriately big fee.

Pierpont hatched a scheme that would save Moore & Schley, avert its need to sell the Tennessee Coal and Iron block in the open market, and benefit his favorite creation, U.S. Steel. He knew U.S. Steel could profit from Tennessee Coal’s huge iron ore and coal holdings in Tennessee, Alabama, and Georgia. For antitrust reasons, it was a prize unattainable under ordinary circumstances. So he struck a deal: U.S. Steel would buy Tennessee Coal stock from Moore and Schley *if* the hesitant trust-company presidents assembled a $25-million pool to protect the weaker trusts. What a characteristic mix of high and low motives!

Ben Strong noticed that Pierpont had locked the enormous bronze doors and pocketed the key. He was up to his old tricks—confinement of adversaries, a deadline, the abrupt appearance of the menacing host after long hours of bargaining. At a quarter to five in the morning, Pierpont pushed a gold pen into the hand of Edward King, leader of the trust presidents. “Here’s the place, King. And here’s the pen.”[14] Beaten down by all-night bargaining, King and the other trust company presidents agreed to contribute to the $25-million pool.

On Sunday night, Henry Clay Frick and Judge Elbert Gary of U.S. Steel sped down to Washington on a midnight train. They traveled in a single Pullman car specially hitched up to a locomotive. They had to secure Roosevelt’s approval for U.S. Steel’s takeover of Tennessee Coal and Iron before the stock market opened on Monday morning. They ended up interrupting Roosevelt in the middle of his breakfast; mindful of the panic, TR said it was “no public duty of his to interpose any objections.”[15] In other words, the Sherman Antitrust Act wouldn’t be used against U.S. Steel. Five minutes before the stock market opened at 10:00 A.M., Gary called 23 Wall Street from the White House and told George Perkins that the president had agreed to the plan. The stock market rallied on the news.

Immediately, there were charges that Pierpont had duped Roosevelt into scuttling his antitrust policy and sanctioning, under duress, an anticompetitive steel merger. Wisconsin senator Robert La Follette even said the bankers had rigged up the panic for their own profit. Certainly the $45-million distress sale price of Tennessee Coal and Iron was a steal. Financial analyst John Moody later said that the company’s property had a potential value of about $1 billion. Grant B. Schley, head of Moore and Schley, also admitted later that his firm could have been rescued by an outright cash infusion rather than the purchase of the Tennessee Coal stock. So there was far more than altruism at work in the famous all-night rescue of the firm.

Despite this controversy, Pierpont reached the zenith of his influence with the 1907 panic. As his biographer Frederick Lewis Allen wrote, “Where there had been many principalities, there was now one kingdom, and it was Morgan’s.”[16] Pierpont was suddenly not a pirate but a sage. Woodrow Wilson, then president of Princeton University, said the nation should be advised on its future by a panel of intellectuals, and he recommended Pierpont Morgan as its chairman.[17] The tributes, nonetheless, coincided with new concern about America’s financial system. U.S. financial panics recurred with worrisome regularity, every ten years. The 1907 panic exposed many systemic defects. As people hoarded money and banks called in loans, there was no central bank to instill confidence or offset the sudden credit contraction. Sharp drops in the money supply then led to severe recessions. The country needed an elastic currency and a permanent lender of last resort.

From the ashes of 1907 arose the Federal Reserve System: everybody saw that thrilling rescues by corpulent old tycoons were a tenuous prop for the banking system. Senator Nelson W. Aldrich declared, “Something has got to be done. We may not always have Pierpont Morgan with us to meet a banking crisis.”[18] By confirming his storied powers, Pierpont also inadvertently fostered talk of an omnipotent Wall Street money trust. President Roosevelt now recommended federal regulation of the stock exchanges, while New York governor Charles Evans Hughes wanted margin requirements raised from 10 to 20 percent. If these suggestions had been enacted, the country might have been spared some of the lurid excesses of the 1929 crash.

The one direct consequence of the 1907 panic was a universal clamor for banking reform. In 1908, Congress passed the Aldrich-Vreeland Currency Act, which created the National Monetary Commission to study changes in the banking system. The commission was chaired by Senator Aldrich of Rhode Island, and the House of Morgan quickly moved to exert influence on it. Perkins cabled Pierpont in London that he and George F. Baker, the walrus-mustached head of the First National Bank, had stayed away from Washington, lest the new legislation be seen as a Wall Street plot. At the same time, Perkins sent a coded cable saying that Harry Davison, Baker’s young protégé, would be Aldrich’s adviser: “It is understood that Davison is to represent our views and will be particularly close to Senator Aldrich.”[19] Davison had been Pierpont’s cool lieutenant during the 1907 panic and had greatly impressed him. When the Aldrich commission was about to depart for a tour of Europe’s central banks, Davison went ahead to confer with Pierpont, who wanted a private central bank on the Bank of England model. Davison would be the only banker to accompany the senators and congressmen on their mission.

A central bank was by no means supported by all Democrats. William Jennings Bryan and the Populists feared that a central bank would be dominated by the same hard-money men who ran Wall Street. They saw it as an institution that would slay the silverites. In many ways, the concept was associated more with conservative, hard-money men. Pierpont was amenable to central banks so long as they were private and had boards composed of bankers. As Pierpont’s man on the commission, Davison reflected his mentor’s uncompromising preference for banker rather than politician control of a central bank. He also expected such a bank to introduce a “level playing field” and end the competitive advantage of the trusts.

In November 1910, in what was billed to the press as a “duck-shooting holiday,” Davison (now a Morgan partner) and other Wall Street bankers met secretly at the Jekyll Island Club, a palm-shaded seaside compound of turreted buildings off the Georgia coast and a favorite Morgan hideaway. Known as the resort of the one hundred millionaires, Jekyll Island claimed among its organizers Pierpont's chum George F. Baker. Pierpont kept an apartment in its San Souci building. The Jekyll Island meeting would be the fountain of a thousand conspiracy theories. Here Wall Street bankers worked out their plan for a central bank under private aegis, a system of regional reserve banks topped by a governing board of commercial bankers. Davison, an architect of the meeting, not only got a suspicious stationmaster in Brunswick, Georgia, to keep quiet about his suspicions, but often led the discussion. As Paul M. Warburg of Kuhn, Loeb, one of the key theoreticians at the meeting, later said, "Davison had an uncanny gift in sensing the proper moment for changing the topic, for giving the discussion a timely new turn, thus avoiding a clash or deadlock."[20]

When Senator Aldrich presented his bill for a central bank to Congress in 1910, the Democrats blocked it. In 1913, Congressman Carter Glass, a Virginia Democrat, used it as the basis for the Federal Reserve Act, although making extensive modifications. President Wilson successfully demanded that the system of twelve private regional reserve banks be placed under a central political authority, a Washington board that would include the Treasury secretary and presidential appointees. Progressives hoped the Federal Reserve would reduce the House of Morgan's unique power. As we shall see, the truth was far more complex, for the bank would skillfully harness the Fed and use it to amplify its powers. In an ironic outcome unforeseen by reformers, it would become the private bank of choice for central banks throughout the world, giving it an incalculable new advantage.

WHEN the Republican president William Howard Taft took office in 1909, the wily George Perkins flattered himself, thinking that he had already wormed his way into its inner council. Taft sent him a confidential draft of his inaugural address, which was "in all respects conciliatory and harmonizing in tone," Perkins reported to Pierpont.[21] He felt convinced Taft would water down the troublesome Sherman Antitrust Act. In coded cables to Morgan, who was vacationing in Egypt, Perkins made it sound as if he alone had picked the new cabinet. "Acting on suggestion made solely by me 2 weeks ago Franklin Mac-Veagh Chicago has been selected for Secretary of Treasury. Wicker-sham will be Attorney General and other places are filled to our entire satisfaction."[22]

Yet the one-term Taft administration would be deeply ambivalent toward the House of Morgan. On the surface, it would seem even more hostile than Roosevelt's and surprisingly aggressive in battling the trusts. It filed antitrust suits against two cherished Morgan progeny—U.S. Steel and International Harvester. The Taft years also saw the dismemberment of John D. Rockefeller's Standard Oil trust and James B. Duke's American Tobacco trust. For all his windy attacks on the trusts, Teddy Roosevelt had been far more circumspect about translating his words into tough action.

Yet there was more to the Taft-Morgan relationship than a progressive crusade against a Wall Street cabal. If trust-busting made good political theater, the deeper story was one of foreign collaboration. Even as Washington chastised the banks at home, it was forging them into foreign-loan syndicates in a new age of dollar diplomacy. With the U.S. defeat of Spain and the colonization of the Philippines and Puerto Rico, the country had acquired a new taste for imperialist adventure, and the House of Morgan would be one of its main instruments.

Henceforth, much of the Morgan saga revolves around incestuous dealings between the Morgan banks in New York and London and their respective governments, intrigue that would drape them in mysterious new raiment. The Baronial Age was one of unbridled *laissez-faire*, marked by often unqualified hostility on the part of bankers toward government. But in the dawning Diplomatic Age, there would be an explicit fusion of financial and government power. In time, it would become hard to disentangle the House of Morgan from various aspects of Anglo-American policy. Yet there would also be spectacular instances in which Morgan policy would take on a clandestine life of its own, diverging from official dictates.

The new alliance was mutually advantageous. Washington wanted to harness the new financial power to coerce foreign governments into opening their markets to American goods or adopting pro-American policies. The banks, in turn, needed levers to force debt repayment and welcomed the government's police powers in distant places. The threat of military intervention was an excellent means by which to speed loan repayment. When Kuhn, Loeb considered a loan to the Dominican Republic, backed by customs receipts, Jacob Schiff inquired of his London associate Sir Ernest Cassel, "If they do not pay, who will collect these customs duties?" Cassel replied, "Your marines and ours."[23]

During its first year, the Taft administration recruited the House of Morgan in a scheme to create a financial protectorate over Honduras and bail out British bondholders at the same time. As part of a debt settlement, the bank would buy up old Honduran bonds, which were selling at a steep discount in London. Secretary of State Philander Knox would then impose an American lien on Honduran custom-house receipts and sell new Honduran bonds through a Morgan syndicate. The scheme would be backed up by American military might. Although Senator William Alden Smith, for one, was irate that the State Department supported the Morgan scheme, the bank had actually been dragooned by the government. Serving only prime government clients, the House of Morgan had a supercilious attitude toward small, backward countries. As Jack said in a cable to the London office, “Negotiations only undertaken because U.S. Government anxious get Honduras settled.”[24] He and Harry Davison refused to proceed without a treaty that provided ironclad guarantees for the bonds. After enraged mobs besieged the Honduran assembly, protesting threats to their sovereignty, the U.S. Senate vetoed the deal, and the operation was scrapped.

The new era was most vividly adumbrated in China. As with Honduras, the House of Morgan had no great relish for such a foreign operation. Backward and sprawling, lacking a central army and modern budgeting, *fin-de-siècle* China had proved exasperating for foreign bankers. Its officials excelled in playing off one group of foreign creditors against another. (The bankers were accused of exploiting the same strategy with Chinese officials.) This not only bred resentment among bankers but fostered a decided Wall Street prejudice in favor of China’s ancient enemy, Japan.

The French, Germans, and British were already well entrenched in China, controlling their own spheres of influence. The European bankers had entered the picture in the late nineteenth century, when provincial Chinese merchants lacked the necessary capital to build railroads. In 1899, Secretary of State John Hay had declared an “open door” policy toward China that was supposed to guarantee unrestricted foreign access. Under Taft, however, the open door was converted into a blunt U.S. demand for inclusion in China on an equal basis with the European powers.

In 1909, the State Department prodded a reluctant Wall Street to undertake Chinese business. A consortium of British, French, and German banks had nearly completed negotiations for a $25-million loan for the Hukuang Railway, which ran from Shanghai to Canton. Much to the European’s dismay, the State Department demanded an equal share for U.S. bankers. As Herbert Croly wrote, “The majority of these bankers had gone into the Group not because they were seeking Chinese investments but in order to oblige the administration.”[25]

The State Department placed the House of Morgan at the head of an American Bankers Group that included Kuhn, Loeb, the National City Bank, and the First National Bank. Only a few years before, these firms had viciously quarreled during the Northern Pacific corner. Now Washington was welding them into an instrument of national purpose, believing that banker unity would magnify American influence abroad. When Jack cabled his father in London about the arrangement, Pierpont couldn’t suppress his competitive instincts. “Strikes me favorably,” he responded, “but, strictly confidential and for your own use only, important J. P. M. & Co. take lead and name mentioned first. Suppose fact already recognized but must not be overlooked."[26]

The American Group met at 23 Wall Street, with Harry Davison in the chair but the State Department pulling the strings. Ordinarily commanding and good-humored, Davison chafed at the controls. He instructed Teddy Grenfell in London, "Think it would be very wise if you would casually but firmly point out to those with whom you come in contact that this is a proposition of the Government and not of the Bankers."[27] The popular press applauded the latest salvo in the Morgan-White House wars and fancied that trustbusters now had bankers on the run. Meanwhile, Davison moaned: "Continue to be governed entirely by wishes of State Department."[28] For bankers who had prided themselves in their fierce independence from government, this new strait-jacket was hard to tolerate.

Teddy Grenfell, partner in J. S. Morgan and Company (soon to be Morgan Grenfell) represented the American group in its dealings with the British, French, and German banker groups of the China consortium. Now and in the future, he would be an important intermediary between 23 Wall Street and the British government. Bolted together internally, the Morgan banks acted autonomously in many matters. It was a tricky situation, fraught with conflicts, for the New York and London houses were always sensitive to requests from their respective governments. In 1908, for example, J. S. Morgan and Company withheld a Turkish loan at the Foreign Office's behest, then extended it the following year when bureaucratic winds shifted. So long as British and American interests coincided, this situation posed no problem. But a conflict was buried here that would later tear apart the Anglo-American Morgan empire. However much it might camouflage it, the House of Morgan wasn't a multinational bank but an American bank with partnerships abroad. Many times, it would be impossible to appease both the United States and Britain.

From 1909 to 1913, the American Group served as a conduit for all Morgan dealings with China. Its representative in China was the most dashing, adventurous agent in Morgan history—Willard Dickerman Straight. Straight's life reads like a spy thriller. Fresh out of Cornell, he worked for the Imperial Maritime Customs Service in Peking and studied Mandarin. In 1904, he went to Japan to report on the Russo-Japanese War for Reuters and the Associated Press. A friend in those years described him as "tall, slim, with reddish-brown hair, of unusual frankness and charm of manner."[29] While reporting from Seoul, Korea, he met Edward H. Harriman at a dinner, an experience that transformed his life. Harriman then controlled the Union Pacific Railroad and the Pacific Mail steamship line, which he saw as the first two legs of a round-the-world transportation system. He recruited the enthusiastic Straight to win the critical China rail link. Then, in 1906, Teddy Roosevelt invited Straight to the White House, saying he was signing up bright young Ivy Leaguers to join the Foreign Service and drum up business for American companies abroad. To assist Harriman's venture, Roosevelt assigned Straight—then only in his twenties—to be the U.S. consul general in Mukden, a bustling rail center in Manchuria. He would be the sole State Department representative north of the Great Wall.

In those days, Manchuria was colorfully described as the cockpit of Asia, the place where Russian and Japanese imperial interests clashed and European powers vied for influence. Nobody could have savored this romantic crossroads more than Willard Straight. He was an improbable mix of frank imperialist and young idealist, viewing American bankers as a buffer against Japanese and Russian encroachment in Manchuria. Cloaking dollar diplomacy in a mantle of altruism, he thought unity among foreign bankers would prevent any single country from exploiting China. This argument would eventually be exposed as a self-serving American delusion. But Straight was young and ardent and easily convinced himself of his mission of salvation.

An intimate of mandarins in the Manchu court, he had a poetic sensibility, sketching watercolors of queued street vendors and illustrating a book about China. He sang Kiplingesque lyrics as he strummed his guitar and loved the themes of imperial conquest. His letters were spiced with vivid, exotic imagery, describing China as "the storm center of world politics," a place "where everyone more or less is spying on everyone else."[30] In 1909, he met one of America's richest heiresses, Dorothy Whitney, and they became engaged two years later. She was the orphaned daughter of William C. Whitney, a former navy secretary who had made a fortune in tobacco, traction, automobiles, and stock market speculation, and she had inherited $7 million. Recently president of the Junior League in New York, she was touring China when she met Straight. She had a wild, romantic sensibility that matched his own. In Peking, she recalled, they "walked along the city wall at sunset time and watched the soft glow of the distant purple hills."[31] Dorothy and Willard Straight would pass through the turbulence of revolutionary China with the cool insouciance of a couple in an elegant Hollywood farce.

In 1909, Straight was appointed representative of the American Bankers Group. He had enough youthful idealism to be disturbed by much of what he saw within the group. During the summer of 1910, he worked at 23 Wall Street—he thought the address a good omen, because the street number was the same as Dorothy's birthday—and was appalled at the way the House of Morgan bossed around the State Department. Davison might chafe at government control, but Straight saw things quite differently. When Pierpont instructed Davison, “You might as well make it clear that when we want to discuss things with the U.S. Government we want [the secretary of state] and not [the assistant secretary],”[32] Straight commented sardonically, “It was not difficult to see where the real power lies in this country.”[33] Pierpont might have been so imperious because the secretary of state was Philander C. Knox, who, as attorney general under Roosevelt, had filed the suit against the Northern Securities Company. Knox dutifully came to 23 Wall whenever he wished to speak to the American Group.

In 1910, the China enterprise expanded beyond the railway loan to include a massive $50-million loan to China for currency reform. Willard rhapsodized about the new loan to Dorothy: “It’s history . . . and big history at that—the game for an empire.”[34] The Chinese objected to a provision that required a Western adviser as a new overseer of Chinese finances. As a compromise, a Dutchman was unobtrusively slipped into the post. In 1911, Straight and representatives from England, France, and Germany signed the loan with Chinese officials. Willard wrote excitedly to Dorothy, “We’ve arranged it so that we can practically dictate the terms of China’s currency reform. When you think of holding the whip hand in formulating the first real sound financial basis for a country of 400 million, it’s quite a proposition.”[35]

The loan generated worldwide publicity and made Straight an instant hero. Along with his prestigious association with the House of Morgan, the China loan helped reconcile Dorothy’s family to her marrying beneath her social station. Teddy Roosevelt interceded to plead Willard’s cause. Dorothy belonged to the polo-playing set of Locust Valley and Westbury, two Long Island communities rich in Morgan partners. Robert Bacon and his wife had been almost substitute parents after her own parents died, and she knew Pierpont as well. “Dear Mr. J.P. he’s such a sweetie underneath the sternness,” she wrote to Willard.[36] In fact, Straight may have clung to the Morgan position longer than he wanted to because of its social utility.

Straight’s naive hopes about the China loan were soon to be dashed by geopolitical realities. He and the bankers had cast their lot with the corrupt Manchu dynasty, which was oblivious to turmoil beyond the palace walls. Straight himself grew disillusioned with the “selfish, narrow-minded bigotry” of the Chinese officials. Yet he wanted to perpetuate the Manchu dynasty to save the loan. He was caught up with the wrong issues; he was worrying about the composition of banking syndicates and missed the popular revulsion from *all* foreign bankers. At a Paris conference on China’s finances in 1912, the Japanese and Russians demanded—and obtained—inclusion in the China consortium. This was Straight’s nightmare: the group now included China’s traditional enemies. Bankers, he saw, couldn’t operate in a void but were enmeshed in larger political forces. Gloomily he foresaw “the inevitable day when China's finances will be administered like Egypt's—by an international board. Another dream shattered!"[37]

In 1911, a nationalist revolution in China, fueled partly by resentment of foreign bankers, ousted the Manchu dynasty and declared a republic. The liberal, activist Dorothy Straight was sympathetic to the revolutionaries. In January 1912, Sun Yat-sen became provisional president, heading a movement seeking to unify China and stop foreign meddling. Willard and Dorothy witnessed the panicky exodus of Manchu nobles from a Peking aflutter with radical banners. Willard slept with a loaded revolver by his side. The imaginative Dorothy thrived on the danger, writing, "It would be rather exciting to be attacked by a wild mob in the night."[38]

One evening as the Straights were getting ready to dine with a British neighbor, shooting did erupt nearby. As Willard recalled, "The pop, pop, popping continued and our roof lines stood out sharply against the glow of the first fire. I told Dorothy that it looked like trouble. She didn't mind a bit, but went on dressing for dinner, calm as you please, and objected strenuously when I advised her to get into street dress in order that, if necessary, we could clear out to the Legation."[39] During a pause in the fighting, they made it over to the neighbor's for dinner. But then soldiers began smashing and looting stores nearby. After gathering up their maid and proper clothing, they fled for the safety of the legation but were trapped by rioters on a dead-end street. Finally they were rescued by a contingent of American marines. Piling into a rickshaw, bags strapped to the back, Dorothy and Willard managed to thread their way through pillaging mobs to the legation.[40]

This Morgan foray into China ended with Woodrow Wilson's election and the elevation of that Morgan *bete noire*, William Jennings Bryan, to secretary of state. On March 10, 1913, Harry Davison and Willard Straight visited the new secretary of state in Washington. (Unlike Knox, Bryan would never deign to travel to 23 Wall Street.) Bryan asked them flat out what the group expected from Washington if China defaulted. Davison didn't mince words and said the government might "be called upon to utilize both its military and naval forces to protect the interests of the lenders."[41] Neither Bryan nor Wilson sympathized with such foreign meddling. A week later, Wilson denounced the loan as "obnoxious to the principles upon which the government of our people rests."[42] The government was obviously withdrawing its support.

The next day, the American Bankers Group was effectively disbanded. As a creature of Washington, it couldn't survive without its blessing. Most bankers were relieved, for they had come to doubt China's willingness to repay the loan. The end of the China business wasn't mourned within the House of Morgan, either. As Teddy Gren-fell, who had been consumed by it, wrote to

Jack, “I think that all of us will have ’China’ written on our hearts when we die, with several uncomplimentary epithets after it.’ ”[43] Yet the experience had bridged differences among big Wall Street banks and made them accustomed to working together abroad. Morgans, National City, and First National arrived at an understanding for participating together in all Latin lending. This Big Three agreement would vastly magnify Morgan power. (Kuhn, Loeb often formed a fourth member of their syndicates.) These same banks, ironically, would shortly be hauled before the Pujo Committee as the abominable Money Trust. What the public wouldn’t know was that the Money Trust had been forged, in part, by Washington itself in its quest for foreign influence.

The new age of banker-government collaboration mellowed even the vehemently antigovernment Jack Morgan. After wrangling with Washington over a Honduran loan in 1912, he cabled Grenfell, “You will understand we do not wish accuse our own Government too loudly in view of necessary relations with them other foreign matters.”[44] No less ideologically hostile to government than his father, Jack saw the need to mute his public anger. The days of brusque individualism were dead.

Willard Straight returned to work at 23 Wall, but never fit into a mundane office setting. In the 1912 election, he and Dorothy supported their friend from Oyster Bay, Teddy Roosevelt—an act that must have savored of subversive tendencies among the Morgan partners. They also secretly read Louis Brandeis’s attacks against Morgan’s handling of the New Haven Railroad. In 1914, they were the financial angels for a new political weekly, *The New Republic*, which initially had a strongly pro-Roosevelt slant. Harry Davison and other partners spurned the chance to participate, and only Thomas Lamont joined them. Restless and adventurous, Willard found it hard to submit to a banker’s discipline and chafed at not being made a Morgan partner. He was always concocting new schemes, such as the creation of India House on New York’s Hanover Square, a club dedicated to foreign trade, which he outfitted with model ships and antiques. In the end, even the spacious universe of J. P. Morgan and Company would be too confining for the large, venturesome spirit of Willard Straight. He would last only another two years at the bank.

CHAPTER EIGHT
TITANIC

MOROSE and fatalistic in his last years, Pierpont felt misunderstood by the public and angered by the uproar over his trusts. He shook his cane menacingly at reporters, a murderous gleam in his eyes. He wouldn't admit to legitimate public curiosity about his affairs. At Dover House in 1911, he burned the bound letters he had sent to Junius for thirty-three years, destroying perhaps the most important chronicle of Anglo-American finance in the late nineteenth century. He craved a privacy impossible for the world's most famous banker. Like a ghost, he brooded in the West Room of his library, beneath stained-glass windows and thick draperies that muffled the sounds of a changing world.

He spent much of his time in Europe, escaping the din of Progressive politics. His *wanderlust* never deserted him. From European spas, he would notify Jack of the next stop on his itinerary, adding those ever awkward words, "advise mother." He felt at home in many places. Once asked to name his favorite spots, he replied, "New York, because it is my home; London, because it is my second home; Rome and Khargeh."[1]

Egypt, in particular, held a mystical charm for him, and he visited it three times in his last three years and helped to bankroll the Metropolitan Museum's Egyptian excavations. (One 1909 photograph shows an oversize Pierpont on a small donkey galloping into the desert ahead of his flabbergasted guides.) The excavations at Khargeh, four hundred miles southwest of Cairo, so intrigued him that he asked Thomas Cook and Sons to construct a steel Nile steamer named the *Khargeh.* From this paddle-wheel boat, he would pitch coins into the water, which were fished up by boys diving from the Nile's bank.

Pierpont was a lonely man, and fame probably only deepened his isolation. His first biographer, Carl Hovey, wrote, "It is said there are scarcely fifty men in the financial district who have a speaking acquaintance with Morgan."[2] Pierpont had a wide business acquaintance, but few associates knew him well. Hence, he relied on his family for emotional sustenance. This made especially bruising a feud with his youngest child, Anne Tracy, who was six years Jack's junior. Pierpont Morgan could conquer the world but not his daughter Anne. She was an athletic, spirited girl who liked golf and tennis and rebelled against her formal upbringing. Of all Pierpont's children, Anne most resembled him temperamentally: she was bright, stubborn, imperious, and highly opinionated. Elizabeth Drexel, later the wife of socialite Harry Lehr, recalled her as a “thin lanky child with an elfin face and penetrating eyes” but with “a personality and a will as strong as [Pierpont’s] own and a disconcerting habit of putting her elders in the wrong.”[3] Once, at a dinner party with Pierpont’s cronies, her father peered down the table and asked her what she planned to be when she grew up. “Something better than a rich fool, anyway,” she snapped.[4] Despite these gibes, she was close to her father and often accompanied him to Europe aboard *Corsair III.* Once, she served as host to the kaiser aboard the yacht.

By the early 1900s, Anne, now in her early thirties, had grown into a tall young woman with short hair swept back on the sides, a strong nose, dark eyebrows, and her father’s intense gaze. She had his executive talents and childlike simplicity and hated cartoonists who mocked her father’s nose. She was big and somewhat matronly but also stylish in dress. In 1903, Daisy Harriman, a famous Washington hostess, brought her in as a founder of the Colony Club, the first American ladies’ club, patterned after a British gentlemen’s club. At Thirtieth Street and Madison Avenue, it was designed by Stanford White and had a marble swimming pool and Turkish baths. Rules forbade men above the first floor. Pierpont had no sympathy for the project and lectured the ladies that “a woman’s best and safest club is her own home.”[5] Predictably, Dorothy Whitney was an early member.

During the founding of this project, Anne met two older women who would change her life. One was the stoutly mannish Bessie Marbury, the American theatrical agent for George Bernard Shaw and Oscar Wilde; the other was Elsie de Wolfe, the voguish former society girl and actress, now a famed interior designer for her work on the Colony Club. In 1908, Anne, thirty-five, entered into a *menage a trois* with these two women at their Villa Trianon in Versailles. With its formal gardens, topiary, and trimmed lawns, the Villa Trianon was an incongruously aristocratic setting for such a daring arrangement. De Wolfe designed a dressing room that fit Anne’s contradictory nature; on its formal mantelpiece were both a French bust and a leopard-skin velvet rug.

Over the years, these three patrician ladies pioneered in many cultural areas. They opened a Broadway dance hall and sponsored Cole Porter’s first musical. They also took up many liberal and feminist causes. Anne supported the strike by women shirtwaist-workers, a largely Jewish group, inspected the sanitary conditions in factories, opened a temperance restaurant in Brooklyn, started a thrift association and vacation fund for young working women, and championed women’s suffrage. On December 31, 1908, she lunched at the White House to discuss social welfare with Teddy Roosevelt, who may well have savored the idea of Pierpont's extreme discomfiture. Anne's exposure to her father's business friends bred considerable cynicism in her. When Lincoln Steffens once told her he liked Judge Gary of U.S. Steel, she said impatiently, "Oh, he's too plausible. He has taken you in as he does others."[6]

Pierpont was outraged by Anne's liberal, unconventional behavior. If the three women were discreet about their private affairs—even de Wolfe's biographer shrinks from using the word *lesbian*—they threw gala parties that attracted attention. Bernard Berenson attended their gatherings, as did Pierpont's mistress, Maxine Elliott, who had acted with de Wolfe. The chain-smoking Anne was in an agonizing situation. As one of the world's richest young women, she was relentlessly courted by titled Europeans. Scandal sheets frequently reported her upcoming engagement to the French count Boni de Castellane, which never came about. All the while, she dove deeper into causes and took stands that aligned her with her father's critics.

The facts of the rift between Pierpont and Anne are fragmentary. De Wolfe's biographer Jane S. Smith says Pierpont thought that Bessie Marbury had poisoned Anne's mind against him. She apparently told Anne that Pierpont used her to cover up his trysts with mistresses when Anne accompanied him to Europe on *Corsair III.* Pierpont's other children violently disagreed with this interpretation. Pierpont's middle daughter, Juliet, bristled at references to de Wolfe, while Jack was deeply upset by Anne's behavior. In her memoirs, Marbury handled the controversy tactfully: "Mr. Morgan was patriarchal in his views. The emancipated woman enjoyed no favor in his eyes, therefore as his daughter, she grew up determined that she must think for herself. "[7] She also said of him, "To acknowledge defeat was foreign to his temperament. He was always loyal to his mistakes."[8]

Pierpont was wounded by the estrangement. "It broke her father's heart when she elected to part from him," one of Anne's friends told Clarence Barron.[9] As we have seen, Pierpont could be grimly implacable when crossed, and he blamed Bessie Marbury for stealing away his daughter. Hence, he found an ingenious way to torture her. Marbury coveted the French Legion of Honor and believed she deserved it for her work in officially representing French dramatists in the English-speaking world. By chance, in 1909, Robert Bacon, the ex-Greek God of Wall Street, was named ambassador to France. Bowing to Pierpont's wishes, he made sure she was denied the honor. Knowing that the House of Morgan objected prevented Bessie Marbury from ever receiving the government award—even after she spent years raising money for France and donated her Versailles home as a hospital during World War I. De Wolfe won the Croix de Guerre, and Anne was decorated as a commander of the Legion of Honor for running an ambulance corps and performing relief work. But Marbury—notwithstanding letters of praise from former presidents Roosevelt and Taft—couldn't overcome the French fears of offending Morgan interests. Even beyond his grave, Pierpont Morgan would not be thwarted.

PIERPONT'S relationship with Jack improved in his last years, perhaps in reaction to his troubles with Anne and Fanny. Nobody doubted that Jack would take over at the Corner, if only because the bank needed the Morgan name and money. Jack was no slouch and ably handled affairs in his father's absence. Yet he didn't have Pierpont's gargantuan ego. Since boyhood, he had been plagued by secret doubts about himself—it wasn't clear to him whether he had the intestinal fortitude to head a banking empire. In 1910, he had a collapse that was diagnosed as strain and fatigue. So for a number of reasons, he wanted a strong lieutenant, a powerful regent to take charge of the bank on a day-to-day basis. He preferred the role of constitutional monarch, shaping policy and delegating authority.

Two people competed for the position—Harry Davison and George Perkins. Perkins carried several liabilities. He was always shadowed by the insurance scandal from his years at New York Life. But the cause of Perkins's downfall would be that he saw himself as a king in his own right, not simply a Morgan vassal. At his Riverdale estate, he had nine servants, a swimming pool, a ballroom, and a bowling alley. In 1906, he bought the world's largest custom-made car—an eleven-foot French monstrosity with ebony woodwork, a writing desk, and a washstand-table. His worst sin may have been not showing due deference to the Morgans. He sneered at Jack and thought he was more highly qualified to run the bank. He sometimes made decisions without consulting the Morgans. In 1910, Pierpont told Harry Davison in London that Perkins had defied his wishes on a financing arrangement for the Studebaker Company, news that Davison passed along to Perkins. Perkins then wrote to Pierpont saying, "I am very deeply disturbed by one remark that Davison made, viz., that you felt I had gone ahead and deliberately disregarded an understanding with you and concluded the business to suit myself."[10] Six months later, Perkins left the bank. He was apparently forced out. Tom Lamont later said that Perkins "didn't leave of his own accord. Morgan thought he had been a little second-rate on some deals."[11] When he resigned, Perkins took $5.5 million of his own securities out of the bank—one of many fortunes harvested at the House of Morgan.

For those skilled at reading the tea leaves, it grew clear that Henry Pomeroy Davison would become chief operating executive. After he became a partner in January 1909, he seemed to have almost exclusive access to Pierpont in his library. As was clear in the 1907 panic, the handsome Davison had star quality, a square-jawed toughness noticed by everyone on Wall

Street. He had grown up in a small Pennsylvania town, the son of a farm-tools dealer and poor relation in a family of bankers. He skipped college when Harvard denied his scholarship application. He had a steely, distinguished look—long eyebrows, hair parted down the middle, and a wide, firm mouth.

Davison started out working for a bank in Bridgeport, Connecticut. One bank director was P. T. Barnum, who liked him and invited him to join a weekly whist game. In 1893, Davison married Kate Trubee, and they moved to New York so Harry could start work at the Astor Trust Company. One day, a crank appeared at his teller's window, pointed a gun at Davison, and passed him a $1-million check he wanted to cash, payable to "The Almighty." The cool, quick-witted Davison figured out a way to foil the holdup. He doled out the money in small bills and kept saying in a loud, reverential voice, "A million dollars for the Almighty."[12] This gave a bank guard time to notify the police, who arrested the man.

Davison rose quickly as a protege of George F. Baker, Pierpont's jowly, side-whiskered chum and head of the First National Bank. He moved from the Astor Trust to another Baker bank, the Liberty. Then Baker said, "Davison, I think you'd better move your desk up here with us," and he became a First National vice-president. While there, he organized Bankers Trust in 1903, assisted in the 1907 panic negotiations, and represented Wall Street on Senator Aldrich's National Monetary Commission. These exploits won the attention of Pierpont, who later said, "I always believe everything Mr. Davison tells me."[13]

Anecdotes about Davison convey vigor, geniality, and self-confidence. Manly and decisive, he shot moose in Maine and elephant, buffalo, rhino, hippos, and antelope during a shooting trip up the White Nile. Once he dreamed he was a small-town Pennsylvania bank clerk. In a sweat, he couldn't balance the books. When he awoke, his wife asked what had happened. "I finally solved the problem; I bought the bank," he replied.[14] Immensely sociable, he seldom sat down to dine at his North Shore estate, Peacock Point, with fewer than twenty guests. Taking people under his wing, he had a way of guiding them, sometimes brusquely and a bit intrusively. He was the great talent scout in Morgan history and brought Tom Lamont, Dwight Morrow, Ben Strong, and John Davis into the bank's orbit.

Tom Lamont said that to young bankers on Wall Street, Davison "was not simply a leader. He was a king, an idol, if you please."[15] Lamont was Davison's most important find. After college, he had worked for two years as a reporter on the *New York Tribune*. (Later he would brilliantly parlay this fleeting experience into an image of himself as an old newspaperman.) After salvaging a failing import-export house through clever newspaper advertisements, he renamed it Lamont, Corliss and Company. On Wall Street, he acquired a reputation for straightening out troubled companies. This caught the attention of Harry Davison, his neighbor in Englewood, New Jersey.

Tom Lamont never pushed or clawed his way to the top. He did everything easily, jauntily, effortlessly. In 1903, at the age of thirty-three, he was returning home on the commuter train to Englewood when Harry Davison took his life in hand. As he entered the car, Davison was, musing about choices for a secretary-treasurer post at the new Bankers Trust. When Lamont appeared, Davison saw his man. Lamont laughed at the offer. “But I don’t know the first thing about banking. All my brief business life I have been borrowing money—not lending it.” “Fine,” said Davison, “that’s just why we want you. A fearless borrower like you ought to make a prudent lender.”[16] It was a momentous intuition.

Lamont followed in Davison’s footsteps, taking his spot as vice-president at First National Bank in 1909. In late 1910, Pierpont summoned him. “You see that room over there? It’s vacant,” he said. “Beginning next Monday, I want you to occupy it.”[17] Lamont professed bewilderment. “But what can I do for you that is worth while?” he asked. “Oh, you’ll find plenty to keep you busy, just do whatever you see before you that needs to be done.”[18] Was Lamont’s reluctance simple candor—or splendid calculation?

Interestingly, with both Davison and Pierpont, Lamont refused the crown being proffered. He told Pierpont he had a dream of traveling three months each year. Far from being put off, Pierpont said, “Why, of course, take off as much time as you like. That is entirely in your hands.”[19] He advised Lamont to take a cruise down the Nile, bringing along a couple of nurses for his children. There was again a certain guile in Lamont’s handling of the offer. He must have known that Pierpont spent months abroad each year. Was he holding up a mirror to the old tycoon, saying tacitly, “Look here, don’t I remind you of yourself in younger days?” Behind Lamont’s urbane charm stood a man of exceptional talent, the more winning for its being presented with such apparent modesty.

To complete preparations for the succession, Pierpont made his final disposition of J. S. Morgan and Company in London. Stipulating that it survive for only a generation, or as long as Pierpont lived, Junius had permitted his name to be used posthumously. Now the twenty years was about to elapse. Jack explained that “as we approached 1910, Father said, ’You will have trouble enough when I die without having to think of a new name for this firm, and I suggest that we should now change it to Morgan Grenfell & Co., and make J. P. Morgan & Co. partners in it, they to keep one million pounds in capital.’ ”[20]

On January 1, 1910, Morgan Grenfell was born. If it bore, for the first time, a British name, its prestige was guaranteed by its New York money and connections. While Teddy Grenfell’s name lent a protective British coloring in the City, the capital remained largely American. Before 1910, Pierpont and Jack had been partners of J. S. Morgan and Company. Under the new dispensation, J. P. Morgan and Company itself would be a partner in London and draw half its profits along with Drexel and Company in Philadelphia. Significantly, this arrangement never worked in reverse. Partners at Morgan Grenfell in London or Morgan, Harjes in Paris would thus hold second-class citizenship within the Morgan universe. The Morgan dynasty was always carefully arranged so that 23 Wall Street remained *primum inter pares.*

DURING Pierpont’s last year, he was beset by calamities, as if the gods were punishing him on a scale worthy of his grandeur. His shipping trust, the International Mercantile Marine, faced stiff competition from the Cunard Line, which had built the swift and luxurious *Mauretania* and *Lusitania* with British government subsidies. To counter Cunard, J. Bruce Ismay, president of the IMM, and Lord Pirrie, the shipbuilder, decided to build a pair of mammoth ships. Pierpont, always partial to grandiose ventures, approved the plan. The ships were White Star’s *Titanic* and *Olympic.* The House of Morgan even lobbied the New York Harbor Board for a hundred-foot extension of a Hudson River pier so it could receive the twin ships.

In May 1911, Pierpont attended the Belfast christening of the *Titanic* and studied the spot on B deck where his personal suite would be. It would contain a parlor and promenade deck, with timbered walls in Tudor style, and there would be special cigar holders in the bathroom. Though Pierpont and Vivian Smith of Morgan Grenfell both booked spots for the April 1912 maiden voyage, both had to cancel.

Reports of a North Atlantic disaster reached Pierpont in France on the eve of his seventy-fifth birthday. “Have just heard fearful rumor about Titanic with iceberg,” he wired New York. “Without any particulars. Hope for God sake not true.”[21] As the news spread, European reporters tried to track Pierpont down. When he was finally located in a French chateau, he seemed devastated. “Think of the lives that have been mowed down and of the terrible deaths,” he said.[22]

Over fifteen hundred people perished, including John Jacob Astor IV, George Widener, the son of P. A. B. Widener, and Benjamin Guggenheim. Survivors were picked up by the Cunard Line’s *Carpathia.* It was a crowning disaster for the shipping trust, unleashing denunciations against both White Star and Morgan himself. The British-run but American-owned ship was charged with many deficiencies—an insufficient number of lifeboats, a crew who ignored warnings of icebergs, a poorly organized rescue, even failure to put binoculars in the crow’s nest. Newspapers depicted luxurious staterooms laid out for Pierpont and others as proof of a misplaced emphasis on winning the carriage trade from Cunard rather than on safety.

Though the Morgan partners had long regarded White Star chairman Bruce Ismay as abrupt and ill-mannered—he had often threatened to quit—they stuck by him at first. Jack deplored the public drubbing that Ismay took, cabling the message that "from telegraphic accounts his treatment New York infernally brutal."[23] Later, Jack and Pierpont insisted he resign his post. The *Titanic* was the last nail in the coffin of the shipping trust. Although the cartel enjoyed a brief revival as Morgan's Export Department sent war supplies to the Allies during World War I, that wasn't enough to keep it afloat. In October 1914, Jack Morgan decided it had to default on its bonds. Almost four years after the *Titanic* went down, White Star conceded responsibility in court, paying out $2.5 million in damages.

IN 1912, the crusade against the trusts had already reached a thunderous crescendo as much of the presidential campaign revolved around Pierpont and his enterprises. Morgan represented everything that had bothered Americans for a generation—factories thrown up helter-skelter across the landscape, brutal mergers, a carnival atmosphere on Wall Street that produced boomlets and busts in crazy, unending succession. A newspaper cartoon from 1912 shows Pierpont jovially sitting atop a heap of gold coins and dollar bills, clutching industrial plants and office buildings in his fist; the legend reads: "I have not the slightest power."[24] Indeed, the Morgans saw themselves not as financial pirates but as public benefactors. When Harry Morgan was born in 1900, Jack noted a resemblance to Pierpont and said he only hoped his son would help as many people in his lifetime as Pierpont had in his. This sense of virtue contrasted with the reality of their being the target of public calumny, leaving the Morgan family angry and bewildered.

Progressive Democrats criticized the trusts as cruel and inefficient and destructive of the entrepreneurial spirit. Bellwether of the new mood was Woodrow Wilson, then governor of New Jersey. He accused Republican-supported tariffs of shielding the trusts from foreign competition. In January 1910, while still president of Princeton, he had lectured an audience of New York bankers, including Pierpont and George F. Baker, on their duties, saying banking was "founded on a moral basis and not on a financial basis" and chiding them for penalizing small businesses.[25] As Wilson spoke, Pierpont gloomily puffed on his cigar; afterward, injured, he told Wilson the remarks seemed directed at him. Wilson, saying he meant no offense, contended that he spoke merely of principles.

That the Democrats attacked Morgan wasn't surprising. Far more telling was how he became a divisive issue among Republicans and helped to split the party in 1912 over several issues. One involved a Morgan syndicate formed with the Guggenheims in 1906 to exploit the copper of the Kennecott Glacier in Alaska. This “Morganheim” group, as it was dubbed, had launched a veritable financial invasion of the state, buying up steamship lines, coal fields, and canneries and investing $20 million in a railroad to carry copper ore to Prince William Sound on the coast. The press lampooned this “second purchase of Alaska,” and one cartoonist introduced a composite monster called Guggenmorgan.

Such wholesale development of Alaska became a test case of the government’s attitude toward wilderness areas. It pitted Gifford Pin-chot, director of the U.S. Forest Service and a Teddy Roosevelt holdover, against Secretary of the Interior Richard Ballinger, a Taft appointee. Pinchot wanted to preserve the Alaskan wilderness for posterity, while Ballinger thought only the Guggenheim-Morgan combination could finance development in such a remote, costly spot. After public feuding between Pinchot and Ballinger, Taft dismissed Pinchot. When Teddy Roosevelt, on an African safari, heard about this, it fed his sense of having been betrayed by Taft.

