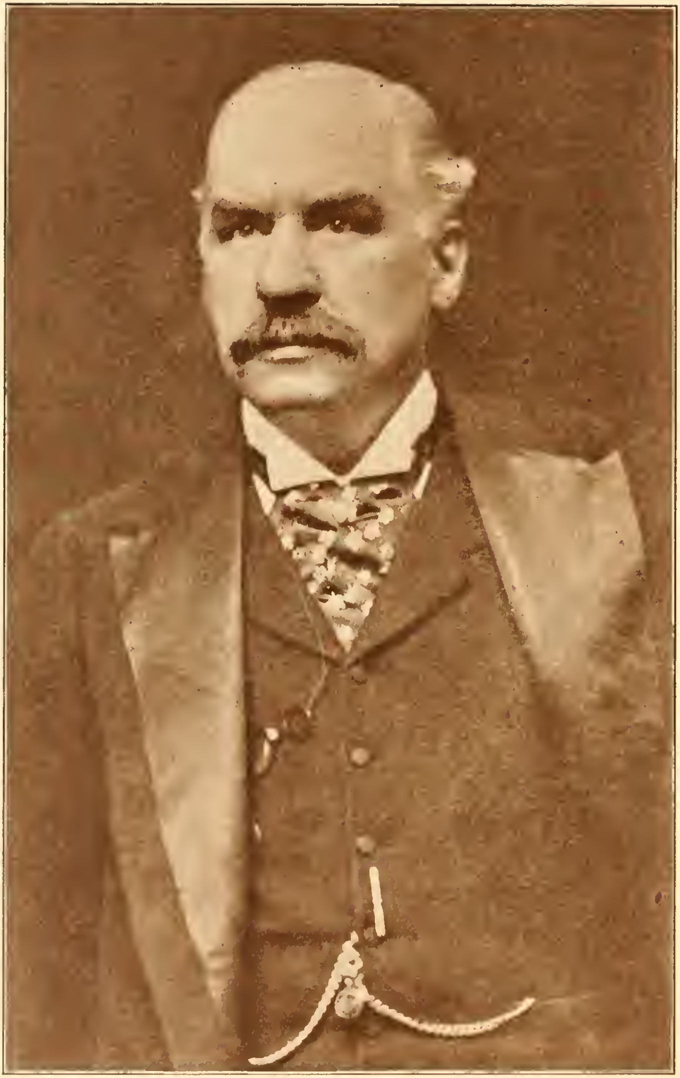
THE LIFE STORY OF
J. PIERPONT MORGAN



J. PIERPONT MORGAN

THE LIFE STORY
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A BIOGRAPHY

BY

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PREFACE

The biography of a living man is a special sort of thing to write or to read, and requires a little explanation from the author. Undoubtedly the reader needs to know whether the thread of argument, which forms the more or less unconscious basis of every work of biographical writing, came, in this instance, from the subject himself duly posing for the public and expounding his character according to his own notions, or whether it proceeded independently from the writer's mind.

The fact that this life takes Mr. Morgan neither angrily nor bitterly, nor extravagantly nor pathetically, nor according to any of the obvious methods of the Sunday special articles (in which, up to now, his life has been exclusively set forth) but undertakes to describe him seriously and intelligently, will undoubtedly convince some simple souls that this tone was in some sense inspired. It is the natural inference, because to speak or write sensibly of the actions of any one of our magnified Captains of Industry (such in their power as the inventor of the phrase never dreamed of) is distinctly contrary to usage and custom. You must attack them or toady—there is supposed to be no middle ground. The reason for this state of things may be stated in five words:—these men personify political issues; and having stated it, let us leave it, and proceed to contemplate a fact much more important to writers and readers of biographies. The fact, or rather, the proposition, is this,—in order to depict a man as he really is one must set forth his own aims and objects, and show how he attains them, or how near he comes to attaining them, how he goes to work, and how he feels about his work. The opinions of others matter little, their theories little. It is idle to measure him with the ideal of some other world, or time. Suppose a Quaker to write the life of Napoleon,—*as* a Quaker, of course; seen through the peculiar green glass ideal of the hater of war, the man of war would come out sickly and unhuman. Almost anyone will admit that. But not everyone will admit that it is possible to describe a Morgan without looking at him through the orange glass of the Socialist, or the glasses of whatever color of the dirty democrat, or the silken toady, the hater of the money power, the adorer of the rich and successful, and so on.

The author faced these difficulties, and found them difficulties. As for the book, let it be said at once that it was conceived and written independently by the author; there was never the least influence or dictation from without. The material was gathered because the subject was interesting and the opportunities lay close at hand. And the argument, above referred to, grew of itself out of a close study of this material, and much questioning. It seems to be pointing to the conclusion that Mr. Morgan's life has been one of usefulness and benefit to industry and to the country. This effect was unintentional, was not preconceived. But it was the perfectly inevitable result of aiming at truth and avoiding caricature.

C. H.

NEW YORK, 1911.

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CHAPTER I

CHILDHOOD AND YOUTH

SINCE the year 1865, the American Republic has been a business nation, and its strongest individuals have been business men, and the strongest of them all is the subject of this biography. What is a business man? According to a recent and very straightforward definition "the business man is not a monster; but he is a person who desires to advance his own interests. That is his occupation and, as it were, his religion." If we may accept this definition as accurate and generally true, then it clears the ground of certain sentimentalisms. The business man is not a statesman, or an altruist, or a philanthropist, at bottom; we only bungle our conclusions when we apply to him the measure of their ideals and objects instead of using the measure of his own. It is often possible for a business man to help the public gratis, and come forward at the dramatic moment, as a noble and patriotic and disinterested citizen. The thing has been done by Mr. Morgan, as everyone knows, and followed by ink-spilling praises, and closely afterward by sardonic comment and reviling. They paint him too bright or too black, as demi-god in one breath and a monster in the next, and the wholesome truth, which is something less fantastic, remains untold.

It is reasonable to remember that the great business man is neither saint nor devil, and that in the long run he is governed by the same practical motive of thrift as ninety-nine out of a hundred busy American citizens of this progressive day. He may render an immense service for nothing, and get his name written across the sky—which is perhaps the last thing he thought of—but his most telling and characteristic service to the public, if service it is, comes from pursuing his own ends.

Having guarded ourselves against the usual foolish flights of fancy, let us admit at once that there are real complications in the case of Mr. Morgan. He has become the dominant business force in the country and the strongest single financial power in the whole world, and, as a matter of fact, he has reached a point where no category will contain him. You cannot put Mr. Morgan in the pigeon-hole of a class. He is a genius, a spirit, a very conspicuous instrument of the economic evolution of his time. You cannot call him a mere money-maker, interested in temporary gains. He instinctively plans for something permanent in the structure of money-making activity; he has furnished the grooves in which all our industries shall be run for a very long time to come.

There are not two opinions on this point. "Organiser" and "constructive force" are almost hackneyed epithets as applied to him. The accepted description of his work runs as follows: "He was never a stock gambler; never a bear. He never wrecked a property nor depressed values that gain might follow. His work was always to reconstruct, to repair, to build up. Instances of his force and ability in this direction are the Philadelphia and Reading, the West

Shore, the Erie, and the Northern Pacific railways. In these instances and in others he saved and rehabilitated property that otherwise would have been ruined and rendered useless. His enemies may charge him with many faults—and he undoubtedly has many—but they can never say that he destroyed a property. Nor has any property which he has saved been exploited for gain on the stock market with his consent. His work has been in actual construction, in the actual creation of properties. His railroads have been working railroads, with rails and steam and rolling stock; his factories have been smoking factories, aglow with life and workers—not paper railroads and paper factories that exist only in the imagination of the stock jobbers."

There is nothing of the charlatan suggested here; J. P. Morgan is solid. Furthermore, his rehabilitation of a vast amount of doomed property is mightily suggestive of broad public service. Other men have built up industries from the beginning, chiefly for themselves, as Rockefeller constructed the Standard Oil Trust. But Rockefeller soaked up his competitors like a sponge, while Morgan puts them on their feet and teaches and enforces coöperation among them all.

A period of the fiercest industrial strife seems coming to an end. The head is now a long way from the foot of the financial body, which is so firm and gigantic that only the strongest forces can cause it to quiver. Out of a generation in which lived Gould, Fisk, the Vanderbilts, Rockefeller, Frick, Carnegie, Yerkes, Harriman, Gates, Heinze, Morse, one has emerged to rule. Perhaps it is not for nothing that Mr. Morgan has survived.

The concentration of wealth and financial power that has taken place in Mr. Morgan's life-time is thus described by the informing writer already quoted:

"In the old days of financiering, all men controlled their own money and invested it in a business which they managed themselves. With very few exceptions (let us put in that farming is the chief exception) all this has changed, the great bulk of the money of the country now being invested in stocks and bonds, exchanged for insurance policies, or deposited in banks—its control, as far as its profits are concerned, passing entirely out of the hands of its owners. Ownership in the numerous stock companies which have been organised in a comparatively few years is distributed among hundreds of thousands of persons, and thus the millions of the many have passed into the control of the few.

"So the trite question: Who own the United States? may not appear so important as the query: Who control the United States? One hundred and ten of the country's largest corporations, with a capitalisation of $7,300,000,000, are owned by 626,934 stockholders. The average stockholdings are 116 shares. The manufactories of the United States are owned by many individuals, showing a fair diffusion of wealth, but their actual control is in the hands of a few men. In no other line has the control of the few been so apparent as in the conduct of the railroads, for the very laws which were created to prohibit railroad combination have fostered it. Less than a dozen men absolutely control fifty-four companies, with a capital of $4,157,000,000 and a total number of stockholders of 288,160. Of the fifty-six great industrial companies, with a capital of $3,143,000,000 and an extended list of stockholders, a few men are in control.

"*It will be seen, therefore, that the whole tendency of the system is concentration. The great central power of this concentration is the bank. Mr. Morgan, by his recent merger, has accordingly placed himself at the head of the greatest power in control of all the great powers of wealth. It was said a few years ago that eight men virtually controlled the bulk of the banking resources of cash and credit in the country. To-day one man is fast getting that power into his hands.*"

The merger mentioned in the paragraph above is the consolidation by Mr. Morgan last January of the rich Guaranty, Morton, and Fifth Avenue trust companies of New York. The result is a towering institution possessing upward of $150,000,000 of resources, bearing the name of the Guaranty Trust Company. In addition, Morgan controls and directs the Astor Trust Company, the Banker's Trust Company, and the Liberty National Bank. His interests, direct and indirect, in other banking institutions are so far reaching that although it would scarcely be a work of ease for the arch consolidator to create a Money Trust which should control, absolutely, the cash and credit of America, the possibility is one that occurs to many minds, and the Morgan dictatorship of money is already much more a reality than a conception of the imagination.

For it will be seen that Mr. Morgan is not only the financial ruler by virtue of what he already has—he is a monarch who can extend his kingdom to suit his ambition or his need.

Mr. Morgan rules money at the exact moment of history when money is the thing to rule; when it is all important to financiers to be able to deny cash or credit to a would-be competitor's industry, to extend it to the trusts and combinations that are established in the field.

It would be pretty and neat, though not truthful, to say that his present position in the seventy-fourth year of his life is one which he aimed at from the first—that he is realising his life's ambition. But the reader will agree, I think, as he reads this biography, that Mr. Morgan has not been the selfconscious force that he seems. In fact, it is obvious that in the year 1857, when the young Morgan entered business in New York, no man could possibly have foreseen the peculiar opportunities which the twentieth century would offer—the chance of an American kingship was utterly invisible to the most restless and conquering eye.

His gigantic power is still new, and as yet little understood. He inspires his countrymen with awe, and with another feeling, which is not exactly fear, but akin to it—a feeling of uneasiness. They see him in the terrific national changes of the times.

Let us describe the beginnings of this extraordinary man.

Mr. Morgan's earliest ancestor in this country was Miles Morgan, who settled in Massachusetts in 1636. His paternal grandfather was Joseph Morgan, a successful business man of Hartford, Connecticut; his maternal grandfather was John Pierpont, the Boston preacher, poet, and reformer. Joseph Morgan was altogether less distinguished than Pierpont, but, on the other hand, he has the credit of founding the Morgan fortune, while the other, after a stormy, brilliant, but disappointing career, died as the holder of an obscure government post at Washington. His story is full of interest and pathos, and some of the traits of his marked character appear to be quite as real, if less definite, a bequest to his grandson as the fortune which came down from Joseph.

Joseph Morgan fought in Washington's army until the Revolution was over, and then settled down to farming near the village of Hartford. He made money enough to invest it in stage lines and eventually rose to the control of the chief roads of transportation in the State. Hartford, during the first quarter of the nineteenth century, had a great prosperity as the centre of long-distance traffic; the main line of stage from New York to Boston passed through the city, running from Boston to Worcester, Springfield, Hartford, Middletown, New Haven, and New York—three days each way. Hartford also held the key to the trade of the Connecticut River valley, northward nearly, or quite, to the border of Canada. Innumerable taverns were sprinkled along the countryside, and Joseph Morgan also dipped into this thriving business. But in the fall of 1839 the first locomotive—the "Vesuvius" or the "Good Friend" or some other quaintly named piece of machinery—made its slow way across the State, and Hartford's business position was changed. The old customers were drawn away by the merchants of rival towns, the stage lines went to seed year by year, and this thrifty ancestor quickly bestirred himself in other directions.

He opened a large hotel in Hartford, the "City Hotel," and soon afterward began to figure as a capitalist in connection with the Ætna Fire Insurance Company of that city. At this time these companies had no cash capital, their resources being represented by the notes of the principal "solid men" of the town, notes ranging in sums from five to ten thousand dollars each. The expectation was that the profits from the insurance business would render it unnecessary to call upon the note makers for cash to meet any fire losses, but a great fire in New York suddenly gave a different aspect to things. There was a period of heavy losses, and the prospect of calling upon the note makers became so imminent that the notes were offered at a large discount to anyone who was willing to assume their liability. Joseph Morgan bought these notes wherever he could, acquiring a large number of them. Soon afterward the danger passed; the premiums received for insurance proved ample to pay the losses; the company began to accumulate a capital stock, whose cash value was represented by the increasing profits of the business; and eventually the holders of the notes received stock in proportion to the liability they had assumed. Joseph Morgan made a fortune from his holdings. It was this fortune which eventually placed J. P. Morgan's father, Junius Spencer Morgan, in the banking business.

Joseph Morgan handed to his son, besides fortune and the capacity for making more money, a genial disposition; he had the qualities of the old-time host in the hotel business, and his son Junius was a famous and agreeable entertainer on a different, and of course more sophisticated scale.

Mr. Morgan's maternal grandfather, Pierpont, was a very well-known man in his time; the following passage from an unknown hand (it is taken from an old copy of the *Christian Examiner*) shows the impression he made. The somewhat high-flown phraseology cannot quite spoil it as a real reflection of his soul:

"Mr. Pierpont united within himself the characteristics of two very distinct persons. One was graceful, cultivated, delicate, fastidious to the last degree, careful of etiquette, studious, dignified; with a certain loftiness of dignity, indeed, which strangers were apt to find somewhat frigid, but genial and expansive with his friends, and beautifully tender and loving with children. This was the clergyman and the poet.

"The other was the ardent knight, armed for battle, and seeking it far and near; . . . quick to discover injustice, he no sooner unearthed a new wrong than he attacked it with the fiery ardour of a nature whose enthusiasm was but the hotter for the restraints which the habits and tastes of the scholar ordinarily imposed upon it. He used all his weapons at once: logic, sarcasm, invective, poetry—and sharpened them all with a stern 'Thus saith the Lord!' This was John Pierpont, the Reformer; and

. . . few names rang wider throughout the careless, prosperous land than his."

Clearly an insurgent of those days! Pierpont failed as a lawyer, failed as a merchant; as a clergyman he won fame, but gave his congregation no peace or rest, and in one place after another they turned upon him. His most important pulpit was in the Hollis Street Unitarian Church of Boston. "He was liable to open his Hollis Street pulpit," says a writer, "any Sunday morning with either or both temperance or slavery. He preached temperance to a congregation of men who drank rum, sold rum, made rum . . . of course he gave mortal offence." And again, "His fight lasted seven years, one man against many, poverty against wealth, right against wrong." At last he was formally placed on trial by an ecclesiastical council for "preaching on exciting topics," and for failing to conduct himself "with Christian meekness." The exciting topics were "the meanness and crime which he saw about him in high places"! The immediate result of the trial was a vote of censure, but Pierpont soon left the church for another, far away.

The year 1861 saw him in Boston again, and he went to the front as chaplain of the Twenty-second Massachusetts Regiment. The regiment went into camp on the north bank of the Potomac. It was shrewish fall weather, and the chaplain, now an old man, was unable to endure the cold. He was seen walking about most of the night beating his body with his hands to keep his blood from freezing. He sent in an application to the commander of the brigade for three days' leave, intending to look for some occupation in Washington. The officer had never heard of him and sent back the paper with a message scrawled across the back, "Why does he want three days? Give him two." In a very depressed state of mind the old man called upon Secretary Chase and modestly inquired if there was not some clerical work he could do. The secretary, who knew him well by reputation, shook his hand warmly, agreed to do anything he could for him, and did, in fact, provide him with a work of compilation for the Government which occupied the elderly clergyman until his death.

Of all the effort and struggle of this man's life there only remains a school-book piece of verse—"Warren's Address"—do you not recall it?—beginning,

> Stand! The ground's your own, my braves!

and a volume of poetry entitled "Airs from Palestine," now unread. There are verses, however, which pulsate with the vigour of protest. Here is a specimen, the first stanza of "A Word from a Petitioner," which has an oddly contemporaneous sound:

> What! our petitions spurned! The prayer
>   Of thousands—tens of thousands—cast
> Unheard beneath your speaker's chair!
>   But ye *will* hear us, first or last.
> The thousands that, last year, ye scorned,
>   Are millions now. Be warned! Be warned!

Such were the strong feelings and the nature of J. P. Morgan's grandfather. Threads of Pierpont's personality are distinctly to be seen, however entangled, in the later man; terribly strong feeling, wilfulness, an aspiration for the beautiful, in both.

As soon as Junius Spencer Morgan grew up his father obtained a clerkship for him with the banking house of Morris Ketcham.

The young man remained here several years, finally leaving to become a junior partner in the dry-goods firm of Howe, Mather & Co. in his native town. During this period he married Juliet Pierpont, the clergyman's daughter, and their child, John Pierpont Morgan, was born April 17, 1837. J. S. Morgan showed great business ability and was soon invited to become a partner in the house of J. M. Beebe & Co., one of the largest retail stores in Boston. But a few years later he met George Peabody, the great London banker, and shortly after the meeting, he entered Peabody's prosperous firm.

Peabody was American born, and for a long time was a merchant of Baltimore. After he became well established in the banking business in London, he became widely known on account of his Fourth of July dinners, which he gave annually for the purpose of creating good feeling between England and his own country. One of these occasions the Duke of Wellington honoured with his presence and Queen Victoria sent her portrait and Prince Albert's to hang in the dining hall. Peabody was the most widely known philanthropist of his day and gave millions for the housing of the poor in London and for the cause of education in the Southern States of America. On his visit to Boston he was in reality seeking a partner to pave the way for his own retirement from business; the name of Junius Morgan was strongly urged upon him by Morgan's friends—with the result which proved so favourable to the Morgan fortunes. One of the stipulations in their agreement at the time was that Junius Morgan should take upon himself the entertainment of the firm's American and other friends, for which he was to receive twenty-five thousand a year as expense money.

Young J. P. Morgan spent the first fourteen years of his life in Hartford. The house in which he was born still stands. It was a small and unpretentious building of red brick which stood on the village street in the centre of a few acres of land. Some years ago it was raised one story and a store was set in under it, and now it is being closely crowded by business blocks in what is the centre of Hartford. J. P. Morgan's associations are not with this house, however, for his parents only lived here during the first year or two, then they moved to the large and comfortable house on Farmington Avenue which Joseph Morgan had had built as a wedding present for his son. Round it lay a farm of about one hundred acres which extended half a mile to the west to a stream called Little River. At the age of six young Morgan was sent to the district school.

As a boy he was a quiet, reticent personage; one who went about his own affairs and who was marked neither by especial brilliancy nor especial dulness at his studies.

He was cool, matter-of-fact, and stamped with a determined quality and a kind of dignity which left a lasting impression upon the memory of some of his school-mates even if it did not awe them very much at the time. The first thing he gained at school was a nickname—in this way. The roll of the class was being called and one by one the boys stood up and gave their names. It came Morgan's turn:

"John Pierpont Morgan," he announced. He was asked to say it again because of his uncommon middle name. "Pierpont," he repeated, "John Pierpont Morgan."

The teacher got it correctly, but not the other boys. They saw fun in that middle name. "Pierp"—"Pip—Pip" Morgan came from the back of the room in a loud whisper, and "Pip" Morgan he was called, and nothing else, from that day on.

"Pip" Morgan spent most of his spare time fishing in Hog Creek; once he built himself a flat-bottomed, pointed skiff, in which he used to float about in the muddy stream; the new boat was better than the raft, which served the other boys.

At the age of twelve he was a well-grown, chunky boy, and as he went on in his teens he was large and well filled out for his age. But after a time his health began to suffer, he lost his ruggedness and constitution, and it was necessary for him to be constantly under a doctor's care.

After the family moved to Boston, he attended the English High School until his graduation in 1853. The next year he spent at Fayal in the Azores after which he continued his education abroad, spending a year at Vevay, Switzerland, and two years at the University of Göttingen in Germany. Here he also received a treatment of mud

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baths which proved beneficial. With his health much improved he left Göttingen to enter his father's banking house in London.

A remark which his father made at this time has come to us from one who knew the elder Morgan—and who treasures the remark as a choice example of life's little ironies. "I don't know," said the London banker, "what in the world I am going to do with Pierpont." The question seems really to have caused him unnecessary anxiety. He was also concerned about his son's abrupt and often antagonising manner, so much the opposite of his own. His friends assured him that there was nothing to be done about this; his son's way was natural to him, really without intentional offence, a part of his constitution, and you could not turn granite into wax. At this period the young man was becoming initiated into the technical mysteries of his trade. He was learning what bills at sixty days on Paris or Amsterdam or Hamburg were worth in francs, guilders, the marc banco, and so on through all the delicately-balanced system of foreign exchanges, which changed from day to day.

An anecdote shows how his father backed him up and the faith of the older man in his son's business judgment. Someone suggested to young J. P. that coffee was a "good speculation." Mr. Morgan decided that it was, too, and went out and bought—a whole shipload. When he told one of the partners of Peabody & Co. what he had done the other was shocked.

"Why, it's absurd," he said, "to buy all that coffee—where will you get the money?"

Mr. Morgan stared at him angrily for a moment and then walked out of the room without saying a word. In a very short time he came back with a draft in his hand and slapped it on the table before the English banker. "There," he said sharply, "there it is."

It was a draft for the full amount of the large sum involved in the transaction signed by Junius Morgan.

The year 1857 saw one of the most terrible financial panics which ever visited the United States. At this time the house of George Peabody & Co. was doing its American business with the firm of Duncan, Sherman & Co. of New York. During this crisis the American firm couldn't meet its maturing credits in London, and its inability to do so greatly embarrassed George Peabody & Co. Under this strain the London firm was obliged to appeal to the Bank of England for assistance, which it finally received. The outcome of it all was the sending of young Pierpont to America, where he became cashier, and his father's representative, with the firm of Duncan, Sherman & Co.

Here he met Mr. Dabney, the man whom he afterward selected as partner when he went into business for himself. Dabney was one of the most expert accountants in the city, and it was from him that Mr. Morgan acquired his remarkable and accurate knowledge of bookkeeping, a knowledge invaluable to him, and the extent of which, together with the resulting ability to analyse accounts and statements of the most intricate character, has excited the wonder of every man who has ever come in contact with him. In the course of time Junius Morgan wrote the American firm suggesting that they give his son a partnership. They —declined. Here Mr. Morgan's career really began; for, soon after, his father directed him to take an inexpensive office, and agreed to turn over to him, gradually, the entire business of George Peabody & Co.

Two paragraphs, printed in the columns of the *Bankers' Magazine* of that time, speak for themselves. The first reads:

"Messrs. J. Pierpont Morgan & Co. and Mr. C. H. Dabney (for several years of the firm of Duncan, Sherman & Co.), have associated together as bankers, under the firm of Dabney, Morgan & Co., Exchange Place."

The second is: "Messrs. Duncan, Sherman & Co. have transferred their London account, late with Messrs. George Peabody & Co., to the banking firm of Messrs. Finlay, Hodgson & Co., a concern of very old and wealthy standing. The withdrawal of Mr. Peabody and his large capital and experience will doubtless induce a number of other changes in American accounts in London." As Junius Morgan continued the Peabody business, taking it direct from George Peabody's hands, this was revenge. But the firm of Duncan, Sherman & Co. was even then in sight of the failure which afterward overcame it.

Besides Mr. Dabney, Mr. Morgan had for a partner his cousin, James Goodwin, now of Hartford. The office of the new firm was on the second floor of Number 50 Exchange Place, and even for the days when "model" office buildings were three stories high, could not have been called palatial. The big firms had their offices on Wall Street or on William Street. There is nothing in Mr. Morgan's career in these earlier days which suggests that he had at that time the slightest comprehension of what his relations as a banker and a constructive force, either in the world of railway affairs, or in industrial development, was to be. He looked upon himself then, as in fact he always did until he was forced by imperative pressure to lead in the reorganisation of bankrupt railroads, as a banker pure and simple.

In the summer of 1859 Mr. Morgan sailed for Paris to see the lady who was soon to become his wife. She was Miss Amelia Sturges, the daughter of Jonathan Sturges of New York. Miss Sturges was an invalid; in reality she was dying of consumption. Mr. Morgan persuaded her to marry him, declaring that he would take her the world over to find her health. He dropped business entirely after his marriage and devoted himself to the dying woman. She lived only a few months after their wedding.

He returned to New York and plunged into his work again. He lived quietly, beginning the day with a horseback ride in Central Park and often spending the evening at the house of one of his friends. His interest in pictures, always strong, occupied him much at this time. He bought his first oil painting at the Sanitary Commission Fair, held in a big, temporary structure on Fourteenth Street. It was the portrait of a young and delicate looking woman, the work of an artist named Baker, and the price was $1,500. The picture hung for many years over the mantel in the library of Morgan's home, at 42 West 21st Street.

His first striking transaction occurred after the breaking out of the war, and about the time that Charleston, S. C., was blockaded. Gold was commanding a premium, but it was thought that Charleston would fall, and with it, the premium on gold. With this idea strongly in mind the importers who owed money abroad were putting off from day to day their remittances to meet their maturing bills, hoping to coin their remittances in gold later on at a much lower price than the market then afforded. But gradually the truth dawned upon them that Charleston was not going to fall. Meanwhile the price of exchange was beginning to force gold shipments to London, which made matters much worse, since every shipment of gold tended to force up its price.

The favorite place to watch this terrifying upward movement was the "gold room." This peculiar institution was a private enterprise, kept by a man named Gallagher in a building at the corner of William Street and Exchange Place. Anyone could deal in the gold room after paying a fee of twenty-five dollars a year. It was open all day, whereas the Stock Exchange, which then held two sessions, closed its morning session at twelve and was open again for only a short time in the afternoon. According to the custom of that time, the presiding officer of the 'Change simply called down a list of stocks, and the brokers, gathered in a kind of pit, bought and sold their stock when the officers reached its name. Gold was last on the list, and the form of routine was altogether too slow and unwieldly on the regular exchange to take care of the feverish business in that commodity.

To those in daily touch with the gold room it became evident that a crisis was coming fast upon those importers with their delayed remittances. The movement was sharpened by small shipments of gold, and it was very clear that if any large shipment took place the importers would throw up their hands in a panic and rush to buy gold to save their skins.

There was a young fellow among the watchers whose sharp sight took this in; it was E. B. Ketcham, of the banking house of Ketcham, Son & Co., and a friend of J. P. Morgan's. He went to Mr. Morgan, and this is what took place:

"What's the condition of the exchange market?" Ketcham inquired first.

"Very anxious," replied Mr. Morgan.

"How good is your exchange credit—how much exchange could you market?"

"Two or three millions," said Mr. Morgan.

"I've got an idea, which I think worth considering," went on the other: "Suppose we buy a couple of millions of gold and ship it abroad on next Saturday's steamer. You haven't got the money to ship the gold, but our firm has. We'll make it a joint account with Peabody & Co. and yourself. The result will be to advance the price of gold several points and to give you a clear, exclusive exchange market to draw against on shipment, which will reimburse us within a week, with a big profit on the gold we purchased."

The proposal thoroughly appealed to Mr. Morgan's business judgment. As a result the two young men journeyed up to Westport, Conn., that afternoon, to talk the matter over with the senior partner of the Ketcham house. This was Morris Ketcham, with whom Junius S. begun in business. The older man soon consented, saying: "If you boys think you are right, go ahead."

It was very necessary to go ahead cautiously to prevent the plan from becoming known. In shipping gold double eagles were used—you had to go to a bullion dealer and buy the exchange for the ordinary run of gold, paying a slight premium. Thus either Morgan or Ketcham had to appear as a buyer of double eagles, the only possible use of which was to ship abroad. The bullion dealers got some inkling, but the purchases were timed when other shipments were taking place, so far as could be done. And the following Saturday saw the gold shipped, two millions of it.

Almost immediately there was an advance in the price, and yet, when the traders met in the gold room on Monday morning, things were unaccountably quiet. Mr. Morgan became impatient, even nervous. "What do you think? What do you think?" he whispered to his partner in the deal. They waited. At the Stock Exchange was a man from Ketcham & Co. under orders to buy enough gold to put it at a certain point. Both speculators knew the hour when gold would be reached in the trading. But suddenly the bidding broke out in the gold room itself.

"I'll sell half a million," said a man,

"notwithstanding the large amount of shipment."

"I'll take that half million and another half million at a half per cent. higher," answered Mr. Morgan's partner, promptly, and, after that, there were no more attempts to break the price. The importers now fell into line; they had put off their exchange operations so long that they were now obliged to draw sight exchange and Mr. Morgan was the only one who could give it. In less than two weeks the money used in the gold purchased was recouped by the sale of Mr. Morgan's exchange, and the transaction was closed up with a profit of a hundred and sixty thousand dollars—which was considered big business in those days.

CHAPTER II

BANKING DURING THE CIVIL WAR

THERE is a thoughtless saying, which is only partly true, that Mr. Morgan is not a self-made man. With him, indeed, there was never anything resembling the famous Rockefeller account book—nine dollars and eighty cents this month received, five sixty expended "for necessities,"—balance, four-twenty toward the distant Palace of Ambition—written out in a cramped, clear, boyish hand. From the first, he stood at a certain height above the crowd, and began life in New York easily, possessing all the advantages and claims of a successful banker's idolised son.

But although the name and business connections of Junius Morgan furnished him with a substantial pedestal, Pierpont Morgan has made it a mountain, and withdrawn to the very top with his allurement of the Midas touch. There capital seeks to follow, and really competes for the notice of the all-powerful individual whose name carries conviction and stands for success. The Morgan name, coupled with an enterprise, is reckoned as much an asset as stores of gold. And this enchantment is his own work. By virtue of all that separates his commonplace, if comfortable, inherited position from his Cyclopean influence and authority to-day, Mr. Morgan is "self-made."

His growth was slow; it occupied all of fifty years, counting from the year he began as a banker's clerk in '57. He went on doing harder and harder things, and as his life has been built up in that way, the consequence is that when we go back to the period to be dealt with in the present chapter—that of the Civil War, and shortly after—we go back to an astute and terribly efficient personality, but nothing like the Morgan of to-day. Not outwardly. With all his unconscious egoism, he subordinated himself, first to his father, and afterwards to the Drexels, and he was middle-aged before he became quite his own master and was utterly free.

As a young man he was as restive as a

youthful athlete who has not yet tried his strength and powers at a meet; intense physical and mental energy, an abrupt and sure way of going after things, whether it was the little matter of playing *petits chevaux* in the kursaal at a franc a play when he was at Feligh's School at Vevay, Switzerland, or some complex piece of banking which came to his hand at the beginning of his career, when he was clerk for Duncan, Sherman & Co.

The year he came to New York was the year of a terrible crisis in Wall Street; beginning with the crash of the Ohio Life and Trust Company in midsummer, 1857, nine hundred failures were reported. At one time the great London firm of Peabody & Co., in which the fortune of Morgan's father was bound up, was known to be *in extremis;* it was perfectly solvent, but, like other firms, it had for the time to lie out of its money and could not meet its engagements. It was predicted that the fall of Peabody & Co. would start a general panic in London. But the suspension of the Banking Act enabled the Bank of England to advance Mr. Peabody one million pounds, which saved the situation in that quarter. In New York, however, there was no such relief. The banks took alarm and convulsively stopped short their customary advances; commercial houses went down by dozens; and then the public caught the panic and, turning upon the banks, began a run for their deposits. The banks, in turn, found they could no more conduct their business without credit or faith than their customers, the merchants, could, and a general suspension of specie payment had to follow.

