

BUILDERS *of* AMERICA



I BECAME ONE
OF THE MOST
POWERFUL BANKERS
IN THE WORLD BY
REORGANIZING AND
FINANCING
INDUSTRIAL
CONSOLIDATIONS.

J.P. MORGAN



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Meet John Pierpont Morgan

Born to a preeminent New England family, John Pierpont Morgan enjoyed opportunities that his **contemporaries** John D. Rockefeller and Andrew Carnegie could only have dreamed.

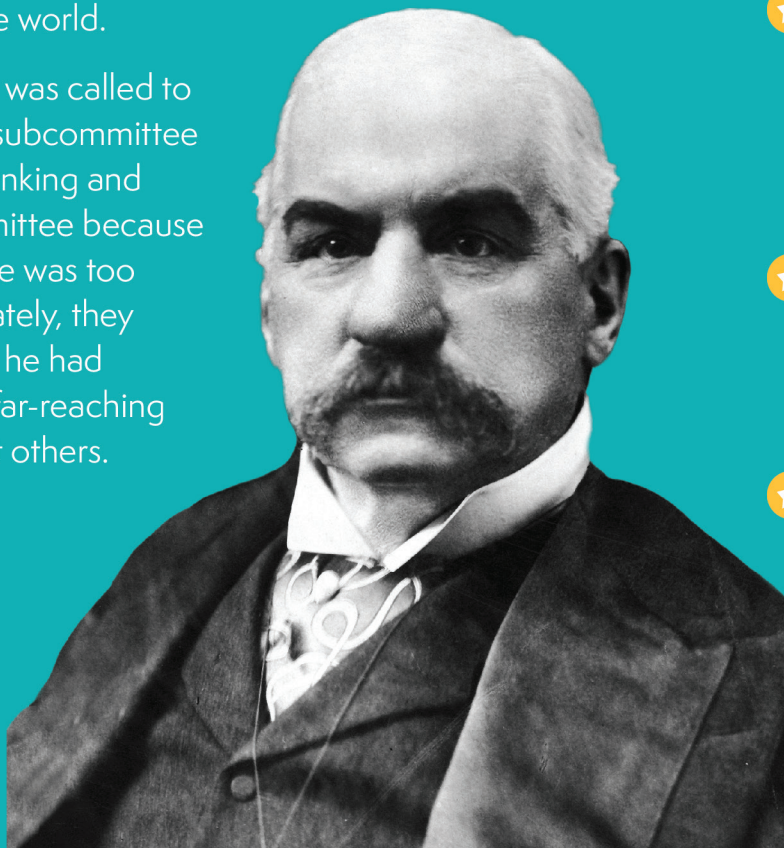
Morgan was well-traveled, university-educated, and well-connected to the international banking world through his father's associations.

Over the course of his career, Morgan's ties overseas enabled him to serve as a vital link between American and European financial markets. However, connections played only a partial role in his success. His natural abilities served him well; he was methodical, confident, persistent, and mathematically capable.

In 1885, Morgan began reorganizing the volatile U.S. railroad industry. He joined their boards and acquired their stock, expanding his influence. By 1902, he controlled nearly 5,000 miles of American railroad lines.

Morgan helped secure U.S. government financing during major economic crises. In 1895, his firm reorganized as J.P. Morgan & Company and became one of the most powerful banking institutions in the world.

In 1912, Morgan was called to testify before a subcommittee of the House Banking and Currency Committee because people feared he was too powerful. Ultimately, they did not find that he had used his bank's far-reaching power to exploit others.

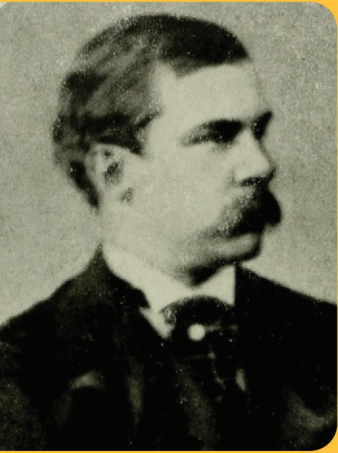


At-a-Glance

- ★ Born on April 17, 1837, in Hartford, Connecticut.
- ★ American **financier** and industrial organizer.
- ★ Restructured the U.S. railroad industry to achieve rate stability.
- ★ Financed industrial **consolidations** that formed General Electric and U.S. Steel
- ★ Led and helped stabilize the American financial markets during economic crises, including the panics of 1893 and 1907.
- ★ Founded J.P. Morgan & Company in 1895, a predecessor of present-day banking company, JPMorgan Chase & Co.
- ★ Art collector who donated many works to the Metropolitan Museum of Art.
- ★ Died on March 31, 1913, in Rome, Italy.