Toward the end of his second term, Roosevelt had decided not to file an antitrust suit against the Morgan farm-equipment trust, International Harvester. In 1911, Taft not only filed such a suit, but later released papers purportedly showing that George W. Perkins had blocked an antitrust suit against Harvester back in 1907 by lobbying the head of the U.S. Bureau of Corporations, who warned Roosevelt not to antagonize the Morgan interests without any proof of major wrongdoing.

In October 1911, the Taft administration lodged a suit against U.S. Steel in a further rebuff to the Morgans. “Am horrified at character of bill which beyond everything I thought possible,” Harry Davison wrote to the London partners.[26] To the Paris partners, he denounced the “cheap political methods of Taft and his associates.”[27] What made this especially galling to both Morgan and Roosevelt was the stress on U.S. Steel’s acquisition of Tennessee Coal and Iron during the 1907 panic. This was the deal that Judge Gary and Henry Frick had gotten TR to approve during his breakfast. The former president was hypersensitive to allegations of having been hoodwinked. Defending his actions, Roosevelt said that the suit against U.S. Steel “has brought vividly before our people the need for reducing to order our chaotic Government policy as regards business.”[28] The combination of the Pinchot firing and the U.S. Steel and International Harvester suit helped convince Roosevelt to bolt from the Republicans in 1912 and run as presidential candidate of the Progressive, or Bull Moose, party.

The issue of Morgan influence still dogged Roosevelt because of the prominence in his campaign of ex-Morgan partner George W. Perkins.

Perkins was furious about Taft's trust-busting. He urged Roosevelt to run, covered many of his preconvention expenses, stage-managed the convention, and chaired the new party's executive committee. It was said he traveled so often to Oyster Bay to see Roosevelt that his chauffeur "knew every pebble in the road, even in the dark."[29] Among Roosevelt's Progressive followers, there lurked residual fear that Pierpont had planted Perkins in the campaign. But Perkins had left the bank on bad terms, and this seems unlikely. The 1912 split between Taft and Roosevelt brought to power the man who had lectured Pierpont on his moral duty: Woodrow Wilson. Meanwhile, the U.S. Steel suit miscarried, and International Harvester had to divest only three small subsidiaries.

The intellectual and political leap most damaging to the House of Morgan was a spreading notion that a Wall Street trust had created the industrial trusts and governed their subsequent destiny. Minnesota congressman Charles A. Lindbergh, Sr., father of the future aviator, coined the title Money Trust, describing it as the most sinister trust of all. Senator George Norris later said of Lindbergh's attack on the Money Trust that "the gentleman from Minnesota is entitled to more credit than any other member."[30] The *Wall Street Journal* correctly noted that the Money Trust was just a code name for Morgan. Legions of young muckraking reporters fanned out across Wall Street and rooted out insidious banking connections. Aided by his young assistant, Walter Lippmann, Lincoln Steffens exposed a web of links among ostensibly competitive New York banks. His exposes in *Everybody's* magazine termed Pierpont "the boss of the United States."

During the summer of 1912, swollen Wall Street power was a hot issue at the Democratic National Convention. In a hell-raising speech, William Jennings Bryan introduced a resolution stating opposition "to the nomination of any candidate for president who is the representative or under obligation to J. Pierpont Morgan, Thomas F. Ryan, August Belmont, or any other member of the privilege-hunting and favor-seeking class."[31] Wilson was more circumspect. While refusing contributions from Morgan, Belmont, and Ryan, he made exceptions for such financial notables as Jacob Schiff and Bernard Baruch. In accepting the nomination, Wilson said, "A concentration of the control of credit . . . may at any time become infinitely dangerous to free enterprise."[32] That summer, he was tutored in economics by lawyer Louis Brandeis, who had combated Morgan control of the New Haven Railroad for several years. Financial reform would form a major part of Wilson's campaign.

Congressman Lindbergh introduced a resolution in the House calling for a congressional probe into the concentration of power on Wall Street. The resulting 1912 hearings of the House Banking and Currency Committee were commonly known by the name of subcommittee chairman Arsene Pujo, a Louisiana Democrat, and they got into high gear after Wilson's victory in November 1912. Pierpont Morgan and his friends, colleagues, and partners were to be the star witnesses.

The Pujo hearings are always portrayed as Pierpont's martyrdom, the public confrontation that led to his death. Of equal relevance to our story is their haunting effect on Jack Morgan. He had coped with the fear of his overpowering father by resorting to awe-struck worship. As Pierpont returned the affection in later years, Jack's gratitude contained an extra element of relief, and he deeply resented the blistering political attacks against his father. A new bitterness, a darker shading, crept into his letters: "As to attacks on the Senior," he wrote Vivian Smith, ". . . owing to a laborious and prolonged press attack . . . in the public mind J.P.M. is no longer a benefactor, or a citizen who would be a credit to any country, but is an ogre lying in the background, and always ready to devour."[33] "The politicians that run our two countries appear to have been seized with a madness," he told Grenfell. "Our country is full of hatred and bitterness and talk."[34]

At first, Jack regarded the Pujo investigation as a "nuisance." He took heart from the opinion of Morgan lawyer, Francis Stetson, that as a private bank they could withhold their books and refuse testimony. Jack even fancied Pierpont might lay out some constructive measures for Pujo's consideration. But in late April 1912, the committee chose as its counsel Samuel Untermyer, a rich, shrewd New York trial lawyer whose pedigree collies had once beaten Pierpont's in competition. Untermyer had already railed against the Money Trust, and Jack was aghast: "Investigation will probably proceed now on as unpleasant lines as can be arranged," he cabled his father.[35] The hearings would sharpen Jack's hostility toward Jews, reporters, Democrats, reformers —all those troublemakers who stirred up the populace. Scarred by the experience, he would grow disenchanted with democracy and what he referred to as America's "amateur Government."[36]

The hearings occurred in December 1912, just as Pierpont hoped to wash his hands of worldly cares. The money kept rolling in—he was making about $5 million a year—and the bank under Jack and Davison almost ran itself. Pierpont was probably more *au courant* on Egyptian excavations than on Wall Street underwritings. At first, he brusquely said he would testify alone in Washington. But on this cusp of the Diplomatic Age, a new accountability was expected, and bankers had to tend their images more prudently. The new team at 23 Wall adopted an aggressive attitude toward public relations dramatically at odds with historical reticence.

Silence was Wall Street's golden rule of conduct. Its leading exemplar was Pierpont's pal George F. Baker of the First National Bank, whose muttonchop whiskers and gold watch chain across his paunch made him a prototypical Victorian banker. His bank was as mysterious as 23 Wall itself. Known as the Sphinx of Wall Street, Baker was director of more than forty companies. He gave his first newspaper interview in 1863 and not another until 1923, when a young woman said she was promised a job if she gained access to the reclusive Baker. Breaking his silence, he said, "Businessmen of America should reduce their talk two-thirds. Everyone should reduce his talk. There is rarely ever a reason enough for anybody to talk."[37] By then, Baker's fortune was estimated at between $100 and $300 million. He would richly endow the Harvard Business School, in part through the intercession of Tom Lamont.

As a private merchant, Pierpont felt no obligation to inform the public and never hired a publicist. Now a new generation of Morgan partners took charge of a public relations offensive. Not only was Pierpont coached for the hearings by Davison and Lamont, but the bank hired its first publicist. It was the ideal moment for that quintessential banker of the new age, round-faced smiling Tom Lamont. He laid out a secret plan, approved by Pierpont, that would govern Morgan public relations for a generation. To improve the bank's image, Morgan partners would meet with selected reporters, stay in touch with publishers, monitor newspapers, contribute articles, and privately protest critical articles to editors.

Lamont's publicity operation for the Pujo hearings went beyond the lone publicist usually mentioned. An associate of his named Brainerd bought the big Maclures Newspaper Syndicate, which sold material to newspapers across America; this would be their vehicle for countering Pujo. "Our idea is for Brainerd to continue this strictly sub rosa," Lamont cabled Davison, who replied, "Much pleased learn of Brainerd's purchase. Find Senior and others here much impressed with the importance of doing something promptly. We all agreed it is most important have publicity man put to work sub rosa at once on money trust investigation."[38] This flowered into a full-blown scheme for entering publishing. Along with Wall Street friends, the Morgan partners planned to buy papers in major cities—Washington, Chicago, and New York—and purchase two newspaper groups that sold inserts to papers around the country. This part of the campaign apparently lapsed, as did negotiations to buy the *Washington Post.* But the moves reflected a new wish to shape opinion and emerge from the old Morgan cocoon of secrecy.

Instead of going alone to Washington, as he first hoped, Pierpont headed a sixteen-person entourage. The morning of the hearings, he emerged from a big, high-topped limousine and marched up the steps of the Capitol in striped pants, a velvet-collared coat, and silk top hat, grasping a cane. An immense crowd ringed the block: Pierpont was the most famous banker on earth. He was flanked by his daughter Louisa, her hands stuffed deep in a fur muff and her mouth tight with prim disapproval, and Jack, who wore a derby hat, his black mustache flecked with gray. As Pierpont sat in the hearing room, he wore the tragic mask of an old clown, his head mostly hairless, his nose bulbous and grotesquely gnarled, his posture erect and stubbornly proud.

The Pujo hearings are celebrated for Pierpont's triumphant retorts and spirited defense of his business honor; in a moment, we shall hear the well-worn phrases. But let us first note the awesome Morgan power that was revealed, lest the Money Trust theorists seem malcontents. Some 78 major corporations, including many of the country's most powerful holding companies, banked at Morgans. Pierpont and his partners, in turn, held 72 directorships in 112 corporations, spanning the worlds of finance, railroads, transportation, and public utilities. In this era of relationship banking, board seats often meant a monopoly on a company's business. During the previous decade, the House of Morgan had floated almost $2 billion in securities—an astronomical figure for the time.

The Money Trust hysteria stemmed from a wave of bank mergers; Wall Street was snowballing into one big, Morgan-dominated institution. In December 1909, Pierpont had bought a majority stake in the Equitable Life Assurance Society from Thomas Fortune Ryan. This gave him strong influence over America's three biggest insurance companies—Mutual Life, Equitable, and New York Life. Although he subsequently "mutualized" the Equitable and sold it to policyholders, the potential for abuse seemed terrifying.

Pierpont also controlled several New York City trusts through that old trick from railroad days, the voting trust. His Bankers Trust had taken over three other banks. In 1909, he had gained control of Guaranty Trust, which through a series of mergers he converted into America's largest trust; it had two Morgan partners on its voting trust. As a director of both Bankers Trust and Guaranty Trust, Harry Davison blithely claimed that Morgans had no more control over the two banks than over the Pujo Committee itself. But Morgan records reveal a distinctly proprietary tone toward the banks. When Davison vacationed, for instance, Lamont dashed off such memos as "Banking matters —everything running along smoothly and successfully at the Bankers. . . . At the Guaranty Trust things are in good shape."[39] Besides these Morgan-controlled trust companies, the core Money Trust group included J. P. Morgan and Company, First National Bank, and National City Bank. Over the National Bank of Commerce, America's second biggest, Pierpont had such influence that it was styled "J. Pierpont Morgan's bank."[40]

Wall Street bankers incestuously swapped seats on each other's boards. Some banks had so many overlapping directors it was hard to separate them.

Five of nine Chase directors were also First National directors, giving George F. Baker control over Chase. The banks also shared large equity stakes in each other. Pierpont was the biggest outside shareholder in Baker's First National Bank. After the 1907 panic, Pierpont also took a large block of National City stock and put Jack on its board. The public could be forgiven for suspecting that these "Morgan banks" avoided competition and exercised veto power over new entrants to the capital markets.

In part, the new financial giants resulted from the stupendous scale of industrial financing. Business gravitated to New York as companies became national in scope. For instance, in 1906 J. P. Morgan and Company captured American Telephone and Telegraph's business from Boston's Kidder, Peabody, which had marketed AT&T bonds in New England but couldn't handle its new need for national financing. Banks had to grow with their customers, and the industrial trusts created a Money Trust as much as the other way around. Similarly, with large-scale foreign financing in China, Latin America, and elsewhere, Washington had forged Wall Street banks into an instrument of statecraft but was then dismayed when they cooperated at home.

Why didn't banks just merge instead of carrying out the charade of swapping shares and board members? Most were private partnerships or closely held banks and could have done so. The answer harked back to traditional American antipathy against concentrated financial power. The Morgan-First National-National City trio feared public retribution if it openly declared its allegiance. In 1911, the group thought of merging the Bank of Commerce and Chase National Bank, but the move was vetoed by National City president James Stillman. As Jack had cabled Pierpont, "His objection arises from his feeling that it is better at present not to call attention to the great power of trio, which might increase public sentiment against that power throughout United States. . .. None of the trio wishes further large investment in bank stocks for long period."[41]

At the Pujo hearings, Pierpont faced a crafty adversary. Short, sharp-nosed, and mustachioed, Samuel Untermyer was no scruffy radical but an affluent lawyer who sported fresh orchids in his lapel. A close student of trusts—he had investigated Equitable Life Assurance and Standard Oil—he had a suave, insinuating style. Pierpont, by contrast, was rough and uncouth in public. At this moment of supreme crisis, he reverted to those precepts that Junius had pounded into his head—the Gentlemen Banker's Code of the City. The famous exchange went as follows:

Untermyer: Is not commercial credit based primarily upon money or property?

> *Morgan:* No, sir, the first thing is character.
>
> *Untermyer:* Before money or property?
>
> *Morgan:* Before money or anything else. Money cannot buy it. . . . Because a man I do not trust could not get money from me on all the bonds in Christendom.[42]

Spectators applauded, and businessmen across America stood rapt by this eloquence. The usually taciturn Pierpont had ennobled banking in an unexpected way. On Wall Street, banker Henry Seligman said, stock prices leapt 5 to 10 points on the strength of this testimony.[43] Pierpont phrased the point more colorfully: "I have known a man to come into my office, and I have given him a check for a million dollars when I knew that they had not a cent in the world."[44]

However much financiers might cheer such sentiments, to outsiders the statements sounded like cant preached to dupes. Yet, as we have seen, early merchant bankers used character and class as crude forms of credit screening; ever since the Medicis and Fuggers, it was a practical way for private bankers to protect their precious capital base. Pierpont's statement was neither as cynical as critics thought nor as noble as friends imagined. It was a workable business strategy.

In the history books, Pierpont's epigrammatic sayings stand out. In the transcript of the Pujo hearings, however, they appear against an arid backdrop of denials and monosyllabic grunts, as if he wouldn't concede the hearing's legitimacy. Stamping his cane, Pierpont grew bullheaded and snorted like some angry god held hostage by heathens. Grudging in his explanations, he was led by Untermyer into some absurd statements. For instance, Untermyer got Pierpont to state his rationale for the one-man control of the railroads he sponsored:

> *Untermyer:* But what I mean is that the banking house assumes no legal responsibility for the value of the bonds, does it?
>
> *Morgan:* No, sir, but it assumes something else that is still more important, and that is the moral responsibility which has to be defended so long as you live.[45]

This was Pierpont in a nutshell: he represented the bondholders and expressed their wrath against irresponsible management. But Untermyer saw more than passive surveillance at stake in the directorships and voting trusts.

Besides representing bondholders, the House of Morgan represented itself to ensure a steady flow of business. It could intervene to protect its own interests. Because Pierpont wouldn't admit this, he spouted gibberish:

Untermyer: You do not think you have any power in any department or industry in this country, do you?

Morgan: I do not.

Untermyer: Not the slightest?

Morgan: Not the slightest.[46]

One senses that Untermyer, far from being displeased, gladly used such intransigence to showcase Pierpont's arrogance.

Untermyer: Your firm is run by you, is it not?

Morgan: No, sir.

Untermyer: It is not?

Morgan: No, sir.

Untermyer: You are the final authority, are you not?

Morgan: No, sir.[47]

Despite a mass of circumstantial evidence, the Pujo committee never proved a Money Trust in a strict conspiratorial sense. Rather, it found a "community of interest" that concentrated "the control of credit and money in the hands of a few men, of which J.P. Morgan &. Co. are the recognized leaders."[48] It said that six houses—J.P. Morgan and Company, First National, National City, and Kuhn, Loeb along with Boston's Lee, Higginson and Kidder, Peabody—acted in concert in sponsoring securities of prime corporations and governments. It was hard for large companies to market bonds without this group or for rivals to take business away from them.

The Pujo Committee documented the gentlemanly rules of conduct among old-line Wall Street banks. They competed, but in a manner as formal and ritualized as a minuet. They wouldn't bid against each other for bond issues. Rather, a single house would privately negotiate a deal and then assign syndicate allotments to other firms. Over time, these allotments tended to be unvarying for a particular company. As Jacob Schiff told Pujo, "It was not good form to create unreasonable interference of competition. Good practices did not justify competition for security issues."[49] Whether this was a barefaced plot to bar outsiders or just a natural response to market conditions would be debated for the next forty years. The issue would not be settled until the Medina trial of the early 1950s, when the House of Morgan would again be branded the kingpin of the conspiracy.

The Pujo hearings had one immediate consequence that seemed to threaten Morgan power. In December 1913, President Wilson signed the Federal Reserve Act, providing the government with a central bank and freeing it of reliance on the House of Morgan in emergencies; the new Federal Reserve System was a hybrid institution, with private regional reserve banks and a public Federal Reserve Board in Washington. Yet the House of Morgan moved so artfully to form an alliance with the Federal Reserve Bank of New York that for the next twenty years it would actually gain power from the new financial system. The bankers had not yet been tamed.

AFTER the Pujo hearings, Jack and his sister Louisa sat with their father in a private railroad car as he recovered from the strain of his testimony. As soon as servants had brought their luggage from the hotel, they all returned to New York. Jack lauded his father's testimony—thought him "perfectly frank, very helpful to situation"—but developed a visceral loathing for Untermyer, whom he tagged the Beast.[50] He thought the Pujo hearings a blatant assault on the Morgan bank, with other bankers only drawn in as a smokescreen. From Yankee pride, both father and son professed to be immune to the whin-ings of such little men. Striking a brave tone, Jack said, "We have all here maintained the note which [Pierpont] struck so well in Washington that he was much too big to be annoyed by miserable little things like that."[51] The reality, however, was that Senior never recuperated from the ordeal of this public inquisition.

Pierpont was too thin-skinned to be philosophical about political attacks and didn't recognize himself as the ogre of the newspaper cartoons. He thought himself a generous, paternalistic boss and an avuncular grandfather, not a bloodthirsty monster. He was baffled by the new public scrutiny of businessmen and predicted that "the time is coming when all business will have to be done with glass pockets."[52] He thought Jack might fare better in the new environment. In his last months, Pierpont possessed a melancholy sense of history as having passed him by. He told a visitor in 1913, "When you see Mr. Wilson, tell him for me that if there should ever come a time when he thinks any influence or resources that I have can be used for the country, they are wholly at his disposal."[53] Such a time never came.

Fleeing up the Nile with Louisa, Pierpont could find no respite from his troubles. As always, his ailments were a mass of amorphous symptoms rather than a definable illness. Louisa privately reported to Jack on his digestive upsets, depression, insomnia, and nervous attacks. “Bilious attack practically overcome but result months of strain very apparent now,” she cabled as they sailed to Luxor.[54] Jack—always in the wrong place, always full of yearning—now wished to join Pierpont. But theirs was no ordinary father-son relationship. A political succession—no less momentous than a presidential transition—was underway, and Louisa reported that executive power was being placed in his hands. “Your suggestion coming yourself has touched and pleased him, but he is anxious you should remember how much depends upon your being on the spot in New York—how many interests are in your hands. He is too weak make decision; he wishes leave it you.”[55] It was the first time Pierpont had ever explicitly delegated top authority to his son.

As Pierpont weakened, fresh doctors were shipped out from New York. The corpulent banker fancied that fresh butter and cream from Cragston might restore him and asked Jack to send some. The final siege came in a $500-a-day suite of Rome’s Grand Hotel. News of Pier-pont’s terminal illness rattled the art world, which braced for a general collapse of prices. The ground floor of the Grand Hotel teemed with art dealers, antiquarians, foppish noblemen, shabby peddlers—all trying to unload a last painting or statue on the dying financier. So zealous were their assaults that the *New York Times* described them as being “repulsed with the regularity of surf on the beach.”[56] Meanwhile, Pierpont’s condition required that politics and business not be mentioned. He was groggy but sleepless. Even grains of morphine couldn’t soothe his tormented mind or slow his racing pulse. On the night of March 31, he grew delirious and mumbled about his boyhood. Imagining himself back at school in Hartford or Switzerland, he praised “a fine lot of boys” in his class. Before he died, he said, “I’ve got to go up the hill.”[57] He died shortly after midnight. Within twelve hours, the pope and 3,697 other people had telegraphed their regrets to the Grand Hotel.

The Morgan partners attributed the death to Pujo. The charge may be overstated. Pierpont was seventy-five when he died. Almost twenty years before, worried doctors wouldn’t approve a life insurance policy in his name. He smoked dozens of cigars daily, stowed away huge breakfasts, drank heavily, and refused to exercise. If Jack lost weight, Pierpont would grow alarmed. When Jack began playing squash regularly, Pierpont said, “Rather he than I.”[58] From boyhood, he had been chronically sick, often spending several days in bed each month. Hardly a period of his life was free of illness and depression. That he lasted until seventy-five, with his myriad ailments and resolutely bad habits, is close to miraculous, testimony to a powerful constitution. Then, in his last years, there were numerous disappointments—

the *Titanic*, the U.S. Steel and International Harvester suits, Woodrow Wilson s attacks on the Money Trust, and so on—that may have created unbearable stress.

But at Morgans, everybody *knew* Untermyer was the murderous scoundrel. As Lamont told historian Henry Steele Commager, “Within three or four months, out of a seemingly clear sky, his health failed and after a two weeks’ illness, from no particular malady, he died.”[59] Certainly, the hearings hastened Pierpont’s death, but who can say they caused it? Nevertheless, the belief was widespread at the bank and only hardened partners’ feelings toward politicians and reformers. Jack began to follow Untermyer’s affairs with a morbid curiosity. When a senator attacked the lawyer in 1914, he fairly gloated: “I enjoyed reading every account of it . . . and the more I see him caught in the machinery of his evil deeds, the better pleased I am.”[60]

How much had Pierpont amassed? Apart from his art collection, his estate came to $68.3 million, of which about $30 million represented his share in the New York and Philadelphia banks. (Pierpont’s $68.3 million estate would be equivalent to $802 million in 1989 dollars.) The value of his art collection was estimated by the Duveens at $50 million. It was testimony to Pierpont’s Olympian standing that the release of the figures occasioned some disbelief, even some pity. Andrew Carnegie was truly saddened by the revelation of poor Pierpont’s poverty. “And to think he was not a rich man,” he sighed.[61] Pierpont’s fortune didn’t approach those of the great industrialists—Carnegie, Rockefeller, Ford, or Harriman—and he didn’t quite edge out Jay Gould. One magazine writer even saw the paltry estate as proof that Pierpont hadn’t profited from inside information at his disposal.

When Pierpont’s will was disclosed, it contained many surprises. Overflowing with religious fervor, it had a florid opening, in which he committed his soul into the hands of Jesus Christ. He distributed money with great liberality. Besides the Morgan bank capital, lack was bequeathed S3 million outright, the *Corsair*, the property at Princes Gate and Dover House, and that inestimable jewel, the Morgan collection. Daughters Louisa Satterlee and Juliet Hamilton received $1 million apiece, with an extra million thrown in for their husbands. The long-suffering Fanny received Cragston, the Madison Avenue house, a $100,-000 guaranteed annuity, and a $l-million trust fund. She survived until 1924, faithfully attended by Jack. There was friction in the family regarding Anne Morgan’s award of $3 million. Since she would have no children and planned to donate the money to philanthropic activities, some thought she should have received much less.

For Morgan retainers, it was a red-letter day, fulfilling their most delirious dreams. Librarian Belle da Costa Greene got her first Morgan bequest of $50,000—Jack would later match it—plus a guarantee of continued employment at the library. Dr. James Markoe, who pumped Pierpont with medication during the 1907 panic, received a $25,000 annuity, which was to revert to his pretty wife, Annette, should she outlive him. (This bequest, along with legends claiming that doctors at the Lying-in Hospital married Pierpont's former mistresses, kept alive rumors that Annette Markoe had been a mistress of Pierpont's.) Even Pierpont's sailing master, Captain W. B. Porter, received $15,000. In the most astounding act of paternalism, every J. P. Morgan and Company and Morgan Grenfell employee received a free year's salary. (When the bill came due, Jack paid out $373,000.) There was close to $10 million in charitable bequests, including $1.35 million to Dr. Markoe's New York Lying-in Hospital, $1 million to Harvard, $560,000 to Saint George's Church, and $500,000 for the Cathedral of Saint John the Divine in New York City.

By no coincidence, Pierpont's last rites resembled the Anglo-American tribute he had arranged for Junius. He turned his own funeral into a last act of father worship. As Jack said, Pierpont had "left full instructions in regard to funeral which is to be as like his Father's as possible."[62] Again, the mourning was transatlantic, with Pierpont honored by both a memorial service at Westminster Abbey and the closing of the New York Stock Exchange. At sea, flags of the shipping trust flew at half-mast. Back in New York, his body lay in state at the Morgan Library. For the funeral service at Saint George's, a full complement of Episcopal bishops—one each from New York, Connecticut, and Massachusetts—came in response to a summons in Pierpont's will. Harry T. Burleigh, a black baritone, the grandson of an escaped slave, and a favorite of Pierpont's, sang the hymns. Pierpont was buried in the family mausoleum at Hartford's Cedar Hill Cemetery, according to his wishes: "opposite the place where my father's remains are interred."[63]

Perhaps no other event of the year 1913 received as many lines of newspaper copy as Pierpont Morgan's death. Momentarily the critical drumbeat—which had grown so loud and insistent with the Pujo hearings—was silenced. In lengthy obituaries, no analogy was too large to encompass the personage who had just died. The *Economist* called Pierpont "the Napoleon of Wall Street."[64] The *Wall Street Journal* said, "Such men have no successors. . . . There were no successors to Napoleon, Bismarck, Cecil Rhodes or E. H. Harriman, and their authority was not perpetuated."[65] These articles suggested that the last titan had died, and the world of banking would never again see a figure of such scope.

From our later perspective, Pierpont Morgan seems large because of certain characteristics of the Baronial Age. The companies Pierpont Morgan controlled were weak and primitive by today's standards, without a vast, highly trained managerial corps. Many firms had just graduated from the regional to the national level and needed Wall Street bankers in order to obtain broader financing. Even the governments Pierpont lent money to were relatively unsophisticated and lacked the central banks, systems of taxation, and large treasuries of today. Despite the multinational reach of Pierpont's empire, his great exploits—the 1895 rescue of the gold standard, the creation of U.S. Steel, the cornering of Northern Pacific, the negotiations in the 1907 panic—were exclusively American in character.

After Pierpont Morgan's death, the House of Morgan would become less autocratic, less identified with a single individual. Power would be diffused among several partners, although Jack Morgan would remain as figurehead. In the new Diplomatic Age, the bank's influence would not diminish. Rather, it would break from its domestic shackles and become a global power, sharing financial leadership with central banks and governments and profiting in unexpected ways from the partnership. What nobody could have foreseen in 1913 was that Jack Morgan—shy, awkward, shambling Jack who had cowered in the corners of Pierpont's life—would preside over an institution of perhaps even larger power than the one ruled by his willful, rambunctious father.

PART TWO
The Diplomatic Age
1913-1948

CHAPTER NINE
METAMORPHOSIS

IN early 1912, the House of Morgan bought 23 Wall Street and its property from Elizabeth Drexel. The hallowed soil fetched the highest price per square foot ever recorded for a real estate deal. A month after Pierpont's death, wrecking crews demolished the old brownish-gray Drexel Building to clear the way for a new marble palace. Never ones to stint, the Morgan partners bought a quarry of Tennessee marble to guarantee a supply of high-quality construction material.

Pierpont had insisted the new building retain a catercorner entrance, facing both Broad and Wall streets. On his last trip to Rome, he had planned to bring home triumphal columns to frame the entrance. Although he never set eyes on the Italian Renaissance building, designed by Trowbridge and Livingston, it preserved his spirit. On December 30, 1913, Jack set the cornerstone, which contained a special copper box. Sealed inside, like saintly relics, were Pierpont's will, a copy of his Pujo testimony, the articles of partnership, and an appropriate merchant-banking touch—the form used for letters of credit. It was a homage to the past even as the firm moved ahead.

Oddly, the angular building, completed in 1914, was smaller than its predecessor. "I wonder what people will think in 300 years or less as to the progress made by Morgans in 35 years," Teddy Grenfell said slyly to Lamont. In shrinking the building's size, the firm expelled other tenants, keeping the Corner to itself. Dwarfed by skyscrapers, the short building made extravagant use of such precious land, as if the bank wished to flaunt its immunity to everyday concerns of cost.

The new building was compact and mysterious, reflecting the bank's penchant for privacy. Curtains always shrouded its deeply inset windows. As the *Times* said, "The men of the House of Morgan keep in the background as far as possible. They shun the limelight as they would a plague."[1] Whereas the old Drexel building had the firm's name over the doorway, the bank now reverted to London tradition and posted no name.

The interior reflected the layout of London merchant banks, with an open banking floor on the street level. Set off by a marble-and-glass partition, a double row of partners' rolltop desks and brass spitoons stood along the Broad Street side. There were dark wood walls and mosaic panels. Fires blazed at the back of the partners' room, beneath a portrait of Pierpont.

Upstairs, each partner had a private office, lined in English oak, and a fireplace. The upper floors housed a private dining room and Jack Morgan's barber shop.

When Jack arrived for his inaugural day as the new Senior, his office was heaped with roses. Now forty-six, he must have taken charge with some trepidation. He was milder, less truculent than his father—he griped and grumbled where his father barked. One journalist wrote that there was in Jack "a suavity . . . that was missing in his father," and Wall Street scuttlebutt compared him with Pierpont unfavorably.[2] As we have seen, his confidence hadn't been bolstered by his father. And for a Morgan partner, he had been mixed up in a surprising number of fiascoes, including the shipping trust. When he solicited a gold loan in Paris during the 1907 panic, the Banque de France rebuffed him—a hard knock for Junius Morgan's grandson. Wall Street wits said that after returning to New York in 1905, Jack's chief innovation at the Corner was introducing English afternoon tea. He was seen as pleasant, friendly, but second-rate.

Jack handled the succession in an intelligent, self-protective way. He did what Pierpont could never do—presided in a relaxed manner, delegating authority to Davison, Lamont, and others. Not hampered by his father's flaming temper or ego, he didn't feel threatened by talented men of his own age and prided himself on his stable of *prima donnas*. The way he restructured the bank suited the needs of the Diplomatic Age, which required a team of strong, independent partners to undertake government missions. The general caliber of the partners would improve measurably under Jack's tutelage.

Decisions were reached by consensus. Where Pierpont held no regular meetings until the 1907 panic, Jack scheduled daily partners' meetings in the informal style of a British merchant bank. No stenographer was present, and no minutes were kept, only lists of attending partners. Where Pierpont preferred subservient partners, Jack would create a bank almost top-heavy with executive talent. Whether from insecurity, shrewdness, tact, or sheer laziness, he put together a symphony orchestra that could, if necessary, play without a conductor.

Even with this looser grip on the business, Jack could still yank the leash and take control. He held $32.3 million in Morgan capital, which was the bank's major cushion. He also reserved his father's extraordinary powers, which included the right to allocate profits among partners, arbitrate disputes, fire partners, and determine a fired partner's departing share of capital. These were the trump cards in a private partnership. So long as he was alive, Jack insisted upon certain central Morgan values—such as conservative management, avoidance of speculation, and loyalty to Britain—that set invisible but real fences around his lieutenants.

Financial partnerships are combustible affairs that frequently blow up as a result of personality clashes and disputes over money. Yet the House of Morgan was always marked by harmony among the partners. If Jack Morgan was devoid of unhealthy egotism and bashful to a fault, his lieutenants, Harry Davison and Tom Lamont, were genial and deferential toward him. A tacit bargain was struck: they would treat Jack with impeccable courtesy, bow to his wishes on important matters, and venerate the Morgan name. In return, they would enjoy day-to-day executive control. Had there been management consultants in those days, they couldn't have devised a better or wiser compromise.

This wasn't a polite charade in which the partners smirked behind the boss's back; they had genuine affection for Jack. Years later, Morgan partner and then chairman George Whitney would say:

> I always find that I have to guard myself because of a fear that I will sound soft and foolish, but he was a great gentleman, a cultured gentleman, if you know what I mean . . . and he'd deny it like hell if he ever heard me say it to anyone. He was a simple and just as sweet a man as you ever saw. . . . As I say, he was never given credit, because he was shy, but he kept that bunch of primadonnas working, the partners, and he was the unquestioned boss and there was never any argument about it. . . . He wasn't a buccaneer like his father, but he was a hell of a guy.[3]

Had there been rebellion in Jack's nature, it would have surfaced after Pierpont's death. Instead, he plunged into a Morgan specialty—father worship. Even after having nursed his mother through her dreadful marriage, he cared for the Hartford grave site of Mimi Sturges Morgan, Pierpont's first wife. With his New England sense of self-reliance, he didn't think it sporting or fair to blame one's parents for one's troubles; he was no more prone to introversion than Pierpont had been. In 1916, he said of Charles Francis Adams's autobiographical work, "The depressed and gloomy point of view, and the anger at everyone who had anything to do with his bringing up, because he feels himself not a complete success, are rather distressing."[4] And he docilely accepted the dynastic nature of merchant banking, nudging his eldest son, Junius, into the bank just as he was pushed by Pierpont. "Junius is not going into the firm," he told a friend, "but he is coming into the office to see if he is fit to go into the firm later on, which I hope and trust he will be."[5]

In many respects, Jack's life evolved into an eerie act of homage as he tried to metamorphose into his father. If children identify with parents to relieve their fear of them, as some psychologists suggest, then Jack must have had a great deal of fear, for he tried very hard to resemble his father. As a *New Yorker* columnist said, "His similarity to his father in thought and outlook is almost weird."[6] To encourage the confusion, Jack dropped the *Jr.* from his name after Pierpont's death—a common practice—and took to being called Senior—the name that had been Pierpont's. Only Tom Lamont and, later, Russell Leffingwell, called him Jack.

That Jack successfully mimicked Pierpont had much to do with their sheer resemblance. There were differences: Jack's mustache was smaller and trimmer than Pierpont's walrus affair, and his eyes were gentler and less forbidding than the Senior's. Jack also had a peculiar stoop, his shoulders hunching forward as if he were muscle-bound or ducking to pass through a low doorway. But the similarities were more striking. Both were six foot two, broad shouldered, and burly—cartoonists scarcely had to alter their sketches of the pear-shaped, top-hatted tycoon. Jack even wore Pierpont's bloodstone on his watch chain—a favorite touch of the radical caricaturists, who had added it to the iconography of paunchy plutocrats. The strong Morgan nose remained, though without Pierpont's skin disease.

Contemporaries said the two J. P. Morgans even walked and talked alike. Occasionally, one sees a snapshot of "J. P. Morgan" threatening a reporter with his stick and momentarily cannot tell which Morgan it is. Both were high-strung, thin-skinned, moody, and prone to melancholic self-pity. Deeply emotional, they feared their ungovernable passions. A gruff, snappish way of relieving tension and dealing with disappointment was also conspicuous in both.

It is fascinating to follow Jack as he assumed his father's trappings. A sampler: In 1915, he wrote a Piccadilly hat shop for "another hat (felt) of the same shape as those you used to make for the late Mr. Pierpont Morgan."[7] Like his father, he went for his London tailoring to Henry Poole and Company of Savile Row and to Brooks Brothers in New York. He adopted his father's yen for gigantic cigars, ordering five thousand at a time. As his caterer, he retained Louis Sherry, who distributed to favored partners fifty bottles of brandy, one hundred of Musigny, and one hundred of Madeira at a clip. He maintained Pierpont's tradition of sending chests of Chinese tea to friends at Christmastime, wrapped in pretty paper covers. This special Morgan blend, Mandarin Mixture, came from a tiny garden on an inland Chinese plantation. On Christmas Eve, Jack perpetuated the ritual of reading to Morgan children from Dickens's *Christmas Carol*—using the author's own manuscript.

In religion, Jack was pious but less mystical than Pierpont. He, too, became a vestryman of Saint George's Church, sailed with bishops aboard the *Corsair III*, and resumed Morgan patronage of the Episcopal church, financing a revision of the *American Book of Common Prayer.* The New York Yacht Club got a new Commodore J. P. Morgan, while the Harvard Board of Overseers and the Metropolitan Museum of Art also got a new J. P. Morgan. New York City's orphans lost nothing from generational change, Jack made up the annual $100,000 deficit at the New York Lying-in Hospital. (In view of his happy marriage, he was spared the cruel barbs that greeted Pierpont's generosity.) As a philanthropist, Jack permitted small variations, so long as Morgan themes were preserved. Where Pierpont underwrote Egyptian excavations, Jack specialized in Aztec digs for the American Museum of Natural History. More an Anglophile than his father, Jack joined Lamont in an anonymous donation to Britain's National Trust to buy the land surrounding Stonehenge, saving the area from development.

Before Pierpont's death, Jack hadn't shown a particular interest in the library. But soon he developed his father's habit of leafing through its treasures each morning. Jack lacked the capital to mimic Pierpont's sweeping romps through European culture—Pierpont's own collecting had precluded that—so he concentrated instead on books and manuscripts, his specialty being incunabula, books printed before 1500.

Under Pierpont's strict instructions, Jack retained librarian Belle da Costa Greene, who never fully recovered from Pierpont's death; over time, Greene's bright banter would enchant the son as much as it had the father. And over time another amusing generational resemblance between the two became evident—the bullheaded way in which the Morgan men cornered the market in one artist after another. In 1905, Jack had given his father a manuscript version of Thackeray's *Vanity Fair* and later rounded up remaining Thackerays on the market. Then he marched on Tennyson, eliciting a memorable remark from Greene: "In regard to the Tennyson items which, personally, I loathe, it is a question of perfecting your already very large and fine collection of imbecilities." No less than Pierpont, Jack found the librarian's fresh mouth piquant. He replied, "I reluctantly confirm that we ought to have the Tennyson idiocies."[8]

With less of a gypsy nature than Pierpont, Jack concentrated on creating stately residences. In 1909, he paid $10,000 for barren East Island off the North Shore of Long Island, near Glen Cove. To make the grounds fertile, he had manure shipped in by the bargeload. And after constructing a stone bridge to the mainland, Jack built a $2.5-million red-brick chateau, modeled after Denham Place, a Buckinghamshire mansion, and called Matinicock Point (sometimes spelled Matinecock). Set on an estate of 250 acres, the mansion was graced with a columned entrance, dormer windows, and high chimneys. It had forty-five rooms in all, including twelve bedrooms, thirteen bathrooms, eighteen marble fireplaces, a sixteen-car garage, and even a small gymnasium.[9] After Jack and Jessie moved there in 1911 (while still retaining their Madison Avenue brownstone), Pierpont had twitted his son about his proximity to Teddy Roosevelt's estate. "I too regret my nearness to Oyster Bay," Jack cabled back, "but expect outlive the troublesome neighbor."[10] Jack commuted to Wall Street by water each morning, pulling up at the New York Yacht Club's pier at East Twentieth Street.

Jack was an inveterate hunter and loved the world of English country houses. With his friend Eric Hambro, Jack bought Gannochy, a shooting lodge with seventeen thousand acres of highland moors in east central Scotland. It was a romantic spot, covered with heather and crossed by deep gorges and salmon-filled streams. Each August, Jack joined the merchant bankers and aristocrats who headed north to Scotland for grouse shooting. His guests sometimes bagged up to a thousand birds a day, while Jack's daughters, watching from an upstairs lodge window, cheered every missed shot. The Gannochy shoots, which later would include King George VI, helped to seal a new intimacy between England and the House of Morgan.

Jack and Jessie Morgan spent up to six months of each year in England. *Fortune* magazine left a portrait of their assimilation into British life, starting with their first stay, from 1898 to 1905: "They lived for eight years in England not as exiled Americans but as all but naturalized Englishmen. Mrs. Morgan by background and training took easily to English country ways, English houses, English gardens—the whole domestic economy of a life of which the life in Boston was merely a more meager copy. And her husband found . . . that the life of a gentleman and an Episcopalian could be more gracefully and naturally led in London than on Wall Street in New York."[11]

Socially, Jack shared his father's snobbery and disdained the hurly-burly of American life. He never tried to broaden his social sphere or enlarge his sympathies. He might switch from the Union Club to the Union League Club, but that was the extent of his social experimentation. He had a special horror of arrivistes. Summering in Newport might be fine for others, but for Jack the place was "swamped by the horrid vulgar lot who make or rather ruin the reputation of it."[12]

The most conspicuous difference between Jack and his father was in their attitude toward the sexes. Both frowned on divorce among partners or employees and preferred male secretaries in the bank. (Until about the 1940s, women who married had to leave the bank, a regulation that led to several secret marriages.) But Jack was also puritanical in private—it is hard to imagine him swearing or telling off-color stories—and he once blushed to tell his children the facts of life. Perhaps reacting to his father's lechery, he was courtly with women, and he remained absolutely faithful to Jessie, a pretty, somewhat matronly woman.

Jack and Jessie's marriage was almost suffocatingly close. Jessie filled that little spot of doubt inside her husband. Confident and decisive, she propped up his ego, and he relied implicitly on her judgment in many matters. Jessie was strict with the four children and ran the estates with a firm, expert hand. She was cool and businesslike, and her daughters found it easier to take their problems to their father. But to Jack, Jessie was the supportive presence who compensated for his lifelong insecurity and guaranteed he would be spared his father's terribly loveless fate.

AS the new lord of the House of Morgan, Jack instantly faced two crises inherited from Pierpont. Coming on the heels of the Pujo hearings, they would further embitter him toward the public and confirm his sense of national ingratitude toward Morgan bounty. The first crisis involved his father's art collection, whose disposition Pierpont had left to him in his will.

Originally, most of the paintings and decorative objects were housed at Princes Gate, which, for lack of sufficient space, Pierpont had despaired of turning into a museum. (The books and manuscripts had always been under Belle Greene's care in New York.) And until 1909, American import duties made it prohibitively expensive to bring home this "foreign" wing of the Morgan collection; then Pierpont, who was big enough to move congressional mountains, spurred the enactment of a duty-free exemption for works of art more than one hundred years old. The decision to transport the collection was hastened by another consideration: if it were in London when Pierpont died, his heirs would have to pay heavy death duties. So in 1912, thousands of pieces of art were packed in giant crates and shipped to New York. To please Morgan, U.S. customs inspectors were sent to London to speed the process.

Since Pierpont had expressed a desire to keep his collection together, its eventual destination was a matter of great speculation. At first, he had bequeathed it to the Metropolitan Museum, of which he was president. As a precondition, however, he asked New York City to appropriate money for a special Morgan wing. This was a rich man's way of asking for a token of respect and gratitude. Instead, it provoked a vituperative campaign, spearheaded by the Hearst newspapers and some city officials, who excoriated Pierpont for not providing the funds himself.

In this year of the Money Trust campaign, taxpayers were ripe for Morgan-baiting and prepared to believe that his bank account was bottomless. Stung by the campaign, Pierpont told shocked Metropolitan officials in late 1912 that they might not receive the collection after all. Easily injured, he could be sulky and childish when his pride was hurt. So he left the final decision to Jack. It would be his son's first large posthumous decision. Under a new state law, Jack had two years from the time of Pierpont's death to donate the art if he wished to receive an exemption from the inheritance tax.