The very means which the bankers took to prepare against a run produced a run and closed their doors. A week before they were forced to suspend, they announced that they would change their policy and meet the panic by its natural remedy—a reasonable expansion of credit; and it was the publication of their returns in the week following, showing in all the plainness of print that instead of expanding they were carrying the refusal of credit still further, which brought the public down with a howl upon their doors.

As an object lesson this panic of 1857

was clean-cut and decided. And it was Morgan's initiation into the wild and tragic possibilities of a financial hurricane. He was a clerk, twenty years old, at the time, but he studied and thought out every phase of the situation, and there are men now living, bankers of an elder day, who recall his eager and persistent questioning as to the why and wherefore of the steps they took then. In spite of his youth he did not seem tempted to criticise; he wanted answers to his questions, but kept his conclusions to himself.

The storm passed and business went calmly and solidly ahead for three years more. Moses Taylor taught the bankers of New York the invaluable advantages of coöperation by means of a Clearing House association. Commodore Vanderbilt had his fleet of sixty ships. Trenor W. Park constructed a short route to California, by means of a railroad forty miles long across the Isthmus of Panama. A. A. Low, father of Seth Low, was building up foreign commerce, sending packet ships to China and the Far East; and there was a rapid development of ocean steamship service between Boston, New York, and Liverpool and Continental ports. At that time the greater part of our foreign exchange represented exports of cotton, and the phrase "Cotton is King" was invented. There were few banking houses in New York doing an international business and, almost without exception, every one of that day is now known only by tradition. Duncan, Sherman & Co., by whom young Morgan was employed, was borne safely out of the panic on the broad shoulders of Peabody & Co., but disappeared in the years of depression which followed the still greater panic of '73.

The railway mania had not yet begun; in the East, the Pennsylvania, and, to some extent, the Baltimore & Ohio, were beginning to feel their way toward the development of the Middle West, but the roads were disjointed, straggling, tentative experiments, and the varieties of gauge and the grotesque differences in the make of cars made it impossible to carry through freight from Chicago, then a young city, making her own future, or from Cincinnati, to the East, without dozens of changes of traffic and continuous expense and delay. The Harlem railroad was about bankrupt; the New Haven system was undreamed of, the railroad consisting entirely of a line stretching from the Bronx River to New Haven, sixty-two miles away.

Mr. Morgan's cousin, E. D. Morgan, who became Governor of New York just before the War, and who was afterwards United States Senator, was directing the unfortunate Hudson River Railroad, as, earlier, Sam Sloan had done. Many thought that this railroad was a monument of folly, representing a mad investment of capital, since it was not conceivable that a line running along the banks of the Hudson could successfully compete with water navigation.

With these developments Mr. Morgan had little practical concern for the moment. His face was turned toward Europe and the exchange market in financial centres across the water. A banker, such as he was, was just as necessary to the movement of foreign commerce as the ships which carried the trade. Foreign exchange, in a sentence, is an evidence of indebtedness represented by a negotiable paper; its object is to remove the burden of shipping coin. When we export cotton, a credit is opened with the English buyer, who arranges with his banker to accept drafts of the American dealer, and notifies the American cotton dealer to draw his sixty-day bill on the London bank, with shipping documents attached. The New York banker buys this bill of the dealer, thus supplying him, without trouble and at a small charge, the necessary cash to pay the farmer who raised the cotton. The dealer in exchange brings together a customer in London, or it may be in Batavia, Siam, or the coast of Africa,—and a seller in the United States; the two practically stand in front of his desk and receive what is justly due them, although they may actually be ten thousand miles apart. It was this kind of business which occupied Mr. Morgan throughout his early career, and he learned it thoroughly in all its manifold ramifications. He kept steadily at it when the War broke out.

Salmon P. Chase, Lincoln's Secretary of the Treasury, came to New York after the defeat at Bull Run and appealed to the bankers of the Clearing House Association to stand by the Government in the fearful emergency which had arisen. The Federal credit had sunk below that of private property; Europe thought the Government doomed, the whole fraternity of the Rothschilds shut their fists and treated the risk of loaning money to the United States about as a modern banker would treat a proposal to purchase the bonds of the old Confederacy. The Secretary met the bankers in the directors' room over the main banking office of the American Exchange Bank, and said to them:

"There is really more need of gold right now than of troops. The Confederacy expects to secure gold by sending cotton to Europe; and, until we can build a navy, we can barely interfere with the export. We of the North have no cotton. What are we to do? I am not a financier; I can only administer funds. You bankers of New York must show the Federal Government how to get this gold, or we shall go on the rocks together!"

Wall Street came to the front—at twelve per cent. interest; even at that price it was no child's play raising the wind. For there were people in every group who thought they saw the nation crumbling to pieces. Mr. Morgan was a Republican in politics and had plenty of faith in the survival of the Union. Although he played no important part in financing Government loans, he engaged to secure gold from Europe, having established his own banking firm early in the War, and beyond this he kept the house of Peabody & Co. thoroughly informed, not merely about the work of the army, but also concerning the financial condition of the country, our sources of strength, our ability to meet any taxation, and the certainty that no ruinous issues of Government bonds would ever be made. All of which had its effect and reached a tangible result, in the following way.

Charles Francis Adams, then Minister from the United States to Great Britain, had protested vigorously against the construction of ships designed, as he said, for service as Confederate cruisers, and particularly against permitting these ships to sail from British waters upon their privateering cruises. As Minister, he had gone so far as to say that this would be regarded by the Washington Government as an unfriendly act, an act of purposed unfriendliness. The British Government, unable to answer the logic that was in Adams's protest, set up a demand that he should deliver to it a million pounds in gold as a protection fund out of which any possible damages could be paid. The British insisted that the money should be turned over within five days—an apparently impossible condition, inasmuch as Adams could not communicate with the United States in less than two weeks, and of course could not personally command so great an amount of gold as that. He saw that he was in a trap, since he could not deny England's right to have a money security against possible damages.

In this intensely serious predicament Adams sought help from the London bankers, but it was not forthcoming. At last, however, he received in secret a representative of Peabody & Co., who brought the information that the American firm was ready to advance him five million dollars in gold, and would do it immediately, upon the sole condition that the transaction should be absolutely confidential. No one else, except President Lincoln and Secretary Seward, was to know one word about it. The only security asked was Mr. Adams's receipt, signed as American minister. The gold was, within a day, delivered; and Great Britain was compelled to place an embargo upon all of the suspected privateers.

The late Frederick D. Tappan once said that he was impressed in the early days of the Civil War, by the absolute faith and the spirit that is nowadays called optimism which the young son of Junius Morgan was at that time revealing. He remarked that although Mr. Morgan was then, as always, a man of few words, yet it was impressive to hear him express his firm belief, not only in the ultimate success of the United States, but also in the irresistible resources of the country, which he was certain would prove ample to meet any imaginable cost to press the fighting to the end.

"We are going some day to show ourselves to be the richest country in the world in natural resources," said Mr. Morgan, with his sharp, staccato emphasis. "It will be necessary to go to work, and to work hard, to turn our resources into money, to pay the cost of the War, just as soon as it is ended."

To realise what this means it is necessary to recall the fact that as late as September, 1864, the London *Times* considered that the holders of the Erlanger Confederate bonds were better off than the holders of Federal securities.

Mr. Morgan was not in the way of doing Government business at this time; he kept strictly to his own path, and politics he disliked with a constitutional malaise. The conditions required a very cautious and far-seeing management; almost incalculable factors and abrupt changes entered into the daily business. The bankers and the Government were both involved in a web of difficulties, which Congress sought to relieve by legislation, some of which only aggravated the trouble. Senator John Sherman secured the passage of an act making greenbacks legal tender upon the Government "fiat," and this and the creation of the national banking system in '63 proved instantly helpful, supplying the country which, having no fractional currency, had been making use of postage stamps and various tokens, with ample money. On the other hand, the suspension of specie payment, the scarcity of gold as measured by paper money, put gold at a premium and led to fevered speculation in the latter precious commodity. Speculation in gold was attacked as a national evil; the stock exchange refused to allow it, but the gold speculators got together in the Gold Room and did a greater volume of business than ever. Then Congress outdid itself by passing, in June, 1864, the famous Gold Act, which made it a crime to buy or sell gold. But this action did utter violence to the business judgment of the bankers throughout the country; they were ready to discourage gold speculation, but to forbid it was absurd, because if gold could not be offered in the open market at any time no one would know what it was worth, and every one who possessed any would simply lock it up and hoard it.

The New York bankers, J. P. Morgan among them, characterised this proceeding on the part of Congress in the following way:

"It is one of the most extraordinary and visionary acts of legislation ever passed in this country, or in any other country. So far from aiding the Government in its design to put down speculation among brokers and speculators, it has had, and will continue to have, an entirely different effect. The rate in Wall Street immediately advanced to 200, 205, 210, and, in fact, to 225. This Gold Act is only one more instance of utter lawlessness on the part of Congress to interfere with the ordinary business transactions of a commercial city. The cause of the rise in gold does not, did not, arise in Wall Street. The cause was the unwise issue of several hundred millions of paper currency at Washington and in the enormous importations following the uncalled for inflation."

The agitation and alarm spread rapidly, and as the facts were all with Wall Street in this instance, Congress was put to the humiliation of repealing the law within a few weeks. The effect of the experiment on Mr. Morgan's mind was lasting.

We have related in the first chapter how Mr. Morgan went into business for himself at 53 Exchange Place under the firm name of J. P. Morgan & Co., and how the firm was afterwards changed to Dabney, Morgan & Co. An account of his first marriage was also given. In the year 1865 he married again, and his second wife, the present Mrs. Morgan, was Miss Frances Louise Tracy, daughter of Charles Tracy, a lawyer in New York. The Morgans went to live at No. 227 Madison Avenue. They lived rather quietly, and Morgan himself was seldom seen in public places. The number of his acquaintances was comparatively limited and he had few close friendships outside of his own family. He had three sisters living, all younger than himself; Sarah Spencer Morgan, who married George Hale Morgan in 1866; Mary Lyman Morgan, who married Walter Haynes Burns in '67; and Juliet Pierpont Morgan, who afterwards became the wife of the Rev. John B. Morgan. His only brother, Junius, died at the age of twelve. To his sisters—Mrs. Burns and Mrs. John B. Morgan are still living—he was, and always has been, very personally devoted.

At the time of his second marriage he

was stout in appearance, in good health, and wore a moustache. At least once in every year he crossed to London to discuss the details of the banking business with his father, who was now head of the London house, which had been Peabody & Co. In the year 1866 his daughter Louisa Pierpont Morgan, now Mrs. Herbert Satterlee, was born, and in 1867, his son John Pierpont Morgan, Jr., now known as Jack Morgan, and pointed to as his father's successor.

Quietly industrious, prosperous, invincibly energetic, yet fully content to pour the full stream of his energies into ordinary business affairs, Mr. Morgan was nearing thirty, without having given more than a hint of his true powers. From this time on, however, he slowly began to take his place in the bigness and vastness of the sweeping development of the country; like a spring flood, a fresh stream of business enterprises burst forth when Lee surrendered, and in all the years that followed Mr. Morgan is found progressing in the very centre of the current, bringing his personality more and more to bear upon its direction, and emphasising the growing tendency to coöperation which was destined eventually to characterise the total movement.

CHAPTER III

THE RAILROAD WRECKERS

THE railway mania struck the country in '66, and it was in '69 that Morgan first "got into" railroads. The achievement which first attracted attention to him as a man of original capacity for dealing with very difficult railway problems, in such a way as to save railway properties from the predatory hands which, for some years after the close of the Civil War, had been occupied in wrecking railway properties to make fortunes in the process, was the sensational Albany & Susquehanna Railway fight for control.

It was primitive warfare with modern weapons.

It involved a direct challenge to battle with two of the ablest and most unscrupulous of the men who had come to Wall Street, bent upon reckless manipulation.

Mr. Morgan was of about the same

age as Jay Gould and a little younger than "Admiral" Jim Fisk, alias the "Prince of Erie." Morgan had been occupied for ten years exclusively with the kind of banking which private bankers were accustomed to follow. He had gained in that time a reputation for very conservative management and as a banker exceedingly sensitive to credit. It was then said of him that, except as a matter of record, it was not essential to put any promise or statement of his in writing.

On the other hand, Gould and Fisk had gained notoriety for their brilliant daring, for their unscrupulous methods, and for the swiftness and ability with which they were able to wreck railroad properties. Furthermore, Gould was even then the best hated and the most greatly feared man in the Wall Street district. Black Friday and the Gold Corner were synonymous with his name. He was known to control two or three judges and to have reliable friends at court in New York and New Jersey. In the informal partnership between the two men, Fisk was always the one who did the fighting out in the public view, while Gould stood back and pulled wires. The former had a genius for publicity and self-advertisement; with his stout figure and florid complexion, his elaborate costumes and enormous diamonds; coachmen in glittering livery, showy drags, and gay women, he was the greatest newspaper character of his day. As boss of the Fall River Line of steamboats he felt entitled to wear an Admiral's uniform, and after he had set up the Erie offices in the Grand Opera House, strange and bizarre events took place; ballet girls and champagne were mixed up with railroad business in a wild conglomeration in which the Erie's money was poured out in a golden flood. Fisk was murdered, finally, by a man with whom he had had a quarrel over the funds of a sugar refinery.

The Albany & Susquehanna Railroad would have been a valuable prize for the Erie. It runs from the eastern extremity of the New York Central at Albany, to a junction with the Erie at Binghamton. At that time the Erie aspired to compete with the Central for New England business and had determined to monopolise the coal trade between that section and Pennsylvania; it only wanted the connecting link of 142 miles to make its position solid. Jay Gould secured a block of shares in the A. & S., and then began his characteristic strategy. He caused the road to be thrown into bankruptcy and had Fisk named as receiver. President Ramsey and the directors of the A. & S. saw what was going to happen to them and their road—they were about to be swallowed up.

Very much frightened, Mr. Ramsey went to Samuel Sloan, who was the first president of the Hudson River Railroad, some ten years before Commodore Vanderbilt bought it—and begged to know what he should do.

"Why don't you see J. P. Morgan?" Sloan said. "Call him into consultation. He is not afraid of Jay Gould, and he can fight him without ever delivering a foul blow. If your road is to be saved to you, Morgan, I am sure, is the man who can do it."

Acting upon this advice Mr. Ramsey and the directors visited Mr. Morgan. He was then only thirty-three years of age. But they were impressed immediately by the almost intuitive accuracy of his judgment. He said to them:

"I want a statement of your exact condition. I want a brief report which will tell me all that Gould and Fisk have done. I will examine these reports. Then I will let you know what I think about the matter."

Within two or three days Mr. Morgan brought the directors together again. He said to them:

"In my opinion this matter will have to be fought out in the courts. I feel certain that it can be successfully fought there. Shall I go ahead?"

Mr. Morgan was told to go ahead, as tersely as he had asked whether he should or not. He then retained as counsel his father-in-law, Charles E. Tracy, and Samuel Hand of Albany. They were sure of getting justice at the hands of Judge Rufus W. Peckham of the Supreme Court, who was sitting at Albany. Fisk and Gould were represented by David Dudley Field, and whenever they wanted anything, from an injunction to a receivership, they went to Judge Barnard, sitting in New York.

A stockholders' meeting of the railroad was called to meet in Albany on a certain day. Two or three days before the date named, Mr. Morgan, with his lawyers, Tracy and Hand, worked unremittingly in the preparation of papers which must be presented to the Court in order to have a fair count made of the votes cast at the stockholders' election. They expected that Fisk and Gould would make some counter legal move.

The night before the election, Mr. Hand left Mr. Morgan at work in his room in the Delavan House making copies of the affidavits which were to be used on the application to be made by Mr. Hand before Judge Peckham the next morning. Mr. Hand excused himself for a few minutes to go down to the boat which was leaving for New York, in order to see a friend off. Hours passed and he did not return and Mr. Morgan began to fear foul play; but, in the early morning, Mr. Hand rushed in and told how he had gone on board the boat and had been accidentally carried off. He had begged the captain to put him ashore but could not prevail upon him to do so. Finally he got the captain to sell him one of the life boats. When it was paid for, the engines were slowed down, the boat was put over the side and he dropped into it and rowed to the shore. He saw the lights of a station some way off and after stumbling over the railroad tracks arrived at the village of Hudson just in time to climb on board a train that was leaving for Albany. He got on the platform of a car and was about to enter it when he saw Jim Fisk inside with a carload of Bowery toughs. As he was known by sight to Fisk, he realised what would happen to him if he went inside the car and he rode all the way to Albany on the platform.

With this advance knowledge that Fisk would try to capture the stockholders' meeting the next day and create a rough-house, Mr. Morgan not only perfected the legal steps necessary for a fair election but also made preparations to receive the delegation from the East Side in an appropriate manner.

When the hour for the election came, Mr. Morgan was standing at the head of the stairs leading to the meeting room, with President Ramsey, of the A. & S. Just before the meeting was to be called to order, Jim Fisk went up the stairs and a crowd of his followers were just about to enter the door from the street. Ramsey reached Fisk first and threw him down the entire flight of stairs into the middle of his advancing retainers. Fisk told Ramsey afterwards that he was the kind of man he liked to meet!

When Fisk struck the pavement at the foot of the stairs the "boys" he had brought with him ran off without stopping to pick him up, but an angry policeman grabbed him by the collar, jerked him to his feet, and dragged him off to the police station. The officer merely shoved him through the door, however, and immediately disappeared. There being no one to make a complaint, Fisk was soon released. The "policeman" who arrested him was one of the company's hands, dressed up for the occasion.

Fisk let the stockholders' meeting go Mr. Morgan's way. He wasn't the kind of man to stand on a mere technicality, and he decided promptly that if he couldn't run the meeting he would at least run the road; very soon a ragged army of Fisk men went flying over the rails of the Susquehanna in an Erie locomotive and two work cars, with orders to capture every piece of rolling stock on the line. The Susquehanna sent out its gang to meet them and ripped up rails with reckless zeal. The service went to pieces, both sides undertaking to run trains and struggling for the right of way. On the arrival of the afternoon train at the peaceful village of Afton, under Erie management, "it was obliged to stop, as three rails had been removed by Superintendent Van Valkenburg (Susquehanna). The citizens flagged the train for the safety of those on board or a great loss of life would have ensued." These villagers were very bitter anti-Fisk men, but were not quite ready for bloodshed—as yet.

Superintendent Van Valkenburg ordered all trains to stop where they were and an extra car was sent out with 150 men, under command of Master Mechanic Blackhall, and accompanied by Henry Smith, legal adviser(!). The train arrived at Bambridge, Chenango County, late in the evening, and laid over for further orders. Meanwhile the Erie raiders were advancing with an engine and car with about twenty men. They came leisurely up the road, dispossessing the A. & S. men and putting Erie men in their places.

Blackhall was in readiness. The Erie car came cautiously along the road, but not so cautiously as to avoid the trap which had been set for them. The Erie locomotive was suddenly thrown from the track by means of a new patent frog. At the same time the Susquehanna train, which was lying on a side track, ran down behind the raiders and cut off their retreat. So all were captured and kept as prisoners by Mechanic Blackhall and the legal Smith.

But these were preliminary skirmishes leading up to the big encounter.

The Erie had 500 men at the tunnel a few miles from Binghamton, and held the station nearby. And the Albany party held the other end of the tunnel with about the same number. Just at dusk on an August afternoon the Erie captain determined to take the disputed tunnel. He put some two hundred products of the Bowery and neighbouring streets on two cars, and, coupling on a locomotive, sent the train through the tunnel. The train passed through the darkness in safety, but as it turned a curve at the mouth a train with the Ramsey-Morgan men on board was seen approaching—on the same track. The Erie whistle shrieked for down brakes, but the other train never slackened its speed. The engines crashed together gloriously, and the collision was the signal for the fight. The men spilled out upon the track and fell upon one another with sticks and stones and revolvers and matchless profanity. After a time they got too much mixed in the darkness to fight any more and both sides drew back, taking with them the wounded and the drunken, and encamped beside the rails.

From this time the thinly settled country through which the A. & S. ran was in a state of war. The Metropolitan dailies sent their correspondents and the whole State looked on in wonder. While Fisk and Ramsey were fighting in the field, Gould and Morgan were shooting at each other with injunctions; twenty-two suits were begun in connection with this fight.

Finding that Gould could best him in the use of such weapons and was continually aided by the so-called Erie judges at his back, Mr. Morgan made an adroit move which threw the case into the hands of Governor Hoffman, of the State of New York, and drew his opponents before judges who took the up-State view of the attempted seizure. The Governor had already threatened to run the road with the soldiers if the two parties did not end their differences. Morgan trapped Gould and Fisk into sending a written note to the Governor, stating that it was impossible for the contending parties to agree, that the railroad could not be run as matters stood, and requesting the State to appoint an official to take charge in the interest of public peace. The Governor appointed A. Bleecker Banks, of Albany, and close upon this action there followed a momentary calm.

Mr. Morgan held a stockholders' meeting and a Board of Directors was elected. This new board empowered Mr. Morgan to lease the property. The meeting took place late in the day, and he at once rushed to New York to have the lease drawn and to complete the arrangement before Gould could tie him fast with legal proceedings. He finished the work that night and was back in Albany the next day with the lease, and before the Gould-Fisk party could get in motion the road was placed forever beyond their reach. The whole property was leased to the Delaware & Hudson Canal Company through LeGrand B. Cannon, who was then president of that system.

The stock of the Albany & Susquehanna, which had been selling around 18, jumped up 100 points; the stockholders received a guaranteed rental of 7 per cent. on their stock, which was afterwards increased to 9 per cent.; and the employees, many of whom would have lost their positions under a receivership, were enabled to keep their jobs. Mr. Morgan's constructive work in the railroad field had begun.

This fight showed that a new force had come into the industrial world, a force which made for sound upbuilding as opposed to stock gambling and the get-rich-quick idea. The older generation of bankers, completely outdone by the piratical operations of the Gould-Fisk type of financier, had always held aloof. Even Commodore Vanderbilt found them too much for him. Daniel Drew was bankrupted by his own kind. But Mr. Morgan plunged boldly in, met them on their own ground, and won a victory for his policy. He gives us, in this far-away year, a glimpse of the future Morgan, who is called the "inevitable;" Fisk had declared at the beginning of this fight that he would have his way "if it cost millions of money and an unlimited number of men."

Three years later Mr. Morgan was approached by the Drexels of Philadelphia, a very rich and prosperous banking family, and asked to enter the New York branch of that house as a member of the firm. The connection insured him a position of influence and power beyond anything he had yet reached. Consequently the firm of Dabney, Morgan & Co. was dissolved, and, in 1871, Drexel, Morgan & Co. began business. A plot of ground was bought at the corner of Broad and Wall Streets, and a white marble building was erected at a cost of $1,000,000—the same solid structure which, no longer very white, but turned a dull grey brown, and dwarfed by the surrounding high buildings, is the headquarters of the Morgan enterprises to-day.

CHAPTER IV

THE FIRST MORGAN SYNDICATE

THE year in which the firm of Drexel, Morgan & Company was formed, 1871, saw the birth also of the *underwriting syndicate,* the device which alone makes possible the far-flung and reasonably certain operations of modern business. Jay Cooke, the Philadelphia banker, thought of it first, but he gained the idea from watching the evolution of the French *syndicats.* The first American syndicate was formed by Cooke to sell a part of an issue of five hundred millions of Government bonds. Mr. Morgan was not a party in this enterprise, but his actions and those of his associates left no doubt in Cooke's mind that he would have to let Mr. Morgan in upon the next occasion of the kind.

The public was suspicious and doubtful in regard to the new financial instrument. It was hotly and eloquently urged by some that the Government should sell its own bonds over the counter and pay its commission to the public instead of to a combination of powerful bankers; the descendants of that anti-syndicate faction are demanding the same thing to-day. Meanwhile, underwriting syndicates—which a political orator of the seventies compared to a devil-fish and described as a stony-hearted relic of inhumanity—have prospered and multiplied and taken over to themselves the launching of all great business undertakings. Mr. Morgan's career as a world financier began in a syndicate operation, and is now culminating in a mighty domination of the whole field.

The term underwriter implies the assumption of risk, of many risks, in point of fact, for, as used in finance it signifies the guaranteeing of a market for securities at a fixed price. There is always a contract under which the banker is bound to take an issue of securities at a specified time and price. If he can sell them to the public for more than he paid for them the profit is his; if they must be kept for a time, or disposed of at a loss, the loss is his. In case only a few millions are involved, a single bank may finance the whole affair, but when a very large piece of business is offered—more than it is safe for an individual to handle—a syndicate will be formed to divide the risk.

Participation in a syndicate is a privilege granted only to the firms whose influence will really widen the market and assist in assuring the success of the venture. The house which goes into an underwriting scheme prepares a contract in which every detail is arranged and specified, and this agreement is sent to each of the participants for acceptance and signature. There are seldom any refusals if a strong house has made the proposal, for to decline in allotment would result in self-elimination from the list for all future time.

When Morgan is forming one of his giant combinations he puts his business friends down for the amounts which he thinks they should have—of the responsibility and of the profits. He doesn't ask them first. It has happened, notably in the case of the Atlantic Shipping Trust, that Mr. Morgan's associates had losses to make good instead of profits to fold comfortably away. No matter. They go on leaving it all to him. It would not be a safe proceeding to pop up with an objection to any arrangement he has made. Once a capitalist went to Mr. Morgan on such an errand. He had found his name included in the syndicate backing a new scheme, and he ventured to suggest—quite casually—that the participation was not, in the present instance, altogether to his mind. Mr. Morgan was silent for a considerable space of time. It was so long before he said anything that the other began to talk about something else. But he found that Mr. Morgan was not listening—he was thinking—here was a man who had made fortunes out of the operations which he, J. P. Morgan, had originated. Lucky to have been let in; lucky, indeed, where there were others who almost pleaded for the privilege. Now he proposed to get up on his high horse and choose! . . . Why, this was the very deepest reflection upon the credit of the undertaking—the man was a contemptible bear at heart!

"You can stay out," said Mr. Morgan at last, stonily, "but do not think that you will share with us again."

When the paper is sent around for some charity, perhaps a church benefaction, Mr. Morgan, from force of habit, writes down the names of his friends, with the amounts opposite, which they are destined to contribute!

The habit of running things grew on him quite naturally; he became used to taking his friends in charge, as if they were not quite of age—which recalls something which happened to the late Bishop Potter.

Bishop Potter was spending a Sunday afternoon with Mr. Morgan at the latter's country place at Highland Falls. The village of Highland Falls is a way station on the West Shore Road, a few miles below West Point, and the fast trains pass it by without a stop on their first long jump away from New York. This is not a matter of much concern to the financier, who goes back and forth on his yacht; but on this occasion it troubled the Bishop. He was loath to travel on Sunday, but had an important engagement to keep in the city that night, and he remarked that he would have to take a local train, which left a little while before supper.

"Oh, no," said the financier, "there's a train after that one. Of course, you'll stay to supper."

"I don't see any train," objected the Bishop, "and I really must get to town in time to conduct an evening service."

"There's an express," replied his host, disposing of the matter—"I'll have it stopped for you."

An hour or so later, in the thick darkness of an autumn evening, Mr. Morgan took the Bishop in his carriage down the steep road to the railroad station. No lights shone from the building. The coachman got out and tried the door and rattled it. Then he came back and reported that the agent had gone home for the night.

The sound of an approaching train was heard, faintly, but growing louder.

"Break in the door," ordered Mr. Morgan, impatiently—"get a big stone and smash it!" He and his visitor got out of the carriage and looked on; finally the door gave way. Mr. Morgan went inside, and after scratching a number of matches, found a lantern and lit it. "All right, Bishop!" he called cheerfully, "come ahead," and he walked out to the middle of the track and waved the light.

With a horrid screeching and squeaking the train stopped. It was a freight; a very long freight. Out of the cab leaned the surprised engineer, and from the caboose somewhere in the far-away darkness the conductor came running up, very angry.

"What do you mean by stopping this train?" he demanded fiercely.

Mr. Morgan, still holding the lantern, told him who he was.

"I don't care a whoop-in-blazes who you are (the conductor's language here becomes unprintable), you've got no business—why," he choked, "there's an express train followin' us—you'll have a collision—!"—but Mr. Morgan paid no more attention to him or his remarks.

"All right, Bishop," he was saying gently, "you get right in the caboose and ride to New York."

Which the Bishop did.

Jay Cooke, the great Philadelphia banker, held much the same position in the eyes of his countrymen a generation ago that Pierpont Morgan holds to-day; he was the same sort of final authority in matters financial and had proved the mainstay of the Government during the whole of the Civil War. Cooke himself had a remarkable genius for advertising; he could Barnumise a bond issue and sell securities in a desert; and he began to take it for granted, after years of uninterrupted success, that he had a monopoly and would never have a rival on the American continent. A few years after the War, Congress passed an act authorising the refunding of five hundred millions that had been borrowed to pay the cost of the struggle; the proposal was to save the payment of interest by exchanging the 6 per cent. bonds for fives. In '71 Jay Cooke managed to place a portion of this new issue, the public entering into the scheme with a good deal of reluctance; most of the new bonds were placed abroad. Two years later Secretary of the Treasury George S. Boutwell announced another bond sale and called upon the bankers for proposals.

Now the fat was in the fire. From the press there came a stiff and angry opposition; Jay Cooke's rivals went down to Washington and carped at the syndicate idea, his enemies getting the ear of President Grant; and, furthermore, the firms of Morton, Bliss & Co., and Drexel, Morgan & Co., through Morton and young Morgan, organised a new syndicate to take the bonding business away from Cooke. The Ways and Means Committee held public hearings and became a political storm centre.

Mr. Morgan's old employer, William Butler Duncan, told the committee that while he had taken no part in the syndicate of '71, he felt that "it was a very doubtful operation as to its success, that there were periods during the pendency of the syndicate when it was exceedingly doubtful whether it could be carried to a successful termination. I doubt very much whether in the present condition of the markets of the world another effort in the same direction would be as nearly successful as that one has been." Mr. Duncan advocated calling upon the public for subscriptions.

Levi P. Morton, who was spokesman for the new syndicate, was heard before the committee on the day following, and replied flatly to Duncan: "Some gentlemen have argued that the Government should wait for buyers to come to the Treasury Department for the conversion of their bonds; in my opinion the Government would have to wait for a long time before it would make any conversion of 6 per cent. bonds into 5 per cent. bonds."

Morton said he proposed to become a member of the next syndicate; this calm insistence of the Morgan crowd was infuriating to Jay Cooke. The Morgan party included, besides Morton's American and London firms, Mr. Morgan's New York and London firms and the Barings, and proposed to take either a hundred millions or all of the remaining three hundred millions of the 5 per cent. bonds. Cooke's friends went directly to Boutwell and told him that it would be an unpardonable outrage and a grievous blunder to do this work through any other party, and his friend Senator Cattell, of New Jersey, wrote to him from Washington that the Morton-Morgan proposal was a thing "that can't be done and shall not be done."

A smile went around at the position Cooke found himself in, and at the ridiculous procrastination and timeless debates in the

Ways and Means Committee room. "Pray, what is a syndicate?" was asked in newspaper doggerel:

> "Pray, what is a syndicate
> Intended to indicate?
> Is queried abroad and at home.
> Say, is it a corner,
> Where Jay Cooke as Horner
> Can pull out a very big plum?"

Boutwell told the Ways and Means Committee that unless they adopted some resolution pro or con he would take their failure as an indorsement of his course in placing the first instalment of the loan. The committee then adopted a resolution that it would not adopt a resolution! Boutwell felt that his course was reasonably clear, and he divided the loan equally between the Jay Cooke syndicate, composed of Cooke and the Rothschilds, and the Morgan syndicate of banking interests.

The refunding bonds were successfully sold, although not without difficulty, the only advantage which they offered to buyers to compensate for the lessened income being greater permanency than the sixes, which could be called in at any time.

These were years of revulsions and panics in the business world, overtrading and speculation were rife, and the paper currency, already too large, gave speculators and capitalists the power to combine together and, by a forced locking up of paper, to create a squeeze. Three hundred and fifty millions of United States notes had been issued simply as a war measure, and the true interests of commerce demanded (the war necessities having ceased) that these millions be slowly and surely reduced to specie value. Gold was then at 10 to 15 per cent. premium. The great agitation was for the resumption of specie payments, which the business world felt had to come before the country could do business on the scale of its real needs.