Early Life



Born on April 17, 1837, the eldest of Junius Spencer Morgan and Juliet Pierpont's five children, including a brother who died in childhood, John Pierpont Morgan grew up in Hartford, Connecticut and Boston, Massachusetts. As a child, he was known affectionately as "Pip."

The Morgan family were regular churchgoers, attending services at the Episcopal church twice each Sunday, establishing a religious foundation that Morgan retained throughout his life.

Morgan was prone to illness throughout his life. At age 15, he became crippled with an attack of

inflammatory rheumatism. His parents sent him to recover in the warm climate of the Azores Islands, a Portuguese archipelago. Throughout his journey, he wrote extremely detailed letters, chronicling his experience. The expedition afforded him a comfort with foreign life that prepared him for future business dealings with international clients.

When he regained his strength, Morgan traveled to England to join his family, where his father had joined the banking firm of George Peabody & Company.

Morgan attended University of Göttingen in Germany before returning to New York to begin his business career in 1857 at Duncan, Sherman and Company.

A Bold Transaction

In his new position, Morgan visited New Orleans to study the shipping business. He hustled from dock to dock, boarding vessels to inquire how their imports and exports were handled.

One day, Morgan boarded a cargo ship loaded with bags of coffee that the captain could not deliver because their buyer could not be located. The frustrated captain had been instructed by his Brazilian headquarters to dispose of the coffee.

Eying an opportunity, Morgan stuffed samples of the coffee in his pockets, solicited local merchants, took orders, and returned to the ship, offering to purchase the entire cargo on his employer's behalf.

When they learned the news the next day, Morgan's superiors in New York were outraged at his audacity. What they didn't yet know was that he had sold every bag of coffee *before* purchasing the cargo and at a tidy profit. Nonetheless, this bold transaction caused Morgan's bosses both alarm and respect.



“A man I do not trust
could not get money
from me on all the
bonds in Christendom.
I think that is the
fundamental basis
of business.”

Finding His Way

In 1861, Morgan married Amelia Sturges, the daughter of a respected New York merchant. She died from **tuberculosis** just four months after their wedding, leaving him a young widower. After months of grieving, he found New York teeming with Civil War business and was ready to reengage in business under a new name: J. Pierpont Morgan and Company.

Still suffering from frequent fainting spells and a skin condition, Morgan opted not to enlist in the Army. When the Civil War draft was instituted in July 1863, he took advantage of a regulation that permitted him to hire a substitute to take his place in the Army—for a \$300 **commutation**.

During the war, Morgan facilitated the sales of American securities on behalf of the Peabody firm’s anxious English clients, who doubted that the Union would survive and wanted to unload their American **holdings**.

Just after the end of the war, Morgan married Frances Louisa Tracy, and they settled comfortably on Madison Avenue, welcoming four children over the next decade.

Morgan began to suffer from health-related depression as he experienced perpetual exhaustion, severe headaches, and fainting spells. Already a wealthy man, he considered retiring at the age of thirty-three, but his father urged him to sell European **securities** in the United States. Junius arranged a meeting for his son with Anthony J. Drexel, and the two agreed to form a partnership.

In 1871, Drexel, Morgan and Company officially opened, and the association proved to be highly profitable.

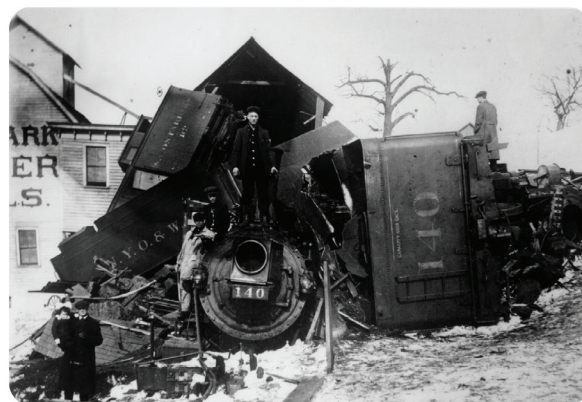


Discreet Dealings

As the railroad industry expanded, it depended largely upon European **capital**. In America, Morgan represented the financial might of Britain through his vast connections. In 1879, William H. Vanderbilt, son and heir of Cornelius Vanderbilt, approached him for assistance. The Vanderbilts had bought several small railroads to form the New York Central line, which extended from New York to Chicago.