While pondering his decision, Jack temporarily permitted the collection to be exhibited at the Metropolitan Museum. It was a breathtaking event that brought together 4,100 works from London and New York—the one time the complete Morgan collection could be viewed in its entirety. America had never seen artistic riches in such profusion. The word *exhibition* didn't capture its scope: it was like the unveiling of a major museum, revealing the fruits of the most frenzied buying spree in art history. There were 550 enamels, 260 Renaissance bronzes, nearly 700 pieces of porcelain from the eighteenth century, 39 tapestries, 900 miniatures, more than 50 European paintings. By glimpsing these treasures, the public developed not only a fuller sense of their worth but a possessive feeling toward them as well.

Now Jack had to weigh the competing claims of his bank and American culture. He and other Morgan partners recalled the unpleasant suspense each year as they wondered whether the Senior's balance would cover the bills pouring in from London and Paris. And now Jack wondered whether he could cover the $3 million in inheritance taxes and the $20 million in individual bequests mandated by Pierpont's will. The approximately $20 million in liquid assets in the estate simply did not match the scale of Pierpont's generosity. While he required liquid capital for bequests, estate taxes, and his business, Jack held, instead, mostly illiquid art masterpieces. What to do?

The answer came in February 1915 and scandalized the art world: Jack decided to dismantle the collection. First he sold the Chinese porcelains for $3 million to Duveen Brothers, who resold them to Henry Clay Frick. Then Fragonard's magnificent *Progress of Love*, four panels executed for Mme du Barry, went for $1.25 million, also to Frick, who adorned a room of his Fifth Avenue mansion with them. Frick's new ascendancy as foremost American collector, heir to Pierpont, evidently pleased Jack, who said he had been kinder to him than any of Pierpont's other business associates. Sugar baron H. O. Havemeyer bought the Vermeer that had captivated Pierpont. "It seems we need the money," Belle Greene sighed.[13]

By the end of this avalanche of sales—during which Greene battled tenaciously for higher prices—$8 million worth of art had changed hands at handsome prices. Pierpont's death hadn't devastated the art market—the new fortunes being amassed by munitions makers in the World War, fortunes often awarded by the Morgan bank itself, picked up the slack. Greene's friend Bernard Berenson commented that Pierpont might be dead, "but his soul goes marching on."[14]

The cognoscenti were horrified by the sale, which they portrayed as a brutal, unfeeling massacre of the world's premiere art collection. Profiting from it, Joseph Duveen nonetheless classified the breakup "with that other great artistic tragedy, the dispersal by the Commonwealth of the carefully chosen treasures of King Charles the First."[15] As a salve for bruised feelings, the Metropolitan was given 40 percent of the collection, a monumental bequest of about seven thousand objects, including Raphael's *Colonna Madonna*, which was the world's most expensive painting when purchased by Pierpont for £100,000. For all the disappointment, this was the biggest windfall in the museum's history, forming the heart of its medieval collection.

Pierpont's literary collection—about twenty thousand items, including Gutenberg Bibles, papyruses, and manuscripts by Keats, Shelley, Swift, and Dr. Johnson—stayed intact at the library, as did many splendid oddities, such as Marie-Antoinette's fan, which Jack would give to the French government in 1925. The other major beneficiary was the Morgan Memorial at the Wadsworth Atheneum in Hartford, which Pierpont had built in tribute to Junius. (As Pierpont had insisted, portraits of him and Junius hung side by side at the head of the museum's grand staircase.) In 1917, Jack gave the museum such a massive bequest of ancient bronzes and European decorative arts—more than thirteen hundred items—that the Wadsworth at once leapt into fifth place among American museums.

Instead of explaining his decision, Jack sprang it unexpectedly on the public. Then he retreated into a touchy silence, heeding Pierpont's dictum of never answering press attacks. This made him seem guilty and defensive. One can only speculate as to the reasons behind his self-defeating silence. As a private banker, he would have refrained from any statement suggesting a need to shore up the bank's capital—no secret was more closely guarded by merchant bankers than their capital position. At this point, the House of Morgan had never been examined by regulators or revealed a balance sheet; Jack wasn't about to discuss Morgan capital in public. It might have also been hard to explain the urgent need for money without indirectly criticizing his father's prodigality. If blame was to be meted out, it probably should have been directed toward Pierpont, whose collection had outpaced any provision for its storage and display. It was Pierpont, not Jack, who failed to provide for both bank and art collection. Although he did it in boorish, public-be-damned style, Jack may only have been setting things' aright.

THE second crisis shadowing Jack's first days at the helm involved the New York, New Haven and Hartford Railroad. Joseph Morgan—Pierpont's grandfather—had sponsored one of its predecessors, giving it a special place in the family. Going on the road's board after 1892, Pierpont came to rule it with a mixture of sentimentality, explosive rage, and willful blindness almost without equal in Morgan annals. In 1903, he had brought in Charles S. Mellen —called "the last of the railway czars"—to run the New Haven. Mellen had a smooth, domed head, white mustache, and a cold, sarcastic manner that made him the most hated man in Boston. The New Haven would be a *folie a deux* for Morgan and Mellen, bringing out the worst in both in their contempt for the public.

The two planned to take over every form of transportation in New England and wantonly usurped steamship lines, interurban electric trolleys, rapid transit systems—anything that threatened their monopoly. The New Haven gobbled up every railroad in Rhode Island, Connecticut, and southern Massachusetts. The centerpiece of their plan was the purchase of the Boston and Maine Railroad in 1907. This was so controversial that Pierpont and Mellen met with President Roosevelt in order to forestall antitrust problems. Though the president offered his tacit consent, he later confessed that he had gone "beyond the verge of propriety in condoning offenses" committed by the New Haven.[16]

The New Haven's expansion was both unwise and unscrupulous. As it paid exorbitant prices to swallow up competitors, its debt load grew crushing. The railroad became a bloated monster of a holding company, with 125,000 employees in 336 subsidiaries. To hide its financial chicanery, it set up hundreds of dummy corporations, some headed by mystified clerks who were periodically called in and told to sign contracts. The House of Morgan made enormous profits from this corporate maze, booking nearly a million dollars in commissions from an incessant flow of stocks and bonds. Meanwhile, the New Haven's real future competitor—the automobile—escaped the wide net that Pierpont had flung over New England transportation.

Unbeknownst to the public, the House of Morgan itself was queasy about Mellen's stewardship. In May 1908, George Perkins wrote to Pierpont, "I still feel, as I have for a couple of years, that Mr. Mellen is getting the New Haven road into considerable of a muddle by his financial methods, and this, I think, is becoming more or less the general opinion."[17] The bank began quietly to sell off its securities in the road.

Unfortunately for Pierpont's image, Mellen was a vocal admirer and later said he never undertook any initiative without first consulting Pierpont. "I wear the Morgan collar," he boasted to reporters, "but I am proud of it. If Mr. Morgan were to order me tomorrow to China or Siberia in his interests, I would pack up and go."[18] He would leave an indelible portrait of Pierpont as an autocratic board member. "It was Mr. Morgan's way, when he wished to cut opposition and discussion short, to fling his box of matches from him, bring his fist down, and say, 'Call a vote. Let's see where these gentlemen stand.' "[19] Other board members, Mellen said, cowered and submitted to him.

The Morgan patronage had definite advantages for the railroad. The New Haven's stock was considered the safest of blue-chip investments and sported a high dividend. And Charles Mellen had redeeming features as a railroad man. For the first time, he enabled passengers to travel from New York to

Boston without switching lines. The problem was that Mellen was a thorough rascal. Here was William Allen White's verdict: "Mellen, in the eyes of economic liberals, was the head devil of the plutocracy in Massachusetts and New England. . . . In politics, Mellen walked to his ends directly, justified by the conscience of a plutocrat, which held in contempt the scruples of democracy."[20]

Congressional investigators later revealed that Mellen handed out about a million dollars in bribes on one suburban line alone. Beyond shame, he even suborned a Harvard professor to deliver lectures favoring lenient regulatory treatment for trains and trolleys. So pervasive was New Haven power in New England that it was termed the "invisible government."[21] Mellen's largesse extended right up to the Republican National Committee. When later granted immunity from prosecution, Mellen almost gloried in the vicious squalor, the total absence of business scruples. Testifying about the competition between the New Haven and a rival, he was asked what form it took. "Any form you can imagine—one man cutting the heart out of another, except they were two railroads."[22]

An open scandal, the New Haven attracted the attention of the most cunning and resourceful foe the House of Morgan would ever face—Louis D. Brandeis, now a "people's lawyer" but later a Supreme Court justice. The son of eastern European immigrants, a Harvard Law graduate, Brandeis was already a millionaire lawyer in 1907 when he took on the New Haven as a public-interest cause. That year, he spearheaded the fight against the purchase of the Boston & Maine.

Brandeis conducted a searching critique of the Gentleman Banker's Code—those rituals that governed competition among elite banking houses. He sounded themes of excessive banker influence that would be amplified by the Pujo hearings and echoed in the New Deal, later shaping Securities and Exchange Commission policy. He argued for an arm's-length distance between bankers and companies. For Brandeis, bankers who sat on corporate boards were in a conflict-of-interest situation. Far from being neutral confidants of companies, they were tempted to load up clients with unneeded bonds or charge them inflated commissions. The House of Morgan was his major object lesson; he said it symbolized "a monopolistic and predatory control over the financial and industrial resources of the country."[23] The Brandeis critique was predicated not on government regulation of monopolies but on breaking them up and reverting to a small-scale competitive economy. Over time, this view would prove far more threatening to the House of Morgan than the trust-busting of Teddy Roosevelt and other supporters of large-scale industry.

The New Haven's day of reckoning came in 1911, when its debt burden forced layoffs, pay cuts, and deferral of critical track maintenance. The road piled up a grisly record of train wrecks—four that year, seven the next—that caused dozens of deaths. As the train wrecks mounted in 1912, Brandeis found an ever-wider audience for his attacks on the New Haven, and the Interstate Commerce Commission began to hold hearings on the matter. That summer, Brandeis went to Sea Girt, New Jersey, to consult with Woodrow Wilson, the Democratic presidential nominee. Brandeis advised Wilson on economic matters, wrote speeches, and slipped the Money Trust into his rhetoric, getting Wilson to espouse an end to interlocking directorates between bankers and industrial companies. For Brandeis, the New Haven was an archetypal battle in the eternal war between "the people" and "the interests."

Threatened by Brandeis, Mellen fought back in inimitably dirty style. A Boston publication called *Truth*, subsidized by the New Haven, portrayed Brandeis as an agent of Jacob Schiff and described his campaign as part of the "age-long struggle between Jew and Gentile."[24] In December 1912, Mellen and Morgan issued a stinging press release, accusing Brandeis of trying to destroy confidence in the New Haven. But Brandeis was winning converts, and Mellen was indicted by a federal grand jury on antitrust charges. He waived immunity, apparently hoping to spare Pierpont the strain of a subpoena during the Pujo investigation. The Pujo report further bolstered Brandeis's case against Morgan and the New Haven. And that was where matters stood at Pierpont's death.

That Pierpont's sins would be visited on Jack became evident on June 12, 1913, when a New Haven collision at the Stamford station killed seven passengers. Wilson's new attorney general, James C. McReynolds, already had civil and criminal suits against the New Haven in the works, and the climate was ripe for trustbusters to intensify their campaign. On July 9, the Interstate Commerce Commission published a report criticizing the New Haven's financial management and recommending that the New Haven be stripped of its trolley and steamship holdings. Here came a critical watershed in Morgan history. As a banker of the Baronial Age, Pierpont would have stood obstinately by Mellen, spewing rage. But Jack had replaced his father on the railroad board. Heeding the ICC warning, he ousted Mellen and overrode the rest of the board to do so. It wasn't that Jack had any ideological sympathy with government regulation; he was as rabid on the subject as his father. But as a tactical matter, he was more conciliatory—more a banker of the Diplomatic Age. The New Haven board brought in Howard Elliott of the Northern Pacific to replace Mellen.

The New Haven would always be a touchy subject with the Morgans, who considered themselves benefactors of New England. Pierpont had been the proud president of the New England Society. His grandson Harry Morgan later said that Pierpont "was so loyal to the region" that he had "a blind spot when it came to New England and the New Haven's place in it."[25] Facing a chorus of criticism, Jack tried to defend his deceased father, claiming that in his last years he had spent half his time abroad and couldn't possibly be held responsible for the railroad's excesses. Yet Jack's cables reveal that Pierpont stayed in touch on New Haven matters. He might have been gallivanting on the Riviera or cruising up the Nile, but he followed the railroad's affairs. In 1910, Mellen had wanted to extend the New Haven's territory to the newly completed Pennsylvania Station in Manhattan. Sensing a competitive threat to his other ward, the New York Central, Pierpont threatened to resign if Mellen persisted. All the way from Rome, he bellowed, "You can tell C. S. Mellen with my compliments that if he persists in proposed policy he will, in my opinion, make mistake of his life."[26] Pierpont was remote in body but not in spirit.

Even after Howard Elliott's appointment, horror stories still abounded at the New Haven. In September 1913, another wreck outside New Haven killed twenty-one passengers and trapped forty boys returning from summer camp. An ICC report blamed Morgan and Mellen. Then, in a final humiliation for the bank, the debt-riddled New Haven skipped its dividend in December for the first time in forty years. It was a classic widows-and-orphans stock, and thousands of small investors lost their income before Christmas. Whether from shame, anger, or a desire to avoid blame, both Jack Morgan and George F. Baker missed the meeting at which the historic vote was taken. Attorney General McReynolds still breathed down the necks of the New Haven board, which he thought was dominated by bankers. The Morgan men knew they were outflanked. "Whole situation disgusting," Harry Davison cabled to Jack, "but must recognize that Brandeis et al have ear of President and Attorney General just now."[27] Jack told Davison that he would resign from the New Haven board, except that it might be seen as confirming Brandeis's attacks on him and his father.

During the New Haven controversy, there was an important sideshow that never came to light. During the fall of 1913, Brandeis published his influential series *Other People's Money—and How the Bankers Use It*, in *Harper's Weekly*. His critique of the Gentleman Banker's Code argued that bankers on corporate boards introduced nepotism and double-dealing. As a result of these articles, Tom Lamont decided to put into effect his new public relations policy of meeting privately with bank critics. Through Norman Hapgood, editor of *Harper's Weekly*, he arranged for a private chat with Brandeis in December 1913 at the University Club on Fifth Avenue. A verbatim transcript of the meeting survives.

Let us picture the antagonists as they settled into their armchairs. Speaking with a Kentucky drawl, the young Brandeis had a wide face, large jug ears, powerful shoulders, and flaring eyes. Lamont was short and elegant, had a look of keen, watchful amusement, and was very tough beneath the charm. Confident of his persuasive powers, Lamont was as refined with strangers as Jack was awkward. In his meeting with Brandeis, we see him emerging as the principal image maker and ideologist of the House of Morgan.

Lamont cast Pierpont's faith in Charles Mellen as a virtue: "Mr. Morgan had that large nature which led him almost blindly to have faith in a man when once it was established."[28] He reiterated Morgan dogma that bankers were responsible to investors and had to be on boards to safeguard their interests. Brandeis retorted, "You could be kept precisely as fully in touch and informed off the board as you are on."[29] Lamont seemed caught off guard. Rather than having bankers negotiate private deals with clients, Brandeis espoused open, competitive bidding for securities offerings. Lamont said this worked fine in good times, when investors readily took new issues, but left companies adrift in bad times, when investors became apprehensive. These arguments would reverberate for forty years.

Both Lamont and Brandeis tried to sound friendly, although Brandeis was more dogged, relishing a chance to confront his adversary face-to-face. After a time, it grew clear that both men circled around something unspoken—namely, mythical Morgan power, the belief on Wall Street that if the bank had a single director on a board, he would dictate to all the others. Lamont was exasperated by glancing references to this power and finally confronted it directly:

> *Lamont:* You are picturing our firm . . . as having this gigantic power over men and matters.
>
> *Brandeis:* But it has that power, Mr. Lamont. You may not realize it, but you are feared, and I believe the effect of your position is toward paralysis rather than expansion.
>
> *Lamont:* You astonish me beyond measure. How in the world did you arrive at the belief that people are afraid of us, or that we have this terrific power?
>
> *Brandeis:* From my own experience.[30]

Brandeis told how he had foreseen the New Haven debacle, had gone to Boston bankers to complain about the railroad's management, and was told the road was "Mr. Morgan's particular pet" and that they feared being excluded from future Morgan bond syndicates if they offered any protest. This was probably true: any firm that refused to participate on one Morgan issue might be penalized on others.

In the end, Brandeis scored more points in the debate—one senses Lamont was unprepared for the attorney's fierce intelligence—but neither side budged in his position. Yet the conversation resonated in Lamont's mind, particularly Brandeis's charge that Wall Street lacked interest in small businesses. Years later, when advising Woodrow Wilson at Versailles, Lamont asked the president if he could cite a single instance of a deserving company being denied credit on Wall Street; according to Lamont, Wilson could not. The Brandeis encounter started a lifelong effort by Lamont to present a coherent case for Morgan power. He needed to make others believe in the bank's virtue. Through him, Wall Street's most reticent bank would acquire a refined voice and an explicit ideology.

In the Diplomatic Age, companies remained tied to their Wall Street bankers, but the strings were already loosening. The Baronial Age was based on the immaturity of industry. Now large companies were accumulating cash reserves and financing expansion from retained earnings. When private bankers were better known than the companies they sponsored, exclusive relations with clients guaranteed their access to scarce capital. But such Morgan offspring as AT&T, U.S. Steel, and International Harvester were now becoming established companies on a national and even a global scale, outgrowing the need for banker protection.

For Pierpont's generation of bankers, membership on the boards of client companies was an article of faith. But in January 1914, hoping to placate the Wilson administration, Morgan partners startled Wall Street by resigning as directors from thirty companies, including banks, railroads, and industrial firms. Jack resigned not only from the New Haven, but from the New York Central, the National City Bank, the First National Bank, and the National Bank of Commerce. (By lumping the New Haven with the others, he didn't give Brandeis the satisfaction of a lone resignation.) He hoped this would stop legislation, supported by Wilson, outlawing bank-company interlocks. The Clayton Antitrust Act of 1914 forbade interlocking boards of competing companies but didn't stop bankers from sitting on the boards of client companies.

Changes in the government-business balance were now occurring with amazing speed. In 1913, the Sixteenth Amendment was ratified; the following year, income taxes soared, and the Federal Trade Commission was created. Jack accepted the changes bitterly. Like Pierpont, he would store up anger silently until it overwhelmed him. Now he stewed inwardly, indulging in jeremiads that prefigure his remorseless hostility toward the New Deal. He inveighed against "destructive elements" that had supposedly controlled the country since Teddy Roosevelt. He wrote a friend in June 1914: “A greater lot of perfectly incompetent and apparently thoroughly crooked people has never, as far as I know, run, or attempted to run, any first-class country. The Mexicans are far better off, because their various bosses only murder and rape, and our bosses run the country and make life intolerable for a much larger number of people.”[31]

One final episode in this last flowering of Progressive reform should be noted. On December 23, 1913, President Wilson signed the Federal Reserve Act. Wilson, of course, had insisted on a Federal Reserve Board in Washington under political, not banker, control. “There are only two choices,” he said. “Either to give the central control to the bankers or to give it to the government.”[32] Earlier in the year, Jack had gone down to Washington with the Morgan plan for a central bank under private control. J. P. Morgan and Company had not only formulated a scheme but had had it beautifully printed up. When Wilson’s close adviser, Colonel House, saw what Jack had brought, he hastily told him to present it to Wilson typed on ordinary paper, lest Bryan and the Progressives think the House of Morgan was dropping off a prearranged plan.

The Federal Reserve System that went into operation in November 1914, was, in many ways, a Morgan godsend. It took some political heat off the bank. As Fed historian William Greider has written, “As an economic institution, the Fed inherited the noblesse-oblige role that the House of Morgan could no longer perform—and also some of the resentment.”[33] The diminution of Morgan power was less than met the eye. In many ways, the Washington board, which oversaw the twelve regional banks, was toothless. The New York Fed, in contrast, emerged as the focal point for dealing with European central banks and the foreign exchange markets. So, real financial power remained where it had always resided—on Wall Street.

The critical position in the new system was the governor of the New York Federal Reserve Bank. Its first occupant, Benjamin Strong, had Morgan written all over his resume. He was a protege of Harry Davison, who had made him a secretary of Bankers Trust and brought him in as Pierpont’s personal auditor during the 1907 panic. There was an emotional bond between the two men. When Strong’s wife committed suicide after childbirth and a daughter died a year later, the Davisons took the three surviving Strong children into their home. Strong then married Katherine Converse, daughter of Bankers Trust’s president, and had become president himself by 1914.

That year, when the New York Fed job became available, Strong balked at taking it. Not only had he supported the bankers’ Aldrich plan, but he had even campaigned against the Federal Reserve Act. Only after spending a long country weekend with Harry Davison and Paul Warburg did he take the job.

Strong wanted to endow the New York Fed with the dignity and prestige of the Bank of England. The House of Morgan directed him to Teddy Grenfell for tutorials on how that bank operated. Through Strong’s influence, the Federal Reserve System would prove far more of a boon than a threat to Morgans. The New York Fed and the bank would share a sense of purpose such that the House of Morgan would be known on Wall Street as the Fed bank. So, contrary to expectations, frustrated reformers only watched Morgan power grow after 1913.

CHAPTER TEN
WAR

EVEN as domestic troubles crowded in upon the House of Morgan, the bank was on the eve of its most spectacular foreign triumph, one that would make Pierpont Morgan look provincial in comparison. During the early summer of 1914, an industrial recession was accompanied by a bear market on Wall Street. Businessmen grumbled that Woodrow Wilson's crusade against the "interests" had chilled the entrepreneurial spirit. In this gloomy frame of mind, American investors panicked when they learned of Austria-Hungary's declaration of war against Serbia on July 28, 1914. Wall Street, which prided itself on its prescience, was once again caught napping by a historic event.

The House of Morgan had closely followed European events. Although later accused of World War I profiteering, it nearly engaged in clandestine diplomacy to stop fighting between the Balkan states and Turkey in 1912. The plan was to have the House of Morgan provide loans to both sides on condition that they submit to American mediation, and President Taft was to have acted as mediator. The scheme was apparently hatched by Herman Harjes, senior partner of Morgan, Harjes in Paris, and U.S. ambassador to France Myron Herrick. Jack Morgan finally vetoed the idea, fearing that the loan money would be used to further the war effort, which the House of Morgan wished to stop.[1] He also refused to proceed without the full cooperation of the European powers.

The hysteria that seized Wall Street in late July 1914 stemmed from a misguided fear that transatlantic trade would collapse and worsen the recession. Americans thought they couldn't survive without European capital and feared that gold would be withdrawn from New York and hoarded in London. After the czar mobilized over a million Russian troops on July 29, all the European markets shut down. As overseas investors rushed to liquidate securities through New York, the Stock Exchange took its steepest one-day dive since the 1907 panic.

By the morning of July 31, 1914, a staggering accumulation of overnight sell orders threatened a thunderous crash. Even though Pierpont Morgan was now dead, his star pupil, Harry Davison, had been well tutored in the 1907 panic. Bankers still instinctively resorted to 23 Wall Street in an emergency. The House of Morgan was more than a man; it had acquired an institutional continuity. Davison summoned Wall Street's bankers to the old Mills Building at 15 Broad Street, the provisional Morgan home while the new headquarters was being readied. Before the start of trading, the Stock Exchange president rushed over for consultation.

Even though Jack was there, Davison presided. Also present was a new Morgan banker, Dwight W. Morrow, a distinguished tax and utility lawyer. Morrow recalled the frantic discussion: "The Stock Exchange authorities wanted to know whether to open or not, and nobody knew what to tell them. It got down to about five minutes of ten, and the President . . . called up the Exchange and told them to announce that the Exchange would be closed." It was a hairbreadth reprieve: the man who rang the opening gong had already assumed his post, and traders shrugged with relief. "It was in my very early days in a banking firm," Morrow added, "and I can remember that I was impressed with how little anybody knew what he was doing."[2] Curiously, Morgan accounts of this meeting omit a 9:30 A.M. phone call that Jack made to Treasury Secretary William G. McAdoo, who advised him, "If you really want my judgment, it is to close the Exchange."[3]

The New York Stock Exchange didn't resume restricted trading until December, and normal trading didn't return until the following spring. A curious fugitive institution sprang up—the so-called gutter market of outlaw brokers, who loitered on the curbs trading stocks. According to Wall Street lore, it started out with "four boys and a dog," but soon a hundred brokerage firms jumped into sidewalk trading on New Street—to the point where the Stock Exchange clamped down. As Alexander Dana Noyes noted, this ragtag band was probably "at the time the only actual stock market in the world."[4]

The war was initially a bleak time for the House of Morgan. Like other banks, it made a great deal of money from broker call loans—loans made to buy stock on margin—and so started the war in low spirits. This despondent mood obscured a momentous shift in world finance: the United States was about to capture financial supremacy from England and emerge as the leading creditor nation. Although nobody quite realized it at first, the English era was over. After the war, world currency markets would shift from a sterling to a dollar standard.

The news of war was greeted with melodramatic foreboding by Jack Morgan, who foresaw "the most appalling destruction of values in securities which has ever been seen in this country."[5] Later reviled as a "merchant of death" by isolationists, his first reaction, in fact, was spotlessly humane. On July 31, he even issued a rare public appeal for peace: "If the delicate situation can be held in abeyance for a few weeks, I should expect a rising tide of protest from the people who are to pay for war with their blood and their property."[6] Far from rubbing his hands at the prospect of war profits, he scoffed at the notion that New York might supplant London as the world's financial center.

The partner with the best antennae for the seismic shift was Harry Davison. The war would be his glory time. Almost at once, he sensed a Morgan bonanza and immediately dispatched telegrams to Lamont, then trout fishing and horseback riding on a Montana ranch. These telegrams throb with excitement:

> THE CREDIT OF ALL EUROPE HAS BROKEN DOWN ABSOLUTELY SPECIE PAYMENTS SUSPENDED AND MORATORIUM IN FORCE IN FRANCE AND PRACTICALLY IN ALL COUNTRIES THOUGH NOT OFFICIALLY IN ENGLAND. . . .
>
> PROBABLY COULD DO LITTLE IF YOU WERE HERE THE ONLY POINT BEING THAT IS FILLED WITH EXTRA ORDINARY INTEREST AND OF COURSE GREAT POSSIBILITYS. . . . PERHAPS I MIGHT EXPRESS THE SITUATION BY STATING THAT IT IS AS IF WE HAD HAD AN EARTHQUAKE ARE AS YET SOMEWHAT STUNNED BUT WILL SOON GET TO RIGHTING THINGS.[7]

An immediate war casualty was that chronic Morgan stepchild, the city of New York, which had about $80 million in European obligations coming due. As the dollar plunged—making repayment more expensive—and the United States faced a possible standstill in transatlantic trade, sentiment was strong for suspending payment on the debt. Why not exploit the European chaos to save some money? Forming a syndicate to pay off the bonds, the House of Morgan and Kuhn, Loeb organized an impromptu rescue. Gold was shipped to the Bank of England and then credited to Morgan Grenfell, which paid off New York City notes as they matured. The operation was a mark of financial maturity, a signal to the world that New York as a financial center could offer safety comparable to that of London.

For many Americans, the war was at first a distant irrelevance; for isolationists, it provided yet another example of why America should steer clear of foreign imbroglios. Despite his sympathy for the Allies, President Wilson issued a proclamation of neutrality, entreating Americans to be "impartial in thought as well as action." For Morgan partners, this was impossible. As Tom Lamont said, "we wanted the Allies to win, from the outset of the war. We were pro-Ally by inheritance, by instinct, by opinion."[8] As cosmopolitan bankers with London and Paris affiliates, the Morgan partners were deeply enmeshed in European life and had too abiding a faith in Anglo-Saxon civilization to stand on the sidelines. Yet it was also a cardinal rule of the Diplomatic Age not to defy government edicts, and the bank abided by Washington's policy.

In early August, the French, who had appointed J. P. Morgan and Company as their financial agent, sounded out the bank on a possible $100-million loan.

The Wilson administration did more than deny this request. The secretary of state, William Jennings Bryan—the toad in the garden of Morgan history—denounced loans to belligerents as “the worst of contrabands.”[9] A few days later, he told the press that loans by American bankers to warring nations were “inconsistent with the true spirit of neutrality.”[10]

Within six weeks, Bryan’s policy on contraband financing was reversed as Wilson tilted—subtly but unmistakably—toward the Allies. Robert Lansing, the State Department counselor and acting secretary of state that fall, figured out a way to sidestep U.S. neutrality through legal legerdemain. He persuaded Wilson to adopt a serviceable distinction between forbidden “loans” made through foreign war bonds and permissible “credits” for Allied purchases of materiel. Why the sudden shift after only two months of war? American exports to Europe had lifted the United States from recession, and even parochial farmers worried that Allied purchases of grain, meat, and cotton might be curtailed for lack of credit. As Davison told Treasury Secretary McAdoo, “to maintain our prosperity we must finance it.”[11] The House of Morgan offered a convenient cover for preserving the appearance, while denying the spirit, of neutrality.

With much industrial slack, the United States was an ideal arsenal for the war. But as the Allies bid against each other for American supplies, they drove prices sky-high; even separate departments of the British government ended up in bitter competition. To relieve such price pressure, Lloyd George, then the chancellor of the Exchequer, asked Teddy Grenfell if Morgans in New York could do anything about expanding American rifle production, and Jack Morgan made inquiries at the Remington and Winchester arms companies. But more than expanded production was needed to stop war profiteering. In October 1914, the British Treasury sent over Sir George Paish and Basil Blackett to look into the problem. The most mandarin of Whitehall bureaucracies, the British Treasury needed a Wall Street outpost and found it in their New York agent, the House of Morgan. When the Treasury men returned to London in late November, they had another passenger stowed away on board, Harry Davison. Because Willard Straight was restless, Davison took him and Dorothy along. The Straights’ new magazine, *The New Republic*, was already running a letter from Ray Stannard Baker warning American business not to exploit the war “to promote its own business and trade.”[12]

Davison had come up with an inspired idea, which Straight claimed was stolen from him. Davison wondered whether the House of Morgan could get rid of plundering middlemen by concentrating Allied purchases in a single agency that would negotiate from a position of strength. He knew the preferred Morgan style was never to grandstand and suggested that Jack

Morgan take the boat with the Treasury men. Never one to steal glory, Jack replied, “You jump on the steamer yourself, this is your idea.”[13] Jack’s friend Sir Cecil Arthur Spring-Rice, the British ambassador in Washington, had lobbied for a similar idea, telling the Foreign Office that it would require a firm of stature in both London and New York. The Anglo-American House of Morgan was the logical choice.

Once Davison was installed at Claridge’s, Teddy Grenfell led him on a tour of Bank of England and Whitehall officials. British officials liked the Davison plan, and not only because it would lower prices. Politically, it would convert the House of Morgan into a lightning rod for the inevitable charges of favoritism that go with wartime contracts. The firm’s liabilities were also apparent. Some officials feared that British radicals would have a field day with this Wall Street link, and others worried about the bank’s unpopularity among certain sectors of American society. The House of Morgan knew its own unpopularity west of the Mississippi. In April 1914, it had considered setting up a rare branch in Chicago to soften midwestern sentiment against it.

On December 16, 1914, Davison lunched with the prime minister, Herbert H. Asquith, and the chancellor, David Lloyd George. He brought along a contract for a proposed Morgan purchasing agency for the Allies. The prime minister reviewed it paragraph by paragraph and said he “approved every word.”[14] On January 15, 1915, the House of Morgan signed the Commercial Agreement with the Army Council and the Admiralty. The first purchase was $12 million for horses—then an urgently needed item. In the spring, a similar arrangement was concluded with the French through the senior Morgan partner in Paris, Herman Harjes.

Nobody foresaw the magnitude of the proposed operation. Lord Kitchener, secretary of war, told Davison the purchases might amount to £10 million—and he stressed that he was guessing on the high side. In fact, the purchases came to an astronomical $3 billion—almost half of all American supplies sold to the Allies during the war. Skimming off a 1-percent commission, the House of Morgan booked an astounding $30 million in fees. It was probably the most important deal in its history, not only for the money but for the political and corporate contacts it produced. Jack Morgan had qualms about the bank going into such alien business but feared a political backlash against the United States in Britain if war profiteering continued. At the White House in late January 1915, Jack got Woodrow Wilson’s blessing, who said he wouldn’t interfere with any action in “furtherance of trade.”[15]

The old private banks of Wall Street and the City had a chameleon quality and could quickly adapt to opportunities. To head what became the Export Department, Tom Lamont recruited Edward R. Stettinius, Sr., president of the Diamond Match Company. A former speculator in the Chicago wheat pits, Stettinius had well-brushed silver hair, a mustache, and rimless spectacles. His neat exterior reflected a meticulous, almost obsessive, attention to detail. Later, Secretary of War Newton Baker would refer to his “almost terrifying sense of responsibility.”[16] From 9:00 A.M. until midnight daily, he lashed a Morgan staff of 175 known as SOS—Slaves of Stettinius. He didn’t simply hire people: he conscripted them, squeezed them, drove them to exhaustion. One drone later said, “If any fellow quit at 9 o’clock at night he was usually congratulated by the others on being about to take a half-holiday.”[17]

The purchasing operation reflected the size and the complexity of modern warfare. World War I seemed both primitive and modern, an incongruous mixture of cavalry charges and zeppelin raids, cannon fire and mustard gas. There were endless salvos of deadly projectiles: at the Battle of the Marne alone, two hundred thousand shells were exploded in a day. So the logistical needs were immensely varied and of decisive importance in the war effort.

Stettinius became the single most important consumer on earth, rounding up $10 million in goods per day. He bought, shipped, and insured supplies on an unprecedented scale and stimulated methods of mass production. As word of his operation spread, 23 Wall Street was mobbed by brokers and manufacturers of every description; the bank had to post guards at every door and assign them to partners’ homes. Each month, Stettinius presided over purchases equivalent to the world’s gross national product a generation before. He bargained hard for corned beef and barbed wire, locomotives and artificial limbs.

The German general staff had never imagined that the United States could switch so quickly to war production. As the capacity of plants became strained, Stettinius promoted the building of new factories. The House of Morgan and Great Britain made loans to Winchester Repeating Arms for new gun capacity and advanced money to many other firms to fulfill their contracts. By war’s end, the United States had an arms-making capacity that eclipsed that of England and France combined. For his efforts, Stettinius would bear the unlovely tag of father of the military industrial complex. Even General Erich von Ludendorff was heard to say that Stettinius was worth an army corps to the Allies.[18] He became a czar of American industry. Boris Bakhmeteff, head of a Russian Industrial Mission to the United States, recalled a meeting at which Stettinius assembled the heads of some of America’s largest companies and “gave them hell in words that I was ashamed of.”[19]

Because Stettinius was the linchpin of the Allied supply operation, his safety became a high priority, especially after Erich von Falkenhayn, chief of Germany’s general staff, decided to achieve victory by cutting off the Allied supply line. British intelligence agents informed Stettinius of threats against his life. They told of a “certain lovely lady” in New York who had seen a German agent carrying letters addressed to him. As a security precaution, Stettinius’s family was uprooted without warning from their thirteen-acre mansion on Staten Island and relocated on Long Island. Stettinius himself spent the war aboard the cruiser *Margaret*, anchored in New York harbor. His room was tastefully appointed with vases, linen, china, and plated silver, all picked by that well-known decorator Harry Davison.

The Morgan bank also performed intelligence work for the British. When the Morgan partners learned of a plan by German investors to buy up Bethlehem Steel, they met with company officials and had them put their shares in a voting trust, making the defense contractor impregnable to an unwanted takeover. In an extraordinary act of faith, the British exempted the House of Morgan from mail censorship in and out of Britain, allowing it to retain an in-house code developed by Stettinius and his British contact, Charles F. Whigham of Morgan Grenfell. Hence, in wartime cables, Jack retained his code name Chargeless and Lamont, Chalado. Sticking to tradition, the bank wouldn’t let any outsider have access to its code book.

Nonetheless, the Export Department wasn’t an unqualified success. The French never used it as much as the British did, and the British Admiralty remained cool compared with the War Office—a tension unrelieved by a meeting between Jack and First Lord of the Admiralty Sir Winston Churchill. There were also persistent suspicions that the bank favored friends. Though contracts were distributed to almost one thousand companies, many big winners—General Electric, Bethlehem Steel, Du Pont, and U.S. Steel—were firmly in the Morgan camp.

The war was especially profitable for the Guggenheims. In 1914, the House of Morgan helped them to organize Kennecott Copper, America’s biggest copper producer, as a public company; Daniel Guggenheim was a frequent wartime visitor to Morgan partner Thomas Cochran, who sat on Kennecott’s board. The Export Department bought up three-quarters of all the electrolytic copper mined in the United States for the British, and the Guggenheims and many others made fortunes from it. Another Guggenheim company, American Smelting and Refining, enjoyed a boom as the Allies bought lead for rifles and bullets. The distribution of billions of dollars in contracts enabled the House of Morgan to win the loyalty of dozens of powerful companies.

Within bounds, the British tried to prevent the bank from abusing its extraordinary powers. To investigate charges of favoritism, Great Britain sent a mission to New York under the Welsh coal magnate David Alfred Thomas, later Lord Rhondda. Staying at the Plaza Hotel for three weeks during the summer of 1915, Thomas hovered around the bank and found Stettinius’s work faultless. He did report to England that the bank was buying excessively from Republicans, and Lloyd George advised Davison to spread the wealth around. Davison replied that they would try to distribute contracts geographically.

Thomas's stay in New York had one uneasy moment. One day, he got a call from his secretary at the Plaza, saying a sudden gust of wind had blown some confidential memos out the window; three sheets of top-secret onionskin had fluttered down onto Fifth Avenue. This breach of security was so grave that Lloyd George was notified in London. Through late-afternoon drizzle, Morgan employees scoured the avenue, ducking under parked cars and staring down drains. The sheets were lost. To console Thomas, his staff took three identical sheets, dragged them through bathwater, and showed him how they decomposed.

Notwithstanding Thomas's report, the British remained wary of Morgans and believed it rewarded friendly steel, chemical, and shipping concerns. Asquith consoled himself with the thought that the bank kept its back scratching within tolerable limits. He wrote to Reginald McKenna, who had succeeded Lloyd George as chancellor of the Exchequer: "In regard to Morgan's, while I do not doubt that they have made and will continue to make all that they can out of us, I see no reason to think that they have been acting unfairly, still less treacherously. The original contract with them may or may not have been wise, but it would be bad policy to swop horses now, or to make them suspect that we distrust them."[20]

In fact, the British were never foolishly or blindly in love with the House of Morgan. They welcomed having an Anglo-American listening post on Wall Street, especially as financial power shifted across the Atlantic. But the government's deliberations during the war were veined by a certain cynicism, a belief that Morgan partners drove a hard bargain and needlessly offended people with their arrogance. Relations between the Morgans and the British would always be close but seldom harmonious, a fraternal tension lurking beneath protestations of mutual devotion.

WHERE other partners at 23 Wall Street harbored some secret envy or suspicion of their British brethren, Jack Morgan had no such reservations. He regularly spent up to six months a year in England and was fully bicultural. For him, the war was a holy cause as well as a business opportunity. Even more than Pierpont, Jack was simple and guileless. He inhabited a black-and-white world in which loyalty to England found its equal and opposite emotion in hatred of the Germans. Unstinting in serving England, he donated Dover House, Junius's old country house at Roehampton, as a convalescent home for wounded officers. He instructed his steward at Wall Hall to plough up parkland and plant wheat for the war effort. Once Jack's passions were engaged, his commitment was total. J. P. Morgan and Company even took a stake in Montana wheat fields to supply more war provisions.

With America officially neutral, Stettinius's Export Department exposed the bank to inflammatory criticism. It fanned anti-Morgan sentiment that had existed in the hinterlands ever since William Jennings Bryan's Cross of Gold speech. During rallies at the Corner, agitators would point to 23 Wall and blame Morgan partners for killing thousands of innocents. Senator Robert La Follette echoed small-town sneers when he asked, "What do Morgan and Schwab [head of Bethlehem Steel] care for world peace, when there are big profits in world war?"[21]Minnesota congressman Charles Lindbergh, who had prompted the Pujo hearings, now condemned the "money interests" for trying to lure the country into war on the side of the Allies. A dual myth was being born—that the Morgans were stooges of the British crown and that their money was drenched in blood. The bank received a flood of hate mail. Lamont received one note that said, "My dear Mr. Lamont—Your death doom is marked by your activity for the British war loan, which will deal death to my brothers on the battlefield in Germany. It shall be a distinct pleasure for me to puncture your black heart with lead some time in the distant future."[22]

Jack tried to avoid publicity that might incite Congress. When Harry Davison and lawyer Paul Cravath wanted to form a political committee to proselytize for the Allies, Jack refused. He also shied away from public appearances with his close friend Sir Cecil Arthur Spring-Rice, the British ambassador. In January 1915, writing about an upcoming trip, Jack told Springy that it might be "wiser for me not to be actually living at your house when I am in Washington. We are endeavouring to conduct this transaction with the British Government as inconspicuously as possible . . . but I must say that I do not see why, when you get away, you should not come and stay with us, which would be more quiet than staying in a hotel."[23]

Jack had always lived with a heightened awareness of danger. While at Harvard, a detective had tagged along behind him. After Jack's younger son, Harry, returned to New York with his British tutor, the boy had become obsessed with fears of kidnapping. While Pierpont was still alive, Jack had experienced a burglary at Madison Avenue that smelled bizarrely of class revenge: the burglar had casually sat around the house, smoking his cigars. Another time, a blackmailer threatened to blow up Jack's house unless money was deposited beneath a bush in Central Park; no money was paid, and no bomb went off.

The House of Morgan was also an irresistible magnet for crackpots, who were attracted by its aura of mystery. Early in the war, a stream of abusive letters arrived from a madman named Schindler, who believed the bank had stolen his interest in an Alaska mine but refused to admit it. Such constant threats stoked Jack's already fertile imagination, and he was wont to see conspirators everywhere.

As it turned out, however, Jack’s fears weren’t entirely groundless. On the balmy Sunday morning of July 3, 1915, Jack and Jessie were having breakfast at their North Shore estate with Spring-Rice and his wife. They were just finishing the meal when the Morgan butler, Henry Physick, went to answer the door. There wasn’t yet a guardhouse at the causeway that connected the island to the Long Island shore, and interlopers could walk straight up to the door. A slight, gray-suited stranger greeted Physick and handed him a card saying “SUMMER SOCIETY DIRECTORY, REPRESENTED BY THOMAS C. LESTER.” He asked to see Mr. Morgan.

Physick was a British butler of the old school. He usually wore a dark coat and gray striped trousers and was precise in his manners. Tactful but scenting danger, Physick refused to let the insistent stranger pass. He quickly raced to the library, found Jack and Jessie, and shouted “Upstairs!” Following these cryptic instructions, the Morgans went upstairs and searched the bedrooms, trying to figure out the problem. Then, at the top of the staircase, they saw the gunman, brandishing two pistols and leading the two Morgan daughters up the steps. (Later the gunman confessed that his major mistake was walking in front of the Morgan children, not behind them, thus reducing their value as hostages.) Trying to remain calm, the gunman told the Morgans not to be frightened, that he wanted to talk with them.