Mr. Morgan went to Europe about the time of the Presidential election of 1876, and he was impatient with the men of finance he then met in London, because they were expressing some doubt about financial conditions in the United States. They told him that the agitation in Congress and in many parts of the country for a very large use of silver in our currency system was leading many Americans to turn a portion of their possessions into money with which they were buying foreign exchange.

"What of it?" said Mr. Morgan.

"Why, they are using this exchange to buy our Consols, and that shows that they are afraid that there will be serious consequences to your currency on account of this silver legislation."

"But the credit of the United States should be higher to-day than it ever has been. Within a few years we are going to resume specie payments," insisted Mr. Morgan.

In this way and in constant intercourse with the great capitalists and financiers of Great Britain, Mr. Morgan did something to overcome the lack of confidence in National credit which had for some time prevailed. That he was able to do this is evidence of the esteem in which he was held and the faith that was put in his statements.

Yet the indications were strong that in the United States, at least, the credit of the Government was greatly impaired. Another large issue of bonds, this time bearing 4 per cent. interest, was less favourably received by the American people than any issue since the early days of the War. The only market for these bonds that could be obtained was brought about through selling them below par.

The Government turned to Mr. Morgan at this juncture. He and August Belmont, together with the Rothschilds, made preparations in the early part of 1878, one year before the resumption of specie payments, to float the major portion of the new American loan.

Mr. Morgan, in every way possible, had brought to the attention of English capital the strength of our Government, and had persuaded that capital that our bonds would be protected absolutely by the Government, and that every condition nominated in the bonds would be fulfilled. This was a kind of missionary work, for which Mr. Morgan was probably the best qualified of American bankers. He overcame the doubts that lingered in some quarters of England respecting the intention or ability of the American Government to resume specie payments on January 1, 1879, and showed how the step was prepared for.

"There won't be any necessity to resume formally," he said, "because resumption will be actually in progress almost spontaneously six months before the date fixed by law."

By missionary work of this kind, confidence, and a resulting market for these bonds, was secured. Within three months Mr. Morgan and the Rothschilds, through Mr. Belmont, had purchased and marketed fifty millions, and within six months one hundred and fifty millions more. They passed these bonds on to customers and investors in England and in the United States, and the market price for them appreciated so rapidly that the syndicate is understood to have sold the bonds at an advance over their purchase price from 1 per cent. early in the transactions to 4 per cent. at the end.

This negotiation brought Mr. Morgan's banking house into world-wide reputation. It was said by one cynic at the time that, of course, with the Rothschilds back of him, Mr. Morgan was in a position to finance this great transaction. The answer to that might have been, "How did he get the Rothschilds back of him?" But it was not true that the Rothschilds were back of him, for the syndicate membership stood upon an equality.

CHAPTER V

THE RESCUE OF VANDERBILT

THIS syndicate transaction has always been regarded as one of the greatest achievements in the way of financing a National loan. But an enterprise in which Mr. Morgan was exclusively engaged soon after attracted keener attention to him as an individual, for the reason that it represented an entirely new and original venture for an American financier.

William H. Vanderbilt had succeeded his father in the absolute control of the New York Central Railway Corporation in 1876. It was known that Mr. Vanderbilt's authority over the New York Central was based upon the fact that he was the owner of the greater part of the stock. There began to be heard criticisms of this one-man power in a great railway system. It is now possible to explain for the first time in print what the reasons were which impelled Mr.

Vanderbilt to take a step which is one of the landmarks in the history of American financing.

The Legislature at Albany began to impose heavy taxation, not so much upon Mr. Vanderbilt himself as upon the New York Central property. The reason given for this was the fact that the property was in practically the exclusive ownership of one man. There were intimations that taxation of this kind would be increased from time to time, and Vanderbilt became very much frightened. He consulted with some friends in whose judgment he had confidence. He informed them that if he could discover a way by which he could scatter a considerable part of his holdings of New York Central stock he would certainly act upon it.

"But I cannot offer the stock in open market," Vanderbilt said. "To do that would cause great depreciation in the market value of the stock. It might, in fact, precipitate general demoralisation and bring about a panic."

Mr. Morgan's name was suggested to Mr. Vanderbilt in connection with this matter.

Mr. Vanderbilt merely knew of Mr. Morgan, through Morgan's association with the Drexels, who were in a sense the fiscal agents of the Pennsylvania Railroad Company. That, however, would not of itself explain the determination of Mr. Vanderbilt to summon Morgan and place the difficult proposition before him. The fact was that he had been greatly impressed by Morgan's marketing of Government bonds in England, and shortly after this the two men met at Vanderbilt's invitation. The owner of the New York Central said:

"Mr. Morgan, the New York Central is in grave danger, through the disposition of the Legislature and to some extent of the City of New York, to impose excessive taxations upon it. Unless this disposition is checked the consequences will be serious, and force the road to go into bankruptcy. Something must be done, and quickly. The property is attacked in this way chiefly because I am regarded as almost the exclusive owner of it. I do not see any way of putting an end to this danger, except by marketing a very large part of my stock holdings. I want you to tell me how it can be done."

In reply Mr. Morgan spoke confidently of the New York Central property, expressing the opinion that it was capable of greater expansion and largely increased earning capacity. He was certain that his friends in England had a high opinion of the property, and in his view any amount of the Vanderbilt stock which Mr. Vanderbilt was willing to part with could be privately and without the knowledge of the public passed over to English investors. "How much stock," he asked, "are you ready to sell?"

Vanderbilt said that he owned 87 per cent. of the entire capital stock of the Central, and that he was willing to part with so much of it that it could not be said that he was the owner of a majority of the stock.

Morgan gave his answer almost upon the instant. He was certain, he said, that he could dispose in England and in private, not using customary stock market methods, of all the stock that Mr. Vanderbilt wanted to dispose of. Furthermore, he was confident that he could pass this stock over to investors at practically the market price, which was then about 130.

The agreement was made in the course of a few days, although, of course, it took some time to arrange for some of the details. Aside from Mr. Vanderbilt and Mr. Morgan and perhaps one other person, no one had the slightest suspicion or hint that a transaction of this kind was under way. Nor is it to this day known, excepting to the parties themselves, who among the great investors in England bought the stock.

Not until the stock had passed from Mr. Vanderbilt's ownership to that of the English investors was it known that Mr. Vanderbilt had sold a block of New York Central stock of twenty-five millions par value through Mr. Morgan to English investors. That fact was purposely made public. The purpose that lay behind was achieved. Attempts to tax excessively the New York Central ceased, but Mr. Vanderbilt's motives were misconstrued. The common impression was that, being fearful of the future of the New York Central, he determined to convert a large part of this portion of his holdings in the stock into Government bonds. Another motive widely attributed to him was a desire somewhat to scatter his holdings so that he would escape the charge of being the exclusive one-man power.

For his part Mr. Morgan had achieved an unprecedented thing in American finance. England and the continent of Europe had for some years been furnishing capital for American railways, but this was chiefly done in the way of loans or through the security market methods. There had never been a large outright sale direct to English investors of American railway securities before. Mr. Morgan then obtained the right to vote the proxies of the English holders of Central stock, and holds that privilege to this day.

J. P. Morgan was slowly becoming known, not widely or through the newspapers, but among various groups and circles. The soldiers of the regular army, for instance, knew little of New York bankers, and of Mr. Morgan least of all, but in the year 1877 they became aware of his existence all of a sudden. In that year there was an institution which to-day the army knows not of. It was called the *posse commitatus,* and was in demand chiefly in the Southern States during the days of carpet-bagging. Under

J. PIERPONT MORGAN AT THE AGE OF FORTY

the *posse commitatus* it was possible for the civil authorities to call upon the military at any time or place to keep order and make arrests, and the thing was being put into very plentiful use at the polls on election day. The South finally became so much enraged that her Congressmen at Washington held up the Appropriation bill ordinarily passed for the pay of the regular army. For nearly a year the soldiers received pay checks, which were perfectly useless, as there was no money with which to cash them. This applied, of course, to every soldier in the Union, from the garrison posts in the East to the fighting bodies on the plains.

General Miles was fighting the Nez Percés wars out in the Yellowstone; it was tough fighting and hard riding, which brought the men back to civilisation without seats to their trousers, with terrible appetites, and not a cent to buy food for themselves or their horses. There was only the Jew money-lender, offering to accept the paymaster's checks at a discount of 25 per cent. —and wailing about the risk.

Driven by necessity the officers and men were slowly making up their minds to part with $25 out of every hundred that rightfully belonged to them, when news came that J. P. Morgan, of Drexel, Morgan & Co., had provided the cash to pay all of the army salaries immediately and at discount which would barely pay the cost of the proceeding —namely, 1 per cent.

To those veterans this action of Mr. Morgan's is undoubtedly the greatest thing he ever did or ever will do.

With one of the social and political organisations which had grown out of the divided public opinion in the North during the War, Mr. Morgan now become associated. This was the Union League Club, which had been organised in '63, with the primary object of aiding the Government in its efforts to suppress the Rebellion; the test qualification for membership was absolute and unqualified loyalty to the Lincoln administration. Mr. Morgan was elected a member of this club early in the seventies, and the fact is interesting as showing what his politics were at bottom. For the rest he never talked politics with any zest for the subject.

It happened some twenty-five years later that several members of the club were of the opinion that the institution would do itself honour by electing Mr. Morgan president. He was informed that if he would allow himself to be a candidate he would be unanimously elected.

"No," said Mr. Morgan, shaking his head kindly, but emphatically, "No, you must find some other candidate." Had he been willing to accept he would have joined a line of distinguished men, the New York merchant, Robert B. Minturn; the diplomat, John Jay; Joseph H. Choate; Hamilton Fish, who had been Governor, United States Senator, and Secretary of State; William M. Evarts, Chauncey M. Depew, Gen. Horace Porter, and Elihu Root. But distinction of that kind did not appeal to Mr. Morgan.

Yet when representatives of the Board of Trustees of Columbia University approached him, somewhat diffidently, to ask if he would accept election as trustee of the University, they were gratified to see that Mr. Morgan appeared to feel keenly appreciative of the offer, saying: "I should feel it an honour." That, however, was his attitude towards many of the educational and philanthropic institutions of the city. Any honour that seemed to have direct or indirect association with politics he looked upon as of no consequence. But to be associated in the direction of a philanthropy or an important educational institution like the Museum of Natural History or the Metropolitan Museum of Art, seemed to be the only honour for which he cared in the slightest degree.

For ten years and more after the close of the War the American railroads suffered from the inroads of the stock jobbers. It has been related how Gould and Fisk tried to steal an up-State line and how Mr. Morgan blocked their movements; there was now growing up a new idea in financial freebooting by the side of which the Gould-Fisk operations seem almost petty. This was the organisation of syndicates to build competing lines. This was far worse than stock jobbing. The evil a stock jobber does dies with him, but a competing railroad for which there is no room on the face of the earth, which is simply a senseless excrescence, built to bleed an established line, lives forever, and is a permanent evil. Like the Erie, its history becomes an endless series of reconstructions. The roads it parallels may have been good solid properties, as the New York Central and the Lake Shore were when attacked by the unlooked-for competition of the West Shore and the Nickel Plate. They may have paid regular dividends and found a ready market for their shares as well as their bonds among people who would never buy a speculative security. But along comes a wildcat line and changes everything; railroad wars break out, rates are cut down within an inch of ruin, trains begin to run half empty, the company's credit weakens fast, a sound and healthy institution goes into a decline.

The excitement and risk of these large and piratical operations appealed to strenuous and eager business men, and on all sides the railroads, which had only begun to feel themselves solidly established, were beset by unscrupulous and dangerous competition. The Nickel Plate duplicated the Vanderbilt system from Buffalo to Chicago and Vanderbilt, impulsively and in great alarm took it off the hands of the promoting syndicate before it was finished.

The West Shore Railway System was planned in the late seventies by a relatively new group of men. One was Commodore Winslow, a name now forgotten by the public. Into some association with the promoters came Gen. Horace Porter. These promoters purposed constructing a railroad from a point opposite Forty-second Street, New York City, along the right bank of the Hudson River, upon the left bank of which ran the New York Central. The Hudson River divided the two systems as far north as Albany. Then it was planned to continue the railroad from Albany to Buffalo, paralleling the Central for practically the entire distance, so that the tracks of one system could be seen from the other.

Soon after the road began operations, it began to cut rates, in order to draw away business from the Central. Its rates were so low that it did cut very heavily into the Central's traffic; the rates were put down and down until the West Shore was running at such a loss that it had to be placed in the hands of a receiver, and the Central was approaching bankruptcy. Mr. Vanderbilt and President Chauncey M. Depew sought in vain for a way out of their dangerous situation.

What was being done to the New York Central was duplicated in other quarters. Most of the roads were an amalgamation of short lines more or less loosely put together, averaging not more than forty or fifty miles apiece. They were loaded down with debt and menaced by vicious and deadly competition, which they returned in kind. The railroad situation in the early eighties was getting to be very like bedlam, with bankruptcy at the end of the chapter for many, —for the just as well as the unjust.

CHAPTER VI

RAILROAD CHAOS AND RUIN

EARLY in June of the year 1885, J. P. Morgan returned to New York from his customary trip to London and the Continent. In this simple statement of fact there is nothing to excite one. Nevertheless, it is true that, on this occasion, Mr. Morgan's arrival upon his native shore was an event of great importance. It marked the beginning of a movement to end competition between railroads, the giving of a new set of commandments to big business enterprises: Don't fight each other, don't waste the strength of one another, stand together and divide the profits which will assuredly be yours.

The phenomenal year of 1880, during which a succession of good crops in America and bad crops in Europe had expanded the railroad business to Gargantuan proportions, saw the spirit of speculation run mad.

In two years twenty-nine thousand miles of new lines were laid down, an addition of thirty-four per cent. to the mileage of the country. Of these new railroads, about one-third were justified by the existing demand, one-third more would become useful at some time in the future, and the others would never be of any value to anyone, except, perhaps, to the promoters, if they succeeded in selling out.

The first railroads were local lines radiating from large cities and towns, and the process of building up the leading systems had been always a process of combining local roads into important and serviceable trunk lines. Once you travelled from Albany to Buffalo over the Albany & Schenectady, Schenectady & Utica, Utica & Syracuse, Syracuse & Auburn, Auburn & Rochester, and Rochester & Buffalo railroads. These fragments of roads had been made a part of the New York Central, which was originally a consolidation of eleven railroads. Similarly, the Pennsylvania had been formed out of a multiplicity of lines southwest of New York. Such combinations returned huge profits, because the business of the consolidated roads increased in much larger proportion than did the cost of financing and operating the additional mileage.

The owners of these new lines were in a position of vast strategic advantage; they were the only ones who could supply a necessary service to their countrymen. Their terminal facilities, cars and engines, lines of rail, could not be duplicated except at an increased cost; apparently they had nothing to do but to lie comfortably in the centre of a stream of prosperity and receive the good things floating down to them.

True, they had sometimes to fight for their share. Pooling agreements were invented, for the purpose of making such battles much less frequent and less bloody. Things went along smoothly enough until the idea of building parallel lines was not merely conceived, but put in action. This was a thing which, by every rule of good business, was theoretically impossible. From the viewpoint of economists it simply couldn't happen; the axioms forbade. Yet it came to pass.

The theory of competition contains the assumption, accepted for a century, that when the returns from an undertaking fall below the cost of service, competition will come to an end. According to the school books no railroad could afford to carry freight and passengers for less than cost, and would not attempt to do so. And as the big established lines knew that they were in a position to provide a service more economically than any newcomer could furnish it they did not fear competition. But the worthy theory failed in the case of the railroads.

To make money out of the building of a railroad it was only necessary to produce a small sum to pay for a charter, with the right to issue first mortgage bonds. The original subscribers then would have the disposal of whatever funds the bondholders might provide. Out of this handsome pile they could pay themselves a good commission for selling the bonds, or form a construction company and contract to pay themselves anything in reason or out of reason for building the road. The bondholders' money flowed into their pockets as directors and as contractors. As a means of becoming rapidly rich, building railroads was better than patent medicines, and made the saving philosophy of Ben Franklin hopelessly out of date.

Often the money came out of the stockholders of rival lines, and the system of receiverships which was originally intended to furnish protection to the investors was used continually to further schemes which, if not wholly unscrupulous, were at least nothing better than gambling with the prosperity of established enterprises by forcing competition to a point where there was nothing but bankruptcy in store for all, the sound as well as the unsound. Insolvent themselves, these speculative railroads had nothing to lose and much to gain by dragging their competitors down to their level.

It is obvious that when one railroad in a territory reduces its charges all others in the same section must immediately follow suit, for the simple reason that even if a railroad's business shrinks to almost nothing its regular and heavy expenses continue about the same. It can better afford to carry freight for half the cost of service than not to carry it at all.

In the chaos of railroad affairs that followed, the public was terribly in the dark as to what was going on, terribly in danger of losing money on its investments in railroad securities—and terribly pleased at the abrupt cheapening of freight rates. The big owners fought out their battles without caring a pin who was helped or hurt. W. H. Vanderbilt, of the Central and the Lake Shore, had followed his father's policy up to this time; he never sold his stocks if he could help it, and was always ready to sustain his properties in the market.

Therefore, the investors who looked up to him were rudely shocked when he became the leader in a ruinous war of east-bound freight rates which depressed the value of all railway securities. This war had been begun against the Erie, to take away some of its grain traffic, but after the building of the Nickel Plate, which paralleled Vanderbilt's Lake Shore, it was carried on with a deeper purpose, that of throwing the Nickel Plate into bankruptcy. The contest was carried on with the greatest bitterness and energy and a culminating point was reached when Vanderbilt angrily left a meeting of trunk line presidents, at which attempts had been made to end the fight; he rejected every plan of adjustment advanced. For a while, in the subsequent meetings in the Pool Commission's office, the only representative present from the Vanderbilt roads was a subordinate officer of the Michigan Central.

But Vanderbilt could not stand out like this indefinitely; it was costing everyone too much, including himself. Eventually he bought the Nickel Plate. He did not know that the road was on the verge of collapse; if he had waited two months, or even six weeks, he might have obtained it for a small part of the price he actually paid. He never forgot this experience, and when the West Shore sprang up as a rival of the Central, Vanderbilt held off and played a waiting game.

All attempts to settle the difficulties of the trunk lines only made them more antagonistic. The roads themselves seemed to have given up all intention of reorganising the pool or trying to maintain rates; railroad experts began to urge the passage of legislation to prevent competition from becoming ruinous. The New York Central, having carried its fight to the point where the receiver of the West Shore could borrow no more money, was not disposed to make peace until its rival was thoroughly crushed. The Lackawanna and the Erie were having a similar conflict, their lines running almost in sight of each other all the way from Binghamton to Buffalo. The Baltimore & Ohio had invaded the Pennsylvania's territory and was completing its line from Baltimore to New York. Vanderbilt's South Pennsylvania was pushing out parallels to the main line of the Pennsylvania; his invasion of the Pennsylvania's Clearfield bituminous region was perhaps the bitterest drop in the cup. All the roads had made low-rate freight contracts running a long time ahead, they had chopped passenger rates, and so great was the demoralisation that it did not seem possible that any resolutions or meetings of presidents could settle the difficulties.

This was the situation when Mr. Morgan returned from Europe in June, 1885. He brought back with him a store of vivid impressions, definitely unpleasant, even bitter. American railroads had a very bad name on the other side; "unscrupulous competition," "loose accounting," "barbarism," "folly," "infamous speculation," were the words and phrases oftenest associated with our railroads. One of the historic British monthlies reviled our industrial leaders under the caption, "Freebooters of American Finance."

The situation aroused Mr. Morgan. Although he was not a railroad man in any sense—he had always been a banker—he could sit by no longer, for the interests he represented and all his life had represented were being sacrificed. "I made up my mind," he said, "that something should be done."

The West Shore and the South Pennsylvania were the two most pronounced "sore spots"—to use Mr. Morgan's expression; and as the settlement of their difficulties was a necessary prelude to any lasting arrangement among the trunk lines, he took hold of those two cases, directly and with characteristic determination.

The South Pennsylvania was only a projected line, partially completed, but the West Shore had been in active operation for some time, and had recently struck bottom. This road had grown out of the connection of a few individuals with the New York, Ontario & Western, which had ten million dollars in its treasury at the time. Charles T. Woerishoffer, a member of the New York Stock Exchange on the bear side, Gen. Edward F. Winslow, railroad engineer, and Gen. Horace Porter, its promoters, were in absolute control of three corporations—the Ontario & Western, the North River Construction Company, and the West Shore. With its ten millions the Ontario & Western bought bonds of the West Shore, and in this way the first important financing was made possible. Afterwards John Jacob Astor, D. O. Mills, and several other prominent capitalists took up the bonds, until at last forty millions had been issued. It was planned to parallel the New York Central for the entire distance from New York to Buffalo, so that the tracks of one line could be seen from the other.

It was argued by the promoters that by adopting the same route as the Central via the Hudson and the Mohawk valleys, the new road would have the advantage of low grades; the construction was to be first class, yet the cost light, and the bonded indebtedness and stock of the road was limited to seventy millions, so small a sum compared with other trunk lines, particularly in comparison with the watered millions of the Central, that in making rates for business the new road would have the advantage. The public swallowed this, and subscribed liberally.

Within two years the real facts came out; the public learned that the contract between the West Shore and the Construction Company was wholly to the advantage of the latter. The truth was that the terms of this contract left the railroad hopelessly bankrupt. The construction of 373 miles of double track and thirteen miles of single track under its terms called for nearly seventy-six millions, while the West Shore had but forty millions of bonds and thirty millions of stock, and the available assets were still less. As the work proceeded the cost mounted by leaps and bounds, and the debts also. No fewer than two hundred and fifty lawsuits were brought against the road and claims of all kinds were showered upon it.

The management sought desperately for some means of getting the road upon its feet. Rates were cut so low, that, although the traffic the road received injured the Central, it did not benefit the West Shore. In default upon its interest, in an incomplete condition, never earning money enough to pay its operating expenses, the road was placed in the hands of a receiver in the spring of '85. In order to pay expenses the receiver was obliged to issue certificates, and, with the fierce rate-cutting keeping the income down, new issues of certificates piled up until the road was being operated at a cost of one hundred and forty-five per cent. Of course this meant not merely bankruptcy, but utter annihilation. The Central was earning a bare one per cent. on its stock. It had come down mightily and was travelling straight toward a condition of insolvency; its whole fate hung upon the question of the amount of money the West Shore might be able to borrow.

Of course, everyone looked toward Mr. Vanderbilt. He was expected to buy the

West Shore, but Vanderbilt, remembering his experience with the Nickel Plate, hung back; he was not in a hurry. Moreover, he had his South Pennsylvania on his hands, and this road stood in exactly the relation to the Pennsylvania that the West Shore did to the Central.

The president of the Pennsylvania at that time was George H. Roberts, an obstinate, tenacious man, who had started in the railroad business as a rodman with a construction gang, and had a small opinion of financiers; he was a Welshman, to boot. Roberts spoke plainly on the subject of railroads built to compete with established lines. He called it blackmail, and said that the only way to put a stop to operations of this kind was to fight, fight, until the builders were crushed. He intended to follow this policy, and declared that no one could induce him to drop it. This last was spoken for the benefit of Mr. Morgan, who had begun negotiations for some sort of compromise. Andrew Carnegie, who had become heavily interested in the South Pennsylvania, went to Roberts and suggested gently that the new road could be better managed as part of the Pennsylvania system. Roberts replied that Mr. Vanderbilt and other rich men had put their money into it, and he saw no reason for taking it off their hands. Vanderbilt, as a matter of fact, did not want to sell, although he wanted mightily to get out of the net in which he found himself entangled.

Meanwhile Mr. Morgan had been to see Frank Thomson, the vice-president of the Pennsylvania. He said to Thomson that he had become convinced that something should be done to establish harmony among the trunk lines. Thomson said that there were two sores to be healed: one was the West Shore and the other was the South Pennsylvania.

"I have talked that matter over with the New York Central people," Mr. Morgan replied, "and I understand that they will take the West Shore if the Pennsylvania will take the South Pennsylvania."

"As matters stand," Thomson said, "I don't see how it can be done. Mr. Vanderbilt has seen fit to go into Pennsylvania. No one wanted him to come here and build a railroad, and why should the Pennsylvania, the road he would injure most, give him back the money he has expended on the South Pennsylvania?"

Having received a taste of the opposition he was about to encounter, but not in the least affected by it, Mr. Morgan went back to New York and saw Chauncey M. Depew. They went over the details of the West Shore purchase, and made some definite arrangements; before very long Mr. Morgan returned to Philadelphia.

At an inquiry which was afterwards held to investigate the South Pennsylvania deal, Mr. Morgan told what he then did:

"It being believed," he said, "that sufficient influence could be brought to bear on Mr. Vanderbilt to induce him to supply a majority or more of the South Pennsylvania subscriptions, I made a trip to Philadelphia. I suggested to Roberts and Thomson that if the Pennsylvania Railroad was prepared to take the South Pennsylvania for bonds or any other security that bore three per cent., assuming that the sum would amount to five and a half millions or over, I thought the thing could be carried through. Roberts doubted the policy or the ability of the Pennsylvania Railroad Company, as such, to buy off or in any way interfere with what might be considered rival roads.

"Later, I arranged a meeting on my yacht between Mr. Roberts, Mr. Depew, Mr. Thomson, and myself. At that meeting there was practically an agreement reached on the plan as ultimately carried out. The amount was to be ascertained, the accounts were to be examined with a view to arriving at the cost of construction of the South Pennsylvania, and this cost was to be covered by the security of the Pennsylvania Railroad or something which should pass through that channel. The only thing stipulated was that the security to be given the subscribers was to bear the absolute guarantee of the Pennsylvania Company.

"Having obtained that much from Roberts, we went to work again with Mr. Vanderbilt and his associates. The details of what was required to be done were sent me by Mr. Roberts. It was then necessary to draw up the papers. Mr. Roberts said it was necessary for someone to be the purchaser other than the Pennsylvania Railroad. As a firm we (Drexel, Morgan & Co.) could not do this, but as an individual, feeling the importance of what was at stake, I was prepared to do what I could, and to give the use of my name and signature to act as purchaser of one for the other. The papers were made out in this way, consisting of a form of contract for the subscriber to sign, the guarantee that the subscribers required from me to protect them from any further calls from the purchaser, and an agreement to deliver the property."

In the Morgan account, short work is made of the Pennsylvania opposition, once so strong. An agreement was reached, says the new dictator of railroad destinies. But how? We shall come to that presently. The curiosity of the examiner was aroused by the circumstances of the meeting on board the *Corsair*.

Q. Mr. Morgan, was there anything said about getting the business through speedily?

A. I do not remember anything in particular nor in general. When I have business on hand I think it is better to have it done quickly. That is my experience.

Q. Why did you go on the yacht?

A. Because it was a convenient place.

Q. Then it was not for the purpose of having nobody know what business you were engaged in?

As a matter of fact, Mr. Roberts went aboard the Morgan yacht protesting that he knew his own mind. He had said he would not buy a hole in the ground; a hole in the ground—that's what the so-called South Pennsylvania was and always would be—and a rat hole for money. He had always said he was quite willing for Mr. Vanderbilt to fry in his own fat, and the other rich men along with him. And he saw no reason to change his opinion.

The *Corsair* sailed to Sandy Hook and turned and cut her way back again through New York Harbor. She entered the Hudson River and kept on up as far as West Point, then turned again and started back to Sandy Hook. Mr. Morgan said very little; he smoked black cigars. Mr. Depew related the experience that the Central had had with the West Shore. He showed how it was possible for a great railroad, no matter how prosperous, to be cut into and weakened in all its resources by a rival line of no standing whatever. He suggested that in the end the Pennsylvania would find it much more costly to stand out than to accept Mr. Morgan's proposal.

"That's right! That's right!" exclaimed Mr. Morgan. "Can't you see it? In the end you would have to come to it. In the end you would have to buy out or control this other road only to make your connections. You must come into this thing now."

Hours slipped away; luncheon had been served; the sun no longer rode high; everybody, except Mr. Morgan, had smoked more of the black cigars than were good for them. Still the *Corsair* churned along.

"But why," objected Mr. Roberts, "should we make ourselves responsible for others' mistakes—why pull them out of the hole they have got themselves into?"

Mr. Depew drew him aside. It was clear that this man was standing out, because he thought someone should be punished for getting the railroads into all this mess. He thought the big backers should be taught a lesson. Depew put it to him that these men, those big, rich individuals, with their lack of sound railroad knowledge and their willingness to throw their cash into the wrong places, had already received severe punishment. It was true; in the scaling down of debts, in the sacrifice of interest, the backers were bound to suffer. "Oh, no," said Mr. Morgan, striding over, "they'll not get out whole."

At seven o'clock in the evening President Roberts interrupted the silence that had fallen upon all. "Well," he said, "I agree. All right, I agree."

The thing was done. The personal feelings of two men had been sacrificed, Vanderbilt's dreams for the South Pennsylvania, Roberts's animosity. The South Pennsylvania plan went through as already narrated, and in the case of the West Shore, President Depew, Mr. Morgan, and Judge Ashbel Green, who had been the receiver, bid in the road at a foreclosure sale for twenty-two millions of dollars. The Central agreed to guarantee the principal and interest upon the bonds of the West Shore, and the arrangements were all but perfected when one James J. Belden, a lawyer of Syracuse, after obtaining ten shares of West

Shore stock, asked the courts for an injunction to prevent the road from becoming the property of the New York Central.

This was a blow,—especially to Depew and Green, who had made themselves responsible for the success of the reorganisation plan. In case of a serious hitch they might have to pay twenty-two millions themselves. The situation dragged itself out and the bondholders began to become interested. It was said that there was a syndicate backing Belden. What was his price for his ten shares of stock? One million dollars! That was his asking price. Depew got a better bargain than this, but the price he had to pay was the highest ever paid for any ten shares of stock.

When all was finally settled, rate-cutting ended instantly; and the whole railroad situation improved rapidly; James D. Layng was called from the Chicago & Northwestern to operate the West Shore in harmony with the Central. The New York Central now owns all the common stock of the West Shore, and has infused credit into its bonds. As matters turned out the terminals owned by the West Shore are to-day worth more than the Central paid for the entire property.

People living along the Central's lines had been enjoying cheap rates at the expense of the railroad, and the truth is, it was time. During the great railroad wars of '77, '78, and '79, when through rates were reduced to far below the cost of transportation, the Central continued to pay regularly eight per cent. dividend on its enormous capitalisation. It was enabled to do this out of the splendid local traffic; the local shippers made up the losses incurred by the cheap through business. Therefore, the people had looked upon the West Shore, which proposed to open the doors to competition, as a benefactor; its failure caused deep disappointment. The question which concerned them was not the loss to the bondholders of the West Shore nor the benefit which would now come to the stockholders of the Central; the point that came home to them was the broader matter of the effect of the consolidation upon the country through which the two roads ran.

Local shippers found themselves once more at the mercy of a monopoly, and could only hope that the railroad would not pursue a short-sighted policy in the treatment of its local patrons.

"We must rely on public opinion to get a fair deal," it was said, "but it cannot be denied that this absorption brings us face to face with the great railroad problem." This was a totally different side of the railroad question from the one that Mr. Morgan had attacked.

It need not be remarked that it was just as necessary of solution as any of the intricate financial questions he undertook to settle. Mr. Morgan felt, however, that before the rate question could become the issue of first importance, it was necessary to place the railroads themselves in a position to continue to do business. He showed that he was the one man who could accomplish this, and for the next ten years of his life he was allowed to do very little else.

He began to figure in directorates. At the board meetings Mr. Morgan usually chose the part of attentive listener, not often volunteering suggestions, and responding in a brief, laconic manner to any request for information.

MR. MORGAN'S HOUSE ON MADISON AVENUE
NEW YORK CITY

THE LIBRARY IN THIRTY-SIXTH STREET, ADJOINING
THE RESIDENCE AT THE CORNER OF MADISON AVENUE

One who served upon several boards with Mr. Morgan recalls the following impressions, reprinted here in his own words:

"I early became impressed with the fact that, with a single exception, I never saw him irritated or disposed to yield in the slightest to a sense of annoyance, unless something was suggested that seemed to be more or less in the line of trickery. He always stood for straight dealing, and that, too, notwithstanding the fact that he was a master financial diplomatist, possessing great intellectual resources, and intuitive judgment, the like of which I have never seen.

"The only time I ever saw Mr. Morgan show that he was annoyed was at one of the board meetings of those days. A subordinate officer of a railway corporation brought in a document or a report containing the names of the directors, and, among others, the name of Mr. Morgan, who glanced in turn at the document; and, after looking at it a moment, threw it on the table. He pointed to his name and said, angrily, 'That isn't the way to spell my name, I want it corrected. My name is spelt Pierpont, not Pierrepont; and I should be pleased if that would be understood hereafter in this office.'