As the majority owner with eighty-seven percent of the line's shares, William Vanderbilt had been accused of ruling by might. He was unpopular with the public and wished quietly to sell his shares to English investors. Morgan jumped at the chance to sell shares of New York Central stock to overseas buyers.

When the operation was completed, the financial community was astounded at the transaction, garnering Morgan greater respect and influence. He now found himself in a position to do something about the economic chaos in American railroads.



RAILROADS: OFF THE RAILS

When Morgan joined the New York Central's board of directors in 1879, the railroad industry was booming with uncontrollable development.

As settlers moved west, railroad lines popped up to support the expansion. Big railroads purchased smaller ones to form connected rail systems. Freight rates and passenger fares fluctuated wildly, resulting in an uproar among small businessmen and farmers.

The railroad industry attracted not only ambitious and inventive men but also ruthless **charlatans**.

Some sought to drive their stock up and down in the market for personal profit. Some aspired to gain control of two railroads, using them to enrich the other for speculative profit. Additionally, "blackmail roads" were often built alongside prosperous lines, in the hopes that the roads would be bought out at an exorbitant price to avoid ruining the original line's business.

Back on Track

One such blackmail road, the West Shore Road, was constructed alongside William H. Vanderbilt's New York Central line. However, Vanderbilt did not buy it out, and it went bankrupt. Soon, a group of men began purchasing the West Shore's **depreciated** bonds in an effort to steal Vanderbilt's traffic.

Meanwhile, in response to high freight rates, Vanderbilt had begun construction of a parallel line to another railroad—the Pennsylvania—with funding from steel manufacturer Andrew Carnegie. The new line would carry freight across the Allegheny Mountains, from Philadelphia to Pittsburgh, in direct competition with the Pennsylvania line.

Morgan observed these dealings with displeasure. As a representative for English investors, he felt responsible for the Central's success. He also had an interest in saving the Pennsylvania line, as his firm had helped finance it. So, he developed an idea to bring order to the railroads.

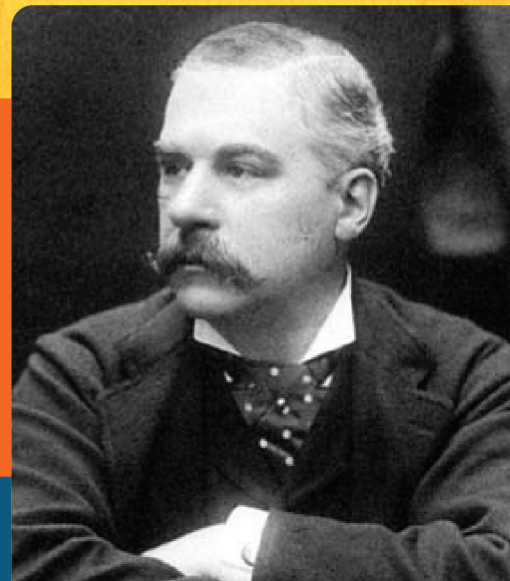
Morgan recommended reorganizing the West Shore Road under the wing of the Central. In return, the Central would turn over the South Pennsylvania project to the Pennsylvania. To present his plan, Morgan organized an afternoon meeting of the top executives from both railroads aboard his yacht, the *Corsair*.

By the time the yacht docked, the executives had accepted the deal, and Morgan had ensured his reputation as a broker of such arrangements. Through the mid-1890s, other railroads on the verge of bankruptcy approached him for reorganization assistance, and he became the dominant figure in restructuring railroad finances.

Morgan was later called upon to finance a series of giant industrial consolidations, including General Electric and U.S. Steel, helping reshape the American manufacturing sector.

“The first thing (in credit) is character... before money or anything else. Money cannot buy it.”

J.P. Morgan





Central Banker

During two perilous instances of American institutional failure—the gold panic of 1893-95 and the stock market panic of 1907—Morgan assumed the role of Federal Reserve chairman without any legal authority.

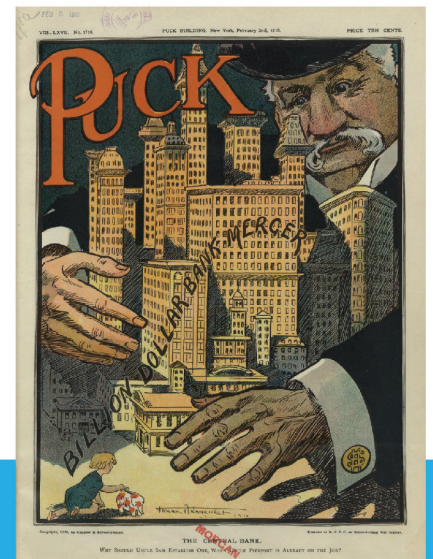
After the 1893 Wall Street crash, foreign investors began to doubt America's economic strength and hurriedly sold gold-based railroad bonds. As a result, U.S. **gold reserves** plummeted. With no central banker on the American side, the issue could not be resolved with mere credit arrangements.