If the later police depositions are accurate, everyone showed phenomenal courage. A woman of steely self-control, Jessie Morgan threw herself at the gunman. Her courage gave the big, burly Jack time enough to wade in and tackle the man; he took two bullets in the groin as he subdued him. While servants pinioned his arms, Jessie and Jack pried loose his two pistols. Then, with timing so exact it resembles Hollywood stagecraft, Physick rushed in and smashed a chunk of coal over the man’s head, rendering him unfit for further mischief. (This splendid touch, alas, isn’t mentioned in the police depositions.) Only after subduing the man did the Morgans see a large stick of dynamite protruding from his pocket. The assassination attempt ended with the Morgan servants submerging the dynamite in water and tightly binding the man in ropes. Dr. James Markoe, the Morgan family physician, was rushed out to Glen Cove to treat Jack’s bullet wounds.

At the Nassau County jail, the gunman gave his name as Frank Holt, which turned out to be an alias for Erich Muenter. A man with a shadowy past and a former German instructor at Harvard, Muenter had vanished in 1906 after having been indicted for poisoning his wife with arsenic. Under questioning, he confessed to being a pacifist opposed to American arms exports to Europe. He hadn’t planned to kill Jack, he said, only to hold him hostage until munitions shipments were stopped. He possessed a delirious, dreamlike sense of Morgan power. The interrogator asked, “Do you think that you singlehandedly could arrest the whole trend of the age?" "No, but Mr. Morgan could." "Do you think he could control those countries?" "With his money, if his money didn't flow into their cash drawers, and stop the flow of ammunition."[24] To supplement his attack against Morgan, Muenter had secreted a bomb the day before in the U.S. Senate chambers. Whether Muenter had confederates will never be known. Two weeks later, he committed suicide in the Nassau County jail.

Outwardly, Jack seemed phlegmatic and even clinical about the shooting, as if he had gone through a mildly unpleasant experiment and were jotting down the results. Miraculously, the bullets missed all vital organs, and his wounds healed quickly as he recuperated aboard the *Corsair III*. "It was a most disagreeable experience, though it is not as painful as I imagined it would be to be shot as I was," he said.[25] He credited Jessie's coolness for foiling the plot and said he had done only what any parent would have with an intruder pointing a gun at his family. Dismissive of his own bravery, he was taken aback by the congratulatory messages that swamped the local telegraph office. On August 16, when he emerged from 23 Wall after his first day back at the bank, he was cheered by waiting crowds as he slipped into his limousine. Boyishly surprised, he touched his hat brim and gave a little wave. Unaccustomed to public adulation, he attained a fleeting status as a national hero.

Jack's calm was deceptive, for the shooting had deep effects that he hid beneath an offhanded manner. While a plot was never proved, Jack insisted Muenter was no isolated lunatic but part of a terrorist scheme. At his Adirondack retreat, Camp Uncas, he had the steward "get rid" of Germans and Austrians on the payroll.[26] The shadows suddenly teemed with enemies. From the *Corsair*, Jack wrote Teddy Grenfell that Jessie had "an impression that people are trying to get another shot at me, and I have to look out for this even more than I otherwise would do, in order to satisfy her."[27] There were many reminders that Muenter wasn't a lone Morgan-hater. When news of the 1915 shooting reached Vienna, it was celebrated by fireworks, speeches, and jubilant crowds.

The shooting reinforced Jack's reclusiveness, his penchant for privacy at the retreats of the rich. As a result, he probably spent more time at English country estates or cruising aboard his yacht; it was no coincidence that he recuperated aboard the *Corsair.* The shooting also filled him with a sense of omnipresent danger, playing to a cloak-and-dagger side of his personality. He frequently moved about by stealth. Visiting his older son, Junius, in Baltimore during the war, he wrote a friend about hotel arrangements: "I should greatly prefer that the hotel would not force me to register or to say that I am coming, owing to the fact that, apparently, the Germans are still after me, and I am requested by my family not to state where and when I am going in other towns."[28] After the shooting, Jack would be accompanied by bodyguards, a team of former marines. Such heavy security had the unfortunate effect of further distancing him from ordinary people and making the everyday brands of human misery more remote to him.

Jack's security was also a constant preoccupation of his highly protective partners. He was often unaware of security guards in a crowd. In Paris, senior partner Herman Harjes would notify the *surete general* whenever Jack visited. The detectives would stay close but not reveal their presence. Jack moved behind that invisible shield accorded heads of state.

The shooting would be but one in a series of episodes that darkened Jack's view of the world and produced a settled malice toward his enemies. These episodes made him feel frightened and beleaguered and quickened his tendency to lash out against his enemies. For all his wealth and power, Jack felt vulnerable to forces outside his control.

JACK told friends that the shooting had made him more fervently anti-German and more eager to see the United States enter the war on the Allied side. He reviled the Germans as "Huns" and "Teuton savages"—he relished colorful epithets—and exhibited a latent bias against Germany that he had inherited from his father. As partner George Whitney later explained, Pierpont "always accused the Germans of doublecrossing him. . . . So there was an edict put down that we would never do business with the Germans."[29]

World War I was perhaps the last war in which bankers behaved as if they were sovereign states, indulging their biases and waging their own foreign policy. On Wall Street, spoils of war were divided strictly according to political and religious differences among the bankers. The House of Morgan was superbly positioned. Through its London and Paris houses, it had helped France finance the Franco-Prussian War and England the Boer War. Jack even had a soft spot for the czar, to whom he had extended credit.

If a bonanza for Yankee Wall Street, the war was a catastrophe for Jewish firms, which were encumbered by anti-Russian and pro-German sympathies. Jacob Schiff, the autocratic head of Kuhn, Loeb, had been aghast at Russian pogroms, branding the czarist government the "enemy of mankind"; in revenge, he financed Japan in the 1904-5 Russo-Japanese War. Nonetheless, he moderated his German sympathies after 1914, endorsed a negotiated peace, and "dutifully stopped speaking German to his family in public."[30] The less circumspect Henry Goldman of Goldman, Sachs espoused pro-German views, spouting Nietzsche and glorifying Prussian culture—much to the dismay of his partners. The Guggenheims, of German-speaking Swiss ancestry, suppressed any sympathy they might have had for Germany as munitions contracts rolled in.

During the war, Wall Street and the City were full of scurrilous attacks on supposedly disloyal Jews. In 1915, Edward Kraftmeier of the British Nobel Company came to New York to warn the du Ponts that their company, a major Allied manufacturer of smokeless powder, could fall under the share control of "pro-German" Kuhn, Loeb. There were fears that Coleman du Pont might sell his large stake to them. To counter this threat, the du Ponts obtained an $8.5-million loan from Morgans, tightly locking up their shares in a holding company called Du Pont Securities. (When Sir William Wiseman, head of British intelligence in the United States, investigated the warning about Kuhn, Loeb, he found it baseless.) German financial penetration was a concern in the City as well, and the Bank of England "Anglicized" foreign-owned banks; for instance, it brought in the Pearson group to take over Lazard Brothers, fearing the London house might fall into German hands if its Paris affiliate were taken over.

In this highly charged atmosphere, Jack Morgan's pro-British passions and his anti-Semitism began to feed on one another. In September 1914, he complained to Teddy Grenfell that the " 'peace' talk has been fomented and worked up in a large measure by the German Jew element, which is very close to the German Ambassador."[31] Antagonism toward German-Jewish banks sharpened in December, when the House of Morgan extended a $12-million credit to Russia; the next month, Great Britain initiated war purchases for the czar through the House of Morgan. Noting Russia's treatment of Jews, Schiff stiffly protested to Jack, who had to tread gingerly, since the two co-managed big bond issues. The syndicate structure of investment banking made it a world of sharp but sheathed rapiers. Exercising self-control, Jack wrote to Schiff: "I do not think it is for us to endeavor to change the attitude of Russia by applying financial pressure. It seems to me that the question of whether or not Russia is a good and solvent debtor can hardly be mixed up with questions of internal social or policing regulations."[32] Of course, Jack himself didn't regard foreign loans so dispassionately and often mingled his political and financial beliefs.

The friction between Jack and Schiff led to a tense exchange in May 1915, when a German submarine off the Irish coast sank the Cunard's *Lusitania*, one of two lavish ships built in response to Pierpont's shipping trust. Over a thousand people died, including 63 children. Alfred Gwynne Vanderbilt was among the 128 American casualties. There was grief across America. That morning, amid heavy gloom, Schiff suppressed his pride and offered his regrets at the Corner. Haughty and formal, he never made this sort of call. When he entered, he found Jack in the partners' room. Instead of receiving Schiff with courtesy, Jack muttered some angry words and stormed off, leaving Schiff in mystified silence. He shuffled out alone.

The other partners gasped. It was a flagrant breach of the Gentleman Banker's Code, the need to maintain civility on the surface. Jack remarked rather sheepishly, "I suppose I went a little far? I suppose I ought to apologize?" Nobody dared to speak. Then the quick-witted Dwight Morrow scratched a biblical quote on a piece of paper and handed it to Jack. It said, "Not for thy sake, but for thy name's sake, O House of Israel!"[33] Taking the hint, Jack took his hat and went off to Kuhn, Loeb to apologize. The tale vividly captures Jack's contradictory nature—the polite and courtly surface, the mass of churning emotions within—as well as the strains of a highly artificial world that demanded constant civility. With the big syndicated loans, one couldn't antagonize a powerful bank that might be an ally on the next issue.

This muted warfare flared into the open in September 1915, during the creation of the biggest foreign loan in Wall Street history—the $500-million Anglo-French loan. It was five times as big as the previous record holder, the $100-million loan to Great Britain for the Boer War. The Stettinius mill was chewing up £2 million a day and threatened to exhaust British financial resources. As early as April 1, 1915, Jack lunched with Lloyd George and discussed a loan of at least $ 100 million to prop up the pound. Teddy Grenfell and other directors of the Bank of England were worried about the makeshift war financing.

The financing problem grew acute that July. The British canceled one contract for the Russians in New York for lack of foreign exchange. To meet a dollar deadline at Morgans, Reginald McKenna had to commandeer American securities owned by Prudential Assurance—a piece of *ad hoc* midnight desperation that deeply disturbed Prime Minister Asquith. It was a rickety way to run a war. For the House of Morgan, stymied by the State Department ban on loans, it was an excruciating time. The one riddle Morgans could never resolve was what to do when U.S. and British policy diverged.

Wilson opposed a jumbo Allied loan but was finally persuaded by his cabinet that, without it, U.S. exports would suffer. Treasury Secretary McAdoo argued in late August that U.S. prosperity depended on trade with the Allies. Robert Lansing, who had replaced Bryan as secretary of state, starkly warned that without a loan, "the result would be restriction of outputs, industrial depression, idle capital and idle labor, numerous failures, financial demoralization, and general unrest and suffering among the laboring classes."[34] Wilson was convinced.

In September, the British cabinet dispatched an Anglo-French mission to New York to arrange a huge private loan. The North Atlantic swarmed with submarines, and Grenfell was told not to inform Morgans of the group's membership. The commission was headed by Lord Reading, the lord chief justice, and included Sir Edward Holden, chairman of the Midland Bank, Basil Blackett of the British Treasury, and M. Octave Hombert, the French representative. Harry Davison and Jack went down to the pier to greet the *Lapland* and saw the group settled in at the Biltmore Hotel.

Once again, the Anglo-American Morgan love affair was full of spats and recriminations. Unwavering in support of Britain, Morgan partners felt bruised and demeaned by having to compete for the loan. Nevertheless, they gave the visiting group a red-carpet reception. Lord Reading, *ne* Rufus Isaacs, presented a formidable challenge to Jack Morgan's prejudices. Son of a London fruit merchant, he was British, brilliant, titled—and Jewish. He had risen to the position of attorney general, cross-examining witnesses during the British *Titanic* inquiry. Jack and Davison visited Reading at the Biltmore, feted him at the Morgan Library, and entertained him aboard the *Corsair.* Against all odds, personal chemistry between Jack and Reading would help to seal the deal.

The Anglo-French loan tested New York's capacity as a financial market. The victorious Morgans had to contend with broad hostility toward Britain. One in ten Americans was of German ancestry, and many first-generation Irish immigrants opposed the loan. Fantastic numbers were bandied about—up to $1 billion—and skeptics doubted it could be done. Such sums staggered and frightened Americans, much as had the huge trusts a few years before. In retrospect, the Anglo-French loan would mark the rise of America as the world's chief creditor nation. Yet, even as the House of Morgan superintended this transfer of financial power, Jack was dubious that it would last, assuring Grenfell that "when the war is over, you will find the United States settling down again into using the European money markets as a clearing house, very much as before."[35] Jack didn't exult over Britain's decline and found it hard to foresee the demotion of his beloved London.

After an honorary dinner at the Morgan Library, Jack invited Reading up to his second-floor study for cigars. He and his partners had to dampen inflated British expectations. Through the haze of cigar smoke, Jack casually knocked several hundred million dollars off the loan. "Reading," Jack said, "I wouldn't ask a billion if I were you. I think you'd be wiser to limit your first large bond issue to half a billion."[36] To Jack's surprise, Reading consented to a $500-million (£100-million) issue. After syndicate charges were factored in, the interest rate was a steep 6 percent. Jack said the House of Morgan would waive any extra compensation as syndicate manager.

Fascinated by Lord Reading, Jack was preoccupied with his religion:

> Lord Reading impressed me enormously. His mind is so clear, and he sees the bearing of each point so quickly that it was a great pleasure to

> discuss things with him. His only drawback was that he was, and of necessity must be, so much in with the Jews that he takes their point of view to a certain extent. This of course is natural, but seeing that most of the Jews in this country are thoroughly pro-German, and a very large number of them are anti-J. P. Morgan & Co., it would have been desirable if he had not had quite so close affiliations with them.[37]

It was a curious letter. Lord Reading's position as head of the loan mission should have dispelled any doubts as to his loyalty and dashed notions of a monolithic Jewish viewpoint; instead, Jack implausibly perceived some common denominator between Reading and German Jews. In fact, when Reading met Jacob Schiff, the latter laid down a suicidal precondition for Kuhn, Loeb participation in the loan—that not one penny could go to England's ally, Russia. Reading bluntly replied that "no government could accept conditions which discriminated against one of its allies in war."[38] In one stroke, Kuhn, Loeb became *persona non grata* in London finance, further clearing the way for the Morgan triumphal march.

Still more damaging was the controversy at Goldman, Sachs, where partners exercised vetoes in important matters. Loyal to Germany, Henry Goldman refused to share in the Morgan-sponsored issue, provoking a crisis at the firm and causing its voluntary exile from wartime finance on Wall Street. According to Stephen Birmingham, when the "Kleinwort bank in London cabled to New York to say that Goldman, Sachs was in danger of being blacklisted in England," Henry Goldman was forced to resign from the family firm.[39] Feelings ran so high that Goldman and Philip Lehman, dubbed Wall Street's "hottest underwriting team," stopped speaking to each other. For a generation, Jewish banks on Wall Street were handicapped by their affiliation with Germany.

The $500-million Anglo-French loan was far larger than any bond issue orchestrated by Pierpont. Sixty-one underwriters and 1,570 financial institutions marketed the bonds. (The House of Morgan resented not being appointed sole agent responsible for paying the bond's interest.) It was an extremely tough selling job, especially in isolationist sections of the Midwest. To sweeten the deal, participating banks were allowed to keep some of the money that they raised on deposit for a while. It was also widely advertised that the money would be spent only in America. Despite these inducements, only one major bank in Chicago—where pro-German depositors threatened a boycott—joined the syndicate, and there were none from Milwaukee. The Morgan partners signed up many famous individuals, including Andrew Carnegie and even Samuel Untermyer of Pujo fame, as well as suppliers of war materiel such as the Guggenheim brothers and Charles Schwab of

Bethlehem Steel, who felt obliged to safeguard their thriving war business. But they couldn't offset the poor midwestern performance, and the syndicate was stuck with $187 million in unsold bonds by year's end.

To raise additional dollars, the British levied a tax on any dividends received from American shares, and British citizens rushed to give their shares to the government. So many securities were tendered that the Bank of England Court Room was heaped high with certificates. Morgans liquidated $3 billion of these securities, delicately feeding them into the New York market so as to prevent a collapse in share prices.

The Anglo-French loan was soon exhausted. Before the war ended, the House of Morgan had arranged over $1.5 billion in Allied credits. The British would lavish many encomia on the Morgan role before U.S. entry into the war. In Morgan Grenfell's Tea Room hangs a Lloyd George letter of 1917 that says, in part, "We were fortunate enough to secure the assistance of a firm which have throughout done everything in its power to protect the interests of the British Government."[40] Visiting the Corner years later, Lord Northcliffe, the British press baron, exclaimed, "The war was won within these walls."[41] Lord Moulton, head of the British Munitions Board, said that Du Pont, Bethlehem Steel, and J. P. Morgan and Company had rescued the French and British armies in 1915.

Yet, as was always true of Morgan relations with Britain, the public embrace concealed a fair degree of tension. The British often felt the bank bungled its political role, however well it handled the financial side. Arthur WilLer, the London *Times* correspondent in Washington, described the House of Morgan in 1916: "The most unpopular house in the country, the personification for the radical West of the malign money power of Wall Street, it has done nothing to propitiate either the people or the politicians."[42] That year, Jack campaigned for the Republican presidential candidate, Charles Evans Hughes—which the British thought unwise. Jack and Harry Davison also treated the new Federal Reserve Board in a somewhat high-handed manner. Davison, in particular, seemed to offend the British. He had a brash, decisive manner that inspired subordinates but could be clumsy and arrogant. The Foreign Office called him "injudicious," while Ambassador Spring-Rice said Davison had "all the aggressiveness of the older Morgan without his genius."[43]

Davison either mishandled his relationship with Willard Straight or decided that the romantic, impetuous Straight would just never fit in at Morgans. Straight expected to help negotiate with the Anglo-French loan. "I thought I might have been of service in connection with these negotiations, but I was asked to perform no work, and this rankled," he said.[44] He was given little responsibility, and the august House of Morgan didn't share his interest in poor countries. That September, at age thirty-four, he resigned from the bank. He had never translated his precocious China success into a mundane Wall Street setting and was offended that he hadn't become a Morgan partner. He preferred polo, golf, and his outside literary interests to the consuming dedication that was *de rigueur* at 23 Wall. Shortly after wartime service, in 1918, he died of influenza and pneumonia. His widow, Dorothy, would help to found the New School for Social Research in New York and Dartington Hall, an experimental school in South Devon, England.

By 1917, British credit was practically exhausted. Their salvation was German resumption of unrestricted submarine warfare against American shipping. When the United States entered the war, on April 6, 1917, Washington immediately granted the Allies $1 billion in credit, lifting the onus from J. P. Morgan and Company. After the United States entered the war, the House of Morgan expected to be repaid a $400-million loan to Britain from the proceeds of the first Liberty Loan drive. But Treasury Secretary McAdoo feared Congress would be upset if government money went to that old Democratic bogeyman—the Money Trust. To the amazement of Morgan partners, the British government didn't seem bothered by the double cross. In his journal, Teddy Grenfell noted wounded feelings among the Morgan partners: "Although JPM &. Co. had placed all their resources monetary and otherwise at the disposal of the British Government, the ministers especially finance showed little appreciation. . . . The Morgan houses felt very bitterly not only that no appreciation was shown of their services but also that as soon as the Government had got all their monies which Morgan & Co. could lend or borrow from friends for England, that the British Treasury intentionally kept all information from them."[45]

During the summer of 1917, Lord Cunliffe, the abrasive, despotic governor of the Bank of England, argued the Morgan case against the less sympathetic chancellor of the Exchequer, Bonar Law. It formed part of a larger struggle between the bank and the Treasury for control of British financial policy. The row became so vitriolic that Prime Minister Lloyd George threatened to nationalize the Bank of England. On July 4, Grenfell was summoned to a Cabinet meeting at 10 Downing Street, and Lloyd George angrily asked him why the House of Morgan was making such a fuss. (Grenfell referred to Lloyd George as "our little Welsh goat."[46]) In the end, the British Treasury, incensed at Cunliffe's behavior, spiked his reelection as governor in 1918. This paved the way not for a Morgan foe but for Montagu Norman, who took over the bank in 1920 and proved the most influential British ally in Morgan history.

When the United States declared war, Jack was jubilant. With naive, patriotic generosity, he told President Wilson he could transfer the Export

Department intact to Washington. He was ready to give Stet-tinius a leave of absence, cover staff salaries for a time, and forgo commissions. It didn't dawn on him that this was politically impossible. Isolationists continued to accuse the House of Morgan of whipping up pro-war sentiment. And traveling across America, Treasury Secretary McAdoo noted intense ill will toward the house for having profited from the munitions purchases.

To head the powerful new War Industries Board, Wilson chose Daniel Willard of the Baltimore and Ohio Railroad and then Democratic party stalwart, Bernard Baruch; to appease Morgans, he made Stettinius surveyor general of supplies for the U.S. Army. Only half-comically, Baruch confessed relief that Pierpont had spurned his offer of help during the 1907 panic, for had it been accepted, it might have jeopardized his political prospects under Wilson. There was now a political stigma attached to Morgan partners. White House aides noted that President Wilson frowned when he saw Dwight Morrow's name on a list of prospective appointees. Although he did appoint him, to the Allied Maritime Council, he said firmly, "We mustn't have any more of those men."[47] Morrow would, in fact, become an important civilian adviser to General Pershing at Chaumont. Harry Davison, upon being named head of the Red Cross War Council, expected to assume full powers. When he then clashed with Red Cross organizer Mabel Boardman, former president William Howard Taft went to the White House to mediate. Though siding with Davison, Wilson told Taft that "New York bankers liked unrestricted powers, that they had been used to it in their business . . . but that in such a matter it was not wise."[48]

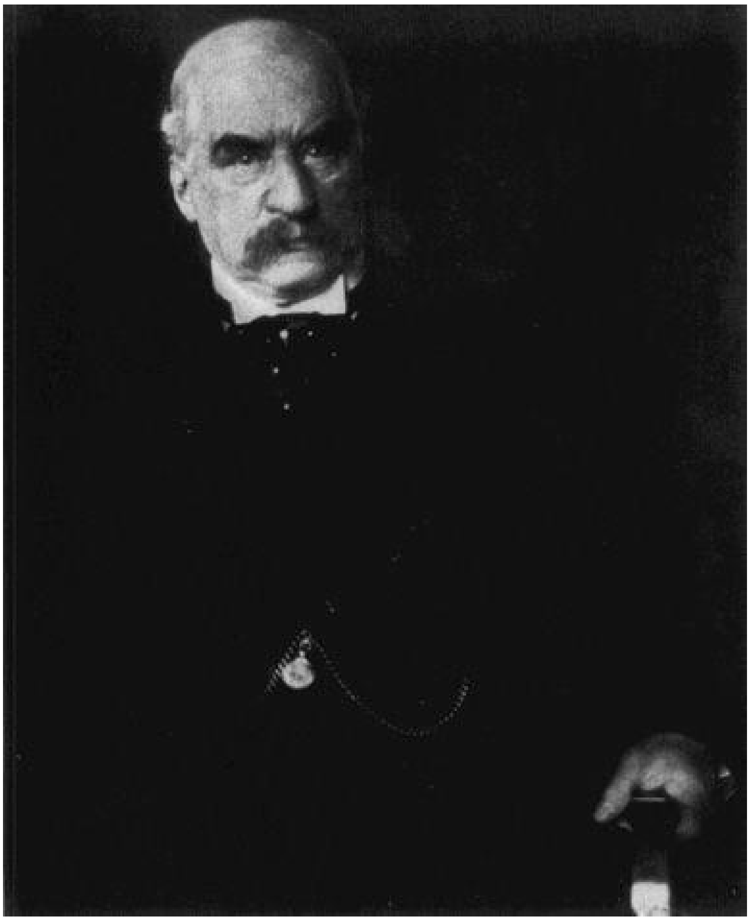
From the standpoint of later Wall Street history, the government's wartime Liberty Loan drives have an important place. The United States sold nearly $17 billion in Liberty Bonds. The spirited promotional campaign brought Charlie Chaplin and Douglas Fairbanks, Sr., to rallies at the Corner. Treasury Secretary McAdoo wanted to reach small farmers, businessmen, and workers and thus created a new generation of American investors. One bureaucratic genius of the campaign was a Wall Street lawyer, Russell C. Leffingwell, who had been a neighbor of McAdoo in Yonkers, New York. McAdoo made him counsel and then assistant treasury secretary in charge of the Liberty Bond drives. He would later be a famous Morgan partner and a critical link with the Democratic party.

The House of Morgan emerged from the war with greatly enlarged power. For Jack Morgan, so widely discounted when he took over in 1913, there was a sense of psychic relief, a knowledge that he had measured up to his father. He told Paris partner Herman Harjes, "I am glad to say that our firm stands, as it always has stood, in the middle of things. . . . I feel that I am able in a measure to take Father's place in the community and help out in many ways."[49] As a young man in London, it had amused him when Lloyd's took out a $2-million insurance policy on Pierpont's life. Now he shattered all records by taking out a $2.5-million policy on his own.

But Jack's hypersensitive nature was such that he seemed more disturbed by criticism than gratified by success. After Wilson rejected this offer of the Export Department, he sulked and licked his wounds. He was a man of fundamentally incompatible desires, who wished to be fabulously rich *and* loved; useful *and* appreciated; not only famous but understood fairly by the masses. He had a way of magnifying enemies. Even as he emerged as the world's best-known banker, he still felt embattled. As he wrote in 1917:

> I have come to the conclusion that the chief reason of the dislike that exists in Washington for J.P. Morgan & Co. . . . originates in the fact that we ask for no favors, that the Democratic party has tried its best to cripple us in every way it could, that they had Steel investigations, Pujo investigations and Clayton bills and all that sort of thing, devised and directed with the intention of making life impossible for us—and still we have gone ahead and got along pretty well . . . the whole feeling against us is really a political grudge, and they cannot change our feeling, nor can we change theirs.[50]

Another perspective on Morgan power came later from Sir Harold Nicolson in his biography of Dwight Morrow. Nicolson had written that at the outbreak of the war, the House of Morgan "ceased to be a private firm and became almost a Department of government"—which he meant as a mighty compliment.[51] Yet Jack thought it insulting to liken his bank to the government. "I have no right to ask you to alter this," Jack wrote to Nicolson upon reading it in draft form, "but it would be interpreted as if we were reduced to the status of a department subordinate to the Government."[52] The House of Morgan no longer thought itself subordinate to anyone, not even Washington.

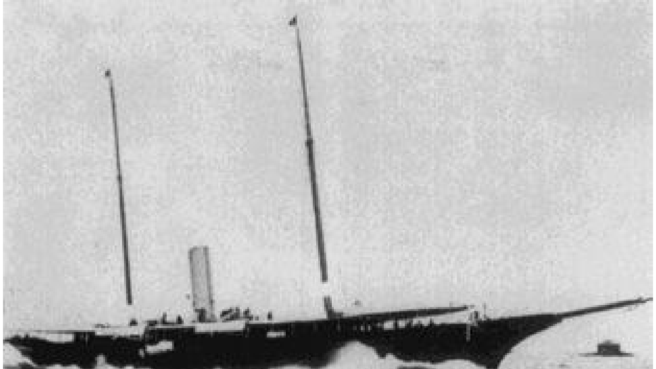


1. The inimitable 1903 photo of J. Pierpont Morgan by Edward Steichen. Morgan hated the photo and tore up the first print.

2. George Peabody, the miser-turned-philanthropist who founded the House of Morgan

3. Junius Spencer Morgan, patriarch of the clan, in 1881, at age sixty-eight.

4. 13 Princes Gate, the Morgans’ London townhouse and later residence of Ambassador Joseph P. Kennedy and his family



5. *Corsair II.* Pierpont’s sumptuous pleasure craft was later conscripted

for use as a gunboat in the Spanish-American War.

6. The Morgan family at the Karnak temple, Egypt, 1877. The touring party included a physician, a maid, a nurse, an interpreter, and a French waiter.

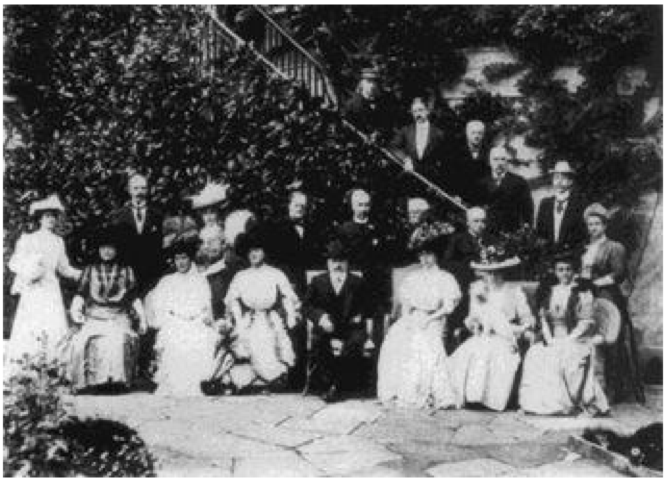
Four women in Pierpont Morgan's life

7. Pierpont's frail estranged wife, Frances Tracy Morgan, Known as Fanny, in 1902

8. Pierpont’s mistress, actress Maxine Elliott, as Portia in *The Merchant of Venice* in 1901

9. Pierpont’s daughter, Anne, in 1915. Her *ménage à trois* at Versailles with two other women scandalized her father.

10. Pierpont’s saucy librarian, Belle da Costa Greene, at a Republican party meeting in 1916



11. Pierpont (second from right on the stairs) at a house party at the Harcourts' Nuneham Park estate. King Edward VII is seated in the center.

12. Pierpont's brownstone at 219 Madison Avenue, later razed to build an annex to the Pierpont Morgan Library

Rare photographs of Pierpont Morgan from the Library of Congress

13. Pierpont gazing ferociously at bystanders at the funeral of Senator John Fairfield Dryden, 1911

14. Pierpont chatting with a friend in October 1907, just before the panic. This unusual photograph shows how his nose really looked. Most pictures are touched up.

15. Pierpont meting out rough justice to a photographer, 1910

Four warriors in the Northern Pacific corner, 1901.

16. George W. Perkins, who had just been made a Morgan partner

17. Robert Bacon, the Greek Godof Wall Street, whose nerves gave way under the strain

18. Edward H. Harriman, whom Pierpont sneered at as a “two-dollar broker”

19. facob Schiff of Kuhn, Loeb, Pierpon’s formidable Jewish rival on Wall Street

20. Run on the Trust Company of America during the Panic of 1907. The old Drexel building, pre-1913 home of the Morgan bank, is at the right. The successor building dropped the name out front.

21. A grim Pierpont arriving at the Pujo hearings accompanied by daughter Louisa Satterlee and son, Jack, December 1912

The instigators of the Money Trust investigation

22. Louis D. Brandeis, who won national attention with his attacks on Morgan control of the New Haven Railroad

23. Muckraker Lincoln Steffens, who dubbed Pierpont “the boss of the United States”

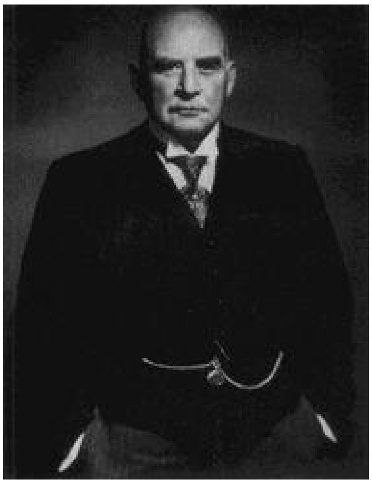
24. Charles A. Lindbergh, Sr., father of the aviator, who introduced a congressional resolution calling for a Wall Street probe

25. Samuel Untermyer, counsel to the Pujo committee and bogeyman of the Morgan family

The age of dollar diplomacy

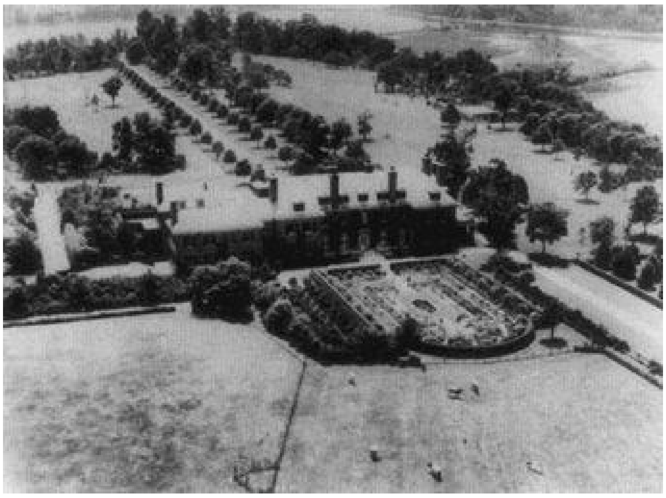
26. Willard Straight, Morgan agent in China, with his heiress wife, the former Dorothy Whitney

27. Straight, in spats, conferring with the American minister to China, William J. Calhoun, and Colonel Tsat Ting-Kan



28. Official portrait of J. P. (“Jack”) Morgan, Jr.

29. lack’s wife, Jane Grew Morgan, known as Jessie, as presented to ’ Queen Victoria in 1898



30. Jack’s estate, Matinicock Point, on East Island, off Long Island’s North Shore

World War I

31. Morgan lieutenant Henry P. Davison, who negotiated the deal by which the bank bought $3 billion in supplies for the Allies

32. Russell C. Leffingwell. As assistant Treasury secretary in 1918, Leffingwell presided over the sale of Liberty bonds.

33. The Paris Peace Conference, 1919. Thomas W. Lamont, standing at the far left, poses with the Reparations Commission. Herbert Hoover sits at

the far left, and Bernard Baruch sits second from the right.

34. September 1920 bomb blast outside the House of Morgan. The explosion killed two employees and damaged the building’s northern facade.

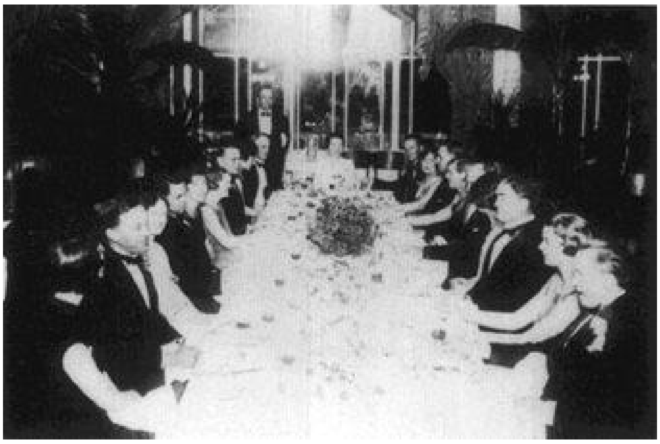
35. View of 23 Wall Street, right, in the Jazz Age

36. Thomas W. Lamont striking a debonair pose aboard the *S.S. Europa* in 1932

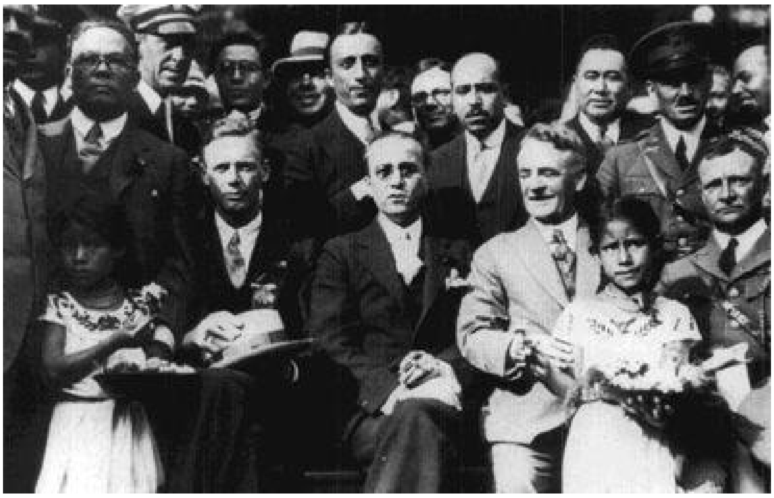
37. Giovanni Fummi, the Morgan agent in Rome, whose arrest Mussolini ordered in September 1940.

38. Benito Mussolini perusing a newspaper. Lamont created a New York publicity bureau to help bolster il Duce’s overseas image.

39. Dwight W. Morrow returning from the 1930 London Naval Conference with his wife, Betty



40. Walter Lippmann, lower left, at a Mexican reception with the Morrows (at head of table) in 1928. Lippmann was on a secret mission to arbitrate a dispute between Mexico and the Catholic church.



41. Charles A. Lindbergh, Jr., in Mexico in December 1927. The aviator flew there at Morrow’s invitation. A Mexican official sits between Lindbergh and Morrow.

42. Charles and Anne Morrow Lindbergh in flying togs, 1931

43. Lindbergh in Nazi Germany in 1937. His admiration for German air power estranged him from the Anglophile Morgan bank.

CHAPTER ELEVEN
EXPLOSION

THE United States emerged from the First World War with thriving industries and a record trade surplus, while much of Europe lay in ruins, urgently in need of reconstruction loans. Sovereign states, city governments, and corporations flocked to Wall Street, as they had once courted London's merchant princes. Because of sterling's postwar weakness, the British Treasury had to impose an informal embargo on all foreign loans in the City, leaving wide open the door to traditional British clients. London had surrendered its historic role of financing world trade.

Sunning in postwar glory, the House of Morgan was the world's most influential private bank, able to select the most creditworthy customers and alone capable of handling many huge state loans. Its seal of approval guaranteed a warm reception for bond issues at a time when foreign issues were still new and unfamiliar to American investors. The House of Morgan spoke to foreign governments as the official voice of the American capital markets. Its influence didn't simply stem from money but from intangibles—cachet, political connections, and banking alliances.

With the Jewish banks weakened, the Yankee axis of J. P. Morgan-National City Bank-First National Bank held the keys to the kingdom. For any credit-hungry finance minister, it was a formidable machinery to defy. In October 1919, Baron Emile du Marais, a member of a French financial mission, reported on Morgan power to French president Raymond Poincare: "I have the impression that Morgan's has put together here a group which includes all the necessary elements for the placement of securities, and that one can in no way manage without their support. It is a fact about which we can do absolutely nothing. In these conditions, wisdom seems to dictate that we accept the fait accompli; and try to give Morgan's the impression that we have full confidence in them."[1] This analysis is reminiscent of Asquith's fatalistic, wartime lament that Britain, willy-nilly, had to reckon with the bank.

Nobody was more emboldened by the new financial power than President Wilson, who was eager to underwrite liberal dreams with Wall Street money. This was the same Woodrow Wilson who had made caustic comments about the Money Trust and snubbed Jack's offer of the Export Department. In December 1918, he set sail for Europe and received a euphoric welcome. He was the man of the hour, and it was thought he could mediate among

European powers while rehabilitating Belgium and northern France. At this critical juncture, a metamorphosis took place in the role of the banker. In Pierpont's day, captains of finance had indulged an honest hatred of government. But after World War I, financial diplomacy shifted into a gray area between business and politics, with bankers often functioning as their governments' ambassadors. The advent of the Diplomatic Age was most striking at the House of Morgan, which would evolve into a shadow government and move in tandem with official policy. There would be moments when it acted as a rogue ministry, pursuing its own secret agenda, but for the most part it faithfully followed Washington. As Jack later said, "We were always most scrupulous in our relations with our Government."[2]

During this period, Tom Lamont acquired his keen interest in foreign affairs. In 1917, he was already traveling with Colonel House to Europe to study the European situation. Then Treasury Secretary Carter Glass appointed him as a financial adviser to the U.S. delegation at the Paris Peace Conference. Lamont was horrified by a wartime visit to Flanders and remembered the battlefield as a "Dantaesque inferno," with fires erupting from smoking artillery.[3] The experience made him a convinced advocate of world peace organizations. He developed an ardent faith in Wilson's vision of a League of Nations and funneled large amounts of money into organizations supporting American entry into the League.

Lamont's political beliefs dovetailed with the Morgan bank's financial requirements, for as it expanded its foreign lending, it looked for stable governments, global security, and free trade. The late 1910s would be the heyday of Morgan idealism. In those years, Dwight Morrow penned a brief study, entitled *The Society of Free States*, that examined how nations had negotiated their conflicts in the past. His daughter Anne later recalled, "The talk I heard around the family table in my school years was full of enthusiasm for Woodrow Wilson's Fourteen Points: 'The right of self-determination' for nations and 'a new order of world peace.' "[4]

Against all expectations, the insouciant Lamont dazzled Wilson in Paris. Wilson told him, "I have more and more admired the liberal and public-spirited stand you have taken in all our counsels."[5] A new Morgan partner, George Whitney, said that Wilson seemed to place more trust in Lamont's financial judgment than in that of anybody else.[6] Indeed, Morgan men were so ubiquitous at the Paris Peace Conference in 1919 that Bernard Baruch grumbled that J. P. Morgan and Company was running the show.[7] It is worth stressing that it was a progressive Democratic president who first mobilized the new Wall Street power for political ends (although the exploitation would become more blatant under Wilson's Republican successors). A decade of attacks on the Money Trust seemed to melt into a rapturous embrace.

Tom Lamont found his *métier* in Paris and helped to write the financial clauses of the peace treaty. He developed a vast circle of new friends, including Philip Kerr, later Lord Lothian and then secretary to Lloyd George and a close friend of Nancy Astor, and Jan Smuts of South Africa. Lamont would be the ace financial diplomat of the era. Where Jack Morgan was incapable of guile, Lamont was fast on his feet and ideologically flexible, able to hint to politicians of both parties that he sided with them. He was a man of many masks who played his parts so masterfully that he sometimes fooled himself. He had a gift for straddling political fences. To Wilson, in a typically artful formulation, he labeled himself "a poor Republican . . . who has faith in our present Democratic administration."[8] His tolerance was sometimes indistinguishable from a lack of conviction and his open-mindedness sometimes had a dash of opportunism. On domestic economic issues, he was a conventional Republican. But he espoused enough liberal views on international organizations and civil liberties to make himself uniquely palatable to the Democratic intelligentsia, who marveled at this *rara avis* of Wall Street. By the end of his career, Lamont would count Herbert Hoover *and* Franklin Roosevelt among his close friends.

For a generation, Lamont and the House of Morgan were entangled by the Treaty of Versailles and the problem of German reparations. It was a quagmire from which they could never escape. At the peace conference, Lamont joined a subcommittee studying Germany's capacity to pay war reparations to the Allies. Since much of the war was fought on French soil—northern France was left a lunar landscape of bomb craters—the French were implacable about receiving massive compensation. They had paid reparations to Germany in 1819 and 1871 and wanted their pound of flesh. Compared with the vengeful Allies, Lamont was less hawkish and recommended that Germany pay $40 billion—only one-fifth the French request and one-third the British, but still quite substantial and the highest among the American advisers.

When the Reparations Commission set the burden at S32 billion, its magnitude shocked Ben Strong, who foresaw—prophetically—a weaker German mark and subsequent inflation. Yet Lamont would never renounce his belief that the reparations burden was quite tolerable and that John Maynard Keynes, in his famous polemic *The Economic Consequences of the Peace*, gave the Germans the impression that they had been penalized and thus only fostered their resentment and weakened their resolve to pay. This, he thought, paved the way for Hitler's rise. Lamont belonged to the school of thought that saw the Germans manipulating world opinion into a better postwar financial deal than they deserved. Right through the Second World War, he clung to the belief that the Treaty of Versailles "was more than just to Germany and less than just to the allies."[9]

Whatever the truth of this complex historic debate, Lamont proved prescient in his forecast of lukewarm American support for the League. Sensing mounting isolationism at home, he asked Dwight Morrow to report to him from New York on sentiment toward the League. When he relayed Morrow's pessimistic appraisals, Wilson either pooh-poohed them or seemed puzzled by American doubts. Lamont plied Wilson with memos advocating tactical alterations in the treaty, more consultation with Republican opponents, and even a Washington lobbying effort to pinpoint the position of the dissenting senators and build bipartisan support. Always sensitive to style, Lamont suggested more humor in Wilson's speeches and recommended an "almost childlike language" in explaining the League covenant.[10] Wilson reacted to Morrow's reports in a high-minded but myopic way. "The key to the whole matter is the truth," he told Lamont, "and if we can only get the people at home to see the picture as we see it, I think the difficulties will melt away."[11] By nature a creature of compromise, Lamont watched in horror as Wilson stuck rigidly to his beliefs. They had a last wistful trip across the Atlantic together. By November 1919, the Treaty of Versailles was dead in the Senate, and Wilson was a shattered man. The United States never joined the League of Nations.