"If there appeared in print an article praising him for anything he had done, and his name was spelt Pierrepont, that lapse outweighed anything that was said."

An extremely sensitive man to small things, to criticism, he was indifferent to attack, to notoriety, and his friends say that even at this early day, he regarded the gradual creeping of his name into the newspapers, either with absolute indifference or with a mild curiosity, as though he wondered why anything that he did, and especially his personality, should be of the slightest interest to the public.

CHAPTER VII

THE BEGINNING OF FEUDAL FINANCE

AT fifty, a good proportion of the men of history have found their work, won fame, and been laid away. At fifty, the subject of these articles was unknown except in his own circle; the newspapers rarely mentioned his name, and then only in a bare sentence, as if it were the name of a railroad or a bank. An element of fascination may be found in the unstudied mediocrity of this future financial power; it makes us think of Stonewall Jackson, middle-aged and grown a bit pedantic, teaching arithmetic in the late fifties; or Grant serving under Halleck near the beginning of the war. J. P. Morgan served his clients, the investors, and so added to his fortune year by year. Also he took a share in the bankers' syndicates that sold bonds for the Government or the railroads.

But, in the meanwhile, a great many

things were going utterly wrong; things which vitally affected Mr. Morgan himself, and all his people—the investing public, here and in England. The great railroad systems were running down hill, financially; they were ceasing to pay dividends, and in a large number of cases they were rapidly sliding into the position where the bondholders would cease to receive interest on their holdings, and would be lucky if they did not lose part of their principal as well.

Nor was there any sound reason for such a condition of things. To J. P. Morgan the cause was as plain as day; in his opinion, it was fool management.

The railroads of the country were at war, almost continually, one with another. It was slaughterous, savage warfare, costing as much in everything but lives as fighting with cannons and muskets. And Mr. Morgan's friends paid the cost—they always paid. And the wars became bitterer and more expensive every year. The situation was intolerable. Eastern people, through their bankers, had bought largely of railroad securities; wisdom could prompt no surer method of obtaining a return upon spare capital. Quiet homes in the far-away counties of England were supported, or supposed to be supported, by the returns from American railways. These English imagined they were taking shares in the conquest and development of this extraordinary, new, rich land; it was their faith which touched Mr. Morgan most keenly, because it affected the honour of the London house. If they could have seen with their own eyes how the railroads of the period were pouring their money into a sluiceway they would never have survived the shock.

For example:

Imagine the Gilt Edge Flyer of the C. & O. W. tearing at unbelievable speed eastward, and the Silver Plate Limited of the renowned K. & J. line hastening westward like a cannon shot—upon the same track—the same pair of rails.

The presidents of the respective rival lines sit back and receive their reports, brought to them by wire. In an hour, in half an hour, in a very few minutes, in a second or two—so the time passes—they will learn of a heaven-wrecking smash, head-on.

The moment arrives. The two trains completely demolish each other. There is an enormous bill of damages, a hole in the fertile prairie—and some advertising. To pay the bill some more securities must be sold. From the viewpoint of both railroads this striking affair was a perfectly reasonable occurrence. "The other fellow was on my track; I warned him off first," excuses the president of the (imaginary) C. & O. W. Ditto the unhesitating chief of the progressive K. & J.

This is an illustration, not an instance; it is the situation simplified. The actual instances consisted of innumerable ticket scalping deals—tickets disposed of by the thousand at half price to brokers like the celebrated Frank; or freight rates nailed for a week to a dead tree in the woods in evasion of the provision requiring public posting of rates, and taken down again when the stolen business has been run through. All the roads lost heavily by these chicaneries. Those who won most lost most, because they won business at the price of carrying it for less than cost. And yet, if they held back, refused to take a hand in the greedy game, they ran empty trains—and lost more still!

There was no logic in this business. It was not business; it was a dog-fight. The conservative journals of the day, unable to find the word for it, coined a phrase—they called it Criminal Competition.

The railway management was scarcely to blame. It faced a condition. Its other alternative was to go out of business. The blame came back to the speculators who overbuilt the mileage of the country, constructed useless parallel lines, or flung out easily obtained dollars upon the uninviting landscape where no business was, or perhaps, ever would be. They made their own fortunes in construction and got safely away with them, leaving the railroad problem for others. This narrative has already gone into the details of these enterprises. For the present it is enough to bear in mind that a country as good as a gold mine had been overworked for a crazy decade—and that the panic of 1893 was fast approaching, and preparing.

For Mr. Morgan's English friends there was this exhibit in the year '89. Of

American railway securities listed on the London Stock Exchange, to the amount of five hundred and six millions, only one company was paying dividends on its common stock, and but two or three on preferred. The London *Statist* noted in clear type that "the consequences of rate wars on American railways are proving so disastrous to the holders of securities, and the prospects are so gloomy, that some heroic remedy must be resorted to, else the whole investment will be lost."

Within thirteen years 423 American railroad companies, with a total mileage of 43,770 miles, representing more than two and a half billions of capital, had gone the way to dusty death—in bankruptcy.

For the calendar year 1888 the gross earnings of ninety-five railroads amounted to $622,659,427, an increase of $20,403,147, or about three and a half per cent. over the total of 1887. *But* their net earnings for the year were $202,544,600, a decrease as compared with the net earnings of the preceding year of $14,481,996, or about six per cent.

They had done twenty million dollars

more business in '88 than in '87, but earned fourteen million dollars less money.

As for the stockholders, their information was fragmentary; they scarcely knew anything about the affairs of the roads of which they were sole owners, and whose affairs they were supposed to run. Doubtless they might have put together the pieces of information that were gingerly passed out to them—if they had tried; and might have made an intelligible whole. But they seldom tried. The larger the railroad system, the less active attention given to its affairs by those primarily interested in its well-being. And they were smoothed down by bookkeeping fictions. In a great many instances what passed for the corporate surplus of a railroad company resembled the celebrated forty-eight million dollar one of the Baltimore & Ohio, which proved a bookkeeping tale. It included all net earnings in excess of dividends, and by charging off depreciation and errors, was reduced, by a brief calculation, to a most modest basis.

But in New England there were some stockholders insurgent. At the annual meeting of the Fitchburg road they passed a vote unanimously directing the manager to publish regular monthly statements of gross earnings, and regular quarterly statements of gross earnings, expenses, net earnings, and the proportion of fixed charges and rentals assignable to these quarters—a most practical and illuminating step. This was one of those roads which preserved the old-fashioned custom of having its officers meet the stockholders in person at its annual meeting. The Illinois Central and the Chicago, Burlington & Quincy managements were publicly attacked by their stockholders.

Sometimes these sudden displays of interest in hitherto neglected business were useful, but not often. On the whole the enormous and distended railroad industry, with its mass of cumbersome conditions, ill-assorted, overt, and tricky details, continued to remain an unfathomable scandal and object of alarm.

And, meanwhile, there was Mr. Morgan, the future King of Money—but, in those days, simply a banker, with ideas, with methods, which he had put into practice in his own business for three decades. We have arrived at the exact point in his life when the Morgan that we now know was setting out on his journey toward the special pinnacle he has attained; when he took his first step away from the beaten path of routine business, and undertook, in his private capacity, public work. The point when, in the language of some, he set out to gobble up the wealth of the country, or, as others see it, when he started in to run our business for us in the way he thought it ought to be run; or, as still a third party sees it, when he decided to become a public benefactor and to render a kind of financial *service* for the rest of his days.

In other words, the question of Mr. Morgan's motive, of his moral feeling, is to be answered by the events of his career, beginning now—with the year 1885 and continuing thereafter.

Following the actual happenings in J. P. Morgan's life will lead us to but one conviction, namely, that the first and the third views of the money king noted above are both somewhat romantically false, and that the second—which holds that his primary interest in affairs, the moral axis upon which his career turns as a whole, is a natural passion for sound, well-founded business, without logical flaws or sapping weaknesses—is very nearly the true view of him.

It is as nearly true as any analysis of a human being can be which does not fill a volume and explain or account for everything. As we go on we shall have to disentangle situations made up of an intricate mixture of motives, in some of which the colour bears out either one or the other of two conceptions of Mr. Morgan we have called false. No matter for that; since it is the man himself we seek, and no caricature, we shall find these complications doubly interesting.

In the year 1885 he suddenly felt it driven in by successive shocks that he must do something about the railroads. With Mr. Morgan it is always do nothing, or do everything; sit by, or take charge. We related in the last chapter what he did with the West Shore-New York Central, and the Pennsylvania Railroad tangles. He did not take sides; he took command. Using the logic of sound business as a big stick, he compelled the irreconcilables to submit to his plans, when no one thought such an outcome possible.

He had scarcely finished with his business when another, still more ragged, menacing situation, confronted him—the demoralisation of the great Philadelphia & Reading Railroad.

The Reading was one of the largest railroad companies in existence. It had a capitalisation amounting to hundreds of millions, and an earning capacity of forty millions a year. It was an immense and permanent machine for turning out dollars profit—but there was something very wrong with its economy, for it did not even pay its way.

When a little business gets into difficulties, the process is painful, but not exciting to contemplate, except for those immediately concerned. The final catastrophe falls on only one or two people, and it is usually true that a little more money would have saved it. But when a big business begins to fall into ruins, it is something appalling to watch—especially a railroad. A railroad cannot shut up shop and pull up its tracks. It can never be given up for dead—its disease must be cured, take how long it will, cost what it will. A bankrupt railroad is fated to sprawl supine upon the breasts of its wretched security holders, and those whom it doesn't pauperise at once it frightens half to death with its monstrous and mounting expense bill. Its difficulties must be met, but how? This is no affair of the grocer's shop, this Cyclopean ruin. With its thousand-fold complications it presents a problem which mere shrewdness, good judgment, experience, cannot hope to solve. The records of the various bondholders' committees prove this statement true.

The condition of the Reading was this: Its annual fixed interest charges amounted to $6,300,000. Of the 1,586 miles of road, 1,152 miles were held under lease, at an annual rental of $9,371,021. In short, Reading must earn $15,667,058 net to meet its charges. In addition to this there was at the close of the year 1885 a floating debt of $25,000,000, the interest upon which brought up the total income required to $17,000,000.

Against this crushing load the Reading showed an earning capacity during three years past as follows:

	Net earnings	Charges	Results
1883	$ 8,339,934	$ 6,816,183	* $1,523,751
1884	13,396,534	16,874,453	† 3,355,251
1885	12,527,569	17,125,451	† 4,597,882

*Surplus. †Deficit.

And the year 1886 showed a deficit of nearly six millions.

When Mr. Morgan undertook the task of replacing these millions of yearly loss with a yearly gain he met with unexpected difficulties. A railroad reorganisation resembles a pruning process and financiers may differ as much as orchardists as to the degree of severity required. The process mainly consists of lopping off interest charges by exchanging the present bonds for others of a new issue bearing a lower rate of interest. Another feature, almost equally inevitable, is a cash assessment upon the shareholders, of a certain sum for each share of stock. To put this through it is necessary to get the consent of the security holders themselves. As there are always many classes of securities, and as all do not suffer alike, there is room for a vast and acrimonious difference of opinion concerning any plan that is proposed. In the present instance it was announced early in the spring of 1886 that a combination of bankers had been formed to reorganise Reading, and that the firm of Drexel, Morgan & Co. was underwriting the plan, through a syndicate with a capital of fifteen millions. But it turned out that the security holders were unwilling to accept the sacrifices demanded of them, and the Morgan plan also met with the determined opposition of the president of the road, Franklin B. Gowen, who had the backing of a large following. After some weeks of fruitless labor Mr. Morgan drew back and left the field to Gowen, who got up a scheme of his own. Failing to obtain backing for his plan, Gowen had to step down, and Austin Corbin was made president, and in the fall of '87 Mr. Morgan put his own plan through. By cash assessments, which by this time the security holders were willing to yield, the big floating debt was wiped out. Interest charges were reduced several millions below the amount of the net earnings, and in its next report the wrecked railroad showed a profit of nearly three millions.

This reorganisation was regarded as a wonderful piece of work at the time; it was said that Reading's affairs had been so re-adjusted that the road could never again, under any possible circumstances, drift into bankruptcy. But in making this remark, the prophet tripped and fell. The road had not been made fool proof by any means; within five years it was back again on Mr. Morgan's hands.

When Austin Corbin became president he enlisted on his official staff a protégé named McLeod, who was destined to achieve the nickname of the Napoleon of the railroad world, to occasion a Congressional investigation of his operations, and to irritate insufferably J. P. Morgan. McLeod became president of the Reading after Corbin resigned and undertook to form a vast coal monopoly in connection with New England roads. He leased lines and formed alliances which required millions more capital than he could command. The price of coal was raised to the consumer, which enraged the public. In extending his control into New England, McLeod fell foul of the New York and New Haven, in which Mr. Morgan was greatly interested; his attacks on the New Haven proved to be the last straw. Mr. Morgan, representing the entire banking community, undertook to discipline McLeod, who resented his interference, and would not accept his suggestions. "I would rather," said he, "run a peanut-stand than be dictated to by J. P. Morgan." In the spring of 1893 he resigned, leaving a wrecked property behind him. Mr. Morgan had his work of reorganisation all to do over again, and in a panic year. He was busy with another and even more difficult affair at the time, and did not give his attention to Reading. The new management undertook to reorganise the road, but its plans met with a chilling reception from the security holders. They could not see where they were coming out, and they refused to make any more sacrifices.

At last the bondholders appealed directly to Mr. Morgan to do the job, and once more he reorganised Reading. In the eight years that had passed the road had acquired a new floating debt, eighteen millions this time, which must be disposed of as before. When he had finished the work Mr. Morgan kept the control of the road in his own hands. He took no chances of permitting an enterprise which required careful treatment to fall into the hands of any wildcat management, and the security holders were at one with him on that. Unable or unwilling to look after their own interests, they were only too glad to have Mr. Morgan do it for them. And after this experience Mr. Morgan invariably retained control of the railroads he reorganised, either through the spiral device of a voting trust, or a controlling ownership of stock. In this way, and at this time, the feudal position which he now occupies, the one-man power in American finance which he is, had its beginning.

During these years the general railroad situation was going from bad to worse. In the West the newer and younger roads were rapidly approaching the abyss of bankruptcy, and in the year 1889 Mr. Morgan made a determined and novel effort to impress them with the need of complete reform. The Western railway presidents had their own organisation, which had attended to the pooling of business before pooling was forbidden by the new Interstate Commerce law; now the association was supposed to work in harmony on the basis of a "gentlemen's agreement"—which no gentleman kept. In the last week of December, '88, Mr. Morgan invited the Western presidents to meet the bankers at his house on Madison Avenue. The object of the meeting was to bring about concerted action and stop the suicidal rate cutting. This first meeting was adjourned until January 8. And between the two meetings, more rate cutting took place, so that when the presidents met they were in no good humour with themselves or with one another.

There were Charles Francis Adams, of the Union Pacific; Marvin Hughitt, of the Chicago & Northwestern; R. R. Cable, of the Rock Island; Frank S. Bond, of the Chicago, Milwaukee & St. Paul; Jay Gould, and his son, George, of the Missouri Pacific; A. B. Stickney, of the Chicago, St. Paul & Kansas City, and half a dozen others from the railroads. Representing the bankers, besides Mr. Morgan, were J. Hood Wright, of the Morgan firm; John Crosby Brown, of Brown Brothers; George P. Magoun, of Kidder, Peabody & Co., and the Barings, and also two or three others.

The men who ran railroads and the men who furnished the money to construct them were face to face for the first time at a formal meeting. It was purely a business occasion. To put it simply, the representatives of capital intended to show the railroad men the whip. They intended to convey to them a very definite impression that further misbehaviour would be punished by cutting off the supplies. Mr. Morgan himself did not mince matters in what he said; he thought it a time for plain speech.

"The purpose of this meeting," he said, "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 civilised communities, and no good reason exists why such a practice should continue among railroads."

President Roberts, of the Pennsylvania, retorted: "Speaking in behalf of the railroad people of this country, I object to this very strong language, which indicates that we, the railroad people, are a set of anarchists, and this is an attempt to substitute law and arbitration for anarchy and might."

There was a silence, and then Stickney said he opposed secret meetings like the present one. "The public," he added, "are sure to think we are conspiring to do something that we ought not to do."

No one agreed with Stickney upon this point. Roberts made a speech in which he dwelt upon the fact that the building of useless parallel lines was responsible for all the troubles of the railroads. He pointed to the bankers as the persons who could put a stop to this if they would. And he repeated his complaint concerning Mr. Morgan's strong language, saying: "I cannot help but feel that it is a little harsh language for us to hold here, but I can stand it, I suppose, if the others can."

Ignoring this last remark, Mr. Morgan

came straight to the point: "In regard to the remarks made by Mr. Roberts in regard to the bankers and the construction of parallel lines, I am authorised to say, I think, in behalf of the houses represented here, that if an organisation can be formed which shall accomplish the purposes of this meeting, and with an Executive Committee able to enforce its provisions, upon which the bankers shall be represented, they are prepared to say that they will not negotiate and will do everything in their power to prevent the negotiation of any securities for the construction of parallel lines, or the extension of lines not unanimously approved by the Executive Committee. I wish that distinctly understood."

Next, Mr. Adams expressed his mind in a little speech, saying, "The difficulty in railway management does not lie in an act of legislature, State or National, but does lie in the covetousness, want of good faith, and low moral tone of railway managers, in the complete absence of any high standard of commercial honour. Now the question we are to decide here to-day is whether any gentleman representing a railroad company is prepared to stand up and say before the public and before us that he is opposed to obeying the law, and, further, that in matters of controversy he prefers to take the law into his own hands rather than submit to arbitration. That is the whole thing in a nutshell.''

Mr. Hughitt did not agree that it could be put in a nutshell thus. He did not see how he, as president of his road, could agree to submit the interests of his people to arbitration.

There was much more discussion; at times the meeting resembled a meeting of the chiefs of the fighting clans of Scotland; each man was passionately certain, convinced in his own mind, that his neighbour, not he, was at fault. Some fair sounding, though nearly futile, resolutions were formally passed. It was agreed to discourage dealing with scalpers, and a board to hear complaints of rate-cutting was appointed. This board was given the power to fine roads which failed to keep the schedule, and each road had to put up a thousand dollars, out of which fines would be paid. This far-seeing provision indicated clearly enough to the public the fundamental futility of the attempted arrangement, since it showed how little the roads trusted one another, and it was not thought that any road would be held back very long by mere fines.

However, the meeting shows what Mr. Morgan wanted to bring about above all things else—he wanted peace and square dealing between the heads of the railroads. He wanted peace and square dealing and observance of law and custom among them, because the opposites of these things spelled ruin for the roads. But at that time he had little power to enforce his ideas; his arm could not reach out there beyond the Mississippi. Even in New York, the Western railroad men were not greatly impressed with the ideas of the bankers; and once back in their own country they continued to do as they pleased. Does not this incident, in connection with others, indicate very plainly what the future aim of a man of Mr. Morgan's type was bound to be? If he could not influence men by talking to them, he was bound to seek to control them by force. Everything taught him the need of getting control himself in order to accomplish his ends. We have seen what these ends were.

The law which stopped pooling hastened the growth of the new financial feudalism, of which Mr. Morgan was the chief exponent. It was an inevitable thing. It was easy to say that if the railroads would all stop fighting they would all be the richer. It is easy to say that if the nations of the world would agree to stop fighting they would all be the richer. But, as a matter of fact, in the then situation of the railroad companies all would not have been richer if they had signed, and patiently adhered to, a peace agreement. Under fair conditions and with equal rates the business would have drifted, inevitably, into the hands of the bigger and better railroads; the weaker and poorer would have been forced to the wall. Under the illegal pooling agreements they had received an allotted share of the traffic income, and it kept them alive. Now being without any such protection they were under dog and had the choice to fight, steal, or starve.

The railroad business was raw and new and little understood then; there is plenty of evidence that it is not thoroughly understood even now. At the period with which we are dealing, Mr. Morgan looked its difficulties in the face and successfully surmounted them after his own fashion. And there began to take shape in the public mind a certain conception of him, as a man of stone, ruthless but magnanimous, gifted with a terrible energy, a terrible force of character; as a man who could plan certainties, and as a man whose honesty in his relations to his clients was proven and absolute. At the age of fifty, Mr. Morgan was becoming a national figure; his actions became of national importance, for by their very size and scope they included questions political as well as financial, and provoked controversies and movements which still occupy us to-day.

CHAPTER VIII

THE TREASURY CRISIS OF 1895

MR. MORGAN'S contract to furnish the U. S. Government with gold in the year 1895 made his name known throughout the country. Up to that time he was known only to a comparatively small circle of powerful men, to investors by reputation, and the newspapers had not discovered him.

In the winter of 1894–95 the United States Treasury, being swept by the tail of the calamitous panic of '93, fell into extreme difficulties. An extraordinary and unmanageable set of circumstances, in which politics and business were tightly intertwined, resulted in the steady withdrawal of gold from the Treasury for more than a year, until, unquestionably, we faced a suspension of specie payments. In other words, the work of Resumption—the hard won restoration of credit plunged deep at the time of the Civil War—was about to be miserably undone.

A visible peril this was not, save to comparatively few. Mr. Morgan, August Belmont and a few other bankers on the one hand saw it coming; and President Cleveland and the Treasury officials on the other engaged in a continuous struggle, both to keep the Treasury from running completely out of gold and to prevent the public from finding out the actual state of affairs. These insiders were convinced that if the situation became generally known the blackest kind of a panic would follow.

It will be recalled that Mr. Morgan personally managed and accomplished the rescue of the Government from its dangerous plight and that President Cleveland contracted with him in secret to do this deed, and that both men were afterward denounced by the radical press, the one as a traitor to his office of trust, and the other as the unconscionable driver of a hard bargain. Why these harsh words? Because, to put the matter of this criticism at its best and sincerest (at its worst it was envy and malice), the people felt that in a self-governing democracy another way should have been found.

The people were right, but wholly unreasonable. A well-governed country should not have permitted its national treasury to drift so near the rocks. Whatever was done was done in an emergency, as will soon appear. The emergency was dire and it was a dramatic one, although unclear to the casual eye, because of the confused and technical conditions creating it. And throughout, Mr. Morgan's personal characteristics and position, his peculiar power, appear in rugged relief. It was a sudden revelation of his personal force; as it was, in another way, a revelation of the strong character of Grover Cleveland.

Let us come as near to the truth of these matters as we can. In order to represent clearly the nature of the bargain President Cleveland made with him, and, for Mr. Morgan's part, the nature of the undertaking he proposed, it will be necessary to look somewhat deeply, and with a little patience, into the necessities and perplexities of the case.

There were in 1895, as now, no less than eight kinds of money in use throughout the country: gold certificates, silver certificates, United States notes, Treasury notes, National Bank notes, gold coin, silver coin, and the little token coins of nickel and bronze. All looked to gold for their value, except, of course, the gold coin itself; but all did not obtain their value on the same basis, or by the same route. A gold certificate, for instance, represented an equal amount of gold that was held in the Government vault, the paper being used simply for greater convenience. But a United States note, which is the typical form of Government paper money, was based, not upon actual gold, but upon the Government's implied promise to redeem it in coin if presented at the Treasury. When the first issue of these United States notes or greenbacks was made in 1862, there was no attempt to treat them as redeemable in this fashion. Their value fell greatly in gold during the Civil War, but began to rise after the war ended, as soon as steps were taken to accumulate a fund of gold for their redemption. On January 1, 1879, specie payment was resumed, and these slips of Government paper became, for the first time in their existence, as good as gold.

Technically they were payable in "coin," which meant either gold or silver. At that time no one foresaw that silver was destined to fall off steadily in value during the next decade—that it was going to take a greater and greater amount of silver to be worth a given quantity of gold. At that time there was no suspended menace in the unspecific word "coin." Therefore, uncomplicated by the coming silver question, the dreaded ordeal of redemption was passed with ease. Against about three hundred and fifty millions of its greenback notes the Government collected a gold reserve of one hundred and fifty millions, of which half the amount was sufficient to meet all demands.

It now became a matter of administration policy to maintain against these notes a gold reserve of a hundred millions. It was never expected that the notes would be presented at the Treasury for any purpose except to obtain gold for the use of the banks, or for shipment abroad. The hundred-million-dollar fund looked doubly, trebly sufficient for such needs.

But there had been a curious little provision in the legislation of 1878 relating to the currency, which proved to be the tiny cause of a great effect in the year 1895. Congress, fearing that the retirement of notes by redemption in gold might leave too little money in the country, shoved in among other provisions the direction that the Secretary of the Treasury should pay out and *reissue* all of these notes that were received. This meant that the same note could be used to obtain its face value in gold at the Treasury an unlimited number of times; it could be used like a ladle to empty the Treasury of its gold. It was an unconscious joker in the law, perhaps impossible of detection—then.

The next ten years were not lean years. On the contrary, they were years of glowing prosperity, as everyone knows; the quiet but triumphant resumption of specie payment was like the completion of a dam, which made possible a new and steady flow of capital, energy, ideas, and faith in the material future of the country. Especially from abroad the stream poured in. It should be remembered that European investors would not touch our bonds during the Civil War; they did not think the Republic could be depended upon. Now, however, the business elation over here attracted their funds in great quantity, in too great quantities, as it proved.

For the effect was to speed up American business beyond what was natural and necessary. Where one factory or one railroad in a section had done well, two or three found it possible to live only by preying on each other. And, all the while, the liquid money arrived and sought its use in building more factories, more railroads. The bursting point was reached. Then, suddenly the backward swing of the pendulum of business turned the hot eagerness of the investing public into stony dread. All but the wisest saw black, and by their blind, frightened actions created the very conditions that in imagination they foresaw —which is the way a panic is made. This was the terrible panic of 1893.

Meanwhile Congress had discovered the silver question. Under the Bland-Allison act a limited amount of silver bullion was coined into silver dollars. In 1890 Congress sought to make the coinage free and unlimited, and the agitation finally resulted in the Sherman Compromise bill, directing the Secretary of the Treasury to buy four and a half million ounces of silver a month and to issue Treasury notes, which the Secretary was to redeem in gold or silver at his discretion. The working of this law proved disastrous; silver became too plentiful, and hence undesirable, and the money sharps began to find a profit in exchanging the poorer metal for the better one, and sending the gold abroad. Within three years, before the law was repealed the Treasury lost nearly one hundred and fifty millions of gold. The Sherman law was repealed in June, 1893, but not soon enough to prevent invested capital from taking fright. The capitalists feared they might be forced to take back in silver what they had put in in gold. The sentiment in Congress favoring the violent assumption that one metal was worth, relatively, as much as the other, and that our debts could be paid in either, gave solid ground for this scare.

Behind this sentiment was working the powerful struggle of the silver producing States to boost their interest.

Out West everyone was reading "Coin's School of Finance," by Harvey, the book which taught in schoolmaster fashion the iniquity of the gold dollar, or they were studying woodcut cartoons in which the farmers of the country were represented by a cow and Wall Street as the assiduous milkman, pinching the last drop from the faithful beast. You saw people reading the book on trains, everywhere, and heard them cursing the Gold Bugs with heartfelt earnestness. The wild dogmas of the silverites and the threatening slant of business conditions made a deadly combination, a double distilled panic. As if our troubles at home were not enough, the investors of England and Europe asked for their money back; they asked for it right away—quick! They wanted gold while there was gold in America; and to gain it they persistently sold back to us the shares which, a short time before, they had been eager to buy.

These sales built up a mighty balance against us on the books of the bankers abroad. The price in New York of exchange upon London went higher and higher. The effect of this increasing rate upon the Treasury was technical, but just as direct and vivid as a slash with a knife on your arm. Foreign exchange is virtually a check or draft sold at home upon a banker in another country. It takes the place of gold coin, which is the only universal money. The fact that the banking business acts as a clearing house for all foreign obligations, makes it possible to treat the combined accounts of one country with another as one big account. Thus there is always a balance for or against the United States with foreign nations. When the balance is against us heavily—when, in other words, there is nothing to draw against—, exchange rises higher and higher until gold itself must be sent. The one place to obtain it is, and, of course, then was, *from the Treasury.*

Without hurry or precipitation, but by slow, sure steps of gradual decrease, the Government's gold disappeared. Some was sent out of the country, some was hoarded in the country by frightened banks or determined speculators. Twice Congress borrowed fifty millions to replenish the reserve, but this only seemed to draw attention to the weak spot. Mere borrowing did no good. Buyers of Government bonds simply borrowed the gold temporarily to pay for the bonds, then exchanged the bonds for Government notes; then, taking these notes to the Treasury, exchanged them for gold. Toward the middle of January, 1895, the gold reserve began to melt away much more rapidly. The panic spread to the New York banks and their country customers, and soon it was clear that most of the financial forces of the country had joined in a rash, unprecedented run upon the United State Treasury, which was becoming as empty as a hollow log.

Between December 1, '94, and February 13, '95, about eighty millions were drawn out. The last week in January saw the reserve drawn down close to forty millions. At the rate which withdrawals had now reached, that of several millions a day, there was not a week's supply left. Indeed, there was not even this much, as a matter of fact, for all but about three millions of this total was not in coined gold but in gold bars, and the demand was then specifically for coin, and the bars were at a discount. The bars could not be substituted, for the reason that this would betray the real weakness of the Treasury—which was kept a close secret. To publish the truth at this moment would have resulted in turning the panic into an immediate overwhelming disaster. From Chicago, San Francisco, New Orleans, the Treasury gathered up its last available supplies. But both the time and the means were lacking to block the inevitable climax.

A more tormenting situation has seldom been prepared for an honest and responsible executive. It could not be laid bare to the public, yet that was the very step the President was most anxious to take. Cleveland had no impression but one, and that was what arose from the nature of the great office he held, the impression that relief should come *directly from Congress and the people.* He was not a financier. The abstruse and technical factors which had all the while combined to undermine the position of the Treasury—the high price of exchange, the mystifying disappearance of gold, the slow and cumulative weakening of the national credit, the removal of the normal props of the currency—these were matters as puzzling to his mind as to the majority of citizens who are not professional bankers. But he felt that Congress could and should vote the bonds which would provide some relief, if only a temporary relief. On the twenty-eighth of January Congress received an urgent special message from the President, in which, among other things, he said:

> The real trouble which confronts us is the lack of confidence, widespread and constantly increasing, in the continuing ability of the Government to pay its obligations in gold.
>
> The only way left open to the Government for procuring gold is by the issue and sale of its bonds. The only bonds that can be so issued were authorized nearly twenty-five years ago . . . they are made payable in coin instead of specifically in gold. . . . It is by no means certain that bonds of this description can much longer be disposed of at a price creditable to the financial character of our Government.
>
> The most dangerous and irritating feature of the situation . . . is found in the means by which the Treasury is despoiled of the gold thus obtained without cancelling a single Government obligation, and solely for the benefit of those who find profit in shipping it abroad or whose fears induce them to hoard it at home. . . . The same notes may do duty many times in drawing gold from the Treasury; nor can the process be arrested as long as private

parties . . . see an advantage in repeating the operation.

Whatever ideas may be insisted upon as to silver or bimetalism, a proper solution of the question now pressing upon us only requires a recognition of gold as well as silver, and a concession of its importance, rightfully or wrongfully acquired, as a basis of national credit, a necessity in the honourable discharge of our obligations payable in gold, and a badge of solvency.

From Congress, in response to this well-considered and expressive demand, came nothing but the tom-tom clash of the political antagonisms of the hour—and set resistance. Congress never more clearly represented a boy's idea of a town meeting than at that moment. Words, without action, smoke, without fire. The silver agitation set off on a fresh flight, the silver men dogmatically toiling to prove the gold bugs usurers, while there was yet time, the gold men directing their arguments point-blank at the bend sinister in their opponents' doctrine; they fought among themselves, not even regarding party, forever twisting and untwisting the same rope.

"The President has declared war on silver," said Senator Vest dramatically.

"He would make us accessories to this effort to fix the gold standard upon us." The Senator asked if any man believed the "supposed emergency" could not readily be met by Treasury payments in silver. "So far as I am concerned," said Vest, raising his right hand high in emphasis, "I will never vote to issue bonds to secure gold to place us on a single gold standard!"

The answer of the National Legislature to the President's honest and direct appeal was: "Gold is a badge of oppression."

The feeling spread rapidly in England and Europe that our case was hopeless.

Thus the misfortunes of the Treasury settled down heavily and finally upon the head of the President; upon his head alone.

Meantime, however, there had been a succession of moves and countermoves between the Treasury officials at Washington and certain bankers in New York. Mr. Cleveland had nothing to do with all this; he depended upon Congress. Theoretically, the officers of the Treasury depended upon Congress, too. That is to say the red tape in which they were tightly wound prevented them from openly beginning negotiations with a private source. They were in the position of a man who should be forbidden to put out a fire in his own house before the city department arrived. He must see it slowly burning, and surely spreading, and yet not raise a hand. If we suppose in this case that the man knows to a practical certainty that the official, red-painted apparatus will not come in time to save his house from destruction, then we have a parallel. The officers of the Treasury knew that Congress could not be relied upon to save the Administration, and, using intense secrecy, they began to prepare to save it themselves. It was a visit from August Belmont which set the wheels within wheels in motion.

On January 24 Belmont went to Washington on the night train, and the next morning called upon Secretary Carlisle, at his office in the Treasury building. He described to the Secretary, with phrases clothed in black, the very serious financial situation in New York. He seemed greatly distressed, as indeed he genuinely was, and added that nothing could forestall a terrible crisis except the sale of Government bonds in Europe. Mr. Carlisle, who was more a politician than a financier, privately thought that a sale of bonds at home would answer the purpose; without saying so, however, he begged Mr. Belmont to sound out the European market and let him know the result. A few days later, he sent the Assistant Secretary, William E. Curtis, to see Mr. Belmont in New York. To Curtis had always been entrusted such confidential missions; many times in the year past he had jumped on a train and gone straight to the private offices of New York bank presidents to learn something of importance to the Treasury, or, more often, to level at them some reproaches for their lukewarm support of the Treasury in these trying times. But this was a more pregnant business, for when he parted from Mr. Carlisle the latter said: "I have no instructions to give you. You know the situation. Do your best." The newspapers, which knew little, but suspected much, had their reporters trailing the Assistant Secretary from the time he stepped off the train; when he found himself in Mr. Belmont's library, he felt measurably relieved.

The banker laid open his private cables, and there was nothing good in them—nothing which, by any stretch, could be called good news when the attitude of Congress was recalled. No "coin" bonds were wanted—no courtesies extended to silver, positively not. An out-and-out gold bond would be considered by the foreign bankers; but a majority of Congress wouldn't consider that. Mr. Belmont's correspondents were the Rothschilds, caliphs of money and credit across the sea. Nothing, in that direction, could be done without their help. Mr. Belmont was gloomier of aspect than before; in place of his own judgment, he now had positive information of the blackness of the prospect. He advised Curtis to see Mr. Morgan in the morning, and the Secretary left, promising to do so.

Up to this morning—the thirtieth of January—Mr. Morgan had made no move. In the Street his attitude was a mystery; whenever the subject of gold shipments was mentioned a question was invariably asked, which no one could answer: "What is Morgan doing?" But this morning he received two communications, one a note from Curtis asking him to come to the sub-Treasury for a meeting, and the other a cable from his firm in London, stating that the Rothschilds had called upon them and made the suggestion that the two firms should act together in conjunction with Mr. Belmont and the Morgan firm in New York, with a view to preventing, if possible, a catastrophe. Soon August Belmont walked into the office. He had received a corresponding cable. Mr. Morgan then told him that he was ready to act as had been suggested, and proposed that they should go together to see Mr. Curtis. They went.

Curtis stated the situation, so far as the Treasury was concerned, and said that the Government desired to make such a negotiation as would secure the necessary gold for the Treasury.

Mr. Morgan told him that in his opinion affairs had gone so far that a crisis had arrived, and there was now such a feeling of anxiety in the public mind that it would be absolutely impossible to secure the gold by public advertisement; and further, unless a negotiation could be made for gold on the other side, he thought it would be useless. "So far as my own advices are concerned," Mr. Morgan continued, "I will frankly say that it is very doubtful whether the gold can be secured in Europe, but an attempted negotiation is essential."

Curtis asked them if they would undertake it provided the President and Secretary of the Treasury requested it. Mr. Morgan told him that he felt bound to do so, and that he was prepared to proceed upon a basis which he would set down during the day, and which Curtis could take to Washington, and that from there he could let them know whether it was agreeable to the President and Secretary of the Treasury.

That memorandum provided for a private contract as essential—no popular loan under any circumstances. Mr. Curtis went back to Washington.

Up to this time nothing whatever had been said as to price. Mr. Morgan said afterward: "It was not really a question of price. It was a question of success." On Saturday Curtis brought back a favourable answer from the Secretary; and the terms of a bond issue were proposed by the bankers.

On the same day between five and six millions of gold were taken from the Treasury and sent to the steamers for shipment to Europe. There was less than a day's supply left. But toward evening a remarkable thing happened; the news that Mr. Morgan had taken hold, that something would be done, caused a sudden change of feeling in financial circles, and a large portion of this gold was removed from the steamers and sent back to the Treasury. A mere rumour accomplished this. But this was temporary; Blondin had started over Niagara on his tight rope—would he safely cross?

The press, aware that something extraordinary was on foot, took hold of the situation from the angle which naturally presented itself; the attitude of the press was suspicious. This secrecy was galling; something was said about "dark-lantern financiering," and it was asked if the President were not delivering himself into the hands of the money interests, to make a profit for them at the expense of the nation. There was much talk about our grand national resources, and what the people would do if Congress gave them a chance to come to the rescue in this emergency. The New York *World* repeatedly declared that the President should put his foot down for a three per cent. loan; "if the banks won't take it, the people will."

And Cleveland had more than a mind to put his foot down; perhaps he still had some faith in Congress. At any rate, he was determined to depend upon Congress. Carlisle, too, was somewhat in favour of a popular loan. Thus it came about that on Monday morning, when Mr. Morgan thought the matter practically settled, he received a letter from Mr. Carlisle informing him that the Treasury had decided to abandon the private negotiation and to depend upon Congress for a popular loan.

It was a blow. Mr. Morgan was absolutely convinced in his own mind that a popular call for gold at this time would only react disastrously upon the Treasury. Without a moment's delay the banker got into communication with Mr. Carlisle and urged him by no means to do anything until he and Mr. Belmont arrived in Washington. The Secretary consented to wait a day. Mr. Belmont started at once, on receiving the news from Mr. Morgan; the latter left on an afternoon train. With him went his junior partner, Robert Bacon, and his lawyer, Francis Lynde Stetson; Stetson, it will be remembered was a former partner of Mr. Cleveland. He had just returned to the city after an absence of some days when he received the summons from Morgan: "There may be papers to be drawn, and I want you." The lawyer told Morgan that he felt so much interest in the matter that he would go on foot if necessary; that he considered it a patriotic duty.

In Washington, however, there were many and confusing views of patriotic duty at this moment. Senator Vest, for instance, was declaiming dramatically in the Senate: "The President has declared war upon silver!" Our grand national resources, the faith of the people, etc., were much to the front. Nevertheless, in spite of our grand national resources and the loyalty of the people, something definite must be done at once to fill the empty Treasury. Mr. Cleveland was a patriot, too, with the difference that, in his breast, theory was opposed by necessity. He was determined to make the Congress see its duty, and to force some action. This was *his* duty and his attitude.

Tuesday morning, Mr. Morgan, and Mr. Belmont, with Stetson and Secretary Carlisle, called upon the President. Mr. Morgan, upon this occasion, did most of the talking; he and Cleveland were old acquaintances, having frequently met when the latter was engaged in law practice in New York after his first term at the White House. It had been Mr. Morgan's custom to drop in on the President for a pleasant visit whenever he went to Washington, and to smoke a cigar with him.

This morning, the atmosphere was very different. Between them existed a profound difference of opinion. Mr. Cleveland was not a man to be carried off his feet by the personal force of another; he had made up his mind that he would leave the matter to Congress, and he would not change. Mr. Morgan, in his characteristically intense and rapid manner, outlined the essential features of his own plan, and showed the necessity for each. To him it seemed as clear as day that success depended upon selling bonds abroad; in no other way could gold be got for the Treasury which would not come from the Treaury itself. The President was unable to find a flaw in the banker's argument, but he was not convinced. He would not agree to do anything. The meeting broke up.

A bill had been introduced in the House, authorising an issue of veritable gold bonds—not "coin" bonds, but bonds specifically payable in gold. The Springer bill, as it was called, had been kicking around the House for a long time; it was only necessary to mention it to loosen all the tongues of discord and set the cloud compelling orators to their work; platitudes about patriotism, our great wealth, the confidence of the people, gold, the badge of infamy, and the crime of '73, were offered by the democratic majority, but no action which would put a dollar of gold where the Administration needed it. On Thursday afternoon the bill was brought to a vote—and defeated. In regard to the failure of this bill, the New York *World*, the newspaper which took a leading part in agitating the subject, said editorially:

"The only thing left for the Administration to do is to make a loan on the best terms obtainable. That these terms will be harsh and discrediting is due as much to the wilfulness and imbecility of Congress as to the incapacity of the Administration—that party leadership which is a part of its obligation to the voters who placed it in power."

The situation, which had been held together artificially by the strength of a mere rumour that a Morgan syndicate was about to take charge, was now practically without hope. This was Thursday afternoon, February 7. Sometime during the next day the Treasury would be forced to suspend payment. Unless a miracle intervened, this was a certainty.

CHAPTER IX

THE RELIEF OF THE GOVERNMENT

THE negotiations with Mr. Morgan had been terminated. There had been no request to him to return to Washington. But he knew, as almost every other banker and every financier expert in the country knew, and as they knew abroad, that a crash could only be a few hours away. When the market closed and the withdrawals from the Treasury were reported on the news sheets he put on his coat and hat and, calling Bacon, left his office, passed without speaking through the knot of reporters that was gathered outside. Entering a cab, he went over the Cortlandt Street Ferry and started for Washington on the Congressional Limited. Of course, the news of his starting was telegraphed to Washington. Just what his plan or purpose was, nobody knew, but, he has since expressed it, he felt that it was his "duty to go down and see the President once more,'' although he had not been bidden to do so.

When he got off the train in Washington, to his surprise he was met by Daniel Lamont, the Secretary of War, who informed him that his coming to Washington had been reported and that whatever his errand was it was only fair for him to know that the President had not changed his attitude about the responsibility of Congress for the situation; he would not consider a private bond sale and *he would not see Mr. Morgan.* After Mr. Lamont ceased speaking, Mr. Morgan told him that he had come to Washington to see the President, that he was going to the Arlington Hotel and *would stay there until he saw him.* Hailing a cab, he jumped into it and drove to the hotel with Bacon.

The news of his arrival was quickly noised around and immediately the Treasury officials, leaders in Congress and others familiar with the situation, came to see him. They all knew the state of the Treasury, and all told the same story about the impossibility of getting any action up at the Capitol. It was the Silverite's opportunity! It was their chance to see gold discredited and (as they thought) in the wreck that would follow, to put into practice their own theories. Every caller dilated on the perils of the situation and unloaded the burden of his own fears on Mr. Morgan; but no one made any suggestions.

All the evening, this sort of reception went on. Mr. Morgan sat and listened and smoked and said nothing. It was after midnight when the last of these callers left, and finally Bacon went to bed, leaving Mr. Morgan still working out a game of solitaire. The people in the hotel said later that his light was not extinguished until after four o'clock. It was not only a problem involving clubs, spades, and diamonds, that he was engaged in—there was only one day's supply of gold left in the United States Treasury and a plan had to be worked out to save the Nation's credit. The morning of the next day was not auspicious. The sky was dark, and there was a big snowstorm blowing. While Mr. Morgan and Mr. Bacon were breakfasting together, about half-past nine o'clock, the financier told his junior partner of the plan that he had evolved the night before over his game of solitaire. He remembered that when he was a young man, during the Civil War, Lincoln had had to face the crisis of an empty Treasury, and that in the emergency Salmon P. Chase, then Secretary of the Treasury, came on to New York and called a conference of the leading bankers to devise ways and means of getting gold for the Government. As a result of these conferences, the Secretary telegraphed the President to try to keep Congress in session until he should return, and he then took the first train back to Washington. When he got there he found that Congress had already adjourned for the day at the time his message was received at the White House, but the next morning President Lincoln submitted the matter to the National Legislature and an act was passed empowering the Secretary of the Treasury to purchase gold whenever the Government needed it, and to pay for it in any authorised obligations of the United States Government, at the best price that the Secretary could make.

Mr. Morgan told Mr. Bacon that as he recalled it, this act, which had been approved by Lincoln, was still on the statute books, and that he had been familiar with its operations in 1862 because gold had been sold to the Government by the house with which he was then connected. He thought the act was, as he expressed it, "Section number four thousand and something of the Revised Statutes," and that if the act had not been repealed or amended by one of the many bills passed in connection with resumption, it might still be in effect and might prove of value in the present emergency.

Before they had finished their meal, they began to receive reports of the opening of business in New York and learned that the run on the Treasury continued. That same information must have been received at the same time by Secretary Carlisle in the Treasury Department, as well as in the White House. The telephone rang and Mr. Bacon received a message to the effect that the President would see Mr. Morgan. Not even stopping to light his customary after-breakfast cigar, the financier started with Bacon across Lafayette Square, for the White House. Arriving there, they found that Secretary Carlisle, Attorney-General Olney, and other members of the administrative family had already joined the President.

The President's greeting was very short and formal. Mr. Morgan looked at him and saw that he was not smoking, so he did not light his own cigar. He and Bacon sat down at what was destined to be a memorable conference. The Secretary of the Treasury gave the latest reports of the condition of the Sub-Treasury in New York, where the fight was centred. Mr. Cleveland reiterated his determination not to consent to a sale of Government bonds to a syndicate of bankers or otherwise. He discussed the situation with his official advisers while Mr. Morgan and Mr. Bacon sat as spectators to the scene. This discussion lasted for some time. Meanwhile, there were handed to the Secretary of the Treasury bulletins concerning the situation, which he read or turned over to the President.

The minutes grew into hours. What was being told to the group in the White House was known in the banking world. Other firms and individuals might take steps to provide against the apparently inevitable crash, but Mr. Morgan, with all that he had at stake, sat quietly and listened. He was not asked to make any suggestion. The President was striving with his own advisers to find a way out of the difficulty and still held to his determination to do it without assistance from Wall Street, if possible. At last, however, a memorandum taken from a telephone message showed that there were but nine million dollars of gold left in the New York Sub-Treasury. And, at this point, Mr. Morgan broke his silence.

He said: "Mr. President, the Secretary of the Treasury knows of one check outstanding for twelve million dollars. If this is presented to-day; it is all over."

Mr. Carlisle had told him the evening before at the hotel about this check. He had had it in his mind every minute since that time. The Secretary confirmed this statement at once and the President then turned to Mr. Morgan for the first time and said: "Have you anything to suggest?"

To this man who is accustomed to taking the initiative in things, to saying "do this," "do that," it had been an ordeal to sit silent and inactive that morning at the White House. When he began to speak, he talked rapidly. He told the President of his recollection of that "Section number four thousand and something" of the United States Statutes. He explained that he did not know whether it was still in force and that he had not seen it or read it for probably thirty years, but that if it was still effective, then it gave Secretary Carlisle the same power that Secretary Chase had had and would prove of equal benefit to the Government in its present distress.

At a word from the President, Attorney-General Olney stepped out of the room and in a moment returned with the book of Revised Statutes. He told the President that what Mr. Morgan had said was perfectly true, that this act was known as "Section No. 3700," and that from a casual examination he thought it was still in force. Mr. Cleveland quietly took the book from his hand and with deep concentration read the act to himself. Here it is, as it was passed on March 17, 1862:

"The Secretary of the Treasury may purchase coin with any of the bonds or notes of the United States authorised by law, at such rates and upon such terms as he may deem most advantageous to the public interest."

Everyone in the room sat in the silence of deep suspense. When the President had concluded the reading of the section, he laid the book slowly on his desk and then his face lighted up with almost a smile of relief and he said: "Mr. Morgan, I think the act is ample for our needs and that it will solve the situation."

The tension was broken.

In the rapid fire of question and answer which followed, the President with Mr. Morgan became the centre of a discussion with his official family as to the steps that should be taken to secure the benefit of the act. The Attorney-General left to make a further and fuller report on the law. The President then took up with Mr. Morgan the terms under which he, as representing a syndicate, would furnish the gold the Government needed. Mr. Morgan's suggestion was that the Government should purchase enough gold to result in placing a hundred million dollars in the Treasury, but the President thought that it would be wiser to purchase a specific number of ounces, and after consultation with the Secretary of the Treasury and his lieutenants, decided upon three and a half million ounces. The question of terms and price then was discussed and finally settled at $17.80 per ounce, which would result in placing about sixty-five millions in the Treasury, the Secretary feeling that this would be sufficient. All had gone well up to this point, when the President's face became very grave. He said:

"How about this drain of gold abroad? Suppose the Government does purchase this gold from the bankers and it is immediately withdrawn from the Treasury and sent abroad. Can you guarantee that such a thing will not happen?"

There was no time for Mr. Morgan to consult with any members of his proposed syndicate. It was evident from the President's tone that he considered some such guaranty essential to the success of the plan. Could Mr. Morgan stop the foreign exchange houses from taking their profit by exporting gold? He, and he alone, had to decide that question then and there, and without a moment's hesitation he said:

"Mr. President, I will so guarantee."

"All right," said the President. "It is now two o'clock, and you gentlemen had better all go out and get some lunch, while I formulate the terms of the plan for transmission in a message to Congress so as to send it up to the Capitol without delay."

As all rose from their seats, someone said: "Mr. Morgan, what is that brown powder on your trousers and clothes and all around your chair?" He looked down quickly. It was his after-breakfast cigar that he had been holding in his hand unlighted as he entered the room and which, as he had sat there, he had unconsciously ground to pieces. The President laughed, and reaching for a box of cigars, told Mr. Morgan that it was time for him to have a smoke and added that he wished Mr. Morgan would remain while he dictated the special message in order to see if it incorporated all the details of the plan. The others left and Mr. Cleveland summoned his secretary and dictated the message which was sent to the Capitol that afternoon.

In the contract it was arranged for the Government to pay for this gold in four per cent. bonds; not gold bonds, but "payable in coin of the standard value." By this transaction the Government would receive gold worth $65,317,500 and would issue in payment $62,317,500 worth of bonds, the difference in the amounts representing the premium on the bonds. As these were to run thirty years, this premium would make the price equal to 104.49 and the rate of interest three and three-fourths per cent.

Mr. Cleveland, in his message, pointed out that the situation had rendered immediate executive action a necessity. After outlining the contract made, he pointed markedly to one of its provisions, in which the Government was given the privilege of substituting within ten days straight three per cent. gold bonds at par, "if the same shall be authorised by Congress," in place of the four per cents. payable in *coin,* payable, that is to say, either in gold *or silver.* Action by Congress on this provision would save the country more than sixteen millions in interest money. The President urged Congress to take advantage of the offer thus simply and flatly laid before it. But the majority in Congress considered the distinction made by the bankers between coin and gold as abitrary, invidious; they flouted it, in the name of silver, and cast away the sixteen millions.

If Mr. Cleveland had been the obstinate man that some of his critics depict him, he would have refused to accept relief from any source except Congress, upon which he had rightly placed the responsibility for the situation. If he had been a timorous man, he would have shrunk from the certainty of criticism of a plan which, although it was not a bond sale to a syndicate or to private parties, in effect put a large issue of Government obligations in the hands of bankers in return for gold. Being a trained lawyer, he recognized that Mr. Morgan's plan was no new idea. It was merely relying on a statute of the United States which had stood the test of experience and which had been adopted for the purpose of serving the Government in just such a crisis as had arisen. In this determination to put the responsibility on Congress so long as there was a dollar in the Treasury, he was steadfast. In his patient consideration of the situation with his official advisers before seeking outside aid, he showed himself to be the strong man, the painstaking executive, that his public career has amply proved him to have been.

His proverbial stubbornness was shown in the way in which he met the unfair attacks of his political foes and the spiteful charges of the disappointed Silverites.

The gist of the special message was in the late news of the evening papers. It was known broadcast that Mr. Morgan was at the White House. That was Friday evening. The Trans-Atlantic liners were to sail the next day, and, that night, eighteen millions in gold, which had been put on board for shipment, was taken out of the strong boxes of the ships and guarded until the next morning, when it was brought back and deposited in the Sub-Treasury in Wall Street.

The Government had done its part and Mr. Morgan returned at once to New York to take up the important task of stopping the outflow of gold. His plan was to offer the men who were shipping the gold an equal or a better profit by refraining from shipments and participating in the bond issue. The preliminary agreement which he signed in Washington, and which was afterward signed by Mr. Belmont, who had been delayed in getting there on account of the snowstorm, provided for a syndicate of which Morgan and Belmont were managers, to take the bonds and furnish the gold. Gold shipments dropped immediately from several millions a day to thirty or forty thousand. The emergency had been met and the credit of the country saved.

The danger, however, was no sooner passed than violent criticism broke out against the means by which relief had been obtained. It was said that the gold purchase contract was the hardest kind of "squeeze." The secrecy surrounding the whole affair inflamed suspicion. The immediate rise in value of the bonds issued to pay for the gold seemed to justify some of the assertions that were made. If these critics were right in the broad sense that a negotiation of this sort between a great government and private bankers was an unideal thing, they were wrong in attacking the motives and purpose of the men immediately concerned. When they ignored the fact that in giving his guarantee to stop the drain, Mr. Morgan risked the resources not only of himself, his friends, but also of his financial allies, they were unfair. When they ignored, with their suggestions of what might have been done, the actual stubborn difficulties of the real situation, they were talking in the air.

At bottom, the contract amounted to this: The Government took a partner who agreed to furnish it with gold, not its own gold juggled from the Treasury, but other gold; and who agreed to put an end to the unnatural run upon the Treasury. In return for these services, both unusual and without precedent, the Government agreed upon a rate of interest unusually high. It was in this comparatively high rate of interest that Morgan, as manager of the business, found, not so much his own profit, as the leverage which was to enable him to control the situation. Very soon after the signing of the contract a syndicate was formed to take up the bonds; Morgan and Belmont constituted themselves managers, and they put down on the list the names of such banks and bankers, dealers in exchange, and even bullion houses, as they thought would make the strongest combination. The object of the managers was to draw a close circle around the National Treasury, and by controlling the price of exchange, prevent any further raids upon the reserve. All of the subscribers came in under an agreement to furnish gold equal to the price of their bonds, and under the specific agreement not to obtain any of it from the United States Treasury. The bonds were allotted to the members of the syndicate at the Government's price and were offered to the public at 112 and a fraction. The managers disposed of one half the entire issue in America on these terms, the other half being placed in Europe on terms not quite so good. As the bonds afterward rose in value to 120 the syndicate managers were in the position of having made money for all the subscribers. This insured the success of their campaign, and as the bonds were not all issued at once, but from time to time, as fast as the gold was needed, by the Treasury, the managers remained in the strong position of having valuable favours to dispense to any houses which proved hostile and attempted to work against them in the market.

How this novel combination of financial forces, engineered throughout by the brain of Mr. Morgan, gained control of the exchange market, and, through a period of eight or nine months, retained control and continued to pile up a reserve in the Treasury, thus insuring the solvency of the currency and the safety of business, is, perhaps, a matter too recondite to prove generally interesting. In the beginning, as the enterprise was floated along by the natural reaction of an oversold market, there came a time in the middle of summer when things again looked critical, when the simple process of piling up a balance on the other side of the ocean by selling American securities in order to keep down the price of exchange became almost worked out; some rapid cabling then took place between Mr. Morgan in Paris and Mr. Bacon at the Morgan office in Wall Street. But when the syndicate wound up its business affairs in the autumn, the gold reserve stood well over the required hundred millions, and the object had been attained.

The charge has so often been made that Mr. Morgan gained an enormous personal profit in this transaction that almost any other man would have spoken in his own defence. Whenever the subject was alluded to in his presence it simply irritated him. He never thought of meeting the public half way with an explanation. When a newspaper accused him of having made millions out of the Government he would toss the paper aside contemptuously without a remark. But some few utterances were obtained from him in a later investigation of the bond sale—the more or less precious and significant, because rare, remarks of a silent and unexplanatory man. A dialogue between Mr. Morgan and Senator Platt of Connecticut and afterward Senator Vest contains it all. Senator Platt begins by questioning Mr. Morgan on the vexed point of his opposition to a popular loan, which brought him and Mr. Belmont in such haste to Washington:

SENATOR PLATT—Why did you not want to have an issue of bonds after you had commenced your negotiations? You asked the President not to issue a bond call. What was your reason for doing that?

MR. MORGAN—Because I knew that if the call was made the public would understand that the foreign negotiation had been abandoned.

SENATOR PLATT—When it was understood that you were negotiating, shipments ceased?

MR. MORGAN—Absolutely; and they did not commence until a month afterward.

SENATOR PLATT—And so your real purpose, as I understand you, in this transaction was not the idea that you could take this bond issue and make money out of it, but that you could prevent a panic and distress in the country.

MR. MORGAN—I will answer that question, though I do not think it necessary, in view of all that I have done. I will say that I had no object except to save the disaster that would result in case that foreign gold was not obtained.

SENATOR VEST—If that was your sole object, why did you specify in your telegraphic communication to Mr. Carlisle that your house, or you and Mr. Belmont, were to have exclusive control of the matter?

MR. MORGAN—Because it was absolutely impossible for more than one party to negotiate—to make the same negotiation for the same lot of gold. It would only have made competition.

SENATOR VEST—If the gold was abroad I take it for granted that anybody could get hold of it who had the means to do so. If you were actuated by the desire to prevent a panic, why were you not willing that other people should do it, if they wanted to?

MR. MORGAN—They could not do it.

They could not do it.

To Mr. Morgan this was simply a matter of fact. He could. He did. There was nothing more to be said. No part of his duty, as he saw it, consisted of talking about what he had done, or defending himself. If you should inquire of Mr. Morgan how much he made, he would probably reply: "Ask the members of the syndicate." He personally would no more remember to-day what the figure was than he remembered the exact section of the law—which he recalled as "Number four thousand and something." His profit must have been the share of his firm in the total profits of the syndicate—plus his own commission for management, which did not exceed the ordinary banker's commission.

The year after the bond contract, when the newspapers were attacking him on this account, a friend, who was walking with him, asked him the question direct. Mr. Morgan did not answer. After a while he turned to a fox terrier which was trotting behind them, and asked:

"What do you think of the dog?"

The other looked at the fox terrier, and made some casual answer.

"Take another look at him," insisted Mr. Morgan, calling the dog up to him.

His friend looked again and then he saw an inscription written on the collar:

"EMERGENCY. Presented by August Belmont to J. P. Morgan as a souvenir of February, 1895."

CHAPTER X

UNITED STATES STEEL

SIX years later Mr. Morgan created the United States Steel Corporation; the flotation of the "billion dollar trust," as it was called, caught the eye of the public the world over. It was, and remains, still, the greatest and most characteristic Morgan enterprise; an enormously complicated piece of business in the beginning, of which only the motive for doing it was simple and uncomplicated. The motive was the elimination of Carnegie from the steel industry. This was the starting point of the whole enormous transaction.

It will be no news to a waiting world to declare that Mr. Morgan does not give, or attend, lectures of any kind, whether written or sonorously shouted, that he seldom makes speeches or listens to long ones, that he is equally remiss in exploiting his own "views" and in waiting upon others who are exploiting theirs. He does not differ in this particular trait from most of his generation who have brilliantly succeeded in practical affairs, to whom talk, argument, agitation, leading neither to pure pleasure on the one hand, nor to a "proposition" on the other, are simply against nature. The late Abram S. Hewitt, when he was asked to contribute money to charity, used to request a long report, going into all the details, pros and cons, of the matter in hand; he would study this report, and afterward give his decision. This is proof that Mr. Hewitt was not as our most modern multi-millionaire financial Titans are; he was an old-fashioned business man become rich in the days when the game was not less absorbing, but relatively less momentous and not yet imperial; who felt out of place in the first directorate of the Steel Trust, and who was bred a school teacher. No one would expect Mr. Morgan to fasten his mind on any sort of jog-trotting dissertation and to offer his subscription forthwith.

The matter would be brought about quite differently—how is not to be related at this moment, though very interesting and very significant. Mr. Morgan, in his capacity of industrial fire-bringer to a coming generation of capitalists, seems to have performed his enormous labours without plan, map, or time table, except such as he carried in his head. Instinctive, his friends call him; they never lose an opportunity of expressing their genuine awe at his power of instantaneous decision, manifested in the midst of the most bewildering welter of affairs. From which it is clear that Mr. Morgan always knows exactly what he wants, and that his character works through his mind and governs its operations without friction or debate anywhere within. With that character and mind he felt and discovered long ago that competition is waste, is war in its worst effect; that when business men jump into a fight with one another, using capital for powder and muskets, they are destroying not only themselves, but also the goods of the world. Mr. Morgan found this out long before the economists got hold of it; it came to him directly; for his own money—he had inherited ten millions from his father—and the money for which he stood in a way responsible as investing banker was drained away at times in this hopeless channel. Therefore, in any practical case presented to him, Mr. Morgan never found himself in doubt as to what to do, since most questions finally resolved themselves into a choice between doing something which would injure the value of an investment, and doing something which would increase that value and tend to make it permanent.

Seldom as he has expressed it in words, Mr. Morgan has stood in a unique way for the principle that capital must always organise and do away with internal friction, war, waste, among its factors and segments. He has been the great Progressive among capitalists, and brought his ideal into existence without verbal agitation, but by a succession of powerful deeds. Whether he is a progressive in the broad sense depends upon whether you think the changes of the past twenty years are an improvement in the condition of the country or otherwise. Our purpose is to relate the life of Mr. Morgan without introducing political discussion. But it is impossible to write that life without stating the simple observation that is inevitably to be drawn from any study of his career, namely, that he has always and everywhere worked to bring about the strengthening of the power of invested capital, and that this has been his life accomplishment. Through him more than through any other human agency business has become imperial, and from this the political question is made.

In the United States Steel Corporation we have an enormously powerful and efficient engine of industry, of the most modern character in the world. It is as unlike an old-fashioned American business of half a century ago as Peter Cooper's apple barrel engine was like the fleckless steel wonder that draws the Twentieth Century Limited; except that it has attained a feudal character in its relations with labour that does indeed hark back to an even simpler day. Much is known about the Steel Trust, almost everything, indeed, that is of much importance, except what will never be known—its trade secrets, so to speak, such as the actual cost of production and the foundation for the prices it makes and maintains for its products. But the Steel

Trust takes a new and fresh interest when looked at from the viewpoint of a life of J. P. Morgan. He made it. This is not saying he made everything about it—Kelly, the Kentucky iron maker, who discovered the use of the air blast, Bessemer, Mushet, Ward, Hewitt, Jones, Carnegie, Frick, Schwab, Corey; and then the Amalgamated Association of Iron and Steel Workers; and then the coming of the Steel Age, steel cities, subways, ships, armour plate, furniture, the element of steel entering into almost every commercial calculation of size and importance; and then the crowding into Pittsburg of tons and tons of fresh, muscular, solid human flesh from the backward districts in Europe—Hungary, Poland, Russia—provided with little brain but brute strength for the making of steel—all these and many more than need be mentioned of surging forces have come together to make the Steel Trust possible and to make it what it is. Nevertheless, it is worth while to think it the incarnation of Pierpont Morgan. In its way it is the best expression of his idea, of the idea of his life, there is. From its birth ten years ago till now it has been a monument to him, the truest creation, all alive and forging powerfully on its course, of his own will.

In the year 1900 Andrew Carnegie was a very rich man, as he is now; but then he was chief of the turbulent kingdom of steel, and it was essential in the very nature of the competition of that time that he should struggle and fight with all the enormous power of his wealth and alliances to keep his place at the head. If he had not been willing to throw a million-dollar steam hammer on the scrap heap to make way for a better tool, if he had not sprung at the throat of each rising competitor and fought every transportation company that strove to make any money out of him, then he would have given place to a new Carnegie with a different name. One of the shrewdest and most audacious of men in his own way, Andrew Carnegie had no mind for that inglorious end, and when the great Pennsylvania railroad refused to allow him greater rebates for carrying his iron and steel goods from Pittsburg to the sea, he retorted that he would build his own railroad. The surveys were actually made. Just when Mr. Morgan and his friends were in a position to tell themselves, after innumerable costly reorganisations, bankruptcies and rate wars, that the building of hostile competing lines was over, for good and all,—here was Carnegie's proposal. He was independent, did not have to seek his capital in Wall Street; no one could prevent him from doing what he pleased.

At about the same time Carnegie seems to have started out to make a clean-up in the steel business, for he proceeded to start so many irritating and alarming enterprises at once that the whole financial world took fright. Within a few days announcements were made that the independent Carnegie railroad to tidewater would be soon begun, that a new $12,000,000 steel plant would be constructed at Conneaut, O.; that a sheet steel plant would be established at Duquesne, that a big shipyard and dry dock would be built at Conneaut, not to speak of intimations that the Carnegie company was about to enter fresh fields of steel manufacture.

Carnegie wanted someone to buy him out, —as he had made up his mind to retire; but instead of sitting down and waiting for offers, he dashed out and built bonfires all around the enemy's camp. It has been said that millionaires, when they are frightened, run to J. P. Morgan like chickens to the mother hen. Something of the sort certainly took place upon this occasion. He was the only man able to deal with a situation of this kind. He had the brain and he had the money; not his own money, but money as good as his, which would instantly flow to him out of respect for the workings of that brain.

Mr. Morgan was not the originator of the idea out of which developed the United States Steel Corporation. His early relation to the proposition was chiefly that of a banker, but a banker upon a scale without precedent in the history of industry. Various claims have been made in support of the statement that this or that man was the first to plan the United States Steel Corporation. In all probability, however, the proposition represents an evolution rather than a distinctly original idea.

The first concrete conception of the organisation was that of John W. Gates, of the Steel Wire Corporation; in the latter part of the last century Gates tried to establish a community of interest, a sort of international trust, in which certain steel and iron manufacturers of Germany were to join with the steel and iron manufacturers of the United States, for the purpose of fixing prices and apportioning markets to the manufacturers of each nation. In this attempt was the germ of the United States Steel Corporation.

There were other considerations besides that of averting a steel war that appealed to Mr. Morgan. With the first inauguration of President McKinley there came an improvement of agricultural and financial conditions throughout the United States. The silver question had been eliminated. The currency system of the United States had been declared by law to stand exclusively upon the gold basis. A disastrous procession of lean years came suddenly to an end. In 1897 we had a very favourable international trade balance. In 1898 that balance was unprecedently large. There had been another failure of the wheat crop in Europe, while our own wheat harvest was unusually good. England's demand upon us for cotton was almost unprecedented. Our exports touched high water mark. Railroads were beginning to feel the effect of this prosperity. The farmers of the West began paying off mortgages, for the balance upon the year's transactions was largely in their favour. Money began to flow to the United States from Europe; and in 1899 we received from Europe one hundred millions in gold, in part payment of international trade balances.

The best estimate is that, between 1897 and 1901, the United States easily absorbed about a thousand millions of American railway securities, which had been for years held in Europe, and still there were large accumulations of money left.

The abundance of money capital created as a result of the successful reorganisation of railways, largely done under the leadership of Mr. Morgan, and the lesson which the abler business men had by that time begun to learn,—namely, that the true philosophy upon which large corporate undertakings must be based if they were to be successful, consisted in adopting such methods as would make it possible to secure the largest output of product of highest quality at the smallest cost. This involved the use of the highest grade of labour-saving machinery, the employment of a percentage of skilled artisans to whom high wages were paid, and the harmonising of plants so that the cost of transportation of raw materials to the factories, and of the product of the factories to the markets, would be reduced to the lowest point possible.

These were considerations which, when presented to Mr. Morgan, were instantly grasped and judged by that special intuitive talent which has always been his. For the most part his entire career, outside of ordinary banking, was associated with the reorganisation of railroads. He had had comparatively little experience of that kind in connection with corporations engaged in manufacture. He was not identified, except possibly as a banker, with either of the two huge corporate combinations then existing—the Sugar Trust and the Standard Oil Company.

To succeed, a combination of this kind had to be far-reaching, national in its scope.

It must include ten or twelve corporations, each one of which was represented by capital stock running from fifty millions to nearly a hundred millions; and the whole undertaking necessarily called for the assistance of one masterly financial constructive genius, whom millions did not appal merely from the size of the figures.

Mr. Morgan was apparently the man for the work, the single individual who could, if he would, bring an undertaking of that kind to a successful conclusion. Therefore he was appealed to, to undertake the financial promotion of what, if successful, was to be the world's greatest industrial corporation.

Through the greater part of 1900 the preliminary statements upon which the organisation of the Steel Corporation was to be based were in the course of preparation. As a whole they embodied a mass of statistics, figures representing capital, bonded indebtedness, income and cost of operation and the like, of the several corporations which were to be included in the Steel Corporation, which, as a whole, exceeded any other statements ever made to Mr. Morgan, in the magnitude of the capital and other money dealings involved.

Mr. Morgan was never staggered, either by the mass of detail or the aggregate sum which this combination would represent. He went, in every instance, to the heart of the matter, seeming to read intuitively into the vitals of every statement. No man in the United States was ever able so quickly to analyse a balance sheet as Mr. Morgan then was and now is. He grasped instantly the meaning that lay behind the figures, that told of the operation, the income and the methods of the Carnegie Company. His mind looked into the future; and he had a perfect understanding of some of the chief savings that might be effected by a combination of this kind. For instance, such a combination would naturally bring to the great steel producing plants of the Mississippi Valley the command of the market of that valley. Thereby the cost of transportation from the plant to the market would be greatly reduced, since orders obtained from that market would naturally go to the nearest manufacturing plant.

He felt that a combination of this kind would, so far as the West at least was concerned, make the steel corporation practically independent of any tariff. Or, in other words, whatever tariff rates upon iron and steel products might be satisfactory to independent producers would be entirely satisfactory to the contemplated corporation. He pointed out the importance of procuring practically perpetual leases or ownership of the great ore fields of Northern Minnesota; and the recent establishment of the steel city of Gary at the head of Lake Michigan was due to suggestions which were made by Mr. Morgan when the organisation of the steel corporation was under consideration.

Also the charter of the company must contain franchises which would permit the corporation to do many kinds of business outside the strictly technical limitations of the manufacture of iron and steel products. Mr. Morgan believed that the charter should contain a franchise to own and develop lands containing coal or iron or any other mineral product utilised in the manufacture of steel, and, in fact, cover-ing all possible mining except that of the precious metals. The corporation should have the right of franchise to build ships, machinery, bridges, all kinds of vehicles needed for transportation, even aqueducts or canals, if these should be found essential. It was to have the right to deal in patents, to engage in any kind of manufacture or transportation, and to possess certain rights of eminent domain, at least within the State from which the corporation articles were to be obtained. It would be necessary for it to have the right to do certain kinds of banking business. The suggestions made by Mr. Morgan, together, of course, with those made by others and approved by him, were afterward embodied in one of the broadest operative charters ever granted by a State.

There remained nothing but the financing of this corporation. Very likely Mr. Schwab, Judge Gary, John W. Gates, or any one of half a dozen of those who were directing the management of the Carnegie Company, could have worked out a thoroughly practical combination upon the side of manufacture and management, but upon no one but Mr. Morgan could the responsibility for the successful financing of the proposition have been placed. That involved a decision as to the manner in which the stock of the subsidiary companies was to be paid for by the parent company,—a vastly complicated question. How much preferred stock and how much common should be issued by the parent company to pay for the capital stock of the subsidiary companies? That was a problem which none but a genius in finance could work out; for there were many men of many minds to be considered.

Then, too, there was the manner in which the bonded indebtedness of the subsidiary corporations was to be cared for.

Beyond all this was the supreme question involving the ability of the public to absorb such part of the securities of the United States Steel Corporation as were not issued in payment for the stock of the subsidiary companies.

The proposition, when fully worked out, represented the creation of new capital aggregating about one billion four hundred million dollars. Mr. Morgan's mind

CHARLES M. SCHWAB

HENRY C. FRICK

ELBERT H. GARY

J. A. FARRELL

grasped and answered this proposition with a quickness that amazed those who were then brought in touch with him. Here his constructive power was revealed more clearly than at any other time in his career; it must be remembered that an industrial proposition was almost new to him. He had no doubt that if the stockholders of the subsidiary companies agreed upon the terms of the transfer of their stock to the new corporation, the public would not hesitate about accepting such share of this stock as was offered. In this he was right. The billion dollar corporation was the industrial wonder of the world, when it was announced; but the still greater wonder was the celerity with which the American people absorbed the stock offered to them.

Here was a proposition involving, in the aggregate, the organisation of a company with a total stock capital of eight hundred and ninety million dollars (round numbers), and with a bonded indebtedness of three hundred millions (round numbers). The greater part of the stock of the new corporation was given in exchange for the stock of the constituent companies. These companies were the Carnegie Company, the Federal Steel, the National Tube, the National Steel, the American Steel, the American Steel Hoop, the American Tin Plate, the American Steel & Wire, the American Bridge, the Shelby Steel Tube, companies, and the Lake Superior Mines.

In perfecting the organisation, Mr. Morgan regarded it as essential that practically the entire issue of capital stock of what became subsequently the constituent companies of the United States Steel Corporation should be acquired by the Steel Corporation. In exchange therefor the stockholders of these subsidiary companies were to receive preferred and common stock of the Steel Corporation.

The underwriting syndicate had acquired, first of all, nearly one hundred millions of the capital stock of the Carnegie Company, and a little over one hundred and fifty millions of its five per cent. bonds. It paid for these securities, first, with three hundred and three millions (round numbers) of the first mortgage bonds of the United States Steel Corporation, with $1,200,000 additional in cash; and it subsequently secured sixty-four millions of the Carnegie stock (practically all there was), and paid for it with 982,000 shares of the preferred stock and 902,000 shares of common stock.

When the stock of the United States Steel Corporation was offered to the public, the second of the tests of confidence in Morgan's judgment and integrity was made. There were before this offering grave doubts whether the public would buy these securities, notwithstanding the fact that the common stock was issued on a four per cent. dividend basis, and the preferred stock on a seven per cent. basis. But it immediately became apparent that these securities would be speedily bought up, notwithstanding the quantity of them. They were absorbed within a few months. The public took this stock at a price a little in excess of the figure at which it was underwritten by the syndicate organised by Mr. Morgan.

The underwriting of the colossal United States Steel Corporation proposition, and the swift and vast success of it will always be regarded as the greatest of Morgan's achievements. It was not only great in the actual size of the undertaking, and in the experimental nature of it, but it was something special, in the sense that it revealed the confidence which Morgan had established throughout the business world of the United States and of Great Britain. Ex-Mayor Grace of New York once told of his own experience with the affair, which shows the way it was done. He received by mail one day a very brief communication, signed by J. P. Morgan & Co., stating that he had been allotted participation in the underwriting of the United States Steel Corporation to the extent of one hundred thousand dollars. At no time before he received this communication had any intimation come to him that Mr. Morgan had his name in mind when organising the underwriting of the Steel Corporation stock. In fact, he had never spoken to Mr. Morgan about the proposed organisation.

To subscribe one hundred thousand dollars to an underwriting syndicate meant that he must risk as large a sum as that entirely upon his confidence in J. P. Morgan. He could take or leave the invitation, as he chose. He might be compelled to pay the one hundred thousand dollars in, and to receive and to carry the amount of stock for which this one hundred thousand dollars paid. It was an investment of the nature of which he knew nothing. He had heard that the organisation involved the creation of the greatest corporation of modern times; so great that it was already being spoken of as "a billion dollar corporation."

Of that one hundred thousand dollars, the former Mayor would be called upon immediately for twelve and one-half per cent., or eight thousand dollars. He inferred that this first payment was for the purpose of providing a working capital for immediate use,—as indeed it was.

Solely as a matter of faith in Mr. Morgan the former Mayor accepted the invitation to subscribe, and he was never called upon for one cent of his subscription except the eight thousand dollars. He learned that the other subscribers had also paid in cash twelve and one-half per cent. of their subscriptions, and the total of these payments furnished a cash working capital.

In due time he received his proportionate part of the profits of the underwriting syndicate, which amounted to one hundred per cent. on the eight thousand dollars he had paid in. Based upon the entire subscription of one hundred thousand dollars, the profits were about twelve and one-half per cent. And he said: "I never made money as easy as that."

As payment for putting the deal through the Morgan syndicate received exactly 649,-897 shares of common stock of the corporation and an equal number of preferred shares. The syndicate's profit, net, was about two hundred per cent. on the amount of cash actually paid in. In order to make this profit the syndicate had guaranteed the sale of securities amounting to one billion four hundred million dollars; at any time events might have conspired to swamp them. An illustration of the chances they took is furnished by the experience of Henry C. Frick, who undertook the public flotation of the Carnegie Company some years ago. He and his associates put up as a bonus one million dollars in cash. Before they succeeded in putting the scheme through there was a disturbance in the money market and the enterprise fell through. As a result the million dollars was forfeited to Carnegie, who had given the option. Had the panic of Blue Thursday, which came in May, 1901, through the fight for control of the Northern Pacific, happened in March or April, the steel syndicate would surely have met with disaster.

After the United States Steel Corporation was organised, astonishment was expressed by financiers and others that John W. Gates had not been elected a member of the board of directors. It was assumed that because of Mr. Gates's intimate relation to the proposition and his earlier association with Mr. Morgan in the organisation of the so-called wire trust, he should have been one of the first to be chosen a director of the new corporation. The entire wire industry of the country had been brought into one corporation, very largely through the effort of Gates. Not until two years later was the real reason discovered why Mr. Gates was not chosen. Morgan was called as a witness before the Interstate Commerce Commission, and, in the course of the examination, was asked some questions relating to John W. Gates. In reply, Mr. Morgan said that he considered Mr.

Gates a dangerous element in the railroad world. This confirmed the story that Mr. Morgan had expressed himself personally to Mr. Gates in terms far more vigorous than those in which he answered the questions of the Interstate Commerce Commission.

After the organisation of the United States Steel Corporation Mr. Morgan's prestige was vastly increased. He was the guest of Emperor William in July, 1902, and the formal etiquette, as well as social distinction, which characterised the Emperor's intercourse with Mr. Morgan equalled in impressiveness his meetings with his fellow-monarchs, although, of course, the demonstration was of a different kind. The Emperor visited Mr. Morgan on his yacht, the *Corsair*. In fact, the Emperor and Mr. Morgan were in friendly association for several days. The Emperor sent the royal car to Kiel, where Mr. Morgan's yacht was anchored, for the purpose of bringing Mr. Morgan to Berlin. So, also, King Edward met Mr. Morgan on the Continent and afterward received him as a personal guest at London, making it apparent to all who saw the two men upon this occasion that the

King regarded Mr. Morgan as the financial monarch of the world. Mr. Morgan had been told that the Emperor had often expressed the wish to meet the man whom he described as having accomplished the greatest financial and industrial achievement of modern times. What he thought of Morgan, after meeting him, was apparent from his manner. What Mr. Morgan thought of him was expressed in his characteristic way. He said, "I have seen the Kaiser, and I like him."

The task of executive management of the Steel Corporation has now had ten years in which to work itself out; at the very beginning it was placed on a basis which would keep up the rivalry—in efficiency—between the old concerns. The proprietor corporation does not operate the mines or the factories or run the vessels and railroads. Each of the constituent companies is an operating company with its own president, officers and board of directors. The Steel Corporation simply maintains a close watch upon all and compares results. It dictates the labor policy, and that policy has been a little masterpiece of industrial engineering—from the point of view of the masters. Almost immediately, that is to say within two or three months of its formation, the Steel Trust encountered one of the biggest strikes in the history of the steel business. The strike began on the first day of July, 1901, and lasted until September 15, when work was resumed. The difficulty was not a question of wages, hours of labour, or rules or conditions of work, but a contest for recognition of the union, which demand was refused by Mr. Morgan. Mr. Morgan said "no compromise," and compromise there was none.

To-day the employers are organised, the workmen are not; the Amalgamated has not even a footing in a single steel mill handling heavy material. In its relations with labour the Steel Corporation is a paternal institution; it hires the men individually.

Social workers say this arrangement is wrong in principle and will surely weaken the steel workers as a class. It is a fact, however, that, in the days of its power, the Amalgamated went further than simply to demand a voice in determining labour conditions—it demanded a share in administrative control that was inconsistent with necessary business methods. So the steel companies turned and crushed Unionism. But, like the Union, which in the days of its strength demanded all the benefits of an increase in tonnage due to a new invention, a more effective machine, and would not accept a reduction in the rate of pay, the steel company is now demanding all of the benefits of increased output, whether due to inventions or to physical effort, and will not permit any proportionate advance in workmen's earnings. To bind their employees to the institution they have introduced profit-sharing and the sale of stock to the men. In its way, this is good for the men and good for the companies; no stockholder wants to try to organise a union when the terms of his agreement with the company state that only those who *show a proper interest in its welfare and progress* will receive a bonus. Never, if human ingenuity can prevent it, will the management of the Steel Corporation go back to the difficult days before Homestead, when the men ran the mills.

Great growth in the earning power of the corporation has been effected by a persistent programme of improvement. Since 1901 no less than $232,000,000 has been taken from earnings and put back into the plants and properties of the company. The original water in the stock representing the enormous price Carnegie and others demanded and received for their companies has been replaced by valuable acres of mineral lands and other properties. Finally, prices have been stabilised, a factor of the utmost importance in preventing violent fluctuations of the stock in the market. While the Steel Corporation includes less than sixty per cent. of the industry in America, it will eventually control absolutely all the raw material in the country. For the present it maintains a friendly community of interest with the independent companies, and a kind of silent acquiescence has generally prevented price cutting. Every once in so often there takes place a "Steel dinner," at which the heads of the various companies sit down to meat with the Steel Corporation; at which it is breathed into the air through the innocuous medium of after-dinner speeches that "conditions are good in the steel industry," and that it is well to let matters run on as they are.

Thus it is that an investor's Golden Age has come to the one-time turbulent steel industry; vicious and stabbing competition is replaced by a rivalry in producing results. Twentieth century efficiency has been injected into all its veins; men and machinery have been welded into a monstrous super-machine; it has been the task of a giant, of the foremost builder in an age of builders—and of jerry-builders—and stands to-day as his masterpiece.

CHAPTER XI

THE SPIRIT OF COMBINATION

IN the year 1865, when J. Pierpont Morgan of New York and London was engaged exclusively in the sale and purchase of foreign exchange, when railroads and the stock market knew him not, and the modern industrial corporation was unborn, the following prophetic statement appeared in one of the staid and thoughtful London journals:

"We are at the outset of a new era in social progress and one which is probably the highest to which material civilisation can attain. It is the era of coöperation. Hitherto competition has been regarded as the most efficient agent of social progress. But the principle of competition is one of rivalry and struggle. It is a system of beggar-my neighbour, most useful in the earlier stages of civilisation, but one most unworthy of civilisation at its maturity. It is costly, for it requires many companies and establishments to do the work which would be more economically performed by one."

What is here called "coöperation," but which really signifies the use of the combination principle by capitalists, existed in England as theory long before it blossomed out in America in the tangible form of the trusts. With us the theory of combination has followed a long distance behind the practice, and by the same token so have the ethical and political ideas, codes, and practices that should apply to this industrial transformation failed to keep the pace. Combination has given us the staggering phenomenon of big business. Of this change from competition to combination the chief human agent has been the dynamic and instinctive personality of J. P. Morgan.

I say chief human agent, because it is very apparent that during the past twenty or thirty years some underlying force, the brute force of nature itself, has been steadily operating in the direction of the concentration of capital and the unifying of scattered industrial enterprises. But blended with this powerful and irresistible process of change have been individuals powerful and irresistible; their names readily come to mind—Carnegie, Frick, Rockefeller, Hill, Huntington, Harriman, the Goulds, Vanderbilts—many others besides J. P. Morgan. But there is a vital difference between Mr. Morgan and these others, and it is this: their identification with the combination principle was casual and the result of circumstances; they have as often been competitors as combiners, and as willingly one as the other; but Mr. Morgan, in season and out of season, stood for combination as a principle and made it the basis of his business life.

As soon as he became an influential factor in the financial world he exerted a constant pressure in this direction, and as a result of his solid and simple stand, fate threw larger opportunities in his hands than in those of any other man of his generation. In the period from 1890 to 1900 the railway systems of the country, gigantic, sprawling, and weakened to the point of helpless impoverishment by competitive battles, were forced, with very few exceptions, to undergo complete reorganisation. Mr. Morgan proved himself the most successful reorganiser, and he used the power and prestige thus gained to eliminate competition from the railroad business. The next ten years brought forth numbers of industrial combinations; Mr. Morgan bested everyone at this sort of work, and every corporation he formed or influenced did away with real competition.

We are now reaching in this narrative of Mr. Morgan's life the stage of results and conclusions; it is now clear what he stands for, this towering idol of an age devoted passionately to facts, money, commerce, efficiency—to results immediate and sure. Not mere fortune-making operations have placed him where he is; in all the larger undertakings of his life there has been exerted a kind of financial statesmanship tending to create a more or less permanent and assured money return for all investors in those enterprises. As to his method it is clear that, finding men hard to manage but easy to command, he always and everywhere took command and, by the force of his decided character and the propulsion of his enormous will, made things go in the new Morgan grooves.

Some account has already been given in this book of his railroad reorganisations, but it yet remains to describe the one which proved the most difficult, and also to bring together the widely separated features of his railroad control into a definite picture of one-man power. We shall, moreover, soon consider those enterprises and events that immediately followed the flotation of the Steel Corporation, namely, the ill-fated "Steamship Trust," the Harvester Trust, the collapse of steel common, and the ship-building fiasco, when the public, completely reversing its hero-worshipping attitude of 1901, focussed upon J. P. Morgan all the bitterness of its disappointment.

It was about midway of his career as a master of railroads, the year 1893, that Mr. Morgan undertook a railroad reorganisation which will always stand out as the prime example of his peculiar ability for mastering a bewildering and apparently hopeless situation. There was then a loose organisation of railroads in the South, covering about 9,000 miles, divided among twenty-two companies, and operating under the management of the Richmond Terminal Co. The combination was so ill put together, with such a complicated tangle of securities and underlying obligations that lapped and overlapped one another, that it had acquired the reputation of a financial nuisance of the first order. Factional quarrels arising from unsettled questions between the individual companies, each jealous of its rights, and each claiming a little more than its rights, were constantly breaking out; no power had arisen which could still these discordant elements. The Richmond Terminal was a shocking exhibition of confusion and disorder, swayed by belligerents who acted as if unconscious of their bankruptcy, and split in two by a dispute impossible of decision if one had to be fair to all the claims and exigencies in possession.

The bondholders named a committee to struggle with the problem, and the committee went down with the wreckage of their plans—and stocks went down, too. Another committee was named, this time with

Frederick P. Olcott, President of the Central Trust Company of New York, as chairman, and the Olcott committee shuffled the liabilities and the fixed charges and the claims and proportions for several months, putting out figures for proposed new capitalisations, and seeking strenuously to gain the concurrence of an immense mass of securities divided into over a hundred different classes—all in vain. In the summer of 1892 the security holders' committee went to Mr. Morgan. He said he wouldn't consider undertaking the task unless it was committed to his hands unhampered by bargains made for the benefit of particular interests. This condition being agreed to, his firm made an examination of the Richmond Terminal properties and then announced that it would take up the work but would "demand, in view of the unparalleled difficulties and complications, protection against any single interest which might desire to thwart the carrying out of the reorganisation, and *insist that a majority of each class of Terminal securities be deposited with them at the beginning*"—and further that all litigation should be under control of

Drexel, Morgan & Co., and that the new receivers should be named by the Morgan firm.

At such conditions the security holders, for all their bad plight, professed simple amazement; they felt that they were being asked to go into a blind pool and to pledge themselves in advance to make any sacrifice that might be demanded of them. The thing outraged their self-respect, and they refused the Morgan offer, tried it themselves for another six months, and then came back to Mr. Morgan and begged him to take the matter up at once upon his own terms. Within three months Morgan and Company made public a very voluminous plan, which resulted in the creation of the Southern Railway Company. It provided that the new company should be capitalised at $375,000,000 and that the securities of railroads not earning interest on their bonds should be exchanged for securities of the new corporation in certain proportions. Twenty-two railroads with their bonds, preferred stock, common stock and securities of the Terminal company were each to receive a proportion of the new five per cent. bonds and new preferred and common stock. In these proportions and adjustments lurked endless possibilities of friction between the security holders and the plans of the reorganisers—innumerable excuses for rebellion or the revival of old feuds. But Mr. Morgan, as we have seen, had placed himself in a position to enforce his plans.

There is no better instance of his intense practicality than this, that however flattering were the appeals from the distressed shareholders, however tempting the opportunity of stepping in from the outside to take charge of the affairs of a huge system of railroads, Mr. Morgan refused to move an inch except upon conditions of his own which he foresaw would make the way clear. It was not long before he had financiered away the existing discrepancy between earnings and outgo—a three million dollar deficit it was, in point of fact—and had turned a hopeless ruin into the system now known as the Southern Railway. The Richmond Terminal, with its annual tale of horrors in the balance sheet, vanished, and the Southern Railway took its place. The Southern was thus added to the list of roads—the Reading, Northern Pacific, Erie, Lehigh Valley, and a dozen others—which Mr. Morgan financiered out of a tight place or worse, and in which he afterward retained control.

All credit for this series of railroad rehabilitations is by no means his alone; to one of his partners—the late Charles H. Coster—was always assigned the task of solving the intricate and interwoven relations of railroad obligations, bonds, underlying bonds, collateral trust mortgages, and every other artificial form of securing a loan—and determining the amount fairly represented by each. Coster was a kind of rare genius, a sort of financial chemist, and possessed a gift of analysis in this new and difficult field; it often happened, when everyone else was baffled, that he alone was able to lay before his chief solutions clear and sound, which made it possible for Mr. Morgan to go ahead with his plans for a new structure. These operations were all of a new kind, following naturally upon the consolidation of the numerous railway short lines into trunk systems; for just as the roads had to be physically unified to give effective service, so the capital on which they were based had first to be consolidated in a more or less loose way, and afterwards, under pressure of conditions, had to be reissued on a sounder, more lastingly workable plan.

J. P. Morgan's sure perception of the right thing to do, the success which was inevitably coupled with his appearance in an undertaking, added year by year to his unique reputation as a restorer of moribund properties and rescuer of securities all but lost. With him it very soon became a matter of retaining control, or a voice at least, in the affairs of the railroads he reorganised, to prevent further mishaps or the use of bad judgment; and then there came the necessity of extending that control to still other lines which might become competitors and start the old difficulties afresh. Thus it came about that before the world in general realised what was going on Mr. Morgan had become a power in the transportation business to an extent which, expressed in figures of mileage and capital, was to an old-fashioned mind simply appalling.

Steam Railroads Controlled by J. P. Morgan, 1902

	Mileage	Outstanding capitalization
* Northern Securities Co. ..	.....	$400,000,000
Great Northern Railway System	5,585	96,683,454
Northern Pacific Railway System	5,664	177,925,789
Chicago, Burlington & Quincy Railway	8,479	362,357,300
Southern Railway, with dependent properties	8,929	355,484,309
Central of Georgia.........	2,271	53,646,000
Louisville & Nashville......	6,174	165,784,660
Reading, with Jersey Central, and Coal & Iron Co..	2,131	297,067,290
Erie	2,554	362,770,756
Hocking Valley	941	70,189,548
Lehigh Valley	1,399	94,012,100
Atchison, Topeka & Santa Fé (with Harriman)	7,919	445,235,240
St. Louis & San Francisco (with others)	3,507	121,593,125
	55,555	$3,002,949,571

*The "Northern Securities Co.," which held the stock of the Great Northern, Northern Pacific and the C., B. & Q., was dissolved by the Supreme Court in 1904.

Mr. Morgan at this time was also very influential in several other large systems, including the Vanderbilt and Pennsylvania properties, the Atlantic Coast Line and Seaboard Air Line. Indeed, there was no railroad system of major importance in which he was not, to a greater or less extent, a factor.

The method of control varied; sometimes he retained a percentage of the stock; sometimes he put the railroad into a voting trust, which means that the stockholders were induced to transfer to a board of trustees the right to vote their stock; or he was simply a director; or, simpler still, he merely exercised his influence upon the powers in tangible control. To this kind of mastership there is, in one way of looking at it, a beginning, perhaps, but no end—no definable limits. It appeals to the imagination, and may easily set the imagination wandering far; for it presents you with the idea of an immense, potent, and invisible hand thrust into the blind confusedness of practical affairs, turning everything in a new direction, and setting things going on a new, profitable basis. The new basis is yet primitive and little understood. The business of the country was built up on the principle of competition, but the time came when that principle proved impracticable as applied to great masses of capital invested in machinery, rolling stock or roadbeds. Thus the idea of combination was a life-saver for American industry. That it was from this point of view a public benefit is undeniable, but that it has proved a public benefit from every point of view or in all the ramifications and details no one can think. The practice of combination which has been imposed upon the public by powers like Mr. Morgan was also clearly imposed upon them by the sternest necessity.

When J. P. Morgan was a boy at Hartford, Connecticut, a railroad was constructed from Springfield to New Haven, passing through Hartford, chiefly for the purpose of making connection with the steamboat lines running between New Haven and New York. His father was greatly interested in this railway, and helped to finance it—that is the tradition. At least ten years later the construction of the New York & New Haven Railroad Company was begun; and five years earlier, a railway line had been built from Worcester, Mass., to Norwich, Conn., for the purpose of facilitating passenger and freight traffic between Boston and New York. Between 1833 and 1872 was the era of great railway construction throughout New England. The first important consolidation took place in 1872, when the New York & New Haven and the New Haven, Hartford & Springfield railway companies were combined. Mr. Morgan took no active part in this consolidation, but he told William C. Bishop, whose father built the New York & New Haven railroad, and who himself worked out the plan of consolidation of the two railroads and who became president of the consolidated railroad—that he believed in the plan thoroughly.

Bishop became a member of the Connecticut Legislature in 1872, so that he might be in better position to urge the passing of a charter which would permit the consolidation of these two railroads. At that time the Morgan name, though little known elsewhere in the country, had weight in Hartford, and Bishop said in an interview: "Mr. Morgan believes that the New Haven Railway System, which has terminals in New York City, should concentrate its efforts upon securing an independent entrance into Boston. Boston and New York should be connected by a single railway line under one direction."

At that time, the New Haven Railroad was compelled to enter Boston, or to receive passengers at Springfield from Boston, by means of a traffic agreement with the Boston & Albany Railway system. Soon after Mr. Morgan became a director of the New Haven, its management began to seek an independent entrance to Boston, through the purchase or control of a railroad stretching from Boston southwesterly.

At this juncture Archibald McLeod began his astonishing campaign for the extension of the Reading, of which he was President, into and across New England, intending to secure an independent entrance for the Reading at Boston. McLeod proposed to carry his road by means of the railroad bridge at Poughkeepsie, over the Hudson, and then, through the control of the old New York & New England railway property, to gain an independent entrance to Boston. He descended upon the Old Colony Railroad system, which covered all of Southeastern Massachusetts, and reached as far as New London, Conn. This struggle for the control of the Old Colony has become traditional in railway annals. In all probability, President McLeod would have won the fight if he had not had for an enemy J. P. Morgan, who had been working on that idea along different lines for twenty years.

Mr. Morgan notified men of capital in Philadelphia that they must not expect to maintain friendship with him if they continued to help McLeod finance his railroad project in New England. That was a hint sufficient. McLeod's money supply failed from the moment that hint was received. His New England railway plans collapsed; and, in a little while, under Mr. Morgan's leadership, the Old Colony system passed into the possession of the New Haven. That gave the New York & New Haven a through independent railway line operating between New York and Boston; and the second very important step toward the combination of the railway interests in New England into one dominating system was then taken.

The New Haven then purchased or leased

every railway line in Connecticut, excepting one, the Central Vermont; every railway line in Rhode Island; everyone in Massachusetts south of Boston and the Boston & Albany railroad; and, in addition, the steamboat lines connecting Boston and New York were financed into the possession of the New Haven system. Within a year, the great Boston & Maine Railway system passed into the control of the New Haven. Furthermore, largely through the efforts of Mr. Morgan, the Boston & Albany railway, which had been leased by the New York Central, entered into coöperative arrangements with the New Haven, and within a few months, the Rutland Railway system, which was owned by the New York Central, passed, with the consent of the New York Central, into the New Haven Railroad family, although the New York Central still retains half ownership of the Rutland Road.

Charles S. Mellen, President of the New York, New Haven & Hartford and of the Boston & Maine, has made official and authoritative declaration of the purpose of the New Haven Railroad management, when it began the merger process which has brought practically all of New England under the domination of the New Haven Railroad system. Said Mr. Mellen:

"Wisely or otherwise, the railroads of New England have come together, and should work hereafter as a unit for the fullest development of all that appertains to the welfare of New England."

All this combination and coöperation has made it possible to develop to their fullest capacity, the superb commercial opportunities which Boston has. Within a short time, the New Haven system will have entered into such arrangements with the Canadian Pacific, utilising the Rutland Railroad chiefly for that purpose, as will make Boston the all-the-year Atlantic terminal of the Canadian Pacific. This possibility would never have appeared on the horizon so long as New England was covered by a large number of small independent railroads.

If there were no other way of identifying J. P. Morgan with the new development of the transportation systems, land and water, of New England, the use of the word "unit" by President Mellen would be sufficient. It is a striking demonstration of what Mr. Morgan believes the economic principle of the present era, namely: the elimination of small and independent units, and the perfecting of very large units into which these smaller ones can be absorbed. Many of the railway combinations have been along the parallels of latitude, like that represented by the New York Central and the Union Pacific; or else along parallels of longtitude, like the various railway systems of the South, and the Illinois Central Railway system. But the New England combination covers all points of the compass. Standing at a centre like Springfield or Worcester, you could practically box the railway compass of New England, and find that within that compass was included almost exclusively the New Haven Railway system.

Not bearing on this particular point, but interesting on its own account, is what he said when he began his service as a director of that system. There was a meeting of the board at the old Grand Central Station. Mr. Morgan entered the room, and took his place at the foot of the table. He greeted pleasantly and informally all the members of the board; but he said nothing. He listened intently to the business as it came before the board, remaining taciturn. When this business was ended, the President, turning to Mr. Morgan, said:

"Mr. Morgan, I am sure that the board would be very glad to hear from you, and would be especially pleased if you have any suggestions to make."

Thus invited, Mr. Morgan arose, and said:

"There is just one thing I would like to say. I have been told that you are very slow about paying your just bills. I hear that some of your creditors have been held up, or staved off, sometimes as long as six months. Now I think this railroad ought to pay its just bills as soon as they are due; and, if you haven't the ready money in hand to pay them, I will advance the money."

Having said this, he sat down, and the meeting adjourned. Mr. Morgan has always insisted that in any institution he was connected with, just bills should be paid at the time agreed upon; and, if it should be inconvenient to do that out of the company's treasury, then the officers of the company should see to it that money is obtained.

Mr. Morgan's sense of personal responsibility for institutions that had come to be identified with his name or the name of his banking house has always been very strong, and points to a trait of character which in him is perhaps the most marked of all—his unmeasured loyalty to his word, a principle which is fully as active within him when the obligation is scarcely more than a reflection of the glamour of the Morgan name as when it is set down in the hard core of an agreement. He explained his own feeling about these matters in one of the longest speeches of his life, when he was questioned on the witness stand in the course of an inquiry into the Northern Pacific corner in Wall Street in May, 1901.

The circumstances may be recalled: E. H. Harriman, having built up in a few years his tremendous railroad monopoly in the Southwest, went after James J. Hill and tried to induce him to fuse the interests of the Great Northern and the Northern Pacific with the Harriman lines. When Hill refused, Harriman, with one of his characteristic and startling decisions, immediately set out to buy control of the Northern Pacific. Mr. Morgan had just completed the organisation of the Steel Corporation and had sailed away to Europe; he and Hill and their friends held between them about forty millions of Northern Pacific common stock. As Harriman bought the stock went up, higher and higher, and the Morgan party let go a considerable block of theirs before the slightest suspicion came to them concerning the cause of this mysterious rise in value. After the event it is hard to understand how Morgan and Company were kept so long in the dark, for to lose the control of the road to Harriman was the last thing they were willing to do.

The moment they realised their position their sales of stock stopped short and the laconic cable come from Mr. Morgan at Aix-les-Bains—"Buy 150,000 shares Northern Pacific,"—an order which exploded a panic. This is what Mr. Morgan said about it:

"When I heard of it, I felt in this position: We had organised the Northern Pacific, we had placed all the securities of the Northern Pacific, and I knew, as I had always supposed, that there were people, friends of ours and other people, who practically held enough Northern Pacific—we had always supposed we had with us people upon whom we could depend to protect our moral control of the property. And consequently when that news came to me, I hadn't any doubt about the fact of the matter. And at the same time the news came so strong—whoever had acquired it—I felt something must have happened. Somebody must have sold. I knew where certain stocks were and I figured it up.

"I feel bound in honour when I reorganise a property and am morally responsible for its management, to protect it,—and I generally do protect it. So I made up my mind that it would be desirable to buy 150,000 shares of stock, and with that I knew we had a majority of the common stock; and I knew that actually gave us control, and they couldn't take the minority and have it sacrificed to Union Pacific interests.

"Mr. John S. Kennedy has been a friend of mine for forty years. He and I were in Aix together. He came down to see what in the mischief all this meant. I said I didn't know, and he said, 'Whatever you want done I want done with my Northern Pacific.' And that is the way people treated me in the Northern Pacific. Whatever I was willing to do they wanted, and they wanted to put the stock just where I said it would be safe. That was what they wanted. Well, I appreciated that; I cannot help being touched by a thing of that kind."

On the receipt of J. P. Morgan's cable his firm engaged "Jim" Keene, the one time free-lance operator of the San Francisco stock market, and now the most famous manipulator in New York, to get the shares for them in the market. The competitive buying soon sent the price of Northern Pacific common out of reach in a market where all were buyers and none sellers; dozens of brokerage houses were caught by the peculiar pyrotechnics of that stock, which no wisdom could have foreseen, and owing thousands of shares which they had sold but could not buy to deliver—the price went to a thousand dollars a share—they stood on the verge of bankruptcy. May 9th saw a curious and terrible state of affairs on the Stock Exchange; the extraordinary need for cash, for four or five days past, had steadily forced the sale of all kinds of stock except "N. P.," and now the selling movement suddenly became a deluge which swept all values madly downward. So many shares were sold that it was impossible to keep track of them all, while above this ghastly confusion and wreckage, balloon high, hung the perfidious cause of it all—the stock which no one could buy.

Then in some haste the antagonists came to an agreement; Morgan & Co. met Harriman's financial backers, the firm of Kuhn, Loeb & Co., and agreed to end the tragic situation. Harriman's attempt failed, and of the new company that was then formed, the Northern Securities Company, Mr. Morgan named the directors. The Northern Securities Company was planned by Morgan himself to take care of Northern Pacific and the Great Northern, and assure the control of these railroads to the present holders of the stock for future time. "I wanted," said Mr. Morgan, "to put it in a company with a capital large enough so that nobody could ever buy it." But the Supreme

Court called it a violation of the anti-trust law and dissolved the company, and the control was dealt out otherwise.

The very next year Mr. Morgan was forced to bestir himself to protect another property, and it cost him something. John W. Gates, with a number of his speculative friends, succeeded in buying a majority of the stock of the Louisville & Nashville Railway. Convinced that Gates had bought the road merely as a speculation and without any intention to manage it, and that there was no telling what he might do to demoralise the Southern Railway system, Mr. Morgan sent his partner, George W. Perkins, to see Gates and buy the L. & N. from him at once. It happened to be sometime after midnight when this decision was reached, and was, in fact, about three in the morning when Perkins got Mr. Gates out of his bed at the Waldorf.

The former Wire King had no benevolent feelings toward Morgan & Co.—the year before Mr. Morgan had firmly eliminated him from the management of the Steel Trust—and he now remarked coolly to Perkins: "Since you want that stock so badly, to keep your friends in control and protect the Southern, I will let you have it. But you must pay me ten millions more than it cost."

And the deal was closed on that basis.

The enterprises Mr. Morgan controls are not merely the strongest and most ably planned of the modern combinations; usually they possess some special advantage or element of security outside of mere ability in management, which enables them to pull through in the worst of times, and makes them pretty certain inheritors of future business. They are apt to have an element of advantage which prevents them from ever becoming the victims of deadly competition. The Steel Corporation controls unmeasured sources of supply of raw material; its competitors control very little; the thousands of miles of railroad Mr. Morgan is identified with control rights of way, coal lands, terminals, competing lines, steamship connections and so on.

CHAPTER XII

A PERIOD OF REACTION

AS early as 1893, Mr. Morgan's attention was called to the demoralised condition of the ocean-carrying steamship companies, due very largely to excessive competition. There were any number of tramp steamships which offered to carry ocean-going freight, at rates much less than those which were necessary for the incorporated steamship companies to maintain, if they were to pay operating expenses, fixed charges and fair dividends upon the capital.

This demoralisation continued until at last it was seen that something must be done, or else liquidation, and bankruptcy, would be the fate of some of the weaker incorporated steamship companies. It had long been the hope of American trunk line railway managers to see an American line plying between some one of the Atlantic ports, either New York or Philadelphia, and Great Britain. That desire led to the organisation of the American Steamship Company, which was sponsored in part by the railway capital or influence of the Pennsylvania. But the American Line was not very successful, and at one time it seemed likely that it would be compelled to go out of business.

Shortly after the amazingly successful organisation of the United States Steel Corporation Mr. Morgan, while on his way to Europe, was bluntly asked by a man of steamship capital, if it would be possible to bring the various North Atlantic steamship lines under one management and practically one ownership. Mr. Morgan's reply was: "It ought to be." He was as laconic as ever. But the notion, if it were not already in his mind, gained foothold there, while he was upon this ocean trip.

He at once saw, however, that in many of its features, an ocean steamship combination would necessarily differ from those characteristic of the United States Steel Corporation's organisation. All of the corporations which came into the United

States Steel Corporation were American-chartered institutions; all were operated in the United States and were subject to State and Federal laws; but, if there were to be an ocean steamship corporation, it would involve the creating of a powerful combination, through the assimilation of corporations flying the British flag, and probably the flags of some of the Continental nations, as well as steamship companies chartered in the United States. That would be an international corporation, and the first one of its kind ever proposed. There had been many attempts to secure international trade agreements between manufacturers of like products; but none to incorporate under one authority companies chartered both by Great Britain and the United States.

Accordingly, Mr. Morgan set counsel to learn whether anything in our own laws prevented a combination which would absorb American steamship companies with those chartered in Great Britain or Europe. The investigation did not require much time. It showed that no obstacle in the law stood in the way of perfecting an ocean steamship combination. There was no question about the right and the ability of steamship corporations chartered by Great Britain to be absorbed by one great supporting company. The amount of money necessary for financing a proposition of that kind, or the aggregate financial proposition, did not compare in magnitude with the vast sum represented by the organisation of the United States Steel Corporation.

Early in the summer of 1903, the plan of the steamship combination was so far along that it was possible to obtain a charter. The proposition involved the ownership by a new company of the entire capital stock of the White Star Line, Atlantic Transport Company, International Navigation Company, of the American and Red Star Lines, the Mississippi & Dominion Steamship Company, of the Dominion Line, whose steamships made their American Terminal at Boston; of the Leyland Line, and of the National Steamship Company, this company being naturally in the ownership of the Atlantic Transport Company.

To be successful, a combination of this

kind must include many distinct services. It would have to include service from New York, Boston, Philadelphia, New Orleans, Baltimore, Galveston, in the United States, Montreal in Canada, Liverpool, Southampton, London, Cherbourg, Antwerp, and ought also to operate from British ports and Australia, and further operate in ports of the Mediterranean, the West Indies and Mexico. The attempt was never seriously made to bring the Cunard Company, which was the original steamship company between Europe and the United States, into the combination, for it was apparent from the beginning that the British Government would never permit anything of the kind. The corporation was incorporated under the name of the International Mercantile Marine Company. It was immediately dubbed the North Atlantic Steamship Trust.

The amount of money to be provided was not, according to the modern view, very large. The company was authorised to capitalise on the basis of sixty millions common, and sixty millions preferred stock. A voting trust agreement was also provided, to last until October 1st of next year; and the voting trustees named were J. P. Morgan, Charles Steele, a partner in Mr. Morgan's house; J. Bruce Ismay, the head of the White Star Company; P. A. B. Widener, and W. J. Pirrie. Without much difficulty, the terms of exchange by which the International Mercantile Marine Company stock was to pay for the stock of the various steamship companies which were absorbed, was agreed to; and there was provision for a large cash payment in addition, the sum of $25,000,000 in gold, to be paid at London, on January 1st of the year of incorporation.

Mr. Morgan had an underwriting proposition prepared. It was intended that opportunities to subscribe to the underwriting proposition should be given pro rata to almost all those who had been invited to come into The United States Steel Corporation underwriting syndicate. The brilliant success of the underwriting of The Steel Corporation proposition, and the common disposition to accept any invitation of that kind which came from Mr. Morgan—the truth being that when he put your name down, the thing was as good as done, and you thanked your stars it was on the list —led to the instant full subscription to the underwriting plan.

The payment of twenty-five millions in gold, which was to be made on the 1st of January, 1903, to stockholders of European steamship companies, who were to receive part payment for the stock in cash, was an exploit in its way.

The United States, at that time, was in a very demoralised business condition; there were bankruptcies of various industrial corporations which had been over-promoted; and it would have upset the money market had arrangements been made in New York to procure the necessary amount of gold to meet this obligation in England. Therefore Mr. Morgan provided for the securing of very large amounts of bills of exchange, which represented American exports to Great Britain. Communication was speedily established between all of the various financial centres where agricultural bills of exchange are customarily drawn. Large amounts of cotton bills were obtained in New Orleans and in other Southern cities. In the same way bills representing shipments of grain and meat to Europe were secured. The market was systematically and thoroughly ransacked, and in due time Mr. Morgan had secured a sufficient amount of bills of exchange to make it possible to utilise them in London, and was able to secure the gold needed to pay the twenty-five millions.

But there was a greater difficulty, one which could not be overcome. Just at the time this underwriting syndicate was organised, there came the woful depression in the securities market, which is now referred to as "the rich man's panic." There were many bankruptcies among over-promoted institutions. The common stock of the United States Steel Corporation fell to a little under ten dollars a share. The panic was general, and it was absolutely impossible to induce the public to buy any securities, especially any offered by a newly-organised combination. Instead of thinking of buying, all were trying to sell. The result was that the underwriting syndicate was compelled to take and carry the stock it had subscribed for; Mr. Morgan's friends were hit hard for once, and there was general disposition to speak of this organisation as both a commercial and a financial failure. This statement was correct, then.

Gradually, however, the organisation of this combination is justifying itself. It has served, in great measure, to put an end to the demoralisation of ocean steamship commerce; it has steadied the rates charged for ocean-going freight; and, with the revival of business, which is now looked for in the near future, it is thought that the wisdom of the organisation will be justified to the stockholders and to the public. The company's balance sheet shows that it now possesses property of an appraised value of two hundred and three millions.

While some of Mr. Morgan's close business friends expressed downright regret that the attempt had been made to organise an ocean steamship combination at this particular time, the majority of them retained their confidence in him unimpaired. One of the men of capital in Wall Street said to a friend:

"Well, Mr. Morgan has at last fallen down in one of his great undertakings."

"No," said the other, "Morgan has not fallen down; the attempt will ultimately succeed. The plan was hit hard at the beginning by a sudden panic out of a clear sky, which has affected all American industries. But it was only a set-back—wait."

About the same time that the marine combination was under way, another industrial amalgamation was occupying Mr. Morgan. The leading manufacturers of harvesting machines and agricultural implements of all kinds had been greatly dissatisfied for some years with trade conditions. The competition was intense, some of it of the cutthroat kind. Moreover, the cost of manufacturing was believed to be much greater than it would be if there were combination, coöperation and systematic organisation. Chief among those who were persuaded that a combination would put an end to these demoralising conditions was the McCormick Harvesting Machine Company. All of the companies whose owners were inclined to accept the combination idea were situated in the Mid-West, most of them in the vicinity of Chicago. As soon as he decided to undertake the work of organising a combination in this field, Mr. Morgan turned over the task of arranging the details to his partner, Perkins. And at the same moment that the hand of J. P. Morgan was applied to their difficulties, the bloodthirsty warfare between the various companies ceased abruptly; they left the issue to him.

The plan of the Harvester "Trust" provided for the bringing into the new company ten harvesting and farm-implement manufacturing plants, and five twine mills, the products of some of which were very large. It was also necessary to take in several foreign companies, one in Canada, one in France, one in Germany, and one in Russia. The company was incorporated in August, 1902, under a New Jersey charter. Its authorised capital was sixty million dollars, this being increased, eight years later, to eighty millions of common stock, and sixty millions of preferred stock. Every dollar of this stock, as originally issued, one hundred and twenty millions, was paid for in cash and negotiable property. It was also provided that, at the organisation, the company was to have no bonded or other funded indebtedness; the company was organised without a dollar of debt of that kind. The balance sheet in 1909 showed that the company had assets of almost exactly one hundred and seventy-eight millions. Its business in 1909 brought to it nearly eighty-seven millions for sales of machinery and other products; and, after deducting the cost of production, and appropriations for administration, allowance for depreciation, and appropriations for improvements, there was left nearly fifteen millions' profit available for dividends and surplus.

If the organisation and financing of the International Mercantile Marine Company was a comparative failure, the organisation and financing of the so-called Harvester Trust was, from a business standpoint, a brilliant success. Thus, in three years' time, Mr. Morgan organised and financed three of the largest modern industrial combinations, the United States Steel Corporation, the International Harvester Corporation, and the International Mercantile Marine Company, two of which were successes from the start, and one of which was a partial failure, because of panic conditions which arose just after the corporation was promoted.

But the robust confidence of Mr. Morgan's circle of business friends, a permanent feeling which easily endured the failure of the marine underwriting, even though it imposed upon them a heavy financial burden, was by no means shared by the general public. By the flotation of the billion dollar steel corporation Mr. Morgan arrived upon a pinnacle; the glamour of the Morgan name was never so great, before or since, as at that time, when it resulted in selling thousands of shares of the stock of this company in corners of Asia and Africa, where no American security had ever been sold before. For a time the public raved over J. P. Morgan; it was not popularity they awarded him, but an enormous admiration, a kind of awe. The collapse of Steel stock, which, following the tremendous decline of the market in 1903–04, dropped, from 95 to 105 for the preferred and 40 to 50 for the common, way down to 49 for the preferred and 8 for the common, brought about a sharp and terrible reaction from the hero-worship of 1901. Mr. Morgan saw that the decline was temporary and advised holding on, but thousands of holders of Steel stocks were convinced in their own minds that it meant disaster, and they sacrificed their securities at the low prices of the hour. They became convinced that the Steel Corporation was nothing but a gigantic promotion for promoter's profits, and saw in J. P. Morgan no longer an epoch making organiser of stable and secure property, but a monster, a corsair, ruthless, brutally indifferent to all considerations save those of personal profit—characteristics utterly different from those upon which the solid prestige of the Morgan firm had been founded. The failure of the steamship combination was a factor in this reversal of public opinion; and still more capital was made out of the connection of his name with a certain doomed and hapless structure in which a set of amateur promoters attempted to apply the principle of combination to American shipbuilding.

The weird careeer of the Shipbuilding Trust, as it was called, need not be related fully in a life of J. P. Morgan; but it is quite necessary to describe the operations to the extent of showing exactly what Mr. Morgan and his firm had to do with the affair. Incidentally, the thing affords an impression of the helpless incompetence of ordinary business men to effect a combination of this kind and carry it through.

A set of promoters, chief among whom was John W. Young, son of the Mormon prophet, tried for years to promote a shipbuilding combination, but the undertaking hung fire. They tried it in 1899, and then in 1900, and then, the next year, they induced Henry W. Poor to take the underwriting, but he let go at the crucial moment and the plan fell through once again. At last the promoters succeeded in interesting D. Le Roy Dresser, the president of the newly organised Trust Company of the Republic, who knew nothing about finance, having been a merchant the greater part of his life. Mr. Dresser, with his new trust company, plunged into the scheme with an abundance of enthusiasm and an absence of sound judgment which were destined to make of the trust company with the high-sounding name a ruin. Lewis Nixon, also, a practical ship constructor, but not in the least a financier came into the ill-starred venture.

Eight companies were brought into the combination—three New Jersey companies, the Canda Manufacturing Co. of Carteret, S. I. Moore & Sons, and Nixon's own yard at Elizabethport; the Bath Iron Works, and the Hyde Windlass Co., of Bath, Maine; the Eastern Shipbuilding Co., New London, Conn.; Harlan & Hollingsworth Co., Wilmington, Del., and the Union Iron Works of San Francisco. It was an odd collection to bring together; the individual capitalisations ranged all the way from Canda's inventory of "small real estate" to two millions for the yard in San Francisco; some paid dividends, others were accustomed to go through a crisis when called upon to meet the weekly pay roll. The combination, when it was announced, struck the public as a mixture of some good brandy with very much water. The promoters themselves felt that more could be done with the subject. The London underwriting, moreover, and a large amount of the Paris underwriting had to be abandoned, and although Mr. Dresser, by request, stepped into the breach and added the amount of the deficiency to the total he had agreed to place in America, it was still advisable to strengthen the corporation with the public in some way.

At this juncture Charles M. Schwab chanced to meet Nixon and Dresser at the lunch hour at the Lawyers' Club, and proposed to sell them the Bethlehem Steel Company. He said it was just what they wanted to put into their trust; a strong, rich steel plant, with which they could manufacture armour plate and build battleships complete in their own shipyards. The fact that the Bethlehem was for sale had been known for some time; Nixon had seen the possibilities himself long before, and was therefore all ready to become enthusiastic over Schwab's proposal. How Schwab happened to have the Bethlehem Steel Company to sell may be told in a few words. He bought it on his own account several months before. But Mr. Schwab was president of the United States Steel Corporation, a competitor of the Bethlehem. As soon as Morgan & Co. heard what

Schwab had done, he was told that he couldn't remain president and at the same time engage in the independent steel business. "Your time," he was told, "belongs to the United States Steel Corporation, and you'll have to give this thing up." And Schwab saw the point and turned over to the United States Steel Syndicate, of which Morgan & Co. were managers, the bargain he had made. The Steel Syndicate bought the Bethlehem from Schwab and agreed to carry it along for him until he could find a purchaser. And in Nixon and Dresser, Schwab had found ideal buyers—from the seller's point of view.

For the promoters of the shipbuilding enterprise, regarding Bethlehem as their principal asset, and unable to restrain their eagerness to bring in Bethlehem as an offset to some of the "cats and dogs" in their list of companies, readily agreed to all of the conditions proposed by Schwab and embodied in a contract by his lawyer, Max Pam. The capitalisation was raised from thirty-six millions to about seventy-one millions, and on the appointed day Nixon and Dresser met Pam at the office of J. P. Morgan & Co., who acted in the matter as managers of the United States Steel Syndicate, and the transfer was arranged. The lawyer gave Perkins Schwab's check for about seven million dollars, which was the price the latter had paid for the company, and received orders for ten million dollars' worth of the preferred stock of the shipbuilding company, ten millions of the common, and ten millions of bonds. As the agreement contained a remarkable provision conferring voting power upon Schwab's bonds, the net result of the transaction was that Nixon did not buy the steel company, but turned over to Schwab the shipbuilding combination. There were forty-five millions of stock, and Schwab's twenty millions, together with the voting power of his bonds, gave him absolute control.

A terrific tangle followed in which it gradually became clear, as the affairs of the enterprise went from bad to worse, that the shipbuilding company was absolutely dependent upon the Bethlehem for its life—it was the only live asset, and that there was no disposition on the part of Mr. Schwab to risk the sacrifice of the Bethlehem Company. His contract had been drawn so as to safeguard the Bethlehem absolutely.

The underwriting fell flat; nobody would buy the securities of the new combination, which was thrown into bankruptcy, and finally disintegrated. The failure of the Trust Company of the Republic, which was dragged down in the wreck, and the unsound character of the venture generally, placed in an unfavourable light everyone concerned. The fact that Morgan & Co. had handled the Bethlehem for Schwab was sufficient to create a loose impression that Mr. Morgan himself was a favoured insider, and when, in the course of the hearings in the bankruptcy proceedings, it was brought out that there was in existence a "sell mine first" agreement applying to the shipbuilding stock held by Morgan & Co., the hostile feeling of the public toward J. P. Morgan himself was so much the more increased and strengthened.

What had happened was this: When Schwab gave his personal check to Perkins in payment for the Bethlehem company he seemed to have forgotten that he owed the firm interest at six per cent. on cash which they had put up for him for a year in carrying along the company while he was seeking a purchaser. Also J. P. Morgan & Co. had used none of the Bethlehem's earnings during the year it had carried the stock. The Schwab check did not include this interest. When it was demanded of him, he suggested that the steel syndicate managers take in shipbuilding stock what they felt was due them, of which stock Schwab possessed a large supply. Without being especially anxious to make this arrangement, the Morgan firm finally agreed to it, and received five million dollars' worth of this stock.

John W. Gates was then running a stock house, and he was engaged to "make a market" for the shares. The stock of the insiders was pooled, and the members of the pool made a written agreement with Gates to put out the stock in a certain way; it was an agreement of the kind which is bluntly called a "sell mine first" agreement, a device of the "street" intended to enable insiders to dispose of their holdings rapidly and at the best prices that can be obtained. If a man ordered Gates to buy 100 shares of shipbuilding stock, the house would send out to the curb and buy a block of fifty, and at the same time put in fifty of the pool shares at the same price; which had the double and desirable effect of creating a business in the stock, and at the same time of working off the heavy holdings of the pool. Schwab suggested to Gates that as the syndicate managers, namely Morgan & Co., had treated him very "white" in this whole matter, it would be "a nice thing to do" to include their stock—the stock he had turned over to them in lieu of interest money, etc.—in the pool agreement. The name of J. P. Morgan & Co. was inserted in the paper with the expectation that Morgan would sign it. This offer was taken to the Morgan office, and when read by his partners—Mr. Morgan was in Europe at that time—was rejected positively. The firm would have nothing to do with such a bargain.

As no one would buy the stock anyhow, this pool agreement never got beyond the paper stage; but when fetched forth at the post mortem of the shipbuilding combination it was used with sensational effect, both by the newspapers and by the bear clique, which at that time was pounding at the price of Steel stock and declaring that all that had happened to the United States Shipbuilding combination would happen likewise to United States Steel. Mr. Morgan was urged again and again to make a public statement, defending himself and setting forth all the facts of the shipbuilding matter as far as Morgan & Co. were concerned. He always refused, saying, very characteristically, that none of the members of the steel syndicate had asked him to answer any questions or to give an explanation of any sort. To his mind they were the only ones who had the right to question him—and they were satisfied.

Here this chapter on the spirit of combination as the backbone of Mr. Morgan's business life may well end. He began by reorganising railroads which had fallen into dire straits financially; then he went on from this point and combined small and comparatively weak railway units into units big and powerful; and then he applied the same methods to manufacturing industries.

In all these operations the business motive and aim was to create institutions which would find a ready sale for their stock, and permanent value in the same. The elmination of competition, of which so much has been said, almost invariably placed his combination on a stable and prosperous footing; another side, which is of great importance in dealing with this movement, is that while the stock of small individual industries, however prosperous they were, could have only a local sale, a sort of neighbourhood market, the moment they were brought together and given a name to be known all over the nation, the stock of the new company could be offered, and would be taken up, far and wide. It is clear that this movement toward combination finds its lease of life in this latter condition of affairs. In other words, if these giant organisations are mismanaged or abused by those in control, or if they were not in the beginning well conceived and organised, their securities will fall off in value until their disintegration into the original units becomes the one desirable and business-like thing to effect. That would be the work of a man proceeding in a direction exactly the reverse of Mr. Morgan's.

In the past twenty years we have seen many kinds of men at work in the field of changing conditions, some building up institutions like the Standard Oil or the Woollen Trust as a means of making and keeping an enormous personal fortune; others, opportunists, dipping in and getting out whenever they see the vision of a possible "clean-up"; but Mr. Morgan in his long life has not been a simple fortune-maker of either class—he has been the maker of industries, the consistent agent of solid business conditions. Yet there are many who distrust what they call the "Morganisation" of industry, with their eyes fastened upon the social flaws inherent in these same wonderful organisations of his.

In writing this life the author would not for one moment belittle, by ignoring it, the force of this point of view. But if wholesome and right, it is also vague and aspiring, and would bring only confusion to the simple task of setting down here the events of J. P. Morgan's life. Nothing is to be gained by ascribing to a man aims which he never possessed, or by forcing the lack of such aims as an issue against him. To write his life from a sharp "uplift" angle would be to produce an unreal and senseless image, containing few features of the man himself. When this point of view shall be embodied in a set of changes it will then undoubtedly furnish a luminous comparison with present conditions to show how crude, relatively, and in the rough they are.

CHAPTER XIII

WORLD BANKING

THE leadership of J. P. Morgan conducted the United States into the field of international financing. The real test of the ability of a nation to rank itself with the great money powers of the world is fully met when its bankers become the creditors of another nation. When the Rothschilds or the Baring Brothers underwrite a foreign national loan, then, through that action, they make the nation of which they are citizens to a greater or less extent a world money power. Before the beginning of the twentieth century the United States never entered into relations of this kind; always this country had been the debtor of other nations. But the immense accumulation of capital seeking investment, and the intimate relations which were being established between American and European bankers—together with convincing proof that the prosperity of the country was now assured —made it possible for American bankers like Mr. Morgan to undertake the making of foreign loans.

In other words this country, which for fifty years had held out its hands to the world for money with which to develop its great industries, reached the position a little more than ten years ago where it had a superfluity of its own to dispose of in financing the needs of other countries.

The first foreign loan ever negotiated in this country was made through Morgan and Company to the Republic of Mexico in the year 1899. Mexico entered the market with a proposition for a sale of national bonds, the chief purpose of which was to refund earlier national obligations, and Mr. Morgan and his associates speedily came to terms with the Mexican Government and underwrote the entire issue. The matter attracted less attention than was its due, considering the significance of such an event in the life of this country. But the loan itself was not large, and there were already in Mexican railroads and mines vast amounts of American money.

Two years later, England came seeking a loan. Now, it was English money which built our railroads; for half a century American business had been almost dependent upon supplies of English capital; our government bond issues, although they were financed in New York and Philadelphia, had eventually been sold in great quantities throughout Great Britain. Consequently it meant much to our national pride of position to turn the tables on the mother country—to have money to lend where we had always been accustomed to borrow or receive. Mr. Morgan was in London when the British Government started out to borrow sums with which to pay the expenses of the South African War. He informed the British Minister of Finance that America was prepared to take a considerable portion of that loan. When the allotments were made public in April, 1901, it was discovered that Mr. Morgan, for himself and his associates, had underwritten fifty million dollars.

This underwriting was very successful; that is to say, it was almost instantly absorbed, chiefly by the leading banks of the

United States. And the transaction ranked this country, for the first time, among the money powers of the world. Although the total amount was small compared with some of the national loans underwritten by the Rothschilds and the Barings, or the Russian loan, underwritten by the French bankers, yet it was great enough to thoroughly establish the fact that the United States was at last prepared to take its share of important national loans.

Some two or three years later the war between Japan and Russia drove each of these nations into foreign markets for money. Russia, as usual, turned to France; Japan looked to England, and then her representatives were told that Japan would undoubtedly find it possible to persuade American capitalists to supply a good portion of her needs. Mr. Morgan, with two other international banking leaders, underwrote all of the Japanese war loan which was offered to the United States. Later, Mr. Morgan underwrote the Honduras loan, part of the Argentine loan, and he is usually under negotiation with some one or other of the South and Central American States, which approaches the American market seeking loans with which to refund its overdue obligations.

In the early part of the second administration of Theodore Roosevelt, Mr. Morgan gained very important concessions involving the construction of a railroad in the interior of China. It was arranged to invest about fifty millions of American capital in this enterprise. But there arose in China a very intense popular opposition to the use of foreign capital for this purpose. The Chinese Government was finally forced to heed this popular feeling, and it informed the administration at Washington that if the Americans insisted upon carrying out their undertaking under these concessions, dangerous friction would be engendered. No one here knew exactly what the cause of the trouble was, but it was clearly serious. There was much to be said in favour of pressing the precise legal rights of the Americans in this controversy; more or less talk went the rounds to the effect that our government would be called upon to bring diplomatic pressure to bear upon China to permit the American concessionaires to go on with their work. But J. P. Morgan was then in Europe, and, although people might talk of what they would do, they were always careful really to do nothing until "J. P." had said the word.

As soon as Mr. Morgan learned of these embarrassments he cut short his European visit and, returning to America, went straight to call upon President Roosevelt at Oyster Bay. He intended to have a frank conversation with the President, and to dispose of the matter in his own way. He did both things, saying to the President that if it would relieve the administration at Washington of any embarrassment and tend in any way to maintain the friendly relations between China and the United States, the Americans would cancel the concession, only asking that China be required to make up the money already expended. Roosevelt was only too glad to accept this way out of the difficulty, and the concessions were cancelled and the Chinese Government bound itself to repay the American concessionaires in full.

But within two years the Chinese Government was making proposals to foreign bankers involving a loan of fifty million dollars for the construction of railroads in two of the larger provinces. Although this loan was not technically a national one, the principal and interest were to be guaranteed by China. The diplomatic correspondence again started up; it seemed that the United States was not to be invited to share in the flotation of this loan. A long diplomatic struggle followed, and in the end it was agreed that the United States should share upon equal terms with Germany, France and England, which are the three nations of the world to whom appeal is made by other nations when the financing of national obligations is undertaken. The Morgan syndicate underwrote the American share of this loan.

These transactions added more and more to Mr. Morgan's stature as an influence in international finance; he was the first American to reach a position beside the Rothschilds, a century old; the first American banker to compete in any way with foreign bankers in the domain of those giant financial propositions behind which stands the credit of a nation.

In 1910 it was announced that J. P. Morgan had bought a block of 502 shares of the Equitable Life Assurance Society, for which he paid approximately at the rate of five thousand dollars a share. The news became a topic not only of local, but of national interest. This life insurance company, with its enormous assets, with its surplus amounting to eighty-five millions, was a tremendous factor in the money markets. It was the operation of this society for the promotion of securities, and its ownership or control of very large financial institutions, which led to the Hughes investigation of 1904–05, an event which reached the proportions of a very great national scandal. When the Equitable fell into difficulties, Thomas F. Ryan bought this block of 502 shares from James Hazen Hyde. In order to satisfy the public that the management of the Equitable would be sound and ethically right, he promptly transferred all authority which vested in that stock to a board of trustees. These trustees were ex-President Grover Cleveland, George Westinghouse, and Justice Morgan J. O'Brien. Every power which the ownership of this stock carried, except the power to transfer it, was vested in these trustees. They were expected to elect directors who would represent the policyholders, and by such representatives give the policyholders a large share in the management of the company. After a few years, Harriman, who had always wanted that stock, succeeded in buying half of Ryan's interest. When Harriman died Mr. Morgan had no difficulty in acquiring it all.

Several months passed before he named the new board of trustees; these were ex-Justice O'Brien, George W. Perkins, an acknowledged insurance expert and for ten years a partner of Mr. Morgan, and Lewis Cass Ledyard. Policyholders all over the world were eager to know what Mr. Morgan proposed to do with the Equitable; why had he bought the controlling interest?

Then came assurances that Mr. Morgan had two purposes in doing this, both of them, as he believed, in the interest of the society and of the public. First, he intended to have this majority stock so trusteed that the voting power would always be exercised wholly in the interest of the policyholders. Second, he proposed that as soon as a practicable method of complete mutualisation of the company could be devised, that the entire capital stock be eliminated, and the ownership of the company pass exclusively into the possession of the policyholders. Thus be hoped to crown his career by bringing about an unprecedented and extraordinary change in the ownership of what is one of the greatest corporations in the world, in view of its assets and its surplus.

The legal difficulties in the way of mutualisation centre in the disposition that is to be made of the surplus and the manner in which some portion of that surplus may be used to pay for the capital stock in order that this stock may be cancelled. When these difficulties are straightened out by means of a bill in the State Legislature, the policyholders of the Equitable will be in possession of a surplus which, in the course of a few years, should amount to a hundred million dollars. It will then be possible to reduce the cost of premiums, either by applying a portion of the surplus to dividends, or reducing the first cost of insurance. Mr.

Morgan, when he bought this block of 502 shares of a capitalisation of thousand shares of this company, never saw the certificates of stock; he paid three million dollars, but no papers of any kind passed to show the sale had been made until the stock was transferred to the trustees, which was done by power of attorney.

When Ryan sold Mr. Morgan his insurance stock he also turned over to him two trust companies, which the latter combined with the Guaranty Trust Company into a single powerful institution. For a number of years Mr. Morgan's principal banking associations have been with the First National Bank. But with the great development of the combination idea came the need for a wider and wider control of capital, to be flung in great masses into the uses of the industrial advance, not only in our own country, but also in South America, Central America and Mexico, and even the Far East. It was not enough any longer to control one bank or two or three, for obviously the tendency to build corporations as big and powerful as possible argued the necessity of financial resources equally big and powerful. The leader in the development of combination among the banks was the National City Bank, upon the directorate of which were three members of the Morgan firm. The National City, First National, the Chase National, and afterwards the Bank of Commerce were brought into close and friendly relations. The Mechanics and Metals National, the Phœnix National, the Chatham National, and the Liberty were added to the list of institutions whose funds are at the disposal of Mr. Morgan. No less than seven New York City trust companies have come under his direct control—the Astor, Bankers', Mercantile, Standard, New York, Equitable, and Guaranty. His banking power, expressed in figures, amounts to considerably more than a billion dollars; his total financial power, in which should be included the assets of all the railroads and all the industrial plants in which the Morgan influence is paramount, has been estimated at nearly ten billions. But such figures are of dubious value, for only a practical test could define the limits of Mr. Morgan's financial influence, and that test will never be made.

Certain items may be posted down, but the foundation of his authority is personal, is based upon a well-nigh universal confidence on the part of investors in the accuracy of Mr. Morgan's judgment, the sincerity of his aims, and his bred-in-the-bone honesty. Under almost any circumstances the stockholders of a corporation with which Mr. Morgan is, or has been, connected would rather have him manage their financial affairs than any other person; they are prone fairly to dump their responsibilities in his broad lap; his power has come to him as much in this way as through his own aggressiveness—though there has been no want of that. All this was illustrated most dramatically in the panic of 1907: at that time the need was not so much for a leader as for a man who could be trusted to act as the agent of all the varied financial forces that were beating about in headless confusion—to handle their money, and to bring about the thing all desired without favouring anyone or committing the banking community to any impracticable course.

At first the heads of the old, strong, conservatively managed banks and trust companies—particularly of the trust companies—thought it possible that they should hold aloof from the troubles of the other institutions. *They* had done no wrong, had made no loans, foolish, or criminal, upon unmarketable securities; and their attitude was, let the guilty be punished—it's deserved. They failed to remember that a panic is no respecter of persons, that a money stringency knows not the sacred from the profane—that all must stand or fall together in a storm of such fierceness as that of November, 1907. It was Mr. Morgan who made them change their attitude. He saw at once that the only remedy for the situation was to raise a common fund for the common necessities of all; and he, personally, made all contribute, under penalty, if they did not do so, of lacking assistance when the pinch should come home to them.

It all began as early as the month of July, when the United States Steel Corporation reported an alarming falling off in orders for its products. It was to be seen then that conditions were shaping for an industrial set-back of the first magnitude.

The fear that there would not be money enough to move the crops of that summer from the harvest fields to the market sprang up, and, along with it, a widespread disposition to hoard money. The first really impressive proof that a financial storm was gathering was furnished a little later by the attempt of the City of New York to market a large block of its own bonds. The city offered these bonds upon a four per cent. interest basis. When the bankers, who usually are ready enough to buy New York City bonds, were asked, and refused, to make a proposition upon which the Comptroller could rely to the extent of feeling assured of a market for his offering, a surprising thing happened. The city withdrew its offer, in spite of needing the money, and by this action demonstrated what a financial condition there was when it was impossible to secure the sale of a block of bonds bearing four per cent. interest, backed by the credit of New York.

CHAPTER XIV

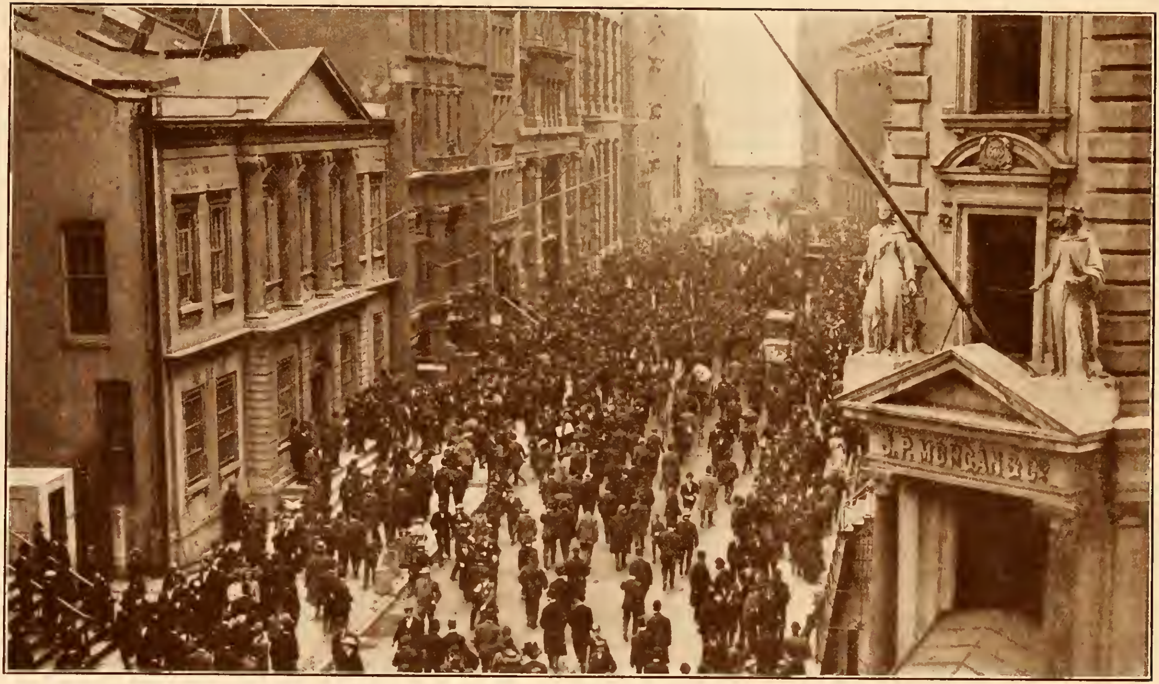
THE PANIC OF 1907

THROUGHOUT the month of September the men representing the big money interests often met in consultation; the newspapers were urged to talk encouragingly—to assert in as many kinds of ways as possible that there was really nothing in the situation that justified the growing scare. Without the fear itself there would indeed have been nothing to breed an absolute catastrophe, but if fear should drive things to an immediate accounting there were banks and trust companies which would be unable to stand the test. And so it happened; first came the Heinze failure late in October, and the investigation by the Clearing House Committee, which discovered loans on unmarketable securities in the Heinze-Morse-Thomas chain of banks. The three men were eliminated without loss of time from the banking situation, but this came too late to save the Knickerbocker Trust Company, which, through its president, Charles T. Barney, was connected with some of the Morse companies.

Mr. Barney had been in absolute charge of the institution; to be sure, there were thirty-five directors, but most of them were rich young men, possessed of but a meagre knowledge of banking, and who, moreover, paid practically no attention to the trust company's affairs. They left the management of the bank's affairs to the Executive Committee, which was dominated by Barney; and Barney passed on all the loans, some of which were unknown even to the Executive Committee. Loans to the American Ice Company, one of Morse's pet schemes, constituted one of the principal sources of the trust company's weakness. On the day before the Knickerbocker closed, Henry B. Hollins, one of the directors, called a special meeting of the board, and said that unless Mr. Barney resigned the presidency the clearing house banks would withdraw all support from the threatened trust company. Accordingly, Mr. Barney's resignation was accepted and A. Foster

Higgins elected in his place. And everyone breathed freely once more, feeling that the day was saved. After the meeting had adjourned, while some of the directors were discussing what they had done, a message came over the telephone from a bank in Newark that the National Bank of Commerce had refused to clear the business of the Knickerbocker. It will be remembered that the trust companies left the clearing house association some time before, when called upon to increase their reserves, and that each trust company had formed an alliance with some great bank which cleared its checks. The refusal of the Bank of Commerce to continue this relationship was an absolutely crushing blow, and all unexpected. It threw the directors into confusion, but it was hastily agreed to hold a meeting that evening at Sherry's, and all the directors who were in town were summoned.

The bank had ten million dollars in cash in its vaults, but this would be nothing in the event of a run. Charles W. Steele and George W. Perkins, of the Morgan firm, had been asked to the meeting, and they assured the directors that undoubtedly the clearing house banks would stand back of the Knickerbocker and advance enough money to tide the company along. But the precise manner in which this tiding over was to be done, and who was to do it, were not decided. Justice Gerard, on the other hand, advised that the trust company close its doors, saying that under the circumstances it would be folly to open in the morning. The meeting generally favoured opening, but underlying this determination on the part of the directors there was undoubtedly a definite suspicion that the company was moving on to its ruin. The talk became more and more excited as the evening drew on; doors were thrown open, and people who had been supping late at Sherry's wandered in and listened and gave their advice; strangers stood up on chairs and shouted, and in the midst of this bedlam many of them slipped away to the Night and Day Bank near by on the Avenue and put in checks to withdraw their deposits. When the line formed in the morning outside the impressive columns of the Trust Company building at Thirty-



WALL STREET IN THE PANIC OF 1907

fourth Street and Fifth Avenue, the first man was the messenger from the Night and Day Bank. He held in his hand a thick bundle of checks, and every few minutes a runner would hand him some more. Among these was a check for a million, drawn in favour of the Trust Company of America. It was a matter of life or death with this latter company, the offices and halls of which were soon to be filled with a pushing mob demanding cash on the spot for its deposits.

The same evening with this meeting J. P. Morgan hurried into town from the country; his own house was closed, so he stayed with his son-in-law, Herbert L. Satterlee, whose residence stands at one side of the library on Thirty-sixth Street, as Mr. Morgan's own house stands on the other. In the morning Mr. Morgan was at his office when Directors John Magee and G. I. Boissevain, representing the directorate of the Knickerbocker, called upon him to learn what chance there was of receiving help. Mr. Morgan said flatly that nothing could be done. No arguments would move him; he would not listen to them.

To the new president, Mr. Higgins, Mr. Morgan was just as decided, and when Higgins reminded him of the many times he had gone to the rescue of institutions in distress, the financier shook his head grimly. "I've got to stop somewhere," he said. He was willing to let this trust company suffer the consequences of its mismanagement; and the actions of some failed. With his hat on the back of his head, and smoking his usual large black cigar, he sat at his desk all that morning and awaited events. The Knickerbocker was quickly drained of its cash and closed its doors. To J. P. Morgan's mind this was in a sense an unimportant incident, rich and great as the trust company had been. He was thinking of the general financial situation and all its possibilities; he knew that the great majority of the banks of New York were in a position to weather any storm that might break, but he also knew that it would be necessary to extend assistance to a large number of banks, not only in New York, but throughout the country, banks which, although possessing assets that were unquestionably good, were going to find it impossible to realise upon them and impracticable to call upon their customers for immediate payment of their loans, since the customers simply could not get the money to pay with.

As he sat there, in came a gentleman, who, without being announced, opened the gate of the railing which surrounds Mr. Morgan's desk, and walked up to him. Mr. Morgan nodded and said, "Good morning, Mr. Frick." The two men sat chatting quietly for a few minutes. You would have thought they were engaged in an informal and unimportant conversation. But, in reality, Frick was offering millions of the highest grade of securities for a purpose that Mr. Morgan had in mind.

When Frick went away a little man came in with a quick, nervous step. Mr. Morgan greeted him with a nod; the visitor was E. H. Harriman, who also offered to be one of a group who would extend aid. In a similar manner, one after another, some ten or fifteen of the men of great capital in New York came to see Mr. Morgan, and he received them quietly and impassively, although he knew that these men came to him as their leader. At last, James Stillman, president of the National City Bank, came; receiving a most casual greeting, he went with Mr. Morgan into an inner room.

Across the street, at the Sub-Treasury, the officers were obeying instructions sent them by the Secretary of the Treasury, George B. Cortelyou. Cortelyou was prepared to deposit with the national banks of the country as much as one hundred and fifty millions of Government money; but it still remained a question how the banks were to furnish the security required by law to protect deposits of this kind. Arrangements were gradually made by which the banks were able to borrow from savings institutions, and from private owners, Government bonds in large amounts. John D. Rockefeller, for one, handed over ten millions in Government bonds without interest.

Some twelve millions of bonds were doled out to the banks, and, meanwhile, Mr. Morgan and Mr. Stillman, with one or two others, made arrangements to buy bills of exchange, chiefly cotton bills, for cotton was the article exported in largest quantities at that time; having these bills as security, they sent cable despatches to London asking for the immediate remittance of gold. Through this means the National City was able to report on the evening of the crash at the Knickerbocker Trust that it had secured some eight millions of gold which would be immediately shipped to the United States. The national banks of the entire country were notified that they could have Government deposits up to the limit of the law, and were also assured that Mr. Morgan would see to it that they could borrow the bonds necessary to secure these deposits.

While the panic was still at its height there came a sudden announcement that the United States Steel Corporation had purchased a majority of the capital stock of the Tennessee Coal and Iron Company, and was offering to buy any of the remaining shares upon the same terms upon which the majority block had been secured. This action had more effect than anything else in dissipating the heavy black cloud which was hanging over the banking situation. It virtually ended the panic.

To this day there lurks a suspicion that this transaction really explains the panic; it has been made the subject of two Congressional investigations, which uncovered much bad feeling, but failed to dispose of the various charges in a decisive way. It is perhaps still open to anyone to think that Mr. Morgan, whose whole life has been devoted to producing stable conditions in the money market, deliberately engineered a stupendous financial panic, which was likely to paralyse business, ruin industry, throw his own interests into confusion, and set the country back ten years at least, simply in order to buy at a low price a block of stock valued at seventeen million dollars. Those who hold this opinion support it with the fact that T. C. & I., with its great quantity of ore deposits and its use of the "open hearth" process in making steel, was an enormously valuable acquisition to the Steel Corporation, and there isn't a doubt that it was. The steel people asserted at the time of the panic that they did not want the T. C. & I. and were only taking it over to relieve the situation. But before many months had passed President Gary of the Steel Corporation was out with a statement setting forth the great value of the acquisition of this property. Putting aside the child's talk that Mr. Morgan and his associates caused a nation-wide panic in order to grab a competing steel company, it is fair to conclude that although their first thought was to relieve the strain of the situation, they were by no means sorry to accomplish this result with future advantage rather than future expense to themselves; nor was much sympathy spent, it is likely, upon the group of speculators who got caught with a collapsing stock on their hands.

The matter was the subject of several noteworthy conferences which took place at Mr. Morgan's library; to these conferences came in the small hours of the morning most of the important figures in the Wall Street district, remaining until the opening of business and returning again in the evening. Nothing like these meetings had ever taken place before; it was a strange scene—the beautiful interior representative of a more artistic civilisation than ours and graced with recondite and dearly bought objects of art, and the all-powerful financier, whose voice uttered the last word on every practical question, but who spoke little, and even seemed to listen little, to the others. In comes Gary, with Lewis Cass Ledyard and one or two others to take up the T. C. & I. situation. The brokerage firm of Moore & Schley had pledged six million dollars of T. C. & I. stock for loans from various banks; the banks had called these loans and were insisting that Moore & Schley take up the T. C. & I. stock. Mr. Ledyard then says that there is no possible way to prevent the failure of Moore & Schley and the failure of many banks as well, except to purchase this stock. And Mr. Morgan says to Gary:

"I don't know whether the United States Steel Corporation can afford to buy this stock or not. You know best as to that. If it does not buy—if the United States Steel Corporation or someone else does not furnish relief—no man can say what the effect will be on the financial situation throughout the country. If you can see your way clear to buy it, I have no doubt such action will relieve the situation. I will turn Mr. Ledyard over to you to see what you can do."

Gary then said he would not take a step in the matter without going to Washington to learn the attitude of the President and the Department of Justice.

"Have they any right," asks Mr. Morgan, "to say whether the United States Steel Corporation shall buy this company or not?"

And Gary said, "No, they have no such right. But," he went on, "here is a financial crisis; the purpose of buying this stock is to overcome the panic, and if the Administration should find out that we are doing this and should enjoin us on the ground that the acquisition of the stock created a monopoly, why then we should have made the financial situation ever so much worse instead of having bettered it."

"Then go to Washington," said Mr. Morgan. "Have a special train, and don't lose a moment's time."

President Roosevelt and Attorney-General Bonaparte received Gary and Frick at an early hour the next morning, and after hearing their representations, agreed that the Government would not intervene. The Tennessee Coal & Iron Company was then absorbed into the steel trust, the holders of the stock accepting the bonds of the steel company in payment.

Mr. Morgan then turned his mind to another matter—the situation of the City of New York, which some time before, as we have said, had failed in attempt to market its bonds. It was absolutely necessary for the city to raise money to pay contractors engaged in very important public works; some of these contractors were in danger of immediate bankruptcy, and some of them would have been bankrupted long before had it not been for the toleration of their creditors and for occasional and incidental assistance obtained from banks. By the middle of November the strain became so desperate that Mr. Morgan was appealed to by the city administration; in October the banking interest had come to him, a month later, the city. Mr. Morgan insisted that the city must offer the bonds at a rate of interest sufficiently tempting to induce the underwriting of the bonds under the shaky, panic conditions then existing, for it would be necessary to resort to highly artificial means involving the use of clearing house certificates if the bonds were to be underwritten at all. The city, therefore, offered the bonds at four and a half per cent., and Mr. Morgan for himself and his associates underwrote the whole block.

The change from panic conditions to the normal came very slowly, but within six weeks we had received from Europe nearly a hundred millions in gold, every dollar of which was sent to banks in various parts of the country to enable them to build up their legal reserves and to increase their loaning capacity. Mr. Morgan constantly advised the bankers of the country to take care of all their customers, such as merchants or manufacturers who were dependent upon the banks for money with which to carry on their business. It was also decided that the clearing houses of the United States should accept good assets of banks, including commercial paper, and upon these assets issue clearing house certificates. The New York Clearing House Association issued some forty millions of certificates, taking high-grade commercial paper as security; and Mr. Morgan's prediction that paper of this kind would be found as good a security as Government bonds was afterwards justified; not one dollar of this commercial paper defaulted.

The after history of the Knickerbocker Trust, which met and went down under the first blow of the panic, is interesting on account of the way Mr. Morgan's son-in-law, Herbert L. Satterlee, effected its rehabilitation. He was very materially aided by Messrs. Bourne, Tucker, Boissevain, and Hollins, who raised the large sum which the court decreed that the company must have on hand. The company closed its doors at noon, October 22, 1907. It opened them again March 26, 1908, without the loss of its solvency. In the meantime there were nearly forty-seven millions of deposits locked up. Mr. Satterlee, at the head of a committee of depositors, undertook to obtain the consent of practically all the depositors to their plans, and received from the courts time in which to do this. The alternative would have been an immediate liquidation of the company's assets, which at the prices then prevailing would have meant great losses; but it was an enormous, taxing and at times very exciting labour to persuade the depositors to come into the agreement. On the day the company opened it received two millions of deposits against half a million withdrawal.

Before this panic of 1907 the public had gained the impression that Mr. Morgan was a retired capitalist; the events of that autumn completely altered their opinion. And from that time on the public watched the great man of Wall Street with increased interest and curiosity. Not merely the man himself and the ramifications of his influence and power absorbed their attention, but also the organisation which he had built up at Number 23 Wall Street, which, beside being the most conspicuous banking house in America, was destined to carry on in the future the work of J. P. Morgan's life. This firm now consists of ten members, J. Pierpont Morgan, J. Pierpont Morgan, Jr., Edward T. Stotesbury, Charles Steele, Henry P. Davison, Temple Bowdoin, Arthur E. Newbold, William P. Hamilton, William H. Porter and Thomas W. Lamont. They were all selected by Mr. Morgan himself, and in times past his partners have always been selected by him, on his own personal judgment. Some of them, like Lamont and Davison, belong to the younger generation; these two men in particular were brought in from the banking field and have aided in the work of expanding the firm's banking connections and control, which, more than anything else, is the characteristic policy and aim of J. P. Morgan & Co. to-day. For with the panic of 1907 a new era began for the Morgan house; it has changed with the times; and the secure trend of the times being less toward building new industrial creations than toward safeguarding and refining upon the possibilities of those we have, the Morgan organisation is now on the road to becoming the one powerful factor in the world of banking and credit, in which position its influence upon all business will be more decisive than ever. Since 1907 Morgan and Company has put off its character as a huge promotion house and has taken on the functions of a great bank. It is thus attaining a position at once removed and secure at a time of political and social readjustment which promises to be the most far-reaching the country has ever known.

CHAPTER XV

THE MAN HIMSELF

IT is to J. Pierpont Morgan, of all living Americans, that the expression of a famous French historian is best applied—*a force of nature;* that is what he is, or, it may be better to say, that is what is in him; an immense and unruly power, which is only increased by the obstacles standing in its way. His personality is sometimes compared with that of Theodore Roosevelt, because both are masterful men, who overcome circumstances and silence opposition with crushing ease. Each has proved his possession of a mysterious force, an unconscious force, capable of producing tremendous results. But, after that, they really resemble each other as little as a journalist resembles a man of science, or an evangelist the merchants who are financing his campaign.

All the personal expansiveness, the vanity, of the politician are replaced in the man of capital by an aloofness that is predetermined and an equally settled and ingrained habit of avoiding every opportunity of posing before the crowd. If there is a single man, woman, or child in the United States who has not held the hand of Colonel Roosevelt, it is not Colonel Roosevelt's fault. Everyone knows how approachable he is, how friendly; that he takes the same naïve pleasure in saluting a Swedish emigrant woman at a backwoods railway station in Wisconsin as his friend, Jacob Riis, takes in returning the greetings of the children of the slum. The flash of pleasure and the look seem very personal; popularity follows the giver; and yet it needs not to be said that there are men who could not put on the free and easy manner if they would, and who would not if they could. It is not a question of calling. The late E. H. Harriman knew everybody in Wall Street, and everybody knew Harriman. Jay Cooke, Mr. Morgan's predecessor in the field of great banking, was no mean rival of P. T. Barnum, when it came to personal advertising. And there are statesmen at Washington whose disengaged air makes the blood of a visitor run cold. It is a question of pride. Everything indicates that Mr. Morgan is personally much too proud to be called a very good democrat; if the success of his life work had in the least depended upon cultivating the friendship of the common people, he would surely have failed.

It is said there are scarcely fifty men in the financial district, who have a speaking acquaintance with Mr. Morgan. Whether the number is correct or not it is certain that his acquaintance is relatively small, and that his real friendships are reserved for a very few people, chiefly the men whom he has known all his life and with whom he is very likely not associated at all in a business way. His dislike of having a meaningless fuss made over him by strangers is shown by his never appearing at public meetings and by his perennial irritation at the never-say-die reporters and camera men who unfailingly close in upon him when he is sailing or returning from across the water. In London he insists upon not being noticed when he comes in or leaves his office, and has stopped the custom of show-ering him with deferential bows which was long clung to by his employees. When he drives up to his house or his office in New York he is out of his cab or automobile and into the building in two strides, swift and purposeful. Anyone who hoped to intercept him would carry away nothing from the attempt but the mental impression of the financier's air of extraordinary vigour and the recollection of the intent and piercing expression of his eyes, fixed straight before him.

An account of the personal traits of a living man tends to become a piece of vivisection, more or less unwarranted, unless the aim is to suggest his personality, rather than to analyse it exactly. Mr. Morgan's imposing style and the extraordinary sense of vigorous life which emanates from him always, make him a personality which suggests itself, as a matter of fact, in everything he does, whether it is a matter of adding to his collection some very desirable picture or piece of china or of straightening out the affairs of an all but ruined bank. It is a personality of the Olympian order, incapable of doubt and indecision, as simple in action as a thunderbolt and as little to be argued with. The effects of his instantaneous decisions often surpass those of the most deeply laid plans; no important factor has been overlooked; no objection, on the other hand, has been seen out of proportion; in his mind's eye he sees both the end and the way to reach it, and after all has been credited that need be credited to the painstaking labour and preparation of his partners, it remains true that the touch of the marvellous which stamps his success and the success of his firm is due to Mr. Morgan's own genius.

The undebatable quality of his decisions reminds us he was almost bred a mathematician. While at Göttingen Morgan specialised in mathematics, and with the professor of mathematics he would spend long hours at problems. About ten years ago a number of New Yorkers who had been at the Göttingen University together held a dinner and invited their old professor of mathematics, who happened to be visiting this country, to be present. The German stood his ground—he gave them his own idea; looking at Mr. Morgan he said that he was indeed very glad his old pupil had succeeded so well as a banker. "But I regret," he went on, "that you did not remain at the university. Had you stayed with me you would have been my assistant as long as I lived, and, unquestionably, at my death you would have been appointed professor of mathematics in my place."

Perhaps the old German's disappointed notion of seeing J. P. Morgan a professor of mathematics is not so quaint as it sounds; it is worth while to consider him in the light in which his old professor saw him—just long enough to associate with his personality some of those very definite traits for which mathematicians are renowned. As everyone knows, mathematicians are very "set" in their ways and go through life upon a secure basis of settled notions; their love of precise statement, their antagonism to the vague and indefinite, their somewhat unsocial reliance upon their specialty as comprehending all the wisdom of the world—are equally well known. And Mr. Morgan is at least half a mathematician. And so it comes about that the opposite and unmathematical side of his nature—his faith and his fire, his impenetrable resolution and strength in action—relates itself inevitably to matters which the hand can grasp, the eye can see; to a beautiful vase, a promising railroad, a business combination of which the gain is as sure as bookkeeping, a hospital in which actual ailing people will be cared for by actual proficient doctors—but not, it is fair to say, to some political or social enterprise of which the benefits are doubtful and where the sincerity and wisdom of the chief movers remains to be demonstrated. It is related that upon one of the occasions when Mr. Morgan dined with the Kaiser, the Emperor Wilhelm opened the subject of Socialism, and was surprised to find that his guest was not in the least interested in a political movement of such consequence.

Mr. Morgan's habit of silence is one which he occasionally breaks himself, sometimes talking a great deal, either on the subject of his collections of books and pictures, when he meets someone whose interest has the effect of drawing him out, or when he chances to relate the story of some event in his life. The latter thing he rarely does, even in the midst of his own family. One evening when he was dining at home with his wife and daughters and two or three of his friends someone asked him a question about his negotiation with President Cleveland in 1895, when Mr. Morgan contracted to stop the gold from flowing out of the Treasury. He started in to tell the whole story. He told it in detail, and very vividly; it was the first time any of the company had heard what really happened on that exciting and dramatic occasion. Some of them had been going to the opera that evening; the ladies had even begun to put on their wraps. But no one thought any more about going to the opera.

One summer Mr. Morgan's son, "Jack" Morgan, invited a Harvard classmate to spend the night at Highland Falls. "My father's coming up in the evening on the *Corsair*," he wrote; "just get aboard and come along with him." The guest followed directions and found that gentleman seated on the deck in an arm-chair, reading a newspaper. After saying who he was, the other pulled out a paper from his pocket and began to read, too. The *Corsair* moved up the

Hudson, and both continued to study their newspapers in silence until the thirty-mile journey was over. "Jack" Morgan met them at the landing place, and his father, happening to be alone with him for a moment, remarked, with enthusiasm: "That is one of the nicest young fellows I've met." Sometimes the Morgan summer place, Cragston, at Highland Falls, is filled with informal parties of young people who have drifted over from neighbouring houses; somewhere a little apart from the life and movement may be seen Mr. Morgan, sitting in a wide-armed chair, self-absorbed, and outwardly chiefly interested in his cigars, of which he lights one after another.

His taciturnity and his love of mental privacy are extraordinarily marked; two or three years ago, as trustee of the Metropolitan Museum of New York, he decided to pay a visit to the archæological work in the Great Oasis of the Sahara. After a short stay in Cairo he chartered the *Arabia*, which had just been vacated by the Princess Royal, the Duke of Fife, and their daughters, for a journey up the Nile; Mr. Morgan's sister, Mrs. Burns, and his daughter, Mrs. Hamilton, went with him. While in Cairo he remained in his suite at Shepheard's Hotel, and on the river, he was safe in the beautiful dahabiyeh from the questions of reporters, or the curiosity of travellers; but there was a young Englishman to whom had been deputed the task of conducting the party on the special train from the Nile Valley across the desert—and this Englishman related, rather minutely, his impressions of the journey with Mr. Morgan and the shock of surprise which the latter gave him:

"I had been directed to take charge of Mr. Morgan and his party in the special train he had ordered for the six-hour journey across the desert," said the young Englishman, "and at the station he came up to me and in a jovial manner asked me how I did. This introductory, 'How do you do?' were almost the only words he said to me. For the rest of the six hours he scarcely uttered a syllable, with the exception of two terse questions about the desert.

"Throughout the entire journey he appeared to be plunged in the deepest thought; he sat, immersed in the profoundest contemplation, in the wicker-work arm-chair in the little saloon. This mood of silent thoughtfulness was the more surprising to me, because the journey is so full of interest that the ordinary traveller asks numberless questions along the route. After leaving the Valley of the Nile the line enters a long and desolate ravine having immense cliff-like walls of grey limestone, and finally climbs to the weird plateau of the Libyan Desert. Mr. Morgan was left entirely to himself during this journey; no one attempted to draw his attention to anything. Every now and then he would write out a cable message, which was sent off to the main line by telegraph from one of the little huts or stations on the line. An excellent luncheon was set before him, but all he took was an egg and a piece of bread, and as soon as the egg and bread were finished he plunged into thought again. His only distraction was smoking big cigars, and he must have got through a good number of them on this journey."

Mr. Morgan owns the Santa Clara province in Cuba, where a particularly dark and fragrant variety of tobacco is grown; his cigars are made for him out of this special leaf, and these large black cigars of his figure in innumerable anecdotes. Here is one which he once told himself: "I was going aboard the yacht and found that I had nothing to light my cigar with; so I ventured to ask one of the men on the pier for a match. In return for the courtesy I handed him one of my cigars—which I think a good deal of. He accepted it promptly.

" 'Thanks to