Morgan privately arranged to loan the Treasury \$100 million in gold through his financial network. Despite initial fears of bankers wielding too much control over U.S. monetary policy, the White House eventually acquiesced, accepting \$62 million in gold to avoid a total financial collapse.

Years later, Morgan was again summoned to intervene in another gold crisis—in the aftermath

of the 1907 Wall Street crash. Many banks had come close to failing, and both the City of New York and the New York Stock Exchange were temporarily **insolvent**. Morgan emerged from semi-retirement to work 15 hour days, heading a group of bankers who helped determine how to manage government funds for financial relief. By preserving the solvency of major banks and corporations, Morgan was able to avert a crisis.

When news of his role sunk in, the public was in shock. Morgan was accused of engineering the crisis to enrich himself. People believed that he held too much sway over American capitalism.



Later Life

In 1912, just four months before his death, Morgan was called to testify before the Pujo Committee, a congressional hearing in Washington, D.C. The committee sought to expose the existence of a “money trust”—a small network of New York bankers led by Morgan—that controlled American business.

Although the claim was never conclusively proved, the 1907 crash and subsequent intervention led to the creation of the **Federal Reserve System** in 1913 and the **Clayton Antitrust Act of 1914**.

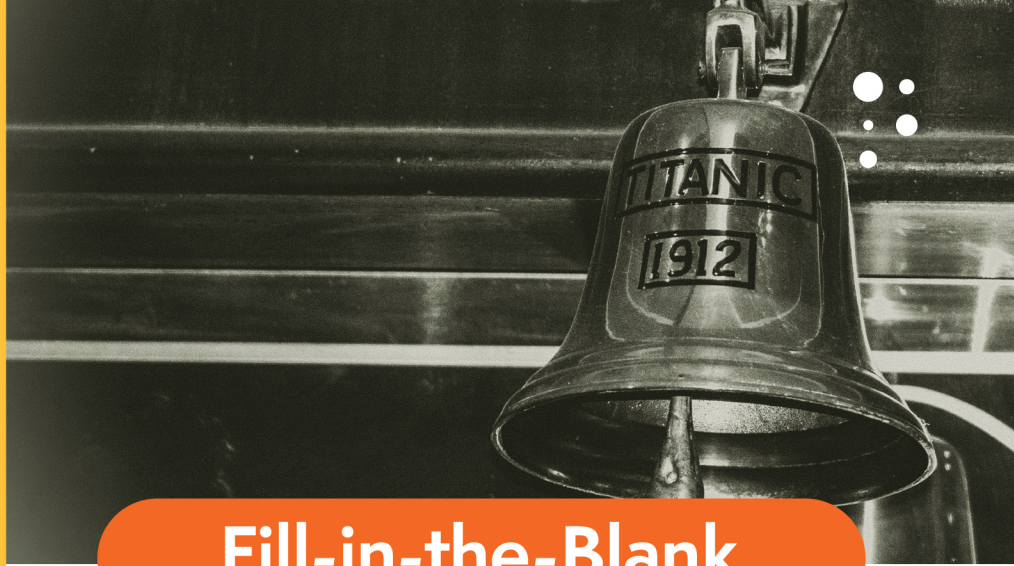
Morgan traveled to Europe with his daughter Louisa and died on March 31, 1913 just weeks before his 76th birthday. He left his vast estate to his widow and children. Everybody who worked for J.P. Morgan & Company received the equivalent of one year's salary. Morgan **bequeathed** most of his art collection to the Metropolitan Museum of Art.

Fascinating Facts about Morgan

- In April 1912, Morgan had a reservation on the *Titanic* but was forced to cancel due to illness. The ship infamously sank, resulting in great loss of life.
- The Morgan home at 219 Madison Avenue was the first electrically lit private residence in New York, powered by a basement generator.
- Morgan's most distinguishing feature was his bulbous nose, bright red from the skin disease, rosacea.
- In moments of anxiety or crisis, Morgan played solitaire to calm his nerves.
- Morgan collected stamps and the autographs of Episcopal bishops in his youth.
- The Christmas song "Jingle Bells" was written by Morgan's uncle, James L. Pierpont.