Versailles was a formative event for Tom Lamont, his debut on the world stage, from which he took away contradictory lessons. On the one hand, the peace conference left a residual strain of idealism, and Wilson would remain a sacred figure in his memory. He lauded Wilson's "delightful personality" and "ready wit" and his "Scotch mixture of wonderful idealism and stubbornness."[12] Yet he saw that politics was the art of the possible, that Wilson had suffered from excessive purity, and that the world wasn't prepared for Utopia. Of Wilson, he said, "He was a curious character—a great man in so many ways, yet so apt to stand firm at the wrong moments and give in at the right ones. "[13] In time, Lamont's own talent for compromise would become pronounced, so that his own political tragedy would be the reverse of Wilson's.

After returning to America, Lamont, imbued with the Wilsonian spirit, proudly hung pictures of the president and Colonel House over his desk at 23 Wall. He had recently become publisher of the *New York Evening Post*, and he departed from a policy of noninterference to insist that the paper adopt a pro-League of Nations stand. As America's premier foreign lender, the House of Morgan also had a certain natural affinity with Wilson's brand of liberal Democratic internationalism. While American industrialists often remained protectionist and provincial in their views, bankers became more cosmopolitan in the 1920s. Only through free trade could countries export and earn foreign exchange to retire their debts. As had happened in the City in the nineteenth century, Wall Street became far more outward-looking than the commercial deposit banks. As exponents of global cooperation, the House of Morgan would often feel uncomfortable with the isolationist Republicans.

Returning home for the Republican National Convention of 1920, Lamont was shocked by its smoke-filled rooms, its arrogant isolationism, and its mean-spirited xenophobia. He saw America suddenly retreating from the world and refusing to take responsibility for postwar European reconstruction. In the election that year, Lamont cast his lone Democratic presidential vote, favoring Governor James M. Cox of Ohio over Warren G. Harding because Cox endorsed the League. Even Jack Morgan supported the League, although with even-handed disgust he boycotted America on Election Day, reviling both the "jellyfish Republican" and the "pro-German Ohio editor."[14] While the bank would have intimate relations with the three Republican administrations of the 1920s, there would always be a tension between its sense of global responsibility and the blinkered vision of the provincial Republicans. Increasingly multinational in scope, the House of Morgan would fit uneasily into an America that was tired of European entanglements.

WHILE Lamont was negotiating peace at Versailles, Jack was wrestling with his own private demons. He didn't want to negotiate with the Germans but only to see them punished for their "barbarous" misdeeds. In 1917, he wrote a friend that "after the conduct of the Germans during this war, it would be impossible for any civilized nation . . . to have anything to do commercially or financially with people who have shown themselves of such evil character."[15] He said he would rather have General Pershing march on Berlin with half a million men than a merciful peace treaty.[16] Pierpont Morgan could have acted on such spite, but postwar Morgan lending would increasingly reflect U.S. interests rather than partners' whims. Despite Jack's bluster, his bank would sponsor the vast loans that made reparations possible, linking his bank more closely to Germany than he would have ever dreamed possible.

Outwardly, Jack remained the sedate banker, but inside he was fearful and haunted. His insecurity didn't end with the armistice. Even in the postwar atmosphere, it was easy for a prominent banker to feel as if he were a sitting target for terrorists. The rich grew alarmed by events in Russia—the seizure of power by Trotsky and Lenin, the assassination of Czar Nicholas II, and the Bolshevik repudiation of foreign debt. (Barings froze its large Russian deposits after the Bolsheviks tried to transfer them to Guaranty Trust in New York.) During the Mexican Revolution, the Mexican government also defaulted on its foreign debt, and in 1917 it passed a radical constitution that threatened to nationalize American oil interests.

There were predictions that revolution would spread to the shores of North America, and the political air grew thick with talk of class warfare and strikes. During 1919, four million Americans went on strike, with the city of Seattle the scene of a major general strike. Attorney General A. Mitchell Palmer rooted out “Reds” and other foreign agitators in the raids that came to bear his name. The unrest strengthened Jack’s suspicion that “destructive elements” wanted to smash the industrial machinery. He applauded Massachusetts governor Calvin Coolidge for suppressing the Boston police strike and Judge Gary for supporting an open shop during a strike at U.S. Steel.

On May Day of 1919, Jack was one of twenty eminent Americans who received identical letter bombs. The intended victims were spared when the packages were intercepted at a New York City post office on account of insufficient postage. Jack and his daughter Jane were also blackmailed by a Michigan janitor named Thorn, who claimed he had poisoned them with slow-acting, secret microbes; he would hand over the antidote for $22,000. Ordinarily, Jack might have shrugged this off, but in the tense atmosphere he thought it advisable to make an example of the blackmailer. Thorn was eventually arrested, convicted, and spent fifteen months in Leavenworth. By 1921, the bank felt so menaced by saboteurs that publicity chief Martin Egan suggested that the bank’s private railway car, the Peacock Point, be given a nondescript name, lest the association with Morgan partner Harry Davison’s North Shore estate invite trouble.

The incidents that did occur help to explain the factual basis of Jack Morgan’s fears, which now drove him to obsessive lengths. Crazy things *were* happening around him. In addition, there was the 1920-21 recession, which was perhaps closer to a depression in its severity. To curb the inflation that followed the war, Ben Strong of the New York Fed raised interest rates sharply. It was the first recession deliberately engineered by the Fed to moderate a boom. As unemployment quintupled to 12 percent, four million people were thrown out of work, and over five hundred banks failed in 1921 alone.

By early 1920, Jack Morgan had an almost inverted worldview: the rich struck him as impotent, the masses as all-powerful in the hands of demagogues. In this frightened state of mind, he hired a private detective, William Donovan, a lawyer and a highly decorated officer in World War I. (Later known as Wild Bill Donovan, he would head the Office of Strategic Services, the forerunner of the CIA.) Intelligence work burgeoned with the spread of radicalism around the world. Jack asked Donovan to investigate the Communist International (Comintern), formed in 1919, which had singled out bankers as archenemies of the working class. As a former banker to Czar Nicholas II, Jack was watching the Bolsheviks with extra apprehension. He also asked Donovan to dig up information about the new nations emerging from the old Austro-Hungarian Empire, for it was thought that political chaos in Central Europe could be a breeding ground for communism. Donovan's investigation was fairly prosaic—he uncovered only dusty papers and speeches—but the job launched him in high finance and accustomed Jack to a new manner of dealing with his enemies.

Two other events in 1920 contributed to Jack's sense of omnipresent danger. On Sunday morning, April 18, an anarchist and escaped mental patient named Thomas W. Simpkin wandered into Saint George's Church on Stuyvesant Square. The London-born Simpkin had been obsessed with death since the sinking of the *Titanic.* He later said he had come to America to kill Pierpont Morgan, only to discover he was already dead. On this Sunday morning, he was drawn to Saint George's by its beautiful chimes. "The chimes were playing and I was soothed," he said. "Then I went into the church."[17] He knew that it was the church of the Morgan family.

Jack's brother-in-law Herbert Satterlee was there, as was Dr. James Markoe, friend and physician to the Morgans. As Markoe was passing the collection plate, the dingy little Simpkin pulled out a gun and shot him point-blank in the forehead. The collection plate fell to the floor with a noise "like crashing glass."[18] The rector, Karl Reiland, flung his Bible to the pulpit and leapt over the chancel rail. Although the organist stopped playing, the church choir continued to sing angelically as vestrymen in cutaways pursued Simpkin; they caught him in Stuyvesant Square. By coincidence, Dr. Markoe was rushed to the Lying-in Hospital, the hospital he had persuaded Pierpont to endow, and died there a few minutes later. As it turned out, Simpkin had mistaken Dr. Markoe for Jack Morgan. When interrogators asked him why he thought of killing J. P. Morgan, Jr., Simpkin replied that he had heard that Morgan and a Congressman Miller had said that the International Workers of the World ought to be killed.[19]

Then came the blast of September 16, 1920. Shortly after noon, a horse-drawn wagon carrying five hundred pounds of iron sash weights pulled up on Wall Street between Morgans and the U.S. Assay Office across the street. Suddenly it exploded, blowing holes in the pavement, bursting like shrapnel through a terrified lunchtime crowd, killing thirty-eight people and injuring three hundred. Walking by 23 Wall, the young Joseph P. Kennedy was hurled to the ground. Throughout a half-mile radius, the blast punched out windows, including those on the Wall Street side of Morgans. Fire and a weird greenish smoke belched upward, igniting awnings as high as twelve stories above the street. Inside the New York Stock Exchange, panicked traders fled the imploding windows as shattered glass burst through the heavy silk curtains.

In *Once in Golconda,* John Brooks describes the chaos inside the House of

Morgan:

> The cavernous interior of J.P. Morgan & Company, the office most seriously affected, was a shambles of broken glass, knocked-over desks, scattered papers, and the twisted remains of some steel-wire screens that the firm had providentially installed over its windows not long before, and that undoubtedly prevented far worse carnage than actually took place. One Morgan employee was dead, another would die of his wounds the next day, and dozens more were seriously injured. Junius Morgan [Jack's older son], sitting at his desk near the north windows on the ground floor, had been pitched forward by the blast and then nicked by falling glass. . . . Another young Morgan man, William Ewing, was knocked unconscious, and awoke a few minutes later to find his head wedged in a wastebasket.[20]

The blast left glass strewn thick as sugar across the main banking floor. Bill Joyce, seated on a high stool, was killed by an iron sash lodged in his body; John Donahue died of burn wounds. A row of pockmarks was engraved deep in the Tennessee marble on the Wall Street side of the building. Whether as a badge of pride or a memorial to its two dead employees, the Morgan bank has never repaired the marble blocks, and they are still clearly visible to pedestrians on Wall Street. One partner later cited the inordinate expense of repairing them but then conceded, "It is right and proper that they should stay there."[21] For a generation, bankers asked, Where were *you* when the blast occurred?

Because the blast occurred in September, Jack was at his Scottish shooting lodge. But other partners were gathered in his office at the time, which, luckily, faced Broad Street. A visiting Frenchman, laughing nervously, said he felt as if he were back in the war. To inspect the carnage, George Whitney went into the street. On the bank's scarred north wall, he saw a macabre sight: "One of those scars had a woman's head and hat plastered up against it. I'll always remember that. It hit her so hard that it just took her head off and it stuck right on the wall."[22]

In another memory from that dreamlike day with its montage of slow-motion horrors, Whitney recalled that Dwight Morrow, a man of legendary absentmindedness, had a noon luncheon appointment with a government official. As the smoke cleared, Whitney saw Morrow trotting punctually downstairs and greeting the official as if it were an ordinary business day. The two strolled off for lunch at the Bankers Club, threading their way among dead bodies, firemen, overturned cars, and craters gouged in the street. "They didn't pay any attention to it, not knowing what they were doing 1 suppose," said Whitney.[23]

In the weeks ahead, J. P. Morgan and Company muddled through, with canvas sheets draped over its windows and a shaky dome, propped up by scaffolding, above the central banking floor. For this most foppish bank, it was a strange interlude, with many employees wearing slings and bandages to work. Whether Morgans or the Assay Office was the real target of the blast was never known; it went down as a great unsolved crime. It may have been a spontaneous chemical accident, although it coincided with a rash of anarchist acts and has always been attributed to anarchists. The new Stock Exchange building at 11 Wall Street was under construction at the time, which may have accounted for there being explosives in the area. The bank hired the Burns International Detective Agency, which offered a $50,000 reward for information about the incident; nobody ever collected the money.

As soon as the explosion occurred, thirty private detectives took up positions around Jack's brownstone on Madison Avenue. Jack construed the explosion as an attack against Wall Street rather than an attack against the bank. Yet along with the 1915 shooting, the Thorn case, the Markoe shooting, and the million and one crank letters, it must have fed his sense of vulnerability and his growing apprehension of conspiracies.

This period of turbulence provides the backdrop for Jack's deepening anti-Semitism, which played an important part in his outlook and became his shorthand explanation of many incidents, particularly attacks against his family and firm. His anti-Semitism was of a familiar variety. He saw Jews as a global fifth column feigning loyalty to host governments while furtively advancing foreign plots. He generalized the presence of the German-Jewish banks on Wall Street into a broader phenomenon. Like his father, Jack was extremely warm and affectionate toward those within his own circle of intimates, but, again like Pierpont, he often showed coldness and suspicion toward outsiders. In his anti-Semitism, Jack never saw himself as lashing out at the weak; instead, his enemies were more powerful than he, a mere Morgan, and deserved what they got.

In May 1920, serving as an overseer of Harvard University, he rushed to alert President A. Lawrence Lowell of the grave danger posed by a board vacancy:

> I think I ought to say that I believe there is a strong feeling among the Overseers that the nominee should by no means be a Jew or a Roman Catholic, although, naturally, the feeling in regard to the latter is less than in regard to the former. I am afraid you will think we are a narrow-minded lot, but I would base my personal objection to each of these two for that position on the fact that in both cases there is acknowledgement of interests or political control beyond and, in the minds of these people, superior to the Government of this country—the Jew is always a Jew first and an American second, and the Roman Catholic, 1 fear, too often a Papist first and an American second.[24]

From this letter, one may discern that Jack had in mind his wartime feud with Kuhn, Loeb, now blown up into a universal theory. It's ironic that he would soon float the biggest German loan in American history and later be decorated by the Vatican for his investment advice.

In 1920, convinced of an anti-Morgan cabal among the German-Jewish bankers, Jack recruited a man named Charles Blumenthal to infiltrate their activities. For two years, Blumenthal reported to Jack periodically. His methods have not been documented, but one target was clearly Samuel Untermyer, whom Jack still planned to punish for his role in the Pujo hearings. Another was the German-born Otto Kahn, the Kuhn, Loeb partner and financial angel behind the Metropolitan Opera. Far more than Jacob Schiff, the ostentatious Kahn mingled with tony society, earning the nickname of the Flyleaf between the Old and the New Testaments.[25] Kahn had subscribed generously to the 1915 Anglo-French loan, and Jack had even praised his patriotic wartime speeches, which were widely circulated by the Allies. Kahn had even been reviled by the kaiser as a traitor to his native country. Then, in 1919, Jack learned about a small loan to several German cities made by Kahn and Kuhn, Loeb early in the war. Kahn was still a naturalized British citizen, and Jack thought the loan *prima facie* evidence of treason. Hopping mad, he wrote Grenfell, "Great Britain cannot shut him in gaol, he now being an American citizen, but it does not strike me as being high-class conduct, and I think it should be known."[26] Kahn's wartime patriotism was forgotten.

Pursuing his quarry, Jack sought proof linking Kahn with the German loan. He apparently got it from Blumenthal in 1920. He wrote Grenfell, "Enclosed is a photographic copy of a letter from Lindheim, who is a Jewish lawyer here in New York with 50 connections with the Untermyer tribe, to Dr. Albert, which, I think, quite sufficiently identifies Mr. Otto Kahn with the proposed German cities loan."[27] It seems both Jack and Teddy Grenfell were swapping intelligence with British authorities, because Grenfell already knew Dr. Albert had spent a lot of German money during the early stages of the war.[28] A couple of years later, the bank got a London source to consult Admiralty records on Samuel Untermyer.

Another possible source of Jack's information was Henry Ford's *Dearborn Independent*, which served as mouthpiece for Ford's bizarre anti-Semitic views and was distributed through Ford dealerships around the country. In 1921, the paper conducted a campaign against "hyphenated Americans"—immigrants of allegedly dubious loyalty to the country. In a warmly fraternal note to the editor, Jack endorsed the campaign: "Owing to the war, I became fully aware of the danger, to the community, of hyphenated Americans; and it seemed to me that the Jews were the only lot of that class of people who had been able to do their work quietly and were steadily working to maintain their hyphenated attitude of mind without calling public attention to it."[29] Jack said he would make information available to the *Independent.* When Charles Blumenthal traveled to Detroit to consult with Henry Ford on the Jewish menace, Jack followed up with a note inviting Ford to visit him in New York.

Jack's confused anti-Semitism was intermingled with business rivalries. The Yankee and Jewish banks still formed warring groups on Wall Street. In 1921, a former Justice Department agent tipped off the bank to a plan by Jewish bankers and German industrialists to restore German fortunes. He told how a Mr. Lehman and a Mr. Rothschild met with Kuhn, Loeb partners in New York to perfect this plot and how they hoped the new combine would drive J. P. Morgan and Company out of business. This may well have happened and been dressed up in alarming, conspiratorial language. Jack had a way of looking at the Yankee-Jewish rivalry on Wall Street and seeing it in conspiratorial and religious terms rather than in the more mundane terms of business.

Relations between Jack and Blumenthal soon deteriorated. Jack advanced him money for a home mortgage, and he failed to make a timely payment. For a banker such as Jack, deadbeats occupied a lower rung in hell than Jews. Relations grew frosty. In 1922, Blumenthal's payments were phased out. Later, when Blumenthal tried to use Morgan's name to raise cash, Jack denied he had ever employed the man. Was this pique—or Jack covering his tracks?

In any event, the hocus-pocus of German plots and Jewish bankers would soon seem silly and irrelevant. No Jew on Wall Street ever did as much for Germany as Jack Morgan would. Even as he terminated relations with Blumenthal in 1922, the State Department was urging him to sit on a committee of bankers who would outline the conditions needed for a massive German loan. After years of doggedly hunting German partisans, Jack Morgan would find himself Germany's master banker. The phantom he had been pursuing all those years turned out to be himself.

DURING the war, Jack had confounded critics who mocked him as a figurehead, a pale, plodding imitation of Pierpont Morgan. His British connections strengthened relations with the Allies, as did the partners he recruited for Morgan Grenfell. Having worked steadily in wartime, he continued to work eight or nine hours a day into the early 1920s. Yet he was a banker *malgré lui,* lacking the giant, locomotive energies that had propelled his father. As he readily acknowledged, he was a loafer, a studious amateur in the style of a British country squire. He loved gardening, yachting, reading detective fiction—activities of a mildly sedative nature. Once, in an indolent mood, he likened his brain to a soft, overboiled cauliflower. Also, he was haunted by his father's breakdowns, illnesses, and death, which he associated with politics and overwork. So he was ready to rely on a strong lieutenant.

Jack was a great fan of Harry Davison, who seemed the clear favorite as Morgan overlord in the postwar period. Davison had natural authority; Paul Warburg of Kuhn, Loeb once said that "men enjoyed following him."[30] His dedication to the bank was exemplary, as is attested by a cable that he sent to Nelson Aldrich after Pierpont died. Davison's house, Peacock Point, had just burned to the ground and he would spend the summer on a houseboat while it was being rebuilt; he cabled Aldrich, "Loss of house mere incident in view of other crushing loss."[31]

Davison's standing was greatly enhanced by the war. As head of the Red Cross War Council, he was elevated in 1919 to the presidency of a global league of Red Cross societies; during his Red Cross tenure, eight million volunteers were signed up. Many stories testify to Davison's massive self-confidence. At one Red Cross rally, he heard former president Taft say, "It gives me great pleasure to introduce to you one of our most distinguished citizens, a man who would rather face a German battery than an audience." Davison was halfway out of his seat when Taft thundered, "General Pershing!"[32]

Another Davison story concerns a trip he made to London in 1918. Upon arriving, he was informed that King George V wished to see him. En route to Buckingham Palace, he was briefed on protocol by the king's equerry and given a short list of royal taboos. He wasn't to cross his legs, offer his hand first, or depart until dismissed by the king. Davison spent a pleasant hour with His Majesty, then, suddenly remembering another appointment, sprang to his feet—a breach of protocol. Who but a Morgan partner would be so blase about the king or not wish to prolong the experience? Buckingham Palace was just another stop on a busy itinerary; the House of Morgan had become aristocracy in its own right.

After the war, Davison's prestige was such that friends mentioned him as a possible presidential candidate. Davison himself demurred, saying it "could never be," apparently because he had been involved in an extramarital affair that ended tragically in the spring of 1915.[33] He was afraid the story would be dredged up. It turns out to be a grisly one. Davison and his wife, Kate, were close friends of a couple named Boocock, who had been neighbors in Englewood, New Jersey. Howard Boocock was treasurer of the Astor Trust Company. Davison was having an affair with Adele Boocock, a close friend of his wife's, and Howard Boocock was at first unaware of the liaison.

When Howard Boocock did learn of the affair, he became deranged, although in a style appropriate to his position. On March 22, 1915, he came home from the bank early and rather agitated. Yet he and his wife dressed for dinner as usual at their East Seventy-fourth Street town-house, and the servants noticed nothing untoward during the meal. Afterward, Howard retired briefly to the upstairs library to read his newspaper, while Adele played the piano in the drawing room below. Then Howard joined her. The servants heard the piano music stop abruptly, followed by two pistol reports. When the terrified maids rushed into the room, they discovered that Howard had shot Adele behind the right ear with an old army revolver; then he had shot himself above the left eye. The first person the distraught servants thought to telephone was Adele Boocock's best friend, Kate Davison. It fell to Kate to notify the Boococks' relatives. Kate agreed to take in the two Boocock children—who had slept through the shooting—and the Davisons paid for their education as well. This action was reminiscent of the Davisons' earlier generosity in taking in Ben Strong's children. The double Boocock shooting was one of the sensational "unsolved" crimes of 1915. A coroner's jury concluded that Howard Boocock went haywire from worry over the possibility that he was suffering from intestinal cancer. The truth would remain buried until the present.[34]

In 1920, when Harry Davison returned to the Corner from the Red Cross, he had lost his magnetic, buoyant charm. He complained of queer headaches and sleeplessness and took a year off with his family, which they spent at Magnolia Plantation, his estate in Thomasville, Georgia. A photograph of Davison on a picnic there shows him smoking a blunt cigar and wearing a white shirt and a dark three-piece suit; even in poor health and on a rustic outing, a Morgan man couldn't let his image languish. But the stay didn't put an end to his headaches and dizziness. In August 1921, Davison was diagnosed as having a brain tumor.

He was a manly type who refused to become an invalid. One day at Peacock Point—his sixty-acre Greek-columned estate on Long Island's North Shore that nearly formed a continuous line of property with Jack Morgan's and George Baker's estates—he and Dr. Frederick Tilney were watching a school of porpoises in Oyster Bay. Tilney remarked that he had always wanted a porpoise brain for his research. "Bring me the elephant rifle and tell them to have the motor boat ready for us at once," Davison ordered a servant.[35] Davison went out and shot his porpoise.

Harry Davison died in May 1922, at the age of fifty-four, during an operation to remove the tumor. He left an estate estimated at $10 million, including $4.5 million destined for his son, Frederick Trubee, who had been confined to a wheelchair since his college days. During a summer off from Yale during the war, Trubee and several classmates had formed the first naval reserve air unit, and Davison had bought his son a plane. As Trubee participated in a demonstration show at Peacock Point, the plane's rear engine came loose and hit him in the head, leaving him a paraplegic. His father's special bequest was meant to allow him to pursue a political career without any material distractions. Trubee became an assistant secretary of war for aviation in the Coolidge and Hoover administrations and served as president of the American Museum of Natural History. As indomitable as his father, in spite of his handicap he played tennis and shot big game for display in the museum.

At 23 Wall Street, Davison's death left the path to power unobstructed, and Tom Lamont strolled into a leadership position. Deeply indebted to his mentor, Davison, Lamont perpetuated a Morgan tradition of building monuments to dead kings by writing a hagiographic biography of Davison. Of his other role model, Pierpont, Lamont wrote, "He was not interested in little matters, conducted or proposed by little men." He viewed Pierpont's reign as one of a vanishing gentility—"a kind of golden age of chivalry in affairs."[36] This early exposure to Pierpont and Davison gave Lamont a vision of the banker as statesman and empire builder rather than as bureaucrat or paper pusher.

During the 1920s, Tom Lamont would be the brains of the Morgan bank and the most powerful man on Wall Street. When journalists talked of "prominent banking opinion," they had usually been speaking with Lamont. A Wall Street saying held that "Mr. Morgan speaks to Lamont and Mr. Lamont speaks to the people."[37] In his early banking days, Lamont had been deferential, even obsequious toward his elders, content to play the serviceable courtier. He always knew how to handle the Morgans. Both Pierpont and Jack were brooding loners who liked charming extroverts of an equable disposition. Pierpont had the sociable Bacon and Perkins; Jack, Davison and Lamont. Where the Morgan family was intensely private and domestic, these regents lent the bank a high-society gloss. And Lamont was perceptive enough to give Jack the confidence-bolstering praise that had been withheld by Pierpont.

It is a mystery how Tom Lamont, a poor parson's son, became everybody's image of Wall Street elegance. The first Lamont came to America from Scotland in 1750. Lamont's father was a former Greek professor and a Methodist parson (Tom would later become a Presbyterian). The senior Lamont had an Old Testament face—a broad, square forehead, full beard, and eyes that burned with severity. He banned dancing, cards, and even neighborhood Sabbath strolls for the family; Lamont's mother, luckily, was gentler. Tom spent a thrifty boyhood in upstate Claverack, New York, plotting his escape and devouring novels. He attended both Phillips Exeter Academy and Harvard on scholarship. He admired, but wasn't awed by, the wealthy boys he met. He was a completely self-invented figure and as such would be emblematic of an age based on wild speculation and a frothy optimism. Like Jay Gatsby, he lived in the manner of a poor boy acting out his most lavish fantasies. He was so successful at playing the aristocrat that he passed for the genuine article.

Short and slim with rounded shoulders, smiling eyes, and thinning hair, Lamont was often photographed before his office fireplace, hands in pockets, relaxed, and debonair. Usually he wore an amused, searching expression, as if inviting intimacy yet skeptically probing his guest. He looked at the world closely, as if sizing it up, taking the measure of someone in a glance. He seemed immune to depression, congenitally cheerful, and unflappably poised. His favorite expression was "easy does it" and his son, Corliss, said he never saw his father angry. He had a staggering capacity for work, and his voluminous papers at the Harvard Business School resemble the work of ten busy men. Tom Lamont was a prodigy—in business, finance, and diplomacy—and his career, dazzling in scope, would rival that of Pierpont Morgan himself.

Lamont had a genius for friendship and was irresistible to the literary world. He was a newspaper publisher and a large shareholder in Crowell Publishing, the only Morgan partner drawn to that industry. When British poet John Masefield toured the United States during the war to generate sympathy for England, he became so attached to Lamont that he dedicated his *War and the Future* to him. Lamont also befriended Walter Lippmann, John Galsworthy, and H. G. Wells. He had a writer's itch to record his thoughts and preserve them for posterity, dashing off hundreds of personal letters monthly.

His conviviality wasn't restricted to celebrities. Each spring, he holed up with three old college chums in Atlantic City, where they fished, played bridge, and talked. He maintained hundreds of relationships—like juggler's balls, he kept them magically aloft—and each acquaintance felt especially singled out by thoughtful gifts, cards, and invitations from 23 Wall.

If Tom Lamont assumed Morgan royalty with such ease, it had much to do with Wall Street's extraordinary self-confidence in the twenties and the banker's new diplomatic role. Lamont was a born politician and meshed exquisitely with his historical moment. In 1928, the Egyptian king said to him, "Mr. Lamont, I will wager I am the only head of a foreign state who has ever received you without asking for a loan for his government."[38] He was probably correct. Later Lamont appeared on a list of sixty-three citizens who ruled America and would certainly have made far shorter lists. In 1937, Ferdinand Lundberg, the radical journalist, would say that Lamont "has exercised more power for 20 years in the western hemisphere, has put into effect more final decisions from which there has been no appeal, than any other person. Lamont, in short, has been the First Consul de facto in the invisible Directory of postwar high finance and politics, a man consulted by presidents, prime ministers, governors of central banks.”[39] Overheated prose aside, Lundberg erred in the right direction.

THAT Lamont had no ordinary dreams can be seen from a 1916 effort to induce Henry Ford to take his car company public. The move was not accomplished until 1956, after Ford’s death. The House of Morgan, with its large stake in railroads, had been myopic in recognizing the importance of the automobile industry, and Pierpont had rebuffed an early Ford request for financing. Then George Perkins lost a chance to finance General Motors in 1907, when he sneered at William Crapo Durant’s forecast that sales would soar to half a million automobiles per year and cars would someday outnumber horses on America’s streets. For turn-of-the-century Wall Street, cars were rich men’s toys, plagued by unreliability and poor roads. This attitude rankled Henry Ford and reinforced his contempt for Wall Street bankers.

By 1916, the car companies had acquired new respectability on Wall Street. General Motors declared its first stock dividend—the largest in New York Stock Exchange history—and early skepticism turned to voguish enthusiasm. Henry Ford had introduced the assembly line in his Highland Park plant and in 1914 declared a $5, eight-hour day for his workers—terms generous enough to draw twelve thousand job seekers. Ford now cranked out over half a million Model Ts annually, and Lamont saw the chance for a splashy deal in the Pierpont tradition. That the Senior’s ghost hovered in Lamont’s mind was clear from a letter he wrote to a Ford associate in which he stated that if Ford took his company public, there would be “nothing just like it since the Steel flotation 15 years ago.”[40] As a rule, Ford opposed public ownership and thought shareholders should work for the company. Nevertheless, he invited Lamont to unite the “best ideas” of J. P. Morgan and Ford. What blend of guile and geniality could tame Henry Ford?

In a memo, Lamont flattered but provoked Ford. He began: “You have the premier motor car industry of the country and of the world. . .. From nothing you and your associates have built it up to its present splendid proportions.” With Ford softened up, Lamont became shockingly blunt: “The present make-up of your company is your only weakness. So long as the control of the company rests absolutely in your hands, just so long is the future of the business dependent upon the life of one man. . . . There must . . . come to you moments of almost deep oppression for the responsibility that you have to carry day by day.” Having expressed sympathy, he stirred up anxiety, pointing to potentially troublesome minority shareholders. Then came the proposal itself, wrapped in a delicate tissue of jargon. Lamont suggested a “large financial operation” that might relieve Ford of burdensome responsibilities—

in short, the first public offering of Ford stock.[41]

In a second letter, Lamont drew a parallel between Ford's sale of his company and Carnegie's sale of his steelworks to U.S. Steel. Since Ford was an individualist of the Carnegie type, it was a smart analogy. Lamont proposed that Ford, like Carnegie, retain a substantial interest in the company, holding senior debt "of the highest character, insuring handsome and stable returns to you and your heirs, or nominees, for years to come"—Lamont liked this tony style with fancy clients. But once he had advanced his idea, he backed off and pretended to offer his idea impartially for Ford's consideration. A few weeks later, Ford cordially acknowledged the letters, expressed interest, but let the matter lapse. It was a noble failure, in the end showing only Lamont's fearless ambition and his rare power to manipulate words.

After the Ford proposal was rejected, the House of Morgan stayed on the alert for opportunities in the automobile field. One finally came, through the Morgan link with the du Ponts, whose explosives and chemical business had profited from the Morgan Export Department. The war left the du Ponts awash with cash and with large paint, varnish, and artificial-leather manufacturing plants. They saw a potential market for these products in cars and so accumulated General Motors stock until in 1919 they held a 23-percent stake. They had every spot on the GM finance committee save one, that of founder William Crapo Durant.

A handsome, sporty man with a winsome grin and a flair for invention, Durant had started out as a rich buggy manufacturer. In September 1908, after being turned down by George Perkins, he financed the new General Motors Company himself, merging the car operations of Ransom E. Olds and David Buick and subsequently acquiring Cadillac. Unlike Henry Ford, who stamped out endless Model Ts, Durant favored a diversified product line. He was a persuasive, charming character—he "could coax a bird right out of a tree," Walter Chrysler once said—but a disastrous manager, impetuous and erratic.[42] This son of a failed bank clerk was also an inveterate stock market gambler whose specialty was GM stock itself. Lamont said he tossed around millions as if they were billiard balls.

In 1920, J. P. Morgan and Company sponsored a $64-million stock offering to finance a General Motors expansion. To please the du Ponts, the bank retained a sizable block and privately placed the remaining shares in safe hands. Then Ben Strong at the New York Fed engineered the 1920 recession. Henry Ford slashed car prices, and unsold GM cars piled up at dealerships. As GM stock plummeted, the underwriters—including the House of Morgan, the du Ponts, and Durant himself—struggled with huge losses in unsold shares. Durant had also formed a pool to prop up GM—a stock syndicate kept secret from the du Ponts and J. P. Morgan.

Cool as a flimflam artist, Durant pretended to take the disaster in stride. He didn't slacken his opera attendance, and he affected a cavalier air. Meanwhile, he faced ruin, for he had used his huge holding of GM stock as collateral for loans. If he had to sell stock to pay creditors, he would not only collapse the stock price but panic the Exchange and ruin GM's credit. To make matters worse, he had freely lent GM shares as collateral for other people's borrowings. If he were ruined, he would ruin many others at the same time.

Where the du Ponts trusted Durant, Dwight Morrow and other Morgan partners were suspicious. As GM shares broke below 20, Durant kept trying to hold back the tide by buying up more shares on margin. He continued to deny that there might be a problem. As the stock dropped as low as 12, his losses steadily mounted. By the night of November 18, 1920, Durant needed close to $1 million to meet margin calls before the market opened the next morning. Like Henry Ford, Durant despised bankers, viewing them as complacent men with tunnel vision who plundered the inventions of more original minds. Now he had to phone the House of Morgan and ask whether they would buy his GM stock at the closing price of $12 a share. Pierre du Pont and the Morgan partners, who thought Durant an incompetent, feared a market crash unless he were rescued.

When Dwight Morrow, George Whitney, and Tom Cochran went to Durant's Fifty-seventh Street offices, they found a scene out of a melodrama. His debts had bulged to an extraordinary $38 million, and his anteroom was crowded with creditors demanding repayment. The Morgan partners saw a possible repeat of the 1907 panic, with Durant defaults shutting down a string of brokers. In a frenetic, all-night rescue session, the Morgan men bought up Durant's shares at $9.50 per share—a steep discount from the closing price. The du Ponts put up $7 million, and the House of Morgan raised another $20 million to save Durant from margin calls. By dawn, a new company had been formed to buy Durant's stock. Durant's share of the new company was only 40 percent, while the du Ponts held 40 percent, and the Morgan-led bankers took 20 percent as their commission. Pierre du Pont was ready to deal leniently with Durant, but the pitiless Morgan partners insisted that he resign from GM. Overnight, the du Ponts and J. P. Morgan and Company had kidnapped an industrial empire. Two weeks later, Pierre du Pont emerged from retirement to become president of General Motors, a position he held until Alfred P. Sloan, Jr., replaced him three years later.

It was a double coup in Morgan history, for it confirmed the bank's relationship with General Motors and won the loyalty of the du Ponts. As Pierre du Pont wrote to his brother, Irenee, "Throughout the whole transaction the Morgan partners have appeared to the greatest advantage. They threw themselves into the situation wholeheartedly, stating at the start that they asked no compensation. They have acted with remarkable speed and success, the whole deal involving $60 million or more, having planned and practically completed it in less than 4 days."[43]

What about William Crapo Durant? An unreconstructed plunger, he lost half his net worth in the 1929 crash. In later years, he ran a bowling alley in Flint, Michigan. Poor and almost forgotten, he died in New York in 1947.

DURING the 1920s, a cash-rich America embarked on a binge of buying foreign bonds, a new experience for a country that had long relied on European capital markets to finance its own development. The investing fad had begun when the Treasury sold Liberty and Victory bonds in denominations as small as $50, enticing a public new to buying bonds. After the war, the habit of investing persisted. If Americans traditionally put their money into savings banks, insurance policies, and old mattresses, now they bought bonds *en masse*. Brokerage houses encouraged Americans to think of themselves as potential tycoons, global benefactors, embryonic J. P. Morgans.

The big New York City banks scrambled for the new business. National banks were barred from underwriting and distributing securities, but they could bypass such restrictions by creating separate securities subsidiaries. Chase, National City, and Guaranty Trust opened such affiliates. They sent out thousands of agents across the country, plying investors with a dizzying array of foreign bonds from Brazil and Peru, Cuba and Chile. At the same time, many American banks invaded overseas markets. Before the 1913 Federal Reserve Act, only state-chartered banks could have overseas branches—one reason why J. P. Morgan and Company had an enormous head start with foreign clients. Now nationally chartered banks could do the same. The glad-handing, fast-talking American banker became a figure of folklore around the world.

In a burst of activity, National City went into Russia (where its branches were confiscated by the Bolsheviks), set up a thriving business in China, and established branches in Buenos Aires and Rio de Janeiro. Where Barings had long been dominant in Argentinean business, it was overtaken in the postwar years by National City, J. P. Morgan and Company, and Kuhn, Loeb. At the same time, the City was paralyzed by the Treasury embargo on foreign loans and lost many long-standing sovereign clients. When Argentina invited Barings to share management of a $40-million loan with J. P. Morgan in 1925, the Treasury embargo forced Barings to pass on the large financing.

Washington watched the investing craze with growing fascination and wondered how to exploit it politically. Even after a Republican president, Ohio newspaper publisher Warren Harding, captured the White House in 1920, his *laissez-faire* ideology didn't stop his administration from trying to mobilize the new Wall Street power. The paradox of the Roaring Twenties was that three free-market Republican administrations would confer new, semiofficial status on foreign lending, assuming the right to veto loans—something no Democratic administration would have dared to do, lest it be accused of socialist tendencies.

The driving force behind the new loan policy was Secretary of Commerce Herbert Hoover. Hoover saw a precedent in Wilson administration policy toward Russian and Chinese lending, where the government had maintained a close eye on the bankers. At a White House conference on May 25, 1921, President Harding told Tom Lamont and other Wall Street bankers that henceforth *all* foreign loans had to be certified by the State, Treasury, and Commerce departments as being in the national interest. The secretaries in question—Charles Evans Hughes, Andrew Mellon, and Hoover—were there to back him up. Morgans had to notify other banks about the arrangement. Afterward, as spokesman for the influential private banks and trust companies, Jack Morgan pledged to Harding that the bankers would "keep the State Department fully informed of any and all negotiations for loans to foreign governments which may be undertaken by them."[44] For a pro-business administration, it was an astounding extension of governmental power. Carter Glass, now a Virginia senator, denounced the violation of bankers' rights.

During the Republican-dominated 1920s, bankers probably attained their peak of influence in American history. It would be the heyday of Morgan power. Yet the bank's relations with the White House were never smooth, however much collusion and back scratching the radical pamphleteers might have discerned. From the outset, Morgan partners thought Harding a simpleton, inadequate to the challenge of postwar reconstruction. Upon Harding, Tom Lamont would later deliver a scathing judgment, seeing him as a "pathetic figure . . . the last man in the world to lead 120 million people from the darkness and confusion of World War I out into the light."[45] Even Jack, who was relieved by the Democratic rout and rushed to offer his services to the president, sniped at Harding as a "wishy-washy" chauvinist who lacked vision.

The disdain for Harding was more than personal, for the White House and the House of Morgan represented quite different factions of the Republican party. By instinct and self-interest, the Morgan bank was liberal and internationalist on global financial issues. It advocated U.S. leadership, close consultation with the Allies, and vigorous lending abroad. On foreign policy issues it felt some kinship with Wilsonian Democrats. With England handicapped in its resumption of foreign lending, J. P. Morgan and Company wanted the United States to inherit British leadership and initiate the rebuilding of Europe. The Harding brand of Republicanism, by contrast, was provincial, protectionist, and wearily contemptuous of European conflicts. These Republicans regarded foreign loans as ways to manipulate foreigners or as wasted welfare payments better spent inside America. Throughout Morgan history, the bank would be strongly drawn to internationalist leaders, not necessarily Republican.

Early in the new administration, the House of Morgan feuded with Harding over some $10 billion that the Allies owed to Washington from wartime loans. (These were the loans extended after the United States entered the war, not those sponsored by J. P. Morgan on Wall Street.) The pro-English House of Morgan argued strenuously to cancel this debt. Jack Morgan said the Allies had sent soldiers against Germany while America was still sending only dollars; decency demanded that the war debt be regarded as a subsidy and not as a loan. For the Harding administration, it was a question of whether Yankees would again be snookered by corrupt, wily Europeans. Collecting war debts was also a way to keep U.S. taxes low. When Lamont went to talk about getting the debt canceled, he found Harding floating in a sea of papers. “Lamont, this job is too much for me,” the president said. “Whatever shall I do with all that pile? Well, I suppose I might as well try to learn something about these debts.”[46]

Lamont’s subsequent meetings weren’t any more encouraging. Charles Evans Hughes, the secretary of state, had unsuccessfuly campaigned for U.S. membership in the League of Nations and felt uncomfortable with the insular debt policy. But he cited the lack of a popular mandate to cancel the debt—the same refrain the House of Morgan would hear for a dozen years to come. Lamont loftily suggested to Hughes that the United States take British Honduras in a swap for a piece of the debt—this was thrown out casually! Lamont found the other cabinet members overjoyed at the prospect of squeezing the debtor nations.

The administration adopted a policy of barring Wall Street loans to any foreign government that had not settled its war debts with the United States. After a sobering encounter with Treasury Secretary Andrew Mellon, Lamont reported in horror to Jack: “He is the watchdog of the Treasury and naturally considers it his duty to see that the Treasury gets every penny out of its debtors . . . he seems to think, too, that if we keep alive all these notes owing to us from dinky little countries all over Europe the fact that we are holding the notes will give us a sort of strangle hold politically.”[47]

This was an extraordinarily shortsighted attitude that would weigh on world finance for a generation. The mountain of debt would retard world trade, undermine political leadership, and poison relations among the Western nations. Faced with Washington’s obstinacy, the House of Morgan and Ben

Strong reluctantly advised their British friends to settle the debt with Washington. After meetings between Mellon and Stanley Baldwin, the chancellor of the Exchequer, the British agreed to make payments stretching over sixty-two years. But they didn't accept the bullying cheerfully. When Prime Minister Bonar Law heard the terms from Stanley Baldwin, he fairly howled with rage. The issue would fester throughout the interwar period, placing Morgans in the cross fire between Washington and Whitehall. At the same time, the failure to cancel Allied debt meant that the House of Morgan had to take a tough line toward German reparations. For if the Germans didn't pay reparations to the Allies, how would the Allies pay Washington? This created a destructive merry-go-round of debt that would spin ever faster until the whole system would break down in the 1930s.

If Washington at first demanded control over foreign lending out of concern for the Allied war debt, it soon grew accustomed to exercising its new power. The arrangement took on an unexpected longevity; the procedure became so entrenched that J. P. Morgan and Company would brief the incoming Coolidge and Hoover administrations on how it worked. Later, in remarkable testimony to government-banker ties in the Diplomatic Age, Tom Lamont would state categorically that no sizable loan of the 1920s was made without Washington's tacit approval. The line between politics and finance blurred, then disappeared. The cognoscenti who interpreted Morgan actions as a mirror of official policy were seldom far off the mark.

If this arrangement later collapsed in recriminations, it started in a spirit of mutual convenience. Hiding behind Wall Street banks, the government could disclaim responsibility when countries were approved or rejected for loans. The banks, in turn, saw it as a security treaty, committing the government to protecting loans made under its aegis. It also provided the banks with government intelligence about debtor states. As the United States became a creditor nation, Wall Street confronted that ageless problem of how to enforce payment from sovereign states. Washington seemed to be the answer.

With the Harding review process came a notion—never explicitly stated, but always there—that a government safety net was in place, which would catch investors who fell off the high wire. As Lamont said, the government's stamp of approval "led many American investors into big foreign issues under the impression, whether so stated or not, that the Government had approved the issue or it could not have been made."[48] The arrangement encouraged a lot of wishful thinking and spared bankers unpleasant thoughts about what might happen in the case of default. There was an unspoken invitation to dispense with close examination of debtor nations. In the 1920s, Wall Street operated under an assumption of government protection, a notion that would prove illusory. But while it lasted, it created a mood of intoxication such as the Street had never known before and helped to trigger a decade of dreams that ended in the 1929 crash.

CHAPTER TWELVE
ODYSSEY

NOTHING better symbolized the House of Morgan's postwar supremacy or its fusion with American policy in the Diplomatic Age than its new prominence in the Far East. At first, the bank had entered Asia at the government's behest, reluctantly joining the China consortium. Then William Jennings Bryan had condemned such foreign "meddling," and the group was disbanded. But the world war, by strengthening America and weakening Europe in the Pacific, tempted Secretary of State Robert Lansing with new regions. In 1919, rebuffed by his own Treasury Department, he resurrected the China group of private bankers instead. Jack Morgan remarked, "But Mr. Lansing, Mr. Bryan asked us to desist." Lansing, shamefaced, conceded the striking policy reversal.[1]

For this second China consortium, Tom Lamont played the exasperating chairman's role that previously had fallen to Harry Davison. In December 1919, Lamont visited the White House for his marching orders and found his idol, Woodrow Wilson, confined to a wheelchair. In a moving farewell, the president was rolled into the sunshine of a wide bay window. Calm and pensive, even joking about his disability, he hoped Lamont could reconcile differences between the two rival governments struggling to control China. Ever since the 1911 revolution, power had been divided between an official government in Peking and a nationalist one in Canton, with warlords ruling over Manchuria. From a banker's standpoint, this divided China was no less risky than the Manchu dynasty, for there still existed no ultimate guarantor of debt, no government bedrock on which to base loans.

In 1920, Lamont went on a mission to the Far East to see whether the time was ripe for Chinese loans. Coolly watchful, he moved through a China convulsed by strikes and student riots prompted by aggressive Japanese moves in Manchuria. The students were outraged by the Treaty of Versailles, which seemed to ratify Japan's seizure of German possessions in China during the war. Lamont was caught up in the Sino-Japanese rivalry. With diplomatic tact and evenhandedness, he included a side trip to Tokyo on his itinerary. During this 1920 trip, Lamont moved about with royal pomp and a touch of splendor, borrowing a leaf from Pierpont's book. Each morning in Peking, he received local merchants, who brought to his hotel camel caravans laden with costly wares—furs, rugs, silk, jade, and porcelain.

Lamont was pursued by more than just vendors. The Japanese set spies on his trail—such shameless eavesdroppers that they booked rooms on both sides of his hotel room. The insouciant Lamont kept a single item at his side—the code book for deciphering Morgan cables. His secretary lacked such sang froid. Lamont later wrote, "Although I thought it unnecessary precaution, my secretary always took [the code book] to bed with him and insisted upon sleeping with a loaded revolver under his pillow."[2] Afterward, reading a cable on a train, Lamont found a Japanese spy craning to steal a peek over his shoulder. He put the man out of his misery by offhandedly handing him the message.

News reports of Lamont's visit stirred nationalist fears that foreign bankers would try to impose a new financial protectorate over China. His arrival was protested by student demonstrations, which he thought were instigated by the Japanese. He liked to tell of how he had pacified a mob of students in Shanghai. If perhaps slightly embellished, the story testifies to Lamont's belief in reason and refinement as all-purpose weapons:

> One mid-afternoon in Shanghai I was told that a group of a couple of hundred of the Chinese student body were waiting in front of my hotel in order to show their disapproval of the Consortium by stoning me. I sent out word suggesting that the leaders come in for a cup of tea, and talk it all over. A dozen of them turned up at first in rather an ugly mood. But the tea was soothing and as soon as I was able to explain the facts about the Consortium, that it was designed to free China from the worst of her financial difficulties and help put some of her state enterprises on their feet, they readily understood and agreed to cooperate.[3]

Did Lamont believe tea-time chatter had changed the students' minds? Probably not. Yet the story suggests his constant advantage in confrontations. He always sounded so friendly and reasonable that he disarmed his most vocal critics. Nobody could bait him, shake his poise, or make him surrender that casual but impenetrable self-control.

Lamont never warmed to the Chinese and often spoke of them disparagingly. Contrary to his usual reticence in such matters, he retailed stories of Chinese corruption and intolerance. In Shanghai, he wanted to see Dr. Sun Yat-sen, head of the nationalist government in southern China. Because the Chinese leader feared a terrorist attack if he went to Lamont's hotel, Lamont visited him, under a heavy police escort. He saw nothing venerable about Dr. Sun, who had once attended school in Hawaii and had once been an omnivorous reader at the British Museum Library. Repeating Wilson's question of whether peace could be achieved between the two Chinas, Lamont was shocked by the reply. "Peace between the South and North?" Sun echoed. "Why, yes. Just you give me $25 million, Mr. Lamont, and I'll equip a couple of army corps. Then we'll have peace in short order."[4] Lamont was equally disenchanted by his contacts with the Peking government. Over tea, President Hsu suggested that if a government loan fell through, he might be in the market for a $5-million loan for himself.

Reporting back to the American group, Lamont recommended that no Chinese loans be made until north and south were unified, with a parliament that could take responsibility for a loan. It was the same problem faced by the first bankers' consortium—an unstable polity. China never met the group's conditions. By 1922, Lamont was asking Secretary of State Hughes whether the China consortium should be disbanded. An ersatz diplomat, Lamont wished to persevere less for reasons of profit than for reasons of state. But the question was moot: the China group had been stillborn. This didn't upset the House of Morgan, for Japan would be its most profitable customer in the Far East and China only an annoying factor in that relationship. Before long, Morgan involvement in Japan would be so deep as to deprive Tom Lamont of any incentive to renew his Chinese initiatives.

IN contrast with his tumultuous journey through China, the Japanese leg of his 1920 journey was far more congenial, the start of a lasting friendship. Japan was already known as the England of Asia—the highest possible recommendation for a Morgan partner—and with Japan and America ascendant in the Pacific, the time had come for closer financial relations. Like the United States, Japan had prospered during the war by selling ships and supplies to the Allies. Its gold reserves had grown a hundredfold—a war chest likely to impress any banker. And where the United States was already Japan's best customer, Japan was now the fourth best market for U.S. exports.

The political context, too, was auspicious: the Japan that Lamont encountered contained liberal elements eager to cultivate Western bankers and open the country to new influences. For the moment, enlightened aristocrats held the upper hand over militarists, and the cultural mood favored tolerance, openness, even a touch of bohemianism. The Japanese economy was dominated by *zaibatsu*—combination trading houses and industrial conglomerates formed around core banks—and they were fast expanding overseas. So as Britain weakened its long-standing alliance with Japan, Washington moved to fill the vacuum.

Tom Lamont and his wife, Florence, were greeted by Japan's elite: the merchant emperors of the houses of Mitsui and Mitsubishi. Cultured and patrician, these families possessed a natural appeal for someone as ceremonious and attentive to style as Lamont. A friend later remarked that Tom "simply outsmiled the Japanese."[5] Eager to meet Wall Street's newest ambassador, the Japanese business leaders entertained him as a visiting monarch. He marveled at how they produced No dancers at a moment's notice or "bevies of graceful, dancing geisha girls."[6] Florence was taken on a private tour of the twenty-five-acre central Tokyo estate of Baron and Baroness Iwasaki, a maze of lakes, gardens, and secluded courtyards. The Iwasakis were probably Japan's richest family and the founders of the Mitsubishi conglomerate, which owned Japan's largest steamship line.

The power of the House of Morgan in the 1920s owed much to its intimacy with the world's major central bankers, its ability to provide private channels of communication among them. Lamont conferred about the China consortium with Junnosuke Inouye, governor of the Bank of Japan, a gravely erect man with round, black-rimmed glasses and a solemn mien. The towering figure of his generation in Japanese finance, Inouye had served as president of the Yokohama Specie Bank, whose Wall Street office was fiscal agent for the Japanese government. He would twice be governor of the Bank of Japan and three times minister of finance. Like Ben Strong in America, Montagu Norman in England, and, later, Hjalmar Schact in Germany, Inouye made his nation's cental bank a strong, independent voice in the country's affairs. Like so many Lamont meetings, this one was providential. For Wall Streeters eager to believe that justice and decency would prevail over militarism in Japan, Inouye was heaven-sent. He was an apostle of sound currencies and balanced budgets and remained a steadfast, courageous opponent of the militarists.

Lamont established another fateful friendship, with the head of the Mitsui conglomerate, Baron Takuma Dan, a slight, fragile man, with a gentle manner and distinguished gray hair and mustache. His nickname was the Morgan of Japan. Fluent in English, with a mining degree from MIT, he was no less international and cosmopolitan than Tom Lamont. As managing director of the Mitsui conglomerate and chairman of the Mitsui bank, he controlled an empire that extended into every branch of the Japanese economy. It controlled a third of Japanese overseas trade—25 percent of the silk trade, 40 percent of coal exports—and managed a shipping fleet the size of the French merchant marine.

The Mitsui group made the Morgans seem like yesterday's upstarts. For nine consecutive generations, its bank had faced the sacred mountain, Fujisan. The House of Mitsui had become financial agents of the shogunate in the seventeenth century and bankers to the imperial house by 1867. It provided a convenient overseas network for the Japanese government, having more agencies abroad than the government had embassies. At the Mitsui compound in central Tokyo—a fortresslike structure with a huge gate and stone wall bristling with bamboo spikes—Baron Dan entertained Lamont with the same magnificence he later displayed to the Prince of Wales. He showed his guest Gobelin tapestries in his grand salon. Then they strolled by lotus ponds and under pine trees festooned with thousands of paper lanterns. The following year, to promote closer American ties, Dan led a Japanese delegation to Wall Street and dined with the Lamonts at their East Seventieth Street townhouse.

Lamont's success on his 1920 trip bore fruit with amazing speed. On September 1, 1923, an earthquake erupted in the Tokyo-Yokohama vicinity. It was a hot, windy day, and fires fanned over both cities, causing unspeakable damage. It was the century's worst earthquake, and over a hundred thousand people died. More than half of Tokyo and Yokohama was reduced to ashes. The property damage alone wiped out 2 percent of Japan's wealth.

When the news was learned at 23 Wall, Morgan publicity chief Martin Egan paid a condolence call at the Wall Street office of the Yokohama Specie Bank. Dwight Morrow became chairman of the Red Cross Japan Fund, and the Corner was converted into the New York headquarters for relief work. Rumors circulated that Japan planned to float its first bond issue in America since the Russo-Japanese War. Lamont wrote to Inouye, who was now the finance minister, and advised against such an issue. Lamont realized that candor more than greed would pay off in this situation. In his cable he said, "People who are contributing millions of dollars out of pocket for suffering and disaster are a little chary at the same moment of buying bonds for the people whom they are trying to assist."[7]

By late 1923, the Japanese, with their exceptional resilience, had restored Tokyo's electric lights, gas service, and water supply. The Tokyo Stock Exchange was back in service in under three months. The mass destruction had one beneficial side effect: it forced Japan to scrap many old factories and modernize its industrial plants. By declaring a bank holiday that saved many financial institutions, Inouye attained heroic stature in Japan. And when the House of Mitsui rebuilt its bank, the building's white marble facade was designed by Trowbridge and Livingston, the architects of 23 Wall Street. Some saw the House of Mitsui paying tacit homage to the House of Morgan and honoring their new ties.

Once the calamitous mood disappeared, Lamont set about to win the Japanese government as an exclusive Morgan client. The Japanese had found Pierpont rather rough and abrasive—he had offended them by demanding collateral on loans—and preferred doing business with Jacob Schiff of Kuhn, Loeb. For aid provided during the Russo-Japanese War, Schiff was decorated by the mikado with the Order of the Sacred Treasure. On Wall Street in the 1920s, it was a delicate affair to steal away valued business while adhering to the Gentleman Banker's Code. So with guile and subtlety, Lamont had to coach Inouye's emissary, Tat-sumi, on Wall Street etiquette. Slyly, he put words in his mouth, tutoring him in the preferred style for an amicable breach. Afterward, Lamont explained how he primed his target:

However as to the handling of any loan we have told Tatsumi frankly that it appeared to us there were only 2 courses for him to adopt. First to go to Kuhn, Loeb & Co. and state to them that because of the relations existing during the loan operation of the Russian War 20 years ago they desire them now to undertake the projected operation; or second as a complete alternative to go to them and say that because of the national crisis confronting their country; because of the grave necessity they felt themselves under for securing co-operation throughout the entire American investment public; because too of the importance for careful co-operation between the New York and London markets they had determined to invite us to make the lead in the projected operation and expected their friends Kuhn, Loeb & Co. to tell them this course was the wise one.[8]

Kuhn, Loeb was now too small to handle the projected $150-million earthquake loan, which would be the largest long-term foreign loan ever placed in the American market. The firm was also still suffering from the damage done to its standing on account of its supposed German sympathies in the war. When the issue appeared in February 1924, J. P. Morgan and Company brought in its old allies, National City and First National, as syndicate managers. To soothe ruffled feelings, they included Kuhn, Loeb. Whatever the private gloating at Morgans, the firm outwardly respected propriety. There was a twin loan of £25 million in London, and Barings, Schroders, and Rothschilds now had to include Morgan Grenfell in their Japanese financing.

The American loan had a concealed agenda. On two occasions, Lamont had talked with Secretary of State Hughes, who said he would be gratified "to have the Japanese people have clear evidence of the friendly feeling on the part of the two great English speaking nations toward Japan and the Japanese."[9] Once again, Wall Street financing was the visible face of a shift in government policy.

One problem inherent in employing bankers as *de facto* ambassadors was that they might transfer their allegiance to foreign powers. After all, private bankers were schooled in a tradition of absolute loyalty to their clients. A Tom Lamont would feel no less responsible to Japanese bondholders than a Pierpont Morgan would to railroad bondholders. So the House of Morgan believed it had a stake in Japanese success and prosperity and felt obliged to perform political favors for its important new client. Even as the Morgan bank sponsored the big earthquake loan, partners were embroiled in a political controversy on behalf of the Japanese. They protested the Japanese Exclusion Act, which was designed to check Japanese immigration and had a racist tinge. And they complained to the White House about American fleet maneuvers around Hawaii, which were troubling the Japanese. Tokyo and 23 Wall now played a game of mutual adulation. By 1927, the emperor of Japan would invest Jack Morgan with the Order of the Sacred Treasure and Lamont with the Order of the Rising Sun; in 1931, Russell Leffingwell would receive the Second Class Order of the Sacred Treasure. These were rare honors for American bankers.

The tendency to switch loyalties to foreign clients and acquire a strong interest in their survival would have profound consequences for the House of Morgan. For by the mid-1920s, Lamont had recruited three new clients—Japan, Germany, and Italy—whose course would sharply clash with America's. It was strictly by chance that the bank became involved with three future enemies. But over time, these business conquests would create an extraordinary situation in which the true-blue banker of the Allies ended up in the precarious position of banker to the future Axis powers.

IN the new vogue for foreign securities, the major area of attention was Latin America. Bond peddlers from Wall Street banks badgered small investors into buying bonds issued in places they could scarcely pronounce. Few knew the checkered history of Latin American lending or that as early as 1825 nearly every borrower in Latin America had defaulted on interest payments. In the nineteenth century, South America was already known for wild borrowing sprees, followed by waves of default. Now too many bankers again chased too few good deals, and credit standards eroded accordingly. In describing the 1920s, Otto Kahn later said, "A dozen American bankers sat in a half a dozen South and Central American States . . . one outbidding the other foolishly, recklessly, to the detriment of the public."[10] The default of Latin debt in the 1930s would profoundly shake America's faith in Wall Street.

Latin American loans had always been risky because of the region's dependence on fluctuating commodity prices. A dip in copper prices instantly hurt Chile, while lower tin prices could cripple Bolivia. When the price of sugar collapsed in 1920-21, the Cuban economy plunged with it. Faced with many business failures, National City Bank—which held 90 percent of Cuba's deposits and served as the country's national bank—foreclosed on properties and ended up owning a fifth of the island's sugar mills. The Guaranty Trust was also heavily invested in Cuban sugar and had to be rescued by a Morgan-led group of bankers in May 1921. William C. Potter, a manager of the Guggenheims' smelting trust, was brought in as a caretaker executive and loan liquidator for the bank; George Whitney and other Morgan partners went on its board. Devastated by the experience, Guaranty Trust would deteriorate into such a sleepy, stodgy, risk-fearing institution that by 1959 it would be ripe for merger with the far smaller J. P. Morgan and Company.

As the prestige bank of Wall Street, the House of Morgan didn't need to coerce Main Street investors into buying Latin American bonds. It preferred European industrial states, Commonwealth countries (Canada and Australia), and developed states on the periphery (Japan and South Africa) although it had long shared business in Argentina with Barings. This was the privilege of success: the bank could choose the soundest foreign borrowers, lending its imprimatur only to those countries that probably didn't need it. The only poor country the bank dealt with was Mexico, which had gone from the model Latin American debtor in Pierpont's day to the *bête noire* of global bankers. During the prolonged turmoil of the Mexican Revolution, it had repudiated over $500 million in government and railway debt, an unusual loss of principal on Morgan-sponsored foreign bonds. Adding to the bank's indignation was the fact that the defaulted debt included Pierpont's sacred loan of 1899—the first foreign issue ever floated in London by an American banking house.

Before examining the Mexican debt morass, it is important to note some differences between Latin American debt then and now. During the interwar years, the debt was package'd as bonds and sold to small investors; in our own day, the debt would take the form of bank credits, meaning that the public is not directly at risk. During the 1920s, banks negotiated with Latin American debtors, not on their own account, but as "moral trustees" for small bondholders. Such was the nature of Morgan involvement in Mexico, with Tom Lamont serving as chairman of the International Committee of Bankers on Mexico—the splendidly initialed ICBM. Formed in 1918 with the approval of the State Department and the British Foreign Office, the ICBM negotiated for two hundred thousand small bondholders. In the nineteenth century, Mexican debt talks had been handled by Barings. But citing the Monroe Doctrine, the State Department demanded that the United States have the controlling hand on the committee. With over $1 billion invested in Mexico, the United States behaved like a jealous landlord. Mexico was a resource-rich country that always held out a seductive promise of prosperity, which it never quite fulfilled. And it had a weak political system, always making debt repayment problematic.

Lamont spent so much time wrestling with Mexican debt that a slightly paternal tone crept into his comments, as if Mexico were the backward child of the Morgan brood. Writing a birthday greeting to his son, Corliss, in 1923, he grew mawkish: "Much of my life for 2 years past has been devoted to help poor Mexico to her feet. . . . The accomplishment of that task is one of my daily prayers."[11] Lamont claimed that Mexico was the first thing to occupy him each morning, and he often talked about the widows and orphans who had waited years without receiving interest on their bonds. The Mexican debt crisis demanded saintly patience and something of a romantic's penchant for lost causes. Lamont was ideally suited for the task.

In working with Japan, Lamont had some room in which to maneuver. This wasn't the case with Mexico, where he had close State Department supervision. When it came to Third World countries, Washington more openly exploited American financial power. Secretary of State Hughes opposed diplomatic recognition of Mexico, which had continually threatened powerful U.S. interests there. In 1917, under leftist president Venustiano Carranza, Mexico had enacted a radical constitution, which asserted Mexican ownership of subsoil minerals—a measure denounced as nationalization by American oilmen, who wanted to send in gunboats to repeal it. After Pancho Villa's troops looted his huge cattle ranch in Mexico, William Randolph Hearst began to editorialize in favor of a Mexican invasion in 1916. Hughes was also bothered by Mexico's default on foreign debt and its confiscation of American-owned lands. Until these demands were met, Hughes demanded a credit quarantine around Mexico. The House of Morgan was his main instrument for enforcing it.

Like the China consortium meetings, the ICBM meetings were held at 23 Wall Street. It was the same act of ventriloquism: the State Department talked, and Tom Lamont moved his lips. The Mexicans preferred this charade, for it enabled them to bargain with Washington while being spared the public stigma of negotiating with *a gringo* government. Private banks such as Morgans were perfect channels for frank exchanges between Washington and foreign governments.

But while Lamont was rapturously fascinated by Japan, he knew virtually nothing of Mexico, which was thought too wild for tourism. Hence, Lamont acted as proxy for two hundred thousand bondholders whom he never saw, negotiating with a country he never visited. He became a familiar figure in the Mexican press, the personification of American finance. Interviewing him in 1921, a Mexico City correspondent wrote: "He is not the man behind the throne, he is the man on the throne. He is the most clever, the most listened to, the most powerful of the partners of Morgan."[12]

In 1920, after counterrevolutionaries murdered Carranza, General Álvaro Obregón rose to power. To win recognition from Washington, he embarked on a conciliatory strategy, courting American businessmen, hiring a Washington lobbyist, and distributing favorable literature in the United States. In 1921, when William Randolph Hearst went to tour his vast Mexican properties—which his father had gotten cheaply from the former dictator, Porflrio Díaz—he found Obregón a pleasant surprise. Afterward, he said his properties had been "in continual trouble and turmoil during the several preceding administrations, but have been in complete peace and security during the administration of President Obregón."[13]

Eager to please American bankers and reestablish Mexican credit, Obregón plied Lamont with invitations to visit Mexico. But Secretary of State Hughes wanted a treaty of friendship and commerce from Obregón and insisted that Lamont stall to increase the pressure. When the bank received alarming reports of rebel troop movements against the president, Lamont told Hughes that if he went to Mexico, it might bolster Obregón's standing. Hughes relented. In October 1921, Lamont boarded the bank's private railroad car, Peacock Point, and headed south.

Obregón, a chick-pea farmer from Sonora, was a crafty politician who knew how to temper reforms with authoritarian toughness. To gain peasant support, he would praise revolutionary ideals while scaling back Carranza's reforms. Lamont found the one-armed general a charming host, friendly, expansive, and not without humor. With Prohibition in the United States, Obregón greeted Lamont and gave a brisk summons for some liquor. "At last, Mr. Lamont, you see you are in a free country," he said. One detail of the visit riveted Lamont's attention. Obregón had placed his desk in the middle of a hardwood floor, so he would be able to hear the squeak of an assassin's footsteps.

During his talks with the Mexican president, Lamont confronted the dilemma that accompanies every global debt crisis: the victim threatens to default unless he receives more money. What leverage do bankers ultimately have over a defaulting country if not the prospect of new loans? As Lamont later reported to Secretary of State Hughes, Obregón "could not see the advantage of the government's attempting to live up to its obligations, even in greatly diminished measure, unless, at the same time, it were assured fresh loans upon a large scale."[15] Lamont was saved from this course by a structural obstacle: the debt was in the form of bonded debt, and capital markets wouldn't swallow more Mexican bonds; so the lending had built-in limits. Lamont told Obregón that no new loans would be granted until the old ones were at least partly honored. The Mexican replied that their debt should be proportionate to their ability to pay—an argument that will sound drearily familiar to bankers of a later day—and wanted a 50-percent reduction in principal.

Lamont began to sense that Obregón had a secret agenda. By holding back customs revenues pledged to the defaulted bonds, Mexico drove down the bonds' market price. This was convenient, since the government could then use those revenues to buy back depreciated bonds in the marketplace. Lamont thought this a betrayal of bondholders' trust. At this point, he still insisted that the bonds be redeemed at par. He tried to scare Mexico with arguments that default would make it a pariah in the international marketplace, that it would be unable to secure future loans.

When Lamont left Mexico two days ahead of schedule, he had armed guards posted on the rear platform of his train. It turned out he narrowly escaped harm: when he reached San Antonio, Texas, he learned that his originally scheduled train was attacked by bandits, who planned to kidnap him and demand a half million gold pesos in ransom.[16] Back at 23 Wall Street, Lamont received a wire from Jack Morgan expressing disgust with Mexico. Jack thought it a point of family honor to make sure Mexico repaid his father's 1899 loan: "I did not think any Government of modern times would so frankly proclaim its complete dishonesty or its abandonment of all decent finance or morals. Hope you did not have too trying a time, and congratulate you in getting out before they stole your pocketbook or watch."[17] Again Jack personalized bank policy abroad, while Lamont assumed a diplomat's disinterested professionalism and was thus better attuned to the Diplomatic Age.

There is a tendency to portray Wall Street bankers of the period as reactionary ogres. In Latin America, they certainly had a bias toward strong, authoritarian regimes. But the weakness wasn't for totalitarian or *laissez-faire* regimes so much as for stability, whatever its form. Bankers probably had a higher ethical standard than industrialists of the period, as became evident from the contrasting attitudes taken by the House of Morgan and the oil companies in dealing with Mexico.

Throughout the twenties, American oilmen tried to persuade bankers to protest the hated 1917 Mexican constitution. They also bristled at higher Mexican export taxes and a government requirement that they obtain concessions on land they thought they owned. Both J. P. Morgan and Company and Morgan Grenfell had performed underwriting for Standard Oil of New Jersey, and Lamont was badgered by Standard, the Texas Company, and Sinclair Oil to join their campaign against Mexico. By 1921, Mexico was already the world's biggest oil exporter and a high-priority area for American oilmen.

Lamont didn't want to jeopardize his debt negotiations by entering the murky, often violent strife between the oilmen and Mexico. He performed some perfunctory lobbying for them but generally kept his distance. The oilmen weren't squeamish about their tactics and didn't hesitate to trample governments that defied them. After Lamont returned from Mexico in 1921, Walter Teagle, head of Standard Oil, passed along a memo to him from an unnamed Mexican. In a covering note, Teagle said blithely that it "might be of interest to you in a general way."[18]

Preserved in Lamont's files, the memo is shocking, nothing less than a blueprint for bribing the entire Mexican government. It starts out with a nasty portrayal of the Mexican national character: "The Mexican, and particularly the traditional professional politician of Mexico, after four hundred years of training, is actuated by two dominant motives; one, the fear of force—

physical force; the other is the incentive of personal gain. . . . An appeal to patriotism or to idealism is not understood.”

The nameless author goes on to say that the use of force would be too costly, leaving only pecuniary gain as a motivating force in Mexico. He contended that Obregón was an unwilling captive to party radicals and could not satisfy the needs of his greedily ambitious lieutenants. How to free him from their influence? “This force can only be removed from and returned to the President himself by putting him in such a financial position as to give him dominance. Money will change his cabinet, make over his congress, give him domination over his governors and allow him to abrogate or modify present unsatisfactory laws.”

To provide Obregón with the necessary funds-—and this is where the House of Morgan came in—the writer of the memo suggested setting up a Mexican bank that would masquerade as a bank for agricultural development, but would exist to place money at Obregón’s personal disposal. The writer concluded that the money, liberally distributed, would achieve miraculous results: “The undesirable elements in his cabinet would be given a certain sum of money and sent to desirable foreign posts. The obstructive radical elements in his congress could be removed. It would soon be seen that the radical *diputado* would become a staid conservative the moment he came into possession of property. . . . Such a bank might well dominate the financial and economic life of Mexico and the American directors of such an institution might well keep in close touch with Washington.”[19]

Lamont’s file shows no reply or follow-up. Perhaps he responded orally. In all likelihood, he was shocked. He may have regarded silence as the most eloquent expression of scorn, or at least the best way to avoid antagonizing an important client. Lamont was no choirboy in politics, but the House of Morgan shied away from blatant skulduggery. The bank had a strict policy against paying so-called fees or commissions and usually reacted to such requests with frigid New England reserve. The Standard Oil memo provides a benchmark for judging the Morgan bank against the dismal standard of American business conduct in Latin America during the 1920s.

The ensuing Mexican debt talks of the early 1920s can be quickly summarized. There were a few fleeting triumphs, always followed by fresh defaults and despair. Lamont’s ingenuity could never win more than a short reprieve. In 1922, he negotiated an agreement with the Mexican finance minister, de la Huerta, that won Obregón the U.S. recognition he had craved. The agreement called for steep concessions by Lamont, including lower interest payments spread over forty-five years. The deal was suspended by early 1924. Among other factors, Mexico was suffering from declining oil production as oil companies vengefully switched to the politically more pliant Venezuela. Another debt agreement was reached in 1925—the initial payment this time was down to a paltry $10.7 million—but it, too, was soon dead. The bankers who had once boldly insisted on full payment had to settle for ever-smaller fractions of the original loans. When final disposition was made of this Mexican debt later in the decade, Lamont would find himself negotiating not with the Mexicans, but with an unexpectedly resourceful adversary: his own former partner, Dwight W. Morrow, recently appointed ambassador to Mexico.

THE Republican evasion of world responsibility presented new opportunities for the House of Morgan. Glorifying entrepreneurs and scorning politicians, the Harding, Coolidge, and Hoover administrations drafted financiers to represent them at economic conferences. This move reflected a 1920s cult in which businessmen were revered as far-sighted problem solvers who could succeed where politicians failed. The new mood suited Morgan partners Tom Lamont, Dwight Morrow, and Russell Leffingwell, who fancied themselves financial diplomats and sometimes joked about their technical ineptitude in more prosaic forms of banking. During the 1920s, Morgan partners spent enormous time at overseas conferences, serving as a legitimate cover for Republican administrations more global-minded than they cared to admit; thus the bank profited from the isolationism it deplored. This was the same use of private proxies that Washington had employed since the days of the first China consortium.

If private bankers enjoyed new stature, they shared it with central bankers, who assumed new power and autonomy. Beneath the euphoria, the Jazz Age was a despairing time. The populace grew disenchanted with politicians who had led them into war and then squabbled over reparations and postwar security. A clique of western central bankers hoped to transcend this political opportunism and forge a banking elite dedicated to sound economic principles. They espoused free trade and an unrestricted flow of capital, balanced budgets and strong currencies. They saw it as their function to maintain financial standards and prod politicians into painful, necessary reforms.

The American representative of this trend was Benjamin Strong of the New York Federal Reserve Bank. When the Harding and Coolidge administrations disclaimed leadership in postwar European reconstruction, the role devolved upon Strong, who was the Fed’s contact with the central banks of Europe. Strong was solidly in the Morgan mold—a descendant of seventeenth-century Puritans, counting theologians and bank presidents among his ancestors, and the son of a New York Central superintendent. Like his Morgan friends, Strong matched conservative domestic views with a cosmopolitan receptivity to European thought—so much so that Hoover later chided him as a “mental annex of Europe.” Hobbled by a regulation that he couldn’t lend directly to foreign governments, Strong needed a private bank as his funding vehicle. He turned to the House of Morgan, which benefited incalculably from his patronage. In fact, the Morgan-Strong friendship would mock any notion of the new Federal Reserve System as a curb on private banking power. In the 1920s, real power in the system resided at the New York Fed’s new Florentine palazzo on Liberty Street.

Strong was capable of great warmth and sudden anger. Unlike the smooth Morgan partners, he was a moody and troubled man. He was divorced by his second wife and in 1916 contracted tuberculosis, which would keep him from the bank for several months each year. Perhaps in reaction to his personal disappointments, he became passionately devoted to the Fed. He tried to endow it with the Bank of England’s austere, unassailable dignity. A giant presence in American finance, Strong tutored the still green Federal Reserve governors in the art of central banking.

Ben Strong participated in postwar European reconstruction and currency stabilization with his British counterpart, Montagu Norman, governor of the Bank of England after 1920. In Monty, he found a dear friend and alter ego. The divorced Strong and the bachelor Norman plunged into a relationship of such secret intimacy and convoluted intrigue as to arouse fears in both their governments. Taking long vacations together in Bar Harbor, Maine, and southern France, they fortified each other’s distrust of politicians. They shared faith in the gold standard and hoped to create autonomous central banks that could conduct global monetary policy free of political tampering. To their two-man cabal, Strong brought the unmatched financial power of Wall Street, while Norman lent British knowledge and professionalism ripened over many generations. The postwar pound was simply too weak for Norman to conduct unilateral financial diplomacy. After the Treasury embargoed foreign loans to shore up the pound, diverting foreign borrowers to New York, Norman desperately needed a Wall Street link to offset the City’s weakness. He found it in Ben Strong and the House of Morgan.

For twenty-four years, Monty Norman reigned mysteriously in his mahogany office at the Bank of England. He had been perfectly bred for the job. One of his grandfathers was a long-time bank director, and the other was a governor of the bank. He himself came to the bank via the Anglo-American merchant bank of Brown Shipley and Company (Brown Brothers in New York). Many labels have been applied to Norman—madman, genius, hypochondriac, megalomaniac, conspirator, eccentric, visionary—all of which were true. One banker said he resembled “a painting by Van Dyck—tall, pointed goatee, great hat, like a courtier of the Stuarts.”[20] He had a wizard’s face—sharp and chiseled, with pointed nose and beard. Despite—or perhaps to counter—rumors of Sephardic Jewish blood, he was viciously anti-Semitic.

As he moved about in funereal black beneath a wide-brimmed hat, he retained a touch of Oriental splendor in the emerald that adorned his tie. Sensitive and high-strung, he often suffered breakdowns or lumbago attacks during currency crises. A suppressed hysteric, he would erupt in tantrums that terrified bank employees and made his rule absolute. His thin smile rarely opened into laughter, as if that might shatter his mystique. A proud *prima donna*, he would say he felt "faint" for "want of food" if he didn't eat every two hours.

One of Norman's biographers describes him as giving "the appearance . . . of being engaged in a perpetual conspiracy."[21] This conformed to his sense of central banking, which he approached as a priestly mystery, a rite best conducted in deep shadows. "The Bank of England is my sole mistress," he said; "I think only of her, and I've dedicated my life to her."[22] For Norman, the central banker was answerable only to higher principles, not to any elected representatives. When challenged, he often cited a favorite Arab proverb: "The dogs may bark, but the caravan moves on."[23] He received visitors alone, as if his office were a confessional, and he was privy to the inner thoughts of powerful men. Years later, Franklin Roosevelt unnerved him and stripped him of his wizard's magic by insisting that others be present at their White House meeting. It was Norman who incarnated Washington fears that British financiers were a sophisticated and treacherous lot who gulled innocent Americans.

Monty Norman was a natural denizen of the secretive Morgan world. Among old friends, he counted his former classmate Teddy Grenfell and Vivian Hugh Smith of Morgan Grenfell. Brooding and melancholy, he liked Grenfell's prankish wit, while he was dedicated to Smith for having helped him to overcome doubts about becoming a director of the Bank of England in 1907. Bucking him up, Smith had written, "Of course you will accept and, when you are on the Court, remember that you are as good as they are."[24] As a solitary bachelor, Norman created a mysterious circle of married female confidantes, including Smith's wife, Lady Sibyl, the beautiful society suffragette. A follower of theosophy and faith healing, she appealed to Norman's kooky side. "Through her influence," says a Norman biographer, "he widened his interest in the esoteric and the occult; for Sybil was emphatic about the crucial importance of religion to a spirit as easily bruised as his."[25] Lady Sybil would disappear for long, platonic weekends with Monty, who became a godfather to the Smith children. Thus, by happenstance, Morgan Grenfell was extremely close to the most influential central banker of the interwar years.

The House of Morgan formed an indispensable part of Norman's strategy for reordering European economies. America had the means to accomplish the task but was still ambivalent about exercising power in Europe. Even among Morgan partners, there was a reservoir of doubt. Russell Leffingwell, a former Treasury official who became a Morgan partner in 1923, told Basil Blackett of the British Treasury, “We feel that we got you out of a pretty pickle [during the war] but we rather think that it is time you were looking out for yourselves. We have never had any taste for world finance and our brief experience has not developed it. We like you and want to see you prosperous and happy and peaceful but we don’t like the game you play nor the way you play it and don’t want to be forced to sit in it.”[26] Norman loved the game. Imperial to the core, he wanted to preserve London as a financial center and the bank as arbiter of the world monetary system. Aided by the House of Morgan, he would manage to exercise a power in the 1920s that far outstripped the meager capital at his disposal.

Norman thought in large, geopolitical terms. He saw the rehabilitation of central Europe as a precondition for restoring prosperity and political order and exempted reconstruction loans from the foreign loan embargo. Through his leadership, Morgans first became involved in Austria. In late 1921, the British sounded out Jack about an Austrian loan, saying its government would furnish Gobelin tapestries as collateral. The next year, Austria’s finance minister, Dr. Kienbock, pleaded with Dean Jay of Morgan, Harjes in Paris (now in plush headquarters on the place Vendôme) for a loan. Kienbock cited famine, misery, and a worthless Austrian schilling. He again asked for a loan backed by tapestries and other *objets d’art*.[27] At first, the House of Morgan frowned on this unorthodox request, afraid it would create a “pawn-broking impression”[28]—even beggars had to come suitably attired to Morgans. Lamont—now known as the Morgan empire’s secretary of state—wondered whether another bank should undertake the loan. He feared that as former banker to the Allies and fiscal agent for England and France, J. P. Morgan and Company was a poor choice and might even engender hostility in Austria.

The Austrian loan was worked out under the auspices of the League of Nations, which aided Monty Norman’s grand design of reconstruction. Impressively wrapped, it was payable in gold coin and backed by Austria’s customs and tobacco monopoly. It was issued simultaneously in several capitals. The $25-million New York portion was co-managed by J. P. Morgan and Company and Kuhn, Loeb. In retrospect, the League of Nations cachet perhaps gave a specious air of security to a risky venture.

Austria led to Germany. By early 1922, Germany was already pleading for relief from onerous reparations payments. The British sympathized, but France kept up its grudge, citing extensive war damage on its soil. (The extraordinary Anne Morgan was gathering hundreds of American women to rebuild French villages and raise money for schools, hospitals, and libraries.

As a fund-raiser, her American Friends for Devastated France co-sponsored the July 1921 championship fight between Jack Dempsey and Georges Carpentier.) In the most potent form of default imaginable, the Germans expanded their money supply, ran large budget deficits, and depreciated the mark. This had the fatal side effect of unleashing hyperinflation. The Allies felt betrayed as German monetary policy undermined reparations payments. In January 1923, French and Belgian troops occupied the Ruhr. Irate troops ripped German bank notes from the hands of manufacturers and seized the customs machinery.

Monty Norman warned Ben Strong that occupied German soil was the "black spot" of the world and could ignite another war. Germany remained England's main trading partner, and Norman saw its revival as the crux of his master scheme for European prosperity. He was also personally attached to Germany, where he had studied music. Washington similarly placed a high priority on German revival. America had ended the war with vastly expanded factory capacity and needed export markets to absorb its surplus. American corporations were also eager to acquire advanced German technology.

The result was a massive Anglo-American commitment to keeping Germany afloat, with the House of Morgan assigned a central role. As Lamont later wrote, "The British and ourselves regarded Germany as the economic hub of the European universe. We feared that unless Germany were rebuilt and prospered all the surrounding countries of the Continent would likewise languish."[29] Bankers of an earlier generation would probably never have fretted in this way about the fate of the Western world or thought in such explicitly political terms.

The new demands of the Diplomatic Age were graphically seen in Jack Morgan's *volte-face* on Germany. In 1922, Secretary of State Hughes and Commerce Secretary Herbert Hoover asked Jack to participate—allegedly as a "private citizen"—in a global bankers' committee in Paris, which was considering an international loan to Germany. Jack, implacable toward Germany, had sworn after the war that the United States should never trade with that country. He and Blumenthal were then winding up their spying forays against German-Jewish bankers on Wall Street. So Jack's acceptance of Hughes's suggestion must have been disorienting, especially given the outpouring of publicity he received in Paris. The *New York Herald* reported, "Paris dispatches tell us that J.P. Morgan's presence at the international bankers' conference is attracting more attention than has been devoted to any American since President Wilson arrived in the French capital for the Versailles conference. . . . He is a symbol of the tremendous American power that may be used for the rehabilitation of Europe."[30] Jack handled himself ably and raised valid reservations about a German loan but was obliged to suppress his more extreme private opinions of Germany.

From now on, Jack would be the sober financial statesman in public, the confirmed foe of Germany in private. After the Ruhr occupation, he fired off a letter to Hughes condemning it. In eloquent terms, he told Clarence Barron that the Allies shouldn't strip Germany of hope by confiscating all its earnings through reparations. Yet his *personal* correspondence reveals the old demonology of the Hun. To Grenfell, he wrote, "I must say that it begins to look to me as though France is really talking to Germany in the only language that the Germans understand." Of Germany's state of mind, he added, "it calls for the whip and not for conversations."[31]

Meanwhile, German inflation worsened. The government was printing so much money that newspaper presses were commandeered. Thirty paper mills worked around the clock to satisfy the need for bank notes. Prices soared so fast that wives would meet their husbands at factory gates, collect their wages, and then rush off to shop before the next round of price increases. In January 1922, about two hundred marks equaled one dollar. By November 1923, it took over four *billion* marks to buy a dollar. A stamp on a letter to America cost a billion marks. At the end, in a final absurdity, prices doubled hourly.

To restore Germany, a new conference was summoned in early 1924. Again the House of Morgan represented the Coolidge administration, which kept up a bogus air of indifference. In fact, Charles Evans Hughes was very disturbed by reports of starving children and mounting extremism in Germany. As the "private" American representatives to the conference, Hughes chose two people close to J. P. Morgan and Company—Owen Young, chairman of General Electric, and General Charles Gates Dawes, the lone Chicago banker to join the Anglo-French loan of 1915. The German problem was so fraught with risk that upon departing for Europe, Dawes joked, "Oh, well, somebody has to take the garbage or the garlands."[32] The fiction was maintained that these businessmen were just plain private citizens.

This conference generated the Dawes Plan to settle Germany's problems. It was full of financial ingenuity and political hazard. It scaled back reparations and tied them to Germany's capacity to pay. It also stipulated that the Allies would select an agent general to preside over Germany's economy and reparations transfers. This effectively placed Germany in international receivership. (And many reparation payments were funneled through the Morgan bank.) Germany was mortgaged to the Allies, with its railways and central bank subjected to foreign control, a situation that would provide a propaganda bonanza for the Nazis.

Aside from a stipulation ensuring that it would get back the Ruhr, what reconciled Germany to the Dawes Plan was the prospect of a giant loan floated in New York and Europe. Reparations would largely be paid with borrowed money. With Germany now a financial outcast, bankers everywhere were dubious about the loan's chances. Montagu Norman mused, "It can only be accomplished, if at all, through the Bank of England and in New York through J.P.M. &. Co."[33] Once again, the State Department was a guiding, if unseen, presence. Hughes told the House of Morgan that it would be a "disaster" and "most unfortunate" if the Dawes Plan miscarried for lack of American participation. Such official wishes were never lightly ignored.

To help along the prospective German loan, Monty Norman arranged a mid-1924 meeting at the Bank of England between Jack Morgan, Tom Lamont, and the new Reichsbank president, Dr. Hjalmar Horace Greeley Schacht (whose father had once worked in a New York brewery and been an admirer of publisher Horace Greeley). To stop the ruinous inflation, Dr. Schacht abolished the old mark and issued a new renten-mark, making him an instant hero in the banking world and winning him the Reichsbank post. On New Year's Eve of 1924, he arrived in London for Bank of England talks. As he disembarked from the train at Liverpool Street Station, he later recalled, "I was not a little surprised to see . . . a tall man with a pointed grayish beard and shrewd, discerning eyes, who introduced himself as Montagu Norman, governor of the Bank of England."[34] This began another of Norman's close, mysterious friendships.

In our narrative, we shall see Schacht playing many different roles-—evil genius of Nazi finance, daring plotter against Hitler, boisterously self-righteous defendant at Nuremberg—but we first encounter him at a moment of glory. Under Schacht, the Reichsbank was freed from government control, extending Norman's dream of banker autonomy in Europe. A brilliant, narcissistic windbag prone to extravagant metaphors and bombast, Schacht assured Morgan and Lamont that the Dawes loan would be repaid. He obsequiously remarked that the American offering "would fail completely if it lacked the prestige and moral endorsement of the Morgan bank."[35] For J. P. Morgan and Company, it was critical that the loan take priority over other claims on Germany. The bank had no outstanding German loans and was only being drawn in under political pressure by Britain and France—a fact that would be loudly repeated when the loan defaulted in the 1930s. Then, in a very different political environment, Lamont would bitterly remind Schacht of his unctuous pledges.

To give the loan international seasoning, half the issue appeared in New York and the other half in London and other European capitals. The $110-million New York portion was enthusiastically received and oversubscribed. By seeming to settle the German question, the loan lifted a weight from financial markets. It electrified Wall Street and spurred foreign lending to

Latin America and elsewhere. For Weimar Germany, it was a turning point. It became the decade's largest sovereign borrower. American capital and companies poured in: Ford, General Motors, E. I. Du Pont, General Electric, Standard Oil of New Jersey, and Dow Chemical. Unemployment plunged and Germany's economic slide was reversed into a five-year upturn. This revival would provide Adolf Hitler with a splendid industrial machine and the money to finance massive rearmament. In the meantime, the world was trapped in a circular charade in which American money paid to Germany was handed over as reparations payments to the Allies, who sent it back to the United States as war debt.

Most remarkable in Morgan archives is the partners' skepticism of the Dawes Plan. Russell Leffingwell, now the resident economist, saw the scheme as riddled with dangerous contradictions. Why would investors have faith in a politically neutered Germany? And why did the Allies wish to resurrect their former foe? Prescient, he feared a political backlash, a day of reckoning: "My political doubt about Germany is how long her people will consent to be sweated for the benefit of her former enemies."[36] Montagu Norman and Philip Snowden, chancellor of the Exchequer, also feared Germany had submitted under duress and would later resent its position.

In August 1923, President Warren G. Harding had died of an embolism. His successor, Calvin Coolidge, wasn't any more enlightened about the problem of world debt. He was adamant that the Allies should pay their war debts—"They hired the money, didn't they?" he asked—and kept up the fiction that those debts had nothing to do with reparations.[37] But so long as the United States demanded war-debt payments, the Allies couldn't be flexible on German reparations.

A final aspect of the reparations problem was Morgan involvement in the contest for Germany's new economic czar, the agent general. Amid much hoopla, the press labeled the job the world's most important, since the occupant would supervise the German economy. He would have to extract the last penny from Germany while staving off renewed inflation. Hoping the United States would exert a moderating influence, Germany wanted an American for the post. On Wall Street, a powerful consensus formed behind Morgan partner Dwight Morrow.

An old friend of President Coolidge, Morrow had already been widely touted for numerous government posts. Short, bespectacled, and bookish, he was Morgan's philosopher-king, a man marked for an elusive greatness. Now his moment arrived. He had formidable supporters—Jack Morgan, Charles Dawes, and Owen Young in the private sector; Hughes and Hoover in the cabinet. After a long White House meeting in July 1924, he seemed like a shoo-in. Among other things, the White House thought Morrow's appointment would guarantee the success of the Dawes loan.

The next evening, however, at another White House meeting, the U.S. ambassador to Germany, Alanson Houghton, argued against Morrow's appointment. He said the choice of a Morgan partner would be incendiary in German politics, even fatal to the Dawes Plan. The long, heated meeting ran till midnight. It was difficult for Coolidge to reverse the appointment of a close friend, but the Morrow nomination was nonetheless spiked. As Dawes afterward explained, "Houghton, with great earnestness, pointed out that the appointment of a member of the firm of Morgan &. Co. would probably enable the Nationalists in Germany to defeat the Republican Government there by raising the demagogic cry that it was a scheme of the international bankers to crush the life out of Germany instead of helping her. He gave this as the private opinion of the German Government itself."[38]

Other analysts saw less strategic cunning than cowardice behind Coolidge's desertion of his old friend. Because of its wartime role, the House of Morgan was still anathema in German-American communities of the Midwest. Coolidge's aides apparently warned him to avoid any Morrow link. This episode shows that the Morgan bank carried serious political liabilities even in a decade dominated by conservative Republican administrations.

Bitterly disappointed, Lamont and Norman demanded a Morrow clone. The dark horse who emerged victorious was a future Morgan partner, thirty-two-year-old S. Parker Gilbert. Tall and boyish, dubbed the Thinking Machine, he was a protege of Russell Leffingwell, whom he had replaced as assistant secretary of the Treasury in 1920, becoming the *wunderkind* of the department. At twenty-eight, he was elevated to under secretary, and in the absence of Treasury Secretary Andrew Mellon, he ran the department—the youngest person ever to do so. Paul Warburg described him as a "practical young man with the eyes of a dreamer and the sensitive mouth of a scholar."[39] The Germans would see him far less poetically. Heinrich Kohler, the finance minister, described him thus: "Reserved and taciturn, the tall lanky man with the impenetrable features appeared considerably older than he really was and . . . made an eerie impression."[40]

During his five years in Berlin, Gilbert oversaw the transfer of $2 billion in German reparations. As Germany's economic czar, he was burned in effigy at mock coronations and vilified as a new kaiser. He apparently never learned to speak German and worked compulsively, never attending cultural events or entering into German society. Despite his youth, he was a stern taskmaster, constantly accusing the Germans of fiscal extravagance. He thought they could pay reparations by following sound fiscal policy. Another finance minister, Paul Moldenhauer, noted, "He spoke with a mixture of awkwardness and arrogance, mumbling the words so that one could hardly understand his

English."[41] But Gilbert's reports on Germany's financial conditions would be models of lucidity and precision, winning him a tremendous reputation in Anglo-American financial circles; he would be a figure of worldwide influence in the twenties.

Dwight Morrow didn't long regret his loss and felt that he had been spared a burden. He was soon writing to Hughes and confessing to doubts about the Dawes Plan. Even as the world celebrated the great triumph, there was an undercurrent of deep unease at the House of Morgan. Morrow declared: "It is the foreign control to which Germany is to be subjected that has made us somewhat fearful about the permanent success of the Dawes Plan. . . . It is almost inevitable that this loan will be unpopular in Germany after a few years. The people of Germany, in our opinion, are almost certain, after sufficient time has elapsed, to think not of the release of the Ruhr but of the extent to which what was once a first-class Power has been subjected to foreign control. "[42] The fear was prophetic, for it became a cardinal tenet of Nazi propaganda that Germany had been stampeded into the Dawes plan by international bankers. And the House of Morgan would reap the fruits of these mistaken policies of the twenties.

CHAPTER THIRTEEN
JAZZ

BY 1924, the House of Morgan was so influential in American politics that conspiracy buffs couldn’t tell which presidential candidate was more beholden to the bank. As far as the partners’ support of a candidate was concerned, most backed Calvin Coolidge—out of ideological comfort and respect for his friendship with Dwight Morrow. Coolidge’s running mate was Charles Dawes, who had profited from the sudden renown of his plan for Germany’s reparations payments. Others might dismiss Coolidge as dour and complacent, but Jack Morgan perceived in him an extraordinary blend of deep thinker and moralist: “In a somewhat long life, I have never seen any President who gives me just the feeling of confidence in the Country and its institutions, and the working out of its problems, that Mr. Coolidge does.”[1] He disagreed that Coolidge was a tool of business—sure proof to some that he was. Between the White House and the House of Morgan there existed clear amity, moving *The New Republic’s* TRB to say, “I would rather not have these Morgans boys quite so much at home around the White House.”[2]

The bank’s peerless renown in the Roaring Twenties was such that the Democratic candidate was the chief Morgan lawyer, John W. Davis. Davis was a backgammon and cribbage partner of Jack Morgan’s—they played for a nickel a game—and they both belonged to the Zodiac Club, a secret society in which each member took a different astrological sign. A former solicitor general and ambassador to the Court of Saint James’s, Davis was recruited by Allan Wardwell in 1920 to join the law firm that would become Davis, Polk, and Wardwell. They were counsel to both J. P. Morgan and Company and Guaranty Trust. Taking charge of Davis’s life in his vigorous style, Harry Davison had whisked him through a weekend of golf at the Piping Rock Country Club on Long Island and convinced him to join Wardwell’s firm. In his familiar role as Henry Higgins, Davison even influenced Davis’s choice of a home: “We must find the right place in our own island neighborhood.”[3] Davis bought a Locust Valley estate right near Jack’s and Harry’s. He had exactly the right credentials for a Morgan man: debonair and dignified, he favored a larger U.S. role in Europe, supported the League of Nations, and opposed the welfare state and a progressive income tax. He was also a devout Anglophile and one of the duke of Windsor’s lawyers. Another friend, King

George V, termed him “the most perfect gentleman” he had ever known.[4]

At first, Davis was deterred from seeking the Democratic nomination because of the Morgan handicap. Then he published a cogent letter stating that a lawyer could have rich clients *and* maintain the public trust. His cause was taken up by Walter Lippmann of the *New York World*, who praised his talent and integrity. Davis’s Democratic opponent, William McAdoo, drew support from the South and West, always aflame with anti-Morgan sentiment. At the June 1924 national convention, William Jennings Bryan, mustering the strength for one last vendetta against the bank, said, “This convention must not nominate a Wall Street man. Mr. Davis is the lawyer of J.P. Morgan.”[5] In fact, the convention was so bitterly and hopelessly divided that Davis received the nomination after a record 103 ballots—by which point the prize was worthless. The Republicans retained power.

One industrialist called Coolidge’s 1924 victory a cocktail for financial markets, and the decade now began to bubble and fizz. It was the Gatsby era on Wall Street, with money-making newly glorified. Young Ivy Leaguers turned away from the social protest of the late teens and flocked to Wall Street. In Pierpont’s day, the Street had been raw and brawling, no place for the squeamish. Now it became smart and tony, and “many of the old-line brokerage firms were staffed by the sons of the rich—to give them something to do during the mornings.”[6] Stockbrokers fancied themselves squires, bred polo ponies, and hunted foxes. Charles E. Mitchell, chairman of National City Bank, traveled about in a special railroad car, complete with kitchen and chef, making business tours as if he were a whistle-stopping president. Corporate directors went to board meetings by private railroad car, the status symbol of the day.

For the House of Morgan, it was a time of unmatched supremacy. The firm attained a pinnacle of success no other American bank would ever match. It stood at the gateway to American capital markets just as the whole world clamored to gain entry. To those who penetrated its tall glass doors, it offered a world of fireplaces and leather armchairs, as sedate and intimate as a British gentleman’s club. All the secretaries were male, although their assistants might be female. As one reporter said, “Entering there was like stepping into a page of Dickens.”[7] The partners’ rolltop desks were apt symbols for the bank. They were made of mahogany or walnut, honeycombed with compartments and closed by sliding down the tambour top; they expressed the private, discreet Morgan style. The employees were as seduced by this atmosphere as the clients. As publicity man Martin Egan once said, “If the firm ever fired me I was lost, having been spoiled for service with any other outfit in the world.”[8]

The vast majority of people walking by 23 Wall couldn’t bank there. As a wholesale bank, J. P. Morgan and Company would take deposits only from important clients—large corporations, other banks, foreign governments. Like other private New York banks, it rejected deposits from the general public and accepted money only from wealthy people with proper introductions. It paid no interest on deposits of less than $7,500 and held no deposit of less than $1,000.

The bank's power was more than monetary. No other firm had its political links or spoke with its authority. At a time when the Anglo-American axis reigned supreme, it was embedded in the power structure of both Washington and Whitehall. Reporters tried to isolate its essence. "It is not a large bank, as Wall Street banks go," said the *New York Times.* "A dozen other institutions have much larger resources. . . . What really counts is not so much its money as its reputation and brains. . . . It is not a mere bank; it is an institution."[9] Trust, goodwill, integrity—these were the strengths always cited by business clients. This was only part of the story, but it mattered a great deal that the bank always paid its bills promptly, honored its commitments, and stood by its clients during emergencies.

As in Pierpont's day, the bank seemed remarkably small beside the scope of its work. The Morgan houses preferred smallness, which ensured intimate contact among the partners. Harry Davison used to say $400 million was all they could handle without diluting Morgan style. By the end of the 1920s, there would be fourteen partners at 23 Wall, eight at Drexel in Philadelphia, and seven each at the Morgan houses in London and Paris. At these firms, the partners all sat in one big room in the venerable City tradition. Each offered a different secret for the firm's success. George Whitney saw conservative financial management as the critical factor: partners never fooled themselves about the quality of their loans and stayed 80 percent liquid at all times. Lamont had a flywheel theory—the bank thrived because it was cautious in boom times and aggressive in bad times. Jack would later state memorably that the bank did "first-class business in a first-class way."

Wall Street legend accurately claimed that Morgan partners made $1 million a year; with Jack Morgan and Tom Lamont, this figure rose to as much as $5 million by decade's end. A Morgan partnership was the plum of American banking. Many firms chose partners who brought in new capital or new clients, but J. P. Morgan stuck to Pierpont's meritocratic approach; any white, Christian male might qualify. Many partners had family ties, and new Morgans, Lamonts, and Davisons would join the bank in the 1920s; 23 Wall never had rules against nepotism. But the outstanding partners, those who created the Morgan mystique—Harry Davison, Tom Lamont, Dwight Morrow, and Russell Leffing-well—were chosen strictly on their merits. As much as any other factor, the caliber of the men recruited would explain the extraordinary staying power of the House of Morgan.

The activities of these Jazz Age celebrities were avidly followed in the press. Those partners involved in international finance and diplomacy traveled constantly and spent several months abroad each year. When transatlantic liners left New York, reporters would scan the passenger lists for Morgan partners, hoping to land a shipboard interview. Partners were so prominent that B. C. Forbes even reviewed their golf games, which he found disappointing, as if some chance for perfection had been missed.

From the marble Morgan halls emerged $6 billion in securities underwritings between 1919 and 1933—far more than from any other bank. A third were railroad bonds, another third foreign bonds, and the last third corporate bonds. Like the growing government accounts, the domestic roster was matchless—U.S. Steel, General Electric, General Motors, Du Pont, AT&T, IT&T, Montgomery Ward, Kennecott Copper, American Can, Con Edison, and the New York Central. By managing securities issues for these companies and assigning syndicate places to other banks, the House of Morgan defined the pyramid of Wall Street power. It also performed humdrum services—foreign exchange, banker's acceptances, and commercial credits—that were the bread-and-butter of merchant banking. Not every partner enjoyed the fantasy life of a Tom Lamont or a Dwight Morrow.

The Gentleman Banker's Code was alive and well on Wall Street in the 1920s. The House of Morgan didn't advertise or post a nameplate. It didn't chase customers or open branches; clients still paid Morgan partners the ancient tribute of traveling to see them. Competition was elegant and masked behind elaborate courtesies. Clients were mortgaged to one bank and needed permission to switch to another. As Otto Kahn explained, "Kuhn, Loeb & Co. and firms of similar standing would not even touch any new business, on any terms, if the corporation concerned was already a regular client of another banker, and had not definitely broken off relations."[10] From the outside, it resembled polite collusion; underneath, it could be vicious. Far from objecting to exclusive relations, businessmen boasted about their bankers and considered a Morgan account a hallmark of success.

Morgan partners still sat on boards of favored companies but were more selective than in the days when Charles Coster kept abreast of fifty-nine companies. Partners didn't descend lightly from Olympus. Martin Egan remarked that "there is a constant plea to get Morgan partners on all manner of committees and into all sorts of organizations. The process is diffusive and cheapening."[11] Although the Morgan bank took stakes in its companies, partners agreed in the 1920s not to get involved in outside enterprises. Gradually, if imperceptibly, the banker was becoming less a corporate partner and more a professional, a disinterested intermediary. This was the transition favored by Louis Brandeis, and it would be markedly speeded up by New

Deal reformers. In Pier-pont's day, weak companies needed to lean on strong bankers. But by the 1920s, a Standard Oil of New Jersey or a U.S. Steel had a stability comparable to that of the House of Morgan itself.

Who were the other Morgan partners? They fit a rough profile—white, male, Republican, Episcopalian, and Anglophile, with an Ivy League education and eastern seaboard antecedents. Harvard was the alma mater of Jack Morgan and his sons and was clearly the preferred school. The bank was perhaps most selective about religion—race wasn't even an issue then, so remote were blacks from the world of banking. Jews were definitely forbidden but had opportunities elsewhere on Wall Street. Private Jewish banks continued to win business, such as retail underwriting, thought vulgar by the blue-blooded Yankee banks. Lehman Brothers had both R. H. Macy and Gimbel Brothers among its clients. Some Jewish bankers lived in an opulent style surpassed only by the Morgans. Otto Kahn of Kuhn, Loeb built a Norman castle on Long Island's North Shore that had 170 rooms, 11 reflecting pools, a zoo complete with lions, an 18-hole golf course with a resident pro, a Georgian dining room that seated 200, and a staff of 125 servants. It would later be the set for *Citizen Kane*. But until after the Second World War, no Jew would penetrate the House of Morgan.

On the Wall Street of the 1920s, Catholics were borderline cases and often found it harder than Jews to enter high finance. Snubbed by Protestants, they turned to stock market speculation by default, and Jazz Age plungers were disproportionately Irish. Armed with ticker tape and telephones at the Waldorf-Astoria Hotel, Joe Kennedy made a fortune in stock pools but still found Morgan acceptance elusive. One day, he decided to break the ice with the bank. He marched into 23 Wall and asked for Jack Morgan. He was curtly told Mr. Morgan was too busy to see him. Before the Morgan gates, he bore the double stigma of being a Catholic and a stock market operator.

The best-known Morgan Catholic was certainly Edward Stettinius, yet even he switched to his wife's more acceptable Episcopalianism and became a vestryman of Saint James Episcopal Church. Settling his spiritual accounts in 1921, Stettinius reverted to Catholicism and wrote Saint James a guilt-ridden letter of resignation: "I have come to feel strongly that a Vestryman should not only be a regular attendant at your services, but also a communicant and an ardent and consistent supporter of the Episcopal faith. Unfortunately, however, I find myself steadily drawing away from, rather than toward, the Episcopal Church."[12]

A compulsive record keeper, Stettinius has left us a detailed inventory of a partner's life in the twenties. He entertained magnificently at his Park Avenue mansion. For the debutante ball of their daughter Betty, the Stettiniuses invited three hundred guests, including dancers and musicians from Tokyo's Royal Theater. (Betty later married Juan Trippe, founder of Pan American

Airways.) In the cellar of Stettinius's mansion was enough liquor to float a battleship: 336 bottles of gin, 196 of sauterne, 79 of sherry, 60 of champagne, 114 of vermouth, 40 of Haig and Haig Scotch, 88 of claret, 32 of port, 53 of amontillado, 26 of Park and Tilford Topaz—over a thousand bottles of fine liquor.[13] From a Broad Street tobacconist, he would order six thousand Havana cigars at a time and then draw down his "balance." With six cars and several houses to maintain, it cost Stettinius $250,000 a year just to cover basic living expenses—perhaps the reason why he approached his work with such famous thoroughness.

In 1922, he bought a thirty-four-acre estate overlooking Long Island Sound and was among those partners who lived close to Jack's Glen Cove mansion, like medieval vassals biding near their lord. A meticulous man who left nothing to chance, Stettinius decided to create a Morgan cemetery at Locust Valley. The local church, Saint John's of Lattingtown, provided spiritual solace to many tycoons and was called the millionaire's church. On Sunday mornings, the collection plate was passed around by Jack Morgan himself—surely a heavenly treat. Jack was so fond of the church that he redecorated its interior in carved oak brought over from a small Scottish church. Stettinius's plan was to buy up property beside the church burial ground on which to create a cemetery.

The one obstacle was a New York State law forbidding cemetery expansion. So in April 1923, Stettinius lobbied state lawmakers for special legislation. Then he plotted a takeover of the Locust Valley Cemetery. On June 1, 1925, the cemetery's annual board meeting was packed with Morgan luminaries, including Jack's son-in-law Paul G. Pennoyer, Harry Davison's son, Trubee, and Stettinius. It was perhaps the greatest show of financial strength in cemetery history. After winning control, they hired architects and landscape gardeners to spruce up the shrubbery and install fancy wrought-iron gates. What resulted was a double cemetery: "The older, open section of small plots continued very much as it had been, while the new sections of woods and spacious glades became a Valhalla for Morgan partners and their friends."[14] Having made these arrangements, Stettinius took a well-earned rest in plot number 7. Many blamed his wartime labors for his death. In any case, he perpetuated the Morgan tradition, started by Charles Coster, of heroic exertion and premature death.

The partner who most typified the Jazz Age was that small miracle of sophistication, Tom Lamont. Socialite and sportsman, he loved to camp in the High Sierras or fish for Canadian salmon. To the bank's image he added an urbane 1920s gloss, a shade literary. If a Morgan partner suggested a stylish, well-rounded Anglophile, a Republican who could travel in Democratic circles, a liberal internationalist orthodox in domestic affairs, then Lamont was surely his prototype. Yet this figure who symbolized the 1920s on Wall Street harbored a secret ambivalence toward it. “That decade, with its exotic exuberance of prosperity and its speculative excesses in almost every phase of economic life . . . was for America a decadent one,” he later wrote.[15]

Lamont became the richest Morgan partner, his wealth matched by a progression of stately homes. First he and his wife, Florence, lived in Englewood, New Jersey—so thickly populated with Morgan partners it was called the bank’s branch office. They joined the Dwight Morrows in the local Shakespeare club, where they all took parts and read plays aloud. From 1915 to 1921, the Lamonts rented Franklin Roosevelt’s house on East Sixty-fifth Street while its owner served as assistant secretary of the navy. Then, in 1921, Lamont bought the townhouse at 107 East Seventieth Street that would become a stopping place for visiting politicians, writers, and socialites, it featured everything from a British butler to a solarium. The Lamonts were terribly ambitious, determined to know everybody of importance in New York and to snare every celebrity who passed through town. To a remarkable extent, they succeeded.

For recreation, they bought Sky Farm, an island retreat off the Maine coast with a panoramic view of Penobscot Bay. In 1928, they purchased Torrey Cliff, a hundred-acre estate on the Palisades that formerly was owned by a well-known botanist, John Torrey, and later would be donated to Columbia University for its geological observatory. The property encompassed cliffs and woodlands, brooks, flowers, and spectacular vistas of the Hudson River. Finally, Lamont and John Davis regularly stayed at Yeamans Hall in South Carolina, a millionaires’ development with over a thousand acres of golf courses, forest paths, and giant moss-covered oaks.

Florence Lamont was a short, bright, pleasant-looking woman with a thoughtful stare. She took herself seriously, both as a hostess determined to snare celebrities and as an intellectual. A graduate of Smith with a master’s degree in philosophy from Columbia, she supported numerous causes, including birth control and women’s trade unions. Earnest, a trifle tedious, always craving intellectual companionship and stimulating company, she sometimes had a bluestocking intensity. Anne Morrow Lindbergh, after hearing Florence make grandiloquent speeches about pacifism at a social gathering, noted in her diary: “Mrs. Lamont distrusts all informal, feminine discussion, thinking it gossip. Is it because she can’t do it very well?”[16]

High-spirited and sociable, the Lamonts were on everybody’s party list in the Jazz Age, and they knew dozens of celebrities. When their son Corliss went to Oxford in 1924, he lived with the Julian Huxleys, lunched with Lord and Lady Astor at Cliveden, and took a weekend with H. G. Wells—such was the range of his parents’ friends. The Lamonts’ East Seventieth Street townhouse echoed with laughter and ideas, as their children Corliss, Tommy (later a Morgan partner), and Margaret turned it into an exuberant debating society. Again, Anne Morrow Lindbergh has left a vivid impression of this animated household: "To the Lamonts' for dinner. . . . We had decided before we got there that we would *not* argue. Instead we let the Lamonts argue among themselves. Tommy and Corliss, Mrs. Lamont and Mr. Lamont, Margaret and Tommy, Margaret and Mrs. Lamont, back and forth across the table. Tommy, loudly and platformly; Corliss, lightly, nervously, and humorously. Margaret, of course, dead serious. Mr. Lamont suavely and Mrs. Lamont petulantly. We all sat back quite happily . . . and listened. It was great fun."[17]

If Florence sometimes took herself too seriously, Tom, with his genial energy, roused her from it. He could never have enough friends, enough dinners, or enough lively chatter. He had a marvelous sense of humor, which surprised many people who imagined that Morgan bankers must be dour and self-important. He once said of an enemy that if he had ordered a trainload of sons of bitches and received only that man, he would consider the order amply filled. Once, Tom Lamont and Betty Morrow wanted the two couples to throw a party together—they were the good dancers—but Florence and Dwight balked. So guests received the following invitation:

Mrs. Dwight Morrow and
Mr. Thomas Lamont
Request the honor of your company
at a dance given in honor of
Mrs. Thomas Lamont and Mr. Dwight Morrow.[18]

JACK Morgan moved through the twenties like a monarch. One journalist described him embarking from his limousine at 23 Wall: "I saw two other men inconspicuously draw themselves up in an attitude of attention, like soldiers in mufti, acting on their instincts or through force of habit. . . . The great doors with their huge panes of spotless glass and their polished brass swung open and shut."[19] He enjoyed his spot at the top of the Morgan empire. About to present Pope Pius XI with restored Coptic texts in 1922, he made this observation: "My special job is the most interesting I know of anywhere. More fun than being King, Pope, or Prime Minister anywhere—for no one can turn me out of it and I don't have to make any compromises with principles."[20]

Jack lived regally at his 250-acre island estate, Matinicock Point, off the North Shore. Visitors passed through enormous wrought-iron gates and down an endless drive shaded by linden trees; in season bloomed several thousand tulips and daffodils under the direction of Jessie Morgan. The estate required several dozen full-time gardeners. There were also cows, horses, greenhouses, boxwood and rose gardens, cottages for the staff, and a dock down at the Sound.

Amid open lawns and high trees, the red-brick mansion was grander than any of Pierpont's residences. It was designed by Grant La Farge with an imposing columned entrance. Inside, three famous ladies—Rubens's Anne of Austria, Gainsborough's Lady Gideon, and Sir Thomas Lawrence's countess of Derby—stared down from the walls of a house specially fireproofed for them. The majestic stairway of the forty-rive-room house was lined with beautiful floral arrangements.

Jack liked quiet, domestic pleasures. Delicate and sedentary, a born dabbler, he enjoyed detective novels and crossword puzzles. His literary hero was Rudyard Kipling. He disapproved of contact sports, and when his two sons, Junius and Harry, went to Groton, he protested the introduction of football, calling it immoral, dangerous, and brutal.[21] He loved taking drives in his chauffeured cars and had four of them—two Rolls-Royces, a Lincoln, and a Buick roadster.

He was fanatical about his privacy and hostile to the press. The Morgans always kept their daughters and granddaughters off the society pages. Like his father, Jack often threatened intrusive photographers and would screen his face with his Panama hat as he left church on Sunday mornings. Because he commuted to Wall Street by water, photographers awaited him on boats in the Sound. To foil them, he constructed a flowery archway that curved down to the dock and obscured his movements. The only problem was the gangplank. For the final seconds it took to board the boat, his butler, Henry Physick, would remove his coat and hold it up to shield his master from the press. Sailing home from work, Jack would take afternoon tea on board.

Only once did Jack submit willingly to press photographs. One day, as a motorboat was taking him out to the *Corsair* the photographers were in their usual hot pursuit, when Jack's Panama hat blew into the Sound. A photographer fished it from the water and gave it to Jack's boatswain, saying, "Your boss hasn't treated me with much courtesy, but I am glad to do him a favor."[22] Like Pierpont, Jack was sentimental and could be disarmed by a gallant gesture. When he heard the story, he ordered the photographer up on deck and posed for twenty minutes of pictures.

Both Jack and Jessie loved England, which they visited each spring and summer. When the London *Times* tagged him an English squire, Jack was thrilled.[23] He had a London townhouse at 12 Grosvenor Square and bequeathed Princes Gate, the old family townhouse, to the U.S. government as a residence for the American ambassador. Just as George Peabody had hosted annual Fourth of July dinners, Jack hoped future ambassadors would "live like gentlemen and have their Fourth of July receptions in adequate surroundings."[24] Later on, Princes Gate would be the wartime residence of Ambassador Joe Kennedy, who finally slipped into the House of Morgan through a back door. It was the house opposite Hyde Park fondly remembered by the Kennedy sons.

Jack's major British residence was Wall Hall, his three-hundred-acre estate north of London with artificial lakes and gardens. He ruled the village like a whimsical Prospero. He didn't simply live in the village; he owned it. As *Fortune* magazine explained, "At Wall Hall he is a Tory squire with the whole of Aldenham Village as his property except the ancient church, and with all the villagers in his employ, each supplied with a rent-free house and registered milk and free medical treatment and an old-age pension and membership in the Aldenham Parish Social Club."[25]

A paternalistic landlord, he fretted about his villagers. So that they wouldn't loaf, he provided them with cricket grounds, tennis courts, and bowling greens. He was afraid that the village tavern, the Chequers, might be bought by a brewer. So he dispatched Teddy Grenfell on a secret mission to buy it at any price. This high-level corporate raid occasioned some drollery between them. "It is a new kind of business for me altogether," Jack said, "as I have owned many kinds of property, but never a public house before, and I am quite excited at the investment."[26] Rather old-maidish, Jack considered taking away the tavern's liquor license. But the problems that accompanied Prohibition in America persuaded him to retain the pub license. He even added a hall for movies and dancing, saying, "It's really going to make a difference to a good number of honest, hard working and powerfully dull men and women."[27]

To an extraordinary degree, he was a creature of custom and comfort. So that he could drive without removing his plug hat, he had an English firm design a car with a special high top. He corresponded with a haberdasher about socks that didn't slide smoothly enough over his heel. Perhaps fearing his own emotions—or else in homage to his Yankee-trading ancestors—he always wanted things around him to proceed tidily. He was obsessed with punctuality. At Wall Hall, he had so many clocks that someone came in weekly just to rewind them. For gifts, he often gave his partners rare gold watches.

The year had its unchanging rhythms for Jack. The high spot was August 12—the Glorious Twelfth that launched the Scottish grouse-hunting season. "Nearly everybody I know has started for shooting in Scotland," he once wrote a partner in early August.[28] Who else in America could make such a statement? After 1913, Eric Hambro and Jack jointly owned Gannochy Lodge near Edzell, in Scotland. They and their eminent guests bagged up to ten thousand birds a year, and each hunter was attended by a butler. In honor of Jack, the Scottish retainers even put together a "Morgan tartan."

For his Manhattan residence, Jack retained the townhouse at Madison Avenue and Thirty-seventh Street that his father had bought for him. Somber and brooding outside, it was light and airy within. It had white marble fireplaces, French revival furniture, and crystal chandeliers. When staying there, Jack would visit the library next door each day. He added four thousand books and manuscripts to his father's nineteen thousand and continued his raid on illuminated books and British literature. A tip from Tory leader Stanley Baldwin brought him the manuscript of Sir James Barrie's *Shall We Join the Ladies?* "I hate manuscripts leaving the country," Baldwin confessed to Jack. "But if they have to go, I would far rather they found a home with you than anybody else!"[29]

After his father's death, Jack hadn't been able to pursue collecting and was preoccupied with settling the estate. Now, in another parallel to Pierpont's life, Jack widened his collecting as he moved into his midfifties. Once again, Belle Greene went on buying trips to Europe, and Jack regarded her with affection and slightly fearful awe. When four rare manuscripts owned by the earl of Leicester came on the market, Greene was afraid to commit so much money on her own. She asked Jack to negotiate. He went to Europe and after a sleepless night bought them for an estimated $500,000. Jack told the seller: "My librarian told me she wouldn't dare spend so much of my money. But just the same, I wouldn't dare face her if I went home without the manuscripts."[30]

Jack hadn't yet erected the sort of monument to Pierpont that Pierpont had to Junius. In 1924, he incorporated the Pierpont Morgan Library in his father's memory, with Belle Greene as the first director; he provided a $1.5-million endowment. Perhaps recalling the brouhaha over the art collection's breakup, he summoned reporters for a wistful interview. Seated in the West Room, where Pierpont had worked and Junius stared down from above the mantel, Jack said, "This is the room where my father literally lived. I think it is probably the most peaceful room in New York. You never hear a thing here except occasionally a bad automobile horn."[31]

As he took reporters around the library, he snatched up interesting items and talked about them. Taking up a Dickens manuscript, he said, "Scrooge and all the rest of them are there. Isn't that nice?" In his remarks may be heard the plaintive note of a man seeking public love—love that he felt he deserved but was always denied. At the end of his tour, he asked, "Now what do you think of it? Have I done a good thing in making this gift?"[32]

In 1928, Pierpont's brownstone mansion next to the library was torn down and replaced by an annex, designed by Benjamin Wistar Morris, to provide exhibition facilities and more space for scholars. (One now enters the library through the annex.) Under the imperious sway of Belle Greene, the library remained a jewel-box institution with a tiny staff. Belle could be curt with dilettantes, voyeurs, and just plain fools, but her stature in the museum world was mythical on account of her devotion to genuine scholars.

While Jack was paying tribute to his father, he tried to groom his two sons to take over the bank. His eldest, Junius Spencer, Jr., graduated from Harvard in 1914. He served as a junior officer on a destroyer off the English coast in the war, an experience that left him with shattered nerves. Tall and extraordinarily handsome, with the face of a sensitive actor, he became a Morgan partner in 1919. Warmly approachable and possessed of a dry sense of humor, Junius was probably the nicest Morgan—but the most dismal businessman. Jack tried to fool himself that Junius was cut out for banking and sent him to Morgan Grenfell for a two-year apprenticeship in 1922. Jack wrote to Grenfell, "I cannot tell you how glad I am to have him go over and learn London methods, and the London outlook of business, under your careful eye."[33] Junius went through the motions of being a banker and served as a director of U.S. Steel and General Motors. But his real dream was to be a marine architect. His would be a sad, wasted business life, showing the limited options open to sons in a banking dynasty. Like his father and grandfather and brother, Junius became a commodore of the New York Yacht Club—the only certifiable Morgan activity that really fit him.

Jack's younger son, Harry Sturgis, looked more promising as a businessman. Born in London in 1900, he was short and stocky, with a more aggressive and temperamental air than Junius. If Junius looked friendly and rather languid, Harry was all thrusting energy, his chin assertive, his lips tightly compressed, his gaze fiery. In 1923, one week after graduating from Harvard, he married Catherine Francis Adams, daughter of Charles Francis Adams, secretary of the navy under Herbert Hoover. That year, Harry started as a $15-a-week Morgan messenger and ran securities around Wall Street. As a Christmas present in December 1928, Harry received his $1-million-a-year Morgan partnership.

During this period, Jack suffered two emotional blows from which he never recovered. In 1924, he lost his mother, who was still living in the original Madison Avenue mansion; it was torn down only after her death. She had survived into her eighties, by then a stone-deaf old woman. Jack, as a boy, had gravitated toward his mother's warmth and gentleness. His own close marriage to Jessie probably recapitulated the earlier relationship.

Like Fanny, Jessie Morgan became somewhat weak and sickly, but there were major differences. Jessie was a natural executive and extremely efficient in running four giant households, supervising butlers, footmen, and housekeepers. She had a shy, matronly look that hid steely discipline. Feminine on the outside, she was tough at the core—as when she lashed out at the would-be assassin in 1915. Neither she nor Jack believed that women should be emancipated, and she tended her gardens, collected lace, and gathered drawings of flowers. She had no interest in politics or lunching with other women. Beneath the frills, she was determined and even slightly fearsome.

Jack Morgan's happiness revolved around her and his children. In April 1925, he told Grenfell, "The only excitement in the family—and it is real excitement—has been the arrival in this woeful world of Frances' twins, running the number of my grandchildren up from nine to eleven in twenty minutes. This satisfies even my most ambitious aspirations."[34] What didn't jibe with this picture of family harmony was that Jack and Jessie were so engrossed with one another that their children felt excluded. Jessie served Jack, adored him, and advised him in every aspect of his life. She was the invisible safety net that stopped him from falling, and he relied on her judgment implicitly.

Then, in the summer of 1925, Jessie contracted a sleeping sickness—an inflammation of the brain—then prevalent in the United States. It was thought to derive from the influenza pandemic of 1917-18. Jessie fell into a coma and had to be fed through a tube. Antibiotics weren't yet available, and eminent physicians could only counsel patience. They told Jack the disease was running its course and that Jessie would eventually wake up. A trusting person, Jack waited and prayed. Afraid of submitting to melancholy, he put on a brave front and reported to 23 Wall every day, taking comfort from Jessie's smallest stirrings and from the fact that, as she slept, she was well nourished and gaining weight. He wrote: "Jessie is getting on well, the doctors assure me, and they all assure me that the recovery, though very slow, will ultimately be complete. Though she is still wholly unconscious, there are little almost imperceptible signs that she will eventually emerge from that state."[35] And: "Of course no one can tell how long she must sleep, but while she sleeps she is not conscious of any pain or discomfort, and the cure is proceeding all the time."[36]

How to reconcile this tender Jack Morgan with the stern anti-Semite of earlier pages? He was a true Morgan. His humanity was deep but narrow, his world divided between those who counted and those who did not. With his family, he was capable of total love. By mid-summer, Jessie had slowly improved, and Jack was buoyed by reports that her condition was better than at any time since the onset of the illness. Doctors assured Jack he could go to work without fear. On August 14, 1925, he went to the office only to receive a late-morning call to return home at once. By the time he arrived, Jessie was dead. Her heart had stopped from what doctors thought was an embolism. They were stunned by the sudden reversal.

Still recovering from his mother's death, Jack was distraught, inconsolable. He mourned deeply and reverently, much as Pierpont had mourned the sainted Mimi. In a moving outburst of grief and affection, he told Lamont, "Well, I have all these years to look back upon, everything to remember and nothing to forget."[37] In a letter to a partner, Lamont described Jack during Jessie's illness: "[He] had felt perfectly confident the last few weeks that his wife was going to come out all right. He was determined that she should. He thought of nothing else day and night. He was looking forward to the time when she would emerge from her sleep. He was most anxious to be with her at that time, thinking that his presence might be an aid to her in regaining her normality . . . he had been wonderful, courageous, and perfect throughout it all."[38]

In her will, Jessie left the bulk of her property to her two sons and two daughters. She included an oddly touching tribute to her husband—one can almost see the ironic twinkle in her eye as she wrote, "I feel sure that if, through any unforeseen circumstances, my dear husband should ever be in need, my children will share with him the property derived from me."[39]

After his wife's death, Jack became more withdrawn. At Matinicock Point, he left her bedroom as she had left it and tended her tulips and English rose garden. (Becoming a dedicated gardener, he entered dahlias in a Nassau County show and won the J. P. Morgan Prize!) Well drilled by Jessie, the servants ran the estates without her. Although now alone, Jack closed no houses and sold no boats or cars. In some ways, he refused to acknowledge the change in his life. Many of his friends testified to the eerie sense that Jessie still was present—not a superstitious feeling so much as one of Jack refusing to let her rituals die. In 1927, Jack bought up waterfront property in Glen Cove to dedicate a $3-million Morgan Memorial Park to his wife. From its quaint clubhouse with its fluted eaves, Jack embarked on his Mediterranean cruises each year.

Solitary, clad in tweeds, and smoking his meerschaum pipe, Jack wandered about his formal gardens, a melancholy widower. His partners noticed his loneliness. Easily wounded, he had had a tendency toward melodrama and self-pity, both of which now became pronounced. Writing of his fourteen grandchildren in 1928, he told a friend, "It makes a great difference to me in my life, which is necessarily very lonely."[40] Sometimes he asked his chauffeur of twenty-five years, Charles Robertson, to drive him down to the Morgan Memorial Park. He would sit beside the chauffeur and stare silently at the water. For all his money, he now thought himself the loneliest of men.

CHAPTER FOURTEEN
GOLDEN

BY the mid-1920s, the Morgan story had come full circle. Where George Peabody and Pierpont and Junius Morgan had attained power by tapping the flow of British capital to America, the relationship was now fully reversed. London's merchant banks, hobbled by the postwar embargo on foreign loans, had to act on a smaller stage, their overseas lending largely limited to British dominions or colonies and reconstruction loans. Meanwhile, Wall Street thrived, and J. P. Morgan and Company far surpassed Morgan Grenfell in power. Managing the British portion of the international loans sponsored by 23 Wall, Morgan Grenfell was somewhat buffered from the general London decline.

In early 1927, Morgan Grenfell left 22 Old Broad Street and took up residence at 23 Great Winchester Street. The new headquarters stood at the angle of a small, L-shaped street around the corner from Liverpool Street Station. As former home to the British India Steam Navigation Company, its exterior was adorned with exotic tropical motifs—cornucopias and vines. The firm had these stripped away, to create an unmarked townhouse with a tall City doorway that dwarfed visitors. It was a posh, leisurely place with butlers. A 1926 photograph of Morgan Grenfell's cricket team shows what looks like a set of pipe-smoking aristocrats—yet some of these young men were clerks or messengers.

The resident partners at Morgan Grenfell were handpicked power brokers. Though their names aren't conspicuous in history books, they mediated dealings between the British and American financial establishments. J. P. Morgan and Company and Morgan Grenfell always enjoyed intimate relations. They swapped young apprentices, visited regularly, and kept up a vast correspondence that provides a comprehensive portrait of Anglo-American finance between the wars. Within the Morgan empire, however, the British house was subservient. And though the two houses collaborated on many deals, they also did much separate business.

If Lamont set the tone in New York, the London grandee was Teddy Grenfell, later Lord Saint Just. Fastidious and dashing, with pocket handkerchief, trim mustache, and smooth, glossy hair, he had a smart air and a brittle wit. His keen eyes sloped down in a penetrating stare that spied out people's thoughts; Grenfell had the clear vision of the coldly unsentimental.

Outwardly, he was neat and formal and correct in his behavior. But his judgments, expressed in a torrent of letters to 23 Wall and to his close friend, Jack Morgan, were funny, unsparing, and fiercely opinionated. Nobody in the House of Morgan was more prescient about people and affairs than Teddy Grenfell. He especially delighted in exposing the folly of social reformers. In his sneering but incisive way, he exhibited much racial and religious bigotry and poured buckets of scorn on his targets. This probably appealed to Jack, who shared Grenfell's prejudices but was more reticent about expressing them. By 1922, Grenfell was not only a Bank of England director, but a conservative member of Parliament for the City.

The slim, handsome Grenfell remained an eligible bachelor until the age of forty-three, when he married twenty-three-year-old Florence Henderson. Florence's father was a director of the Bank of England and chairman of the Borneo Company, a Far East trading concern. At the wedding, legend has it, the church was crammed with women weeping at their loss. With the exception of Virginia Woolf, who found Florrie "dulled" and "coarsened" by wealth, everybody seemed enchanted by Grenfell's bride.[1] She was tall, beautiful, and distinguished-looking, with a deep, fascinating voice. Anne Morrow Lindbergh found her "fawnlike and fragile" and picked up a certain gamine quality about her, a feeling she was "incorrigibly young . . . and likes to be teased."[2] She likened Florrie to Virginia Woolf's Mrs. Dalloway—a sociable woman who knew everybody and loved to organize events.

It proved a difficult marriage. Florrie had an unconventional streak. She danced, took voice lessons, and became an early patron of Diaghilev's Ballets Russes. The impresario referred to her as his *fidèle amie* and invited her to rehearsals. But she was more than just a society patroness plowing Morgan Grenfell money into dance. She was a woman of sophistication and flair who went to the theater every night and wrote penetrating blurbs on what she saw. All this was lost on the brilliant but limited Grenfell, who golfed and sailed and had no time for the artistic modernism that entranced his young wife. He would come home to their townhouse at 4 Cavendish Square and find partly clad Russian dancers and musicians strewn about the place. The famous ballerina Markova attended parties there, and Florrie also befriended Lydia Lopokova, later the wife of John Maynard Keynes. Snobbish and aloof, settled in his ways, Grenfell was jarred by the bohemian activity, despite his affection for Florrie. His wife, in turn, wasn't ready to submit to the stuffy pleasures of the countinghouse crowd. The marriage lasted, but more through friendship than love.

The other reigning partner at Morgan Grenfell was the tall, redheaded Vivian Hugh Smith, later the first Lord Bicester. He had a broad, open face and handlebar mustache and a nature more equable than Grenfell's. In early pictures, he sucks on a pipe and smiles like the cat who swallowed the canary, as if he knew many City secrets but wouldn't tell. He seldom got depressed, loved to tell shocking stories in deadpan style, and had unshakable composure. He was a country squire, with a mad passion for horses and steeplechase contests—while still at Eton, he was disciplined for sneaking off to Ascot. He occupied strategic posts—governor of the Royal Exchange Assurance Company, chairman of the City's Conservative party, and a director of Associated Electrical Industries. His family connections ramified everywhere, and among his five brothers were bankers, admirals, and businessmen. (His brother Lancelot, senior partner with stock brokers Rowe and Pitman, executed many Morgan Grenfell deals.) Family scuttlebutt claimed Smith was envious of his cousin Ted Grenfell, whom, he felt, stole too much of the glory.

In aristocratic circles, Smith was known as the establishmentarian with the outrageous wife. Slim and very Irish, with pale gold hair, Lady Sybil Smith brought seven more City Smiths into the world. She combined great charm and conviviality with deep political commitment. Beyond her interest in theosophy, which she shared with Monty Norman, she was a dedicated suffragette. As treasurer of the Women's Social and Political Union in 1913, she was its chief fund-raiser in Mayfair drawing rooms; with her delightful voice, she interspersed her pitch with musical interludes. The daughter of her great friend, Emmeline Pankhurst, remembered Lady Sybil singing "in her long straight gown, like a nymph from a Greek vase."[3]

Vivian Smith was very amused by Lady Sybil, and they teased each other mercilessly. Yet tolerance had its limits. One day, Vivian picked up the newspaper and read the headline "LADY SYBIL SMITH ADOPTS CHILD." Vivian quickly unadopted the child, a waif Sybil had picked up. In July 1913, came the great test of his composure. Sybil joined a delegation of militant suffragettes who invaded the House of Commons to oppose the Male Suffrage Bill. After an unsatisfactory interview with Reginald McKenna, then the home secretary, some of the women began making speeches; scuffles and arrests ensued. Lady Sybil pushed a constable who had taken a suffragette into custody and was sentenced to fourteen days. She insisted upon going to prison in solidarity with her sisters. Once in prison she gaily launched a hunger strike, as if it were a lark. Cool as a cocktail-party hostess, she wore a "tea-gown and golden slippers," as another suffragette recalled.[4] But the government didn't like having an earl's daughter in prison, and Lady Sybil's sentence was commuted to only four days. Still, McKenna swore no favoritism was shown. During her prison stint, Grenfell cabled Jack that Vivian was trying to be a good sport, apparently with difficulty: "V.H.S. distressed, but as usual considerate and dignified."[5]

The Smiths were as odd a couple as the Grenfells. Sylvia Pankhurst, Emmeline’s daughter, saw Vivian as a “very dull foil” to Sybil, who managed a day nursery for destitute mothers and their babies in London’s East End. Sybil exhibited an idealism never apparent in her husband. As Pankhurst wrote of her, “She possessed a rare absence of class consciousness, a sensitive perception of the good qualities in other people and the precious ability to perceive that, at bottom, we most of us have the same needs.”[6] Lady Sybil naturally became friends with her New York counterpart in the Morgan universe, the activist Dorothy Whitney Straight.

MORGAN Grenfell emerged as an important conduit between the City and Wall Street at a time when U.S.-British rivalry threatened to overwhelm friendship. As American exports boomed under the tutelage of Herbert Hoover’s aggressive Commerce Department, British heavy industry languished. Britain felt threatened by America’s new industrial strength and marketing talent. There was a fad for American movies and cosmetics in Britain, an Anglo-American battle for raw materials, and a first wave of investment in Britain by American industry, symbolized by Ford’s new factory at Dagenham on the Thames and General Electric’s assault on the British electric industry.

Montagu Norman, who would enjoy an extraordinary reign as governor of the Bank of England from 1920 to 1944, wished to reestablish London financial preeminence in the 1920s and reverse the decline in British industry. To do this, he needed Wall Street money and connections. He found both in the House of Morgan, giving him power fantastically disproportionate to Britain’s postwar wealth. The Morgan partners in New York shared his vision of transatlantic cooperation and Anglo-American partnership, resisting the insular American mood of the 1920s.

In 1919, Britain was forced off the gold standard. Restoring the link between sterling and gold became an indispensable first step in restoring the City’s status as a world financial center. London’s strength in foreign lending had always been premised on a stable pound. Like king and country, the gold standard was an abstraction that made British bankers feel snug and cosy. Norman thought it the best means by which to stop fluctuating exchange rates, and he wanted England to lead in restoring this monetary discipline.

The American Morgan partners were instrumental in putting England back on gold. It was their holy cause. As early as September 1923, Russell Leffingwell told Jack in Scotland that after the grouse season he wanted to speak to him about “this dream of mine”—that England go back on gold. New to the firm, Leffingwell said he would “sell his shirt to help England out of this mess” and asked, “Could anything be more heartening than for

England and America to lock arms for honest money?"[7]

Like Monty Norman, the Morgan partners feared that if exchange rates weren't tied to gold, they would be managed by politicians. Sober finance might then be held hostage to political expediency, giving a bias toward inflation and paper money. Keynes was already advancing such heretical ideas. Leffingwell warned Morgan: "Keynes . . . is flirting with strange gods and proposing to abandon the gold standard forever and to substitute a 'managed' currency . . . it is better to have some standard than to turn our affairs over to the wisdom of the publicist-economists for management."[8]

Teddy Grenfell was Monty Norman's intermediary between the Bank of England and Wall Street. He briefed the New York partners about Norman's strange temperament and fragile nerves: "Norman elaborates his own schemes by himself and does not take anyone into his counsel unless he is obliged to do so in order to combat opposition. . . . As I have explained to you before, our dear friend Monty works in his own peculiar way. He is masterful and very secretive."[9] As a Bank of England director, Grenfell also alerted New York partners to impending changes in Bank of England interest rates—priceless information—just as Herman Harjes reported on upcoming gold movements by the Banque de France.

In late 1924, Norman got cold feet about gold. To bolster his confidence, he went to New York to see Jack and Ben Strong. For Jack, the return to gold was gospel. Hadn't his father saved America's gold standard in 1895? He fervently told Norman that if Britain failed to return to gold, centuries of goodwill and moral authority would have been squandered. And Treasury Secretary Andrew Mellon told Norman that Washington approved of J. P. Morgan and the New York Fed helping Britain to go back on gold.

Morgan cooperation was vital. For the pound to maintain its new, higher value in currency markets, the dollar couldn't pose too strong a competitive threat. Otherwise, speculators would sell pounds and buy dollars, driving the pound back down. Either Norman had to maintain high interest rates in London—drawing money into the pound—or Strong had to keep rates low in New York—making dollar investments less attractive. The House of Morgan insisted on higher British interest rates as the answer. Instead, Monty's loyal friend, Ben Strong, depressed American interest rates. This was no small technical matter: it would be blamed by some for causing the 1929 crash on Wall Street.

Strong was always sensitive to insinuations of his being in league with Norman and wanted to involve the House of Morgan in the gold operation as political cover. J. P. Morgan and Company could be useful in another way as well. The British needed a large credit to defend the pound against any speculative attacks that might occur. Under the law, Strong could make loans to other central banks, such as the Bank of England, but not to other governments—for instance, the British Treasury. So it would take Strong and J. P. Morgan together to provide money to the bank and the Treasury.

Norman had already manipulated a series of short-lived chancellors of the Exchequer. In 1925, the chancellor was Winston Churchill, who would later regard the gold decision as possibly his worst political mistake. At sea in finance, he privately confessed to feeling inadequate in that area and was easy prey for the devious Norman. Churchill's son recalled that Norman would appear at Chartwell and mesmerize Winston by intoning, "I will make you the golden Chancellor."[10]

Grenfell disliked Churchill and privately criticized him as "still at heart a cheeky, over confident boy."[11] Both Norman and Grenfell wanted pliant politicians who would relegate financial decisions to the merchant bankers, for in the twenties the merchant bankers still dominated the Court of the Bank of England. (The five large commercial, or "clearing," banks still didn't have power commensurate with their resources, which grew fantastically through mergers in the 1920s.) Before announcing the gold decision in April 1925, Grenfell watched Churchill as if he were an unpredictable truant who might do something stupidly independent: "We, and especially Norman, feel that the new Chancellor's cleverness, his almost uncanny brilliance, is a danger. At present he is a willing pupil but the moment he thinks he can stand on his own legs and believes that he understands economic questions he may, by some indiscretion, land us in trouble."[12]

As an attempt to restore the old imperial pound, the 1925 gold-standard decision was a colossal miscalculation, a nostalgic attempt to restore Britain's former power. It was so lethal because Norman wished to return to gold at the lofty prewar rate of £1 to $4.86. At that rate, British industry couldn't compete with world exports; even Russell Leffingwell thought Norman too heedless of the British employment situation.

Not everybody cheered the plan. Keynes thought it would weaken British industry and force a sharp decline in wages to offset the stronger currency. (Perhaps in retaliation, the merciless Grenfell took to describing Keynes's new bride, Lydia Lopokova, as the "little ballet girl.") Many British industrialists echoed this alarm, and the jittery Norman almost backed down. One last boost was needed. Grenfell cabled Jack, "I think the Governor would like me to give him assurance that you personally still approve of his course of action in this whole matter."[13] Jack did.

On April 28, 1925, in the House of Commons, with Norman in the distinguished-visitors' gallery, Churchill announced Britain's return to gold. Fearing a runaway chancellor, Grenfell was relieved that the chancellor didn't depart from his prepared text. The New York Fed provided a $200-million credit to the Bank of England, and J. P. Morgan and Company a $100-million credit to the British Treasury. Because the pound soared and speculative attacks didn't materialize, the credits weren't needed. By November, Churchill announced that the embargo on foreign loans was lifted.

The architects were in a self-congratulatory mood. Jack's friend Prime Minister Stanley Baldwin praised Strong and the House of Morgan as "men than whom there are none in the world who stand higher for financial ability and moral rectitude."[14] The left wing, however, was up in arms about the threat to British industry and the more than 1-percent commission J. P. Morgan charged for keeping the unused credit ready. Grenfell itched to counterattack but was dissuaded by Churchill: "As we are paying a commission to Messrs Morgan, it would obviously be unsuitable for you to speak in the debate and it would I'm sure expose you to annoyance at the hand of the Socialists."[15] Grenfell withdrew to that natural habitat of Morgan men—the shadows.

Before long, Keynes's worst fears were vindicated, and British coal, textiles, and steel lost their competitiveness in world markets. Far from revivifying Britain, the gold standard seemed to accelerate its decline. There arose the predicted pressures for lower wages to counterbalance a higher pound. But it was impossible for wages and retail prices to adjust to the world price level. By late spring 1926, England had suffered a coal strike and a general strike with venomous overtones of class warfare. (During the strikes, Grenfell joked that he was glad to be relieved of the roar of motor buses and found the office pleasantly devoid of business.) When Ben Strong visited London during the strike, he met with Churchill and Norman. They managed to avoid talk of the gold standard altogether. Stanley Baldwin and Monty Norman didn't mention the big blunder either. They forgot their troubles by playing duets together—Baldwin at the piano, Norman singing. It was a curiously civilized form of escape as strikers and policemen clashed in the streets.

AS the House of Morgan moved from sterling to stabilize other currencies, it drew closer to the Italian government, which was alarmed by a sudden fall in the lira in 1925. The fascist government of Benito Mussolini had been in power for three years, and Wall Street bankers were comforted by the Italian's macho pride in the lira's strength. Ben Strong and Monty Norman favored a loan to stabilize Italy's currency but had qualms about il Duce himself. Shocked by a 1926 visit to Italy, Strong said of the dictator: "I should imagine that he would not hesitate to cut off a man's head instantly if he failed to deliver what was expected of him."[16] And Norman was dismayed by political meddling at the Banca d'Italia—an affront to the chastity of a central bank.

Tom Lamont, however, viewed Mussolini in a rosier light. In New York political circles, Lamont enjoyed the reputation of a liberal. His son Corliss, a socialist and later a professor of philosophy at Columbia, saw his father's foreign-policy views as spotless: "Although my father was a successful banker, and a Republican in politics, he was in essence a liberal, particularly in international affairs."[17] Corliss praised the tolerant atmosphere of the Lamont household, dubbed the International Inn for its many visiting celebrities and intellectuals. One visitor, H. G. Wells, interested Corliss in socialism, and the two would team up in arguments against the *paterfamilias*. To his credit, Lamont handled Corliss's radical politics with admirable tact. Corliss would view his own politics not as a negation of his parents' views but as an extension of their liberalism.

Always proud of his work for Woodrow Wilson, Lamont seemed to stand out as the great exception, refuting, in Corliss's words, the "stereotype of rich people and Republicans as conservative or reactionary plutocrats opposed to all forms of progress and liberalism."[18] Nor was this just a loving son's bias; such accolades tumbled in upon Lamont. To poet John Masefield, the Lamonts were an exemplary couple, representing everything civilized: "Their political views, national and international, were ever generous and liberal. They always seemed to be in touch with the generous and the liberal of every country."[19] Even General Smuts of South Africa told Lamont, "There is no doubt that your house is an international meeting place, and an influence for good . . . second to none in the world."[20]

Why should they have thought otherwise? Reasonable and fond of discourse, an engaging letter writer, Lamont lacked the smug conservatism of many on Wall Street. He was one of the major contributors to the League of Nations Association and the Foreign Policy Association. For many years, he was financial angel of the *Saturday Review of Literature* and knew poets ranging from Robert Frost to Stephen Vincent Benét. He was that rare banker with an appreciation for words, a zest for ideas. Because Lamont was a partner in a mysterious, private bank, his admirers couldn't compare his stated beliefs with his business behavior. That he served as banker to Italy during its Fascist period apparently didn't faze them. They doubtless imagined that he kept a businesslike distance from Mussolini and served his client with thinly disguised distaste.

But Lamont could do nothing halfway. As a Morgan man, he had to render those thousand and one special touches that made a client feel pampered. As with Pierpont, unvarnished banking lacked some final satisfaction for Lamont. His elaborate letters and memorandums seem almost a substitute for the writing career he never had. He always wanted to go beyond mere dollars and invest his deals with some larger meaning. He tried to make loans a total experience, by immersing himself in the politics and culture of client countries. In Italy, he would meet with Mussolini one day, then picnic in the Roman *campagna* the next. Despite the Fascist regime, he saw an Italy touched with poetry and romance. As president of the Italy-America Society, he hosted meetings of its Dante Committee at his East Seventieth Street townhouse and once screened a Florentine film on Dante and Beatrice. At the office, he worked at a beautiful Italian refectory table. Yes, his life would be all of a piece, a fusion of business and pleasure.

The Morgan agent in Rome was Giovanni Fummi, whom Lamont had met at the Paris Peace Conference. Fummi was a former stockbroker with an American wife, a charming, extroverted man with a trim mustache and laughing eyes. He lived well at the Hotel Excelsior and was tanned both summer and winter. He was typical of the powerful but discreet lobbyists the bank employed in foreign capitals. He was rich in contacts, both in the government and in the Vatican. Lamont would boast of Fummi’s high standing with Mussolini yet insist he was free of Fascist taint. Fummi was perhaps less a Fascist than a conformist willing to sacrifice his principles for *la dolce vita.* He was an expert rationalizer and even when faced with Italian atrocities would contend that criticism might only polarize the Fascist party and bring more extreme elements to the fore. Funny, charming, and sentimental, Fummi made a curious match with the cool, patrician House of Morgan.

After the war, J. P. Morgan and Company sparred with Dillon, Read for business with the Italian government. Lamont wanted an exclusive relationship, as understood by the Gentleman Banker’s Code. In 1923, six months after taking power, Mussolini first met with Lamont to discuss how to restore Italian credit. Initially Wall Street viewed il Duce benignly, as the man who had saved strike-torn Italy from Bolshevik hands. The Blackshirt terror that killed a hundred people in the 1921 elections was conveniently overlooked. Traveling through Italy, Jack Morgan reported to a friend, “We had the great satisfaction of seeing Mr. Mussolini’s Revolution.”[21] In the early days, Mussolini stuck to conservative financial policies and kept flunkies from the key financial posts. Italian financial policy was something of a showcase for the outer world.

During their fifteen-year relationship, Lamont and Mussolini would form an implausible pair. Lamont was stylish and natty with wonderful manners, scores of friends, and a refined sense of beauty. Mussolini was sloppy and unshaven, an insecure, misanthropic loner with a mega-phonic voice and a black view of human affairs. Their relationship had a Beauty and the Beast quality that hid one likeness: both men were former journalists and newspaper owners and were fascinated by the art of public relations. Both had the knack of giving a pretty verbal gloss to ugly things, and much of their relationship revolved around the manipulation of words.

Lamont didn't start out an apologist for Mussolini. As usual, the path to perdition comprised a series of small steps. In the summer of 1923, Italian troops occupied the Greek island of Corfu, and their bombing of civilians outraged world opinion. If the League of Nations thwarted him, Mussolini promised to destroy it. Appalled, Lamont told Fummi, "I think you ought to know direct from me that the action of Mr. Mussolini in the Grecian affair has given us all a tremendous jolt here." The fact of the occupation bothered Lamont less than the manner: "There was no reason in the world why he shouldn't have been able to occupy it peacefully instead of shooting up and killing several innocent civilians, including children."[22] The indignation wasn't simply humanitarian, for Lamont realized that Corfu would make impossible the financing he had discussed with Mussolini the previous May.

The following year, Blackshirt violence intensified. Hundreds were murdered or wounded during the rigged 1924 elections, scores of judges were later dismissed, and Italian democracy was dismantled. Mussolini now controlled six of the thirteen cabinet departments and the three armed services. For the first time, a conflict arose between Lamont's business commitment to Italy and the humane indignation of some important friends, most notably Walter Lippmann, who attacked the Corfu invasion in the *New York World*. When Lippmann returned from Rome in 1924, he had dinner with Lamont and told him il Duce needed these violent antics to stay in power. Lamont didn't disagree.

How would Lamont deal with the growing strain between his liberalism and his desire to expand Morgan business in Italy? He would paper it over with words. He had a politician's talent for speaking in different voices to different people. He never exactly lied but shaded the truth and pretended to side with everyone. Only Lamont was bright enough to keep all his stories straight and wrap them up in outward consistency. After the dinner with Lippmann, he wrote to Prince Gelasio Caetani, the Italian ambassador in Washington, about the chat: "This all sounds to me like silly gossip; nevertheless I had to keep within bounds because I was the host."[23] This was a more cynical voice than the one Lippmann heard. Through nods, winks, and pats on the back, Lamont would keep everyone happy.

A certain convenience of vision, a selective filtering out of details, began to accompany the verbal touch-ups. Mussolini's henchmen had now killed Giacomo Matteotti, the regime's eminent foe, causing Socialist deputies to boycott Parliament. Yet when Lamont visited Italy in April 1925 to meet with Mussolini, he seemed oblivious to these grisly developments. Bonaldo Stringher, the governor of the Banca d'Italia, assured Lamont that il Duce resorted to strong-arm tactics only when absolutely necessary. With Corliss, the Lamonts motored through Italian hill towns and stopped by Bernard Berenson's villa, I Tatti, for tea and a chat about Italian Renaissance art. Afterward, Lamont wrote this paean: "The Italy through which I traveled seemed to be industrious and prosperous. The newspaper headlines in the New York and even London papers seemed to me exaggerated. Everybody, both in and out of the Government, laughed at these stories of street fights, unrest upsetting the Government etc."[24] Back at 23 Wall, Lamont received an autographed photograph from Mussolini, which was now featured as prominently on his wall as the earlier picture of Woodrow Wilson had been.

In reviewing Lamont's files, one gets the impression that in 1925 he made a moral leap and cast his lot with Mussolini. The year was rife with rumors, encouraged by Lamont's trip, of a $100-million Morgan emergency loan. In part, Mussolini wanted Morgan money to rebuild Rome as a monument to his own maniacal splendor. The new secretary of state, Frank Kellogg, made it clear that no loan would be forthcoming unless Rome settled more than $2 billion in war debts with Washington. In October 1925, Mussolini sent a mission to Washington, headed by his finance minister, Count Giuseppe Volpi, to negotiate the debt.

As the big $100-million loan hung in the balance, Lamont made his most startling shift with Mussolini, one that went far beyond basic banking requirements. This former champion of the League of Nations began to coach the Italian dictator on how to appeal to Anglo-American opinion. He fed him sugared phrases, language that would make reprehensible policies palatable abroad. A modern man, Lamont knew that any product, if attractively packaged, could be marketed to the public. The Italian problem was redefined as one of public relations. After Mussolini suspended town councils and bullied Parliament into passing 2,364 decrees at once, Lamont sent fresh publicity angles to Fummi for il Duce's consideration:

> If Mr. Mussolini declares that parliamentary government is at an end in Italy such a declaration comes as a shock to Anglo-Saxons. If, on the contrary, Mr. Mussolini had explained that the old forms of parliamentary government in Italy had proved futile and had led to inefficient government and chaos; therefore they had to be temporarily suspended and generally reformed; then Anglo-Saxons would understand.
>
> Again, when Mr. Mussolini announces that the mayors of interior cities will be appointed by the Fascista government, Anglo-Saxons jump to the natural conclusion that such a step means that the interior cities are to be deprived of all local self-government. If, at the time of such announcement, Mr. Mussolini had explained that in most cases the mayors of the interior cities were simply the appointees and tools of local deputies, and were conducting the affairs of the municipalities so

> badly that, for the time being, the central government had to intervene, then again such an explanation would have seemed reasonable.[25]

In public appearances, Lamont tried to deflect attention from Mussolini's politics to his economic record. Wall Street enjoyed pretending that there were two Mussolinis—the sound economic leader and the tough politician—who could be treated separately. Mussolini spouted the predictable litany of promises—balanced budgets, low inflation, and sound money—that bankers adored. Resorting to sophistry, Lamont said he was only praising the Italian economy, not Mussolini or fascism. In a January 1926 speech before the Foreign Policy Association, Lamont extolled Italy's record in lowering inflation, stopping strikes, and reducing unemployment. He even endorsed Mussolini's highway and public works projects—measures that would be roundly denounced by Morgan partners during the Roosevelt administration. Lamont's trump card was his claim that the Italians supported Mussolini: "At this gathering to-day, we all count ourselves liberals, I suppose. Are we sure that we are liberal enough to be willing for the Italian people to have the sort of government which they apparently want?"[26]

Lamont's efforts were crowned with success: in early 1926, Washington reached a lenient settlement of Italy's war debt, paving the way for a Morgan operation. Treasury Secretary Andrew Mellon had already advised President Coolidge that without a conciliatory debt settlement, Wall Street might lose the Italian loan to Britain. So Coolidge was pleased when, a week later, Lamont announced the $100-million Morgan loan. It triggered a vituperative debate in Congress, with critics such as Representative Henry Rainey, Democrat of Illinois, calling Mussolini a murderous dictator and protesting the favoritism shown toward the Fascist regime. As with the Dawes Loan to Germany, the Morgan loan to Italy proved a catalyst for further American investment. The bank itself went on to provide loans to Rome and to two industrial clients, Fiat and Pirelli. In December 1927, J. P. Morgan again joined with Ben Strong and established a credit for the Banca d'Italia that permitted a return to the gold standard.

On a Wall Street disturbed by European radicalism and worshipful of economic progress, Lamont wasn't the only Mussolini supporter. Jack Morgan and George Whitney both hailed him as a great patriot. Otto Kahn of Kuhn, Loeb likened his iron rule to that of a tough receiver straightening out a bankrupt company. With a poetic flourish, Willis Booth of Guaranty Trust said Mussolini lifted Italy "out of the slough of despair into the bright realm of promise."[27] Judge Elbert Gary of U.S. Steel and publicist Ivy Lee joined the fan club. As a self-professed "missionary" for Mussolini, Lamont's contribution was singular. One scholar has noted, "Of all the American business leaders, the one who most vigorously patronized the cause of Fascism was Thomas W. Lamont. . . . Though not the most voluble business spokesman for the Italian government, Lamont was clearly the most valuable. For it was he who translated verbal apologetics into hard cash, securing for Mussolini a $100 million loan."[28]

Was Lamont ignorant of events inside Italy? Not likely. As lender to sovereign states, the bank maintained thick clipping files and received abundant intelligence from around the world. (It was partly the excellence of Lamont's files that enabled him to keep abreast of an extraordinary range of clients.) In January 1926, publicity man Martin Egan passed on to Lamont an anguished letter from a friend in Anticoli, Italy:

> I wonder if you all in New York know just what you are doing in backing Fascistism in Italy. We had a taste of it last night here. A party of Fascists motored up from Rome armed with revolvers, rapiers and loaded whips, arrived at nine and proceeded to beat up with fierce brutality the peasants who could not produce a Fascisti card. . . . If any peasant objects he is shot. This is happening all over the place. It seems funny for American money to be perpetuating it.

On top of this, Lamont scribbled, "Pretty terrible, I must say."[29] In addition, an Italian opposition leader reported to him how his house in Rome was plundered by Blackshirts; he passed along a sheaf of bellicose speeches in which Mussolini boasted of his readiness for war. These speeches occasionally upset Lamont, but he always ended up recasting the problem as public relations.

At the same time, Lamont was plied with constant requests from a new Italian ambassador, Giacomo de Martino, whom he used to put up at the University Club in New York. Most of de Martino's requests were for more sympathetic press treatment of Mussolini. To this end, Lamont lined up favorable editorials in the New York *Sun*, protested dispatches of an "anti-Fascist" correspondent in the *World*, and arranged for de Martino to plead with Walter Lippmann at his home. Mussolini took a personal interest in winning over Lippmann and even sent him a personal photograph with a tribute to Lippmann's "wisdom" scribbled across it.[30] (Lippmann worked in a penthouse under signed photos of the British ambassador and Morgan partner Thomas Cochran.) Lippmann's antagonism toward Mussolini only deepened, however, confirmed by Italian press censorship, which he saw as symptomatic of weakness. "As long as the censorship lasts, I shall remain persuaded that the Mussolini Government is not certain of its hold on the Italian people," he told Lamont. "If the opposition to it inside of Italy were as negligible as

Fascists like the Ambassador make out, there would be no occasion for a censorship of this character."[31]

Mussolini stamped out all press freedoms in Italy. He was so preoccupied by his image that he would examine in advance front-page layouts of national newspapers. By 1930, half of his ministers were recruited from the press corps, and he decreed that all journalists be Fascists. Dissenting editors were jailed, and many foreign journalists were mugged by street toughs. Hence, Mussolini's only fear of press exposure was from abroad.

At the time of the $100-million loan, Lamont and Martin Egan convinced Ambassador de Martino to suggest an American press service to Mussolini. Its purpose, Lamont said, would be to "acquaint our financial community more faithfully with the proper situation in Italy."[32] Mussolini was excited by the idea, and the secret operation went into effect in 1927. Paid for by Italy, it would write up favorable press releases and bring over speakers. There was some difficulty in finding an appropriate American journalist to head the operation. The first choice was Associated Press correspondent Percy Winner, who once wrote of Mussolini, "An artist in the use of millions of human beings as tools and a nation as a canvas, the Duce rises so far above the typical politician or even dictator as to defy definition."[33] Even de Martino was relieved when Winner's name was dropped for a less slavish admirer. Early preparations for the press bureau were cleared with Lamont, and it eventually operated under the aegis of his Italy-America Society.

How did Lamont, a Woodrow Wilson protege, end up an accomplice of Benito Mussolini? The answer is partly personal. He had a romantic attachment to Italy and a proprietary feeling toward the Italian account, which he had won. His training as a Morgan banker taught him to transcend the mundane and to move mountains for important clients. This personal approach to business suited him, for he had varied and contradictory ambitions. He yearned to be a sleuth, a statesman, a political fixer, and a *bon vivant.* He loved politics, not so much as an ideological contest, but for the intrigue and the high-stakes gambling with fate. As a result, he could cooperate with politicians of many stripes. Washington's tacit support for Italian loans perhaps also removed any inhibitions that might otherwise have existed.

Lamont's Italian adventure exposed other problems. The highly intimate style of "relationship banking" meant that bankers came to share their clients' interests and identify with them. They felt almost too responsible for the success of their issues. As Lamont once said, when the House of Morgan undertook to market a block of common shares, it assumed responsibility, not simply for the solvency of the corporation involved but for its brilliant, successful management. This was the old London tradition upheld by

Pierpont in dealing with bankrupt, profligate railroads. Now that tradition was being transposed into a policy of backing dictators whose bonds were floated by the House of Morgan. Although lending to sovereign states had political overtones and moral imperatives quite absent from conventional business banking, the style of "relationship banking" was transferred intact.

There was another factor of paramount importance in Morgan's growing involvement in Italy—the Vatican. Earlier, Pope Pius X had grown wistful and regretted not having requested investment tips from Pierpont. This papal prayer was belatedly answered in the late 1920s, during the reign of Pius XI. The new relationship owed something to the friendship between Jack Morgan and the pope. In his earlier incarnation as Monsignor Ratti, prefect of the Vatican Library, the pope had restored the Morgan collection of sixty Coptic texts dug up from an old stone well in an Egyptian monastery. As an expert on early Christian documents, he had hardened the parchments until they became legible. The task consumed twelve years before the texts were finally returned to the Pierpont Morgan Library.

Even more important to the future Morgan relationship with the Vatican was the 1929 Lateran Treaty, which resolved a fifty-eight-year dispute between Italy and the papacy. Back in 1871, Italy had taken control of the Papal States, which included much of southern Italy and had provided the Vatican with enormous revenues. In 1929, Mussolini not only recognized the Vatican's sovereignty but paid almost $90 million in compensation for the seized lands. This vast sum was paid in the form of Italian treasury bonds worth 1.5 billion lira.

Before this, the Vatican had managed money in a conservative and rather primitive way. At the turn of the century, Pope Leo XIII had simply filled a trunk with gold coins and stored it under his bed. But with his good Milanese business head, Pius XI wanted to manage the Vatican's assets in a modern, secular manner. On June 2, 1929, he met with Bernardino Nogara of the Banca Commerciale Italiana, one of the rare meetings in papal history not recorded on the Vatican calendar. Nogara was not only a highly experienced banker but had so many priests and nuns among his siblings as to make him an acceptable layman for confidential Vatican work.

The Pope asked Nogara to create the Special Administration of the Holy See and convert the Italian treasury bonds into a diversified stock portfolio. The operation was so secret that only one report was produced each year. Nogara would hand-deliver it to the pope, who would inspect it and then place it in his personal safe. Pius XI put no restrictions on Nogara's investments, and the banker was given full power to invest in stocks, gold, and real estate and even take equity stakes in different companies. Nogara decided to select the best investment advisers in a number of foreign financial centers and was perhaps swayed by his friendship with Giovanni Fummi. In

New York, he chose J. P. Morgan and Company; in London, Morgan Grenfell; in Paris, Morgan et Compagnie (the new name given to the Paris house in the late 1920s); in Holland, Mees and Hope; in Sweden, the Wallenbergs' Enskilda Bank of Stockholm; and the Union Bank of Switzerland.

The Vatican would be very grateful for the investment advice provided by the House of Morgan. Jack Morgan, who had once lobbied to keep a Catholic off the Harvard board, would become a favorite in Vatican City. For investment advice, Pope Pius XI would confer upon both Jack and Tom Lamont the Grand Cross of Saint Gregory the Great. As an account of both Morgan Grenfell's and J. P. Morgan's, the Vatican is an important explanation of some of the alacrity with which Lamont performed services for Mussolini. After all, the devil's work was now sprinkled with holy water.

CHAPTER FIFTEEN
SAINT

DWIGHT Whitney Morrow vied with Tom Lamont for honors as the chief Morgan statesman and theoretician. His twenties celebrity owed much to his friendship with the president. When Coolidge took office, reporters flocked to Morrow for comments and speculated on which high post he would occupy. The two had been close friends in Amherst's class of 1895, boarding together for a year. They both remembered the day when they sat on a hilltop and fantasized about their future. According to legend, in their senior class everybody voted Morrow the Most Likely to Succeed—except Morrow, who voted for Coolidge. "Coolidge in college was a quiet, unassuming man," Morrow later said, and he was one of the few to penetrate the president's reserve.[1]

As a student of ancient civilizations, Morrow wanted to clothe the mundane, often sordid world of the twenties in some larger classical dimension. Spearheading the Amherst College Coolidge-for-President Committee in 1920, Morrow viewed his old friend in grandiose terms: "Coolidge is a very unusual man and a strange combination of a transcendental philosopher and a practical politician."[2] With similar hyperbole, Morrow confided to Lamont, "I think it is a miracle that a man of Coolidge's type has been produced for this emergency."[3] Coolidge talked of Morrow no less reverently. Morrow had been a brilliant student, Coolidge said, but without the usual bookworm qualities. "While he was . . . friendly and sympathetic, he was always dignified. . . . He had no element of selfishness. He never strove to excel anyone or defeat anyone."[4]

One suspects that Coolidge cleverly presented Morrow with the scholarly image the latter wanted to see. During the 1920 presidential race, Morrow sent four volumes by the Yale economist William Graham Sumner to Coolidge, who replied, implausibly, from the campaign trail that he had almost finished all four! "I regard his arguments on the whole as sound," Coolidge said, but added, "I do not think that human existence is quite so much on the basis of dollars and cents as he puts it."[5] Coolidge, as they say, had Morrow's number. While Morrow addressed him as "Dear Calvin," Coolidge usually responded with "Mr. Morrow," as if he were writing not to an old school pal but to an elderly sage.

Along with Lamont and Russell Leffingwell, Morrow gave the House of Morgan its patina of culture, its reputation as a home to bankers who wrote essays, gave speeches, joined foreign policy councils, and served on foundation boards. He belonged to a 1920s cult that believed in the wisdom of businessmen as managers of America's political affairs. Witty, bristling with ideas, the pint-sized Morrow had a professorial air. With penetrating blue eyes and a faraway look, he wore pince-nez and baggy trousers and never fit into the foppish Morgan world. The bank used to post a page at the men's room door just to remind him to pull up his suspenders when he left. Attending the wedding of Harry Davison's daughter, he smelled so badly of mothballs that the other partners made him don a fur coat to mask the odor. His sartorial deficiencies, it seems, symbolized a deeper unease in the posh Morgan world of tall, rich, self-confident men.

Like many bright, obsessive people, Morrow was notoriously absent-minded. He once spent a dinner at the Lamonts gesturing with a partially eaten olive until Metcalf, the Lamont butler, offered a plate for the well-chewed pit. Everybody at J. P. Morgan told the story about Morrow's riding the train. When the conductor asked for his ticket, Dwight couldn't find it and with his hands restlessly searched every pocket. The ticket, it seems, was clenched between his teeth. "I bet you thought I didn't know it was there," Morrow said to the conductor. "Actually, I was just chewing off the date." Once, while taking a bath, he called out to his valet for soap that lathered better; the problem turned out to be not the soap but that he was still wearing his pajamas.

Like Lamont, Morrow craved something finer than mere banking. He professed ignorance of the business's technical side and styled himself "a lawyer in a banking firm."[6] A banker of the Diplomatic Age, he was as much at home in Washington as on Wall Street. He clung to his intellectual ambitions, reading Bryce and Thucydides and writing essays, studded with recondite references, in favor of the League of Nations. He plied Coolidge with books such as Hallam's *Constitutional History of England.* What makes Morrow's story unique in Morgan annals is that he never entirely renounced his youthful goals or political ambitions and saw his partnership as a springboard.

There is pathos in Dwight Morrow's journey from a poor Pittsburgh home to the summit of world finance, and the story of his boyhood makes for uncomfortable reading. His father was a high-school principal and supported the family with difficulty. Pale and sickly, Dwight inherited both his father's reverence for education and his fear of poverty. After he graduated from high school, at fourteen, he worked as an errand boy for four years until he was old enough to go to college. He attended Amherst with the aid of a student loan and wore hand-me-down shirts given him by Jacob Schiff's son Mortimer. To make ends meet, he tutored other students. He practiced such austerity that he shared a pipe with a roommate to save money. After graduating from Columbia Law School, he landed a job at the Wall Street firm of Reed, Simpson, Thacher, and Barnum, which specialized in utility law. Within seven years he was a partner in the firm, now called Simpson, Thacher, and Bartlett. Living in Englewood, New Jersey, he locked umbrellas with Harry Davison in the rain one day and befriended Tom Lamont along the way. The two Morgan partners recruited him in 1914.

To become a Morgan partner was then a national event, and Morrow's mother was mobbed by well-wishers in the Pittsburgh streets. But after his first day, Dwight admitted to his wife, Betty, that he felt "pretty lonely and blue all day." To a friend he confessed that he felt "like a cat in a strange garret."[7] This was partly beginner's jitters, but the uneasiness never entirely deserted him.

Morrow performed spectacularly at 23 Wall and mastered every subject through sheer diligence. He mutualized the Equitable Life Assurance Society and oversaw Morgan lending to Cuba. He also masterminded Kennecott Copper, a public company formed around the Morgan-Guggenheim syndicate in Alaska and other properties. Daniel Guggenheim was awed by Morrow's retentive brain and said that "six months after Morrow had started upon his investigation, he knew more about copper than I or any of my six brothers."[8] In his absentminded way, however, Dwight neglected one detail of the Kennecott operation: "You have forgotten to provide for our commission," Davison gently chided him.[9]

Morrow was always torn between idealism and materialism. One life couldn't encompass his dreams, and he was tormented and made extremely nervous by the choices he faced. He and his wife traveled in monied circles and were frequent guests of Pierre du Pont at Longwood in Pennsylvania, with its fountains, conservatories, and ten-thousand-pipe organ. Yet they felt misplaced in this rich world. While still at Simpson, Thacher, Dwight would have pangs of Puritan guilt and say, "This, Betsey, is not the life for you or me."[10] Together they daydreamed of how they would save up $100,000, and Dwight would then teach history and Betty write poetry—Betty Morrow was a Smith graduate and a poet whose work appeared in *Harper's* and *Scribner's Magazine*. They could never acknowledge their overpowering ambition.

Morrow's conflicts gnawed at him even in his sleep. One night, he bolted up in terror from a nightmare. "I dreamt, Betsey, that we had become rich," he explained. "But *enormously* rich."[11] Offered a Morgan partnership, he went through "weeks of acute spiritual crisis," according to his biographer, Sir Harold Nicolson. While pondering his choice in Bermuda, Morrow saw a malicious cartoon that showed a vulturelike Jack Morgan feasting upon the innards of New Haven shareholders. This libel persuaded him to take the Morgan job, he said, and the bank's defense of its New Haven financing was his first assignment. Morrow used lofty rhetoric to justify actions prompted by lesser motives. After accepting the Morgan partnership, he told an old Amherst professor that service—not the prospect of a $ 1-million-a-year income—drew him to the House of Morgan.

Morrow always flirted with the idea of retreating to the cloistered university world. He spent so much time on Amherst matters that Jack Morgan reportedly said one day, "Dwight, if you will get off that Amherst Board of Trustees I'll make a present of a hundred thousand dollars."[12] In 1921, his bluff was called: he was approached with a tentative offer to become president of Yale. He turned it down, saying he wasn't a Yale alumnus and lacked special training. The excuse was flimsy, and for months afterward Dwight was depressed. Amherst and the University of Chicago also pursued him in vain.

Morrow's real passion was politics. He balked at the Morgan partnership lest it prove a political handicap—an accurate fear, as it turned out. The British press baron Lord Beaverbrook once told him that if he were an Englishman, he would already be a cabinet minister. The remark haunted and distressed him.[13] At first, Calvin Coolidge's election seemed a godsend, and Morrow was touted for Treasury secretary and other positions that never materialized. "My mother was upset and felt rather bitterly about it," said his daughter. "She felt that my father didn't ask for things."[14] Morrow used to tell his children to obey "Rule 6—Don't take yourself too seriously!"[15] Yet the Morrows took every setback in earnest.

One suspects that Coolidge kept a self-protective distance from Morrow. "Ever since Mr. Coolidge became President Mr. Morrow has, of course, been a frequent guest at the White House," wrote Ivy Lee, who was a publicity consultant for the Morgan bank as well as for the Rockefellers. "It is an open secret that the President has consulted with him on numerous occasions."[16] Harold Nicolson, by contrast, claimed that Coolidge telephoned Morrow only once between 1923 and 1929. Morrow's files suggest that the truth lay in between, with Nicolson's comment nearer the mark. Coolidge had wanted to make Morrow, not Parker Gilbert, agent general for Germany and only capitulated after warnings from the U.S. ambassador to Germany. Clearly, some Coolidge advisers feared the stigma of associating with a Morgan partner.

Perhaps to soften up public opinion for an appointment, Coolidge assigned Morrow in 1925 to chair a board studying the application of airplanes to national defense. Coolidge first mentioned it in a letter to Morrow a few days after his 1925 inauguration, but Morrow learned about it officially from the

Sunday papers that September. The Morrow board drew up plans for army and navy use of airplanes. In 1925, Daniel and Harry Guggenheim—old friends of Dwight's from his Kennecott Copper days—set up a special $3-million fund to advance aviation. Through Morrow, they got Coolidge to accept the money on behalf of the government to speed up airplane development.

Through his stint on the Aviation Board, Dwight Morrow became friends with the young Charles Lindbergh. In fact, Morrow's files show that the Morgan partners ended up paying for Lindbergh's historic flight to Paris aboard *The Spirit of St. Louis.* Under the original scheme, Lindbergh had planned to compete for the $25,000 Orteig Prize, set up to reward the first nonstop flight between New York and Paris. The trip was thus supposed to be self-financing. Lindbergh contributed $2,000, and a number of other Saint Louis sponsors added $1,000 or $500 apiece. Altogether, they raised $8,500 in subscriptions against a loan of $15,000 from a Saint Louis bank. Then, in his rush to be first across the Atlantic, Lindbergh decided that he couldn't afford certain delays demanded by the Orteig Prize and so forfeited his chance. In June 1927, one St. Louis sponsor, broker Harry F. Knight, told Morrow that the historic flight had actually cost between $16,000 and $17,000. The Morgan partners pitched in $10,500, not only repaying the bank loan, but permitting Lindbergh to retrieve his own $2,000 investment.

When Lindbergh made a triumphant trip to Washington, Coolidge invited him to stay as his guest at the temporary White House on Du Pont Circle. The president saw that Lindbergh's celebrity would make him a major force in the budding airline industry and so he invited the Morrows as guests as well. Morrow and Lindbergh liked each other immediately. As a trustee of the Daniel Guggenheim Foundation for the Promotion of Aeronautics, Morrow steered Lindbergh to Harry Guggenheim, who sponsored Lindbergh's three-month tour in *The Spirit of St. Louis.* And Morrow became Lindbergh's personal financial adviser.

While the Morrows were staying at the temporary White House, Coolidge sounded out Dwight about becoming ambassador to Mexico. Dwight had been restless at 23 Wall and apparently told Coolidge of his willingness to leave. The offer of the ambassadorship was formalized a month later. This position wasn't just a bone tossed belatedly to an old friend, but an extremely sensitive appointment. As Coolidge later said, "It would be difficult to imagine a harder assignment. But Mr. Morrow never had any taste for sham battle."[17]

American Catholics and oilmen were agitating to break diplomatic relations with Mexico, and some called for a military invasion. Secretary of State Kellogg had already condemned the regime of President Plutarco Elias Calles