The Morgan residence at 219 Madison Avenue



Fill-in-the-Blank

1. In 1937, John Pierpont Morgan was born in _____, the eldest of five children.
2. To recover from a bad attack of inflammatory rheumatism, Morgan traveled to the _____.
3. With the help of his father's connections in London, Morgan helped facilitate the sales of American _____ during the Civil War.
4. Morgan helped stabilize the _____ industry by brokering deals with top executives.
5. Morgan financed the consolidation of major manufacturing industries, forming two new entities: _____ and _____.
6. After the 1893 Wall Street crash, U.S. _____ plummeted.
7. Morgan intervened after the panics of 1893 and 1907 to prevent a financial _____.
8. The Pujo Committee tried to prove that Morgan was the leader of a "_____" that secretly controlled American business.

Answer key on page 9

Word Scramble

1. PTERPION
2. MCAILTPAS
3. IARLORAD
4. TROPIF
5. ATNIICT
6. IYDUNTSR
7. KBORER
8. ACRHS
9. RSATONITNAC
10. SROVASEE

Making Order–Word Ladder

Morgan sought to bring order to the chaotic railroad industry to end lawless practices and stabilize rates.

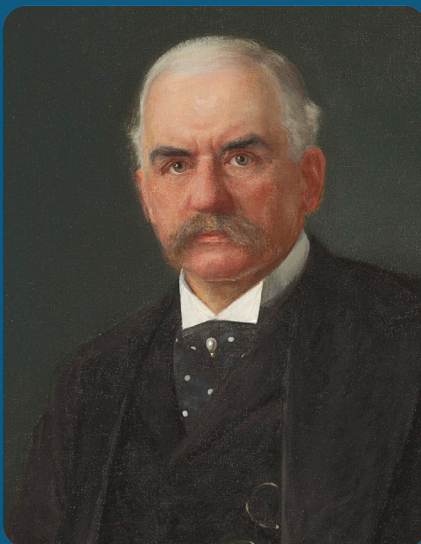
To change the word BANKER into the word TRAVEL, move from top to bottom to form a sequence of words. On every step of the ladder, change each word by replacing one letter of the word. You can change the order of the letters. Use the clues to help you!

Answer key on page 9

1	B	A	N	K	E	R	A person who owns a bank or has an important job in a bank.
2							One who gives support to someone or something.
3							To begin a journey, especially on a ship or airplane.
4							A place where products are bought and sold.
5							A person who talks a lot.
6	T	R	A	V	E	L	To make a journey.



Glossary



- **Financier:** One who engages in investing or raising large amounts of money.
- **Consolidation:** The merger of two or more corporations into a single new corporation.
- **Contemporary:** Being of the same time or age.
- **Tuberculosis:** An infectious disease that affects human body tissue, usually the lungs, and that is characterized by fever, cough, and difficulty in breathing.
- **Commutation:** The substitution of payment for a type of service, such as military service.
- **Securities:** A financial instrument that has value and can be traded, such as a bond or stock certificate, that represents a certain financial amount.
- **Holdings:** Legally owned property, especially stocks, bonds, or real estate.
- **Capital:** Wealth, whether in money or property, often used in the production or accumulation of more wealth.
- **Charlatan:** A person who falsely pretends to have more skills or knowledge than they really have.
- **Depreciate:** To decrease in value; often refers to currency, homes, or cars.
- **Gold Reserve:** The gold held by a government or central bank, often to settle its international debts.
- **Insolvent:** Being unable to pay debts owed.
- **Federal Reserve System:** The central bank of the United States.
- **Clayton Antitrust Act of 1914:** An act to supplement existing laws against unlawful restraints and monopolies, and for other purposes.
- **Bequeathed:** To leave something to a person or other beneficiary by a will.

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FILL-IN-THE-BLANK KEY: 1—HARTFORD, CONNECTICUT. 2—AZORES ISLANDS. 3—SECURITIES. 4—RAILROAD. 5—GENERAL ELECTRIC, U.S. STEEL. 6—GOLD RESERVES. 7—COLLAPSE. 8—MONEY TRUST.

WORD SCRAMBLE KEY: 1—PIERPONT. 2—CAPITALISM. 3—RAILROAD. 4—PROFIT. 5—TITANIC. 6—INDUSTRY. 7—BROKER. 8—CRASH. 9—TRANSACTION. 10—OVERSEAS.

MAKING ORDER KEY: 1—BANKER. 2—BACKER. 3—EMBARK. 4—MARKET. 5—TALKER. 6—TRAVEL.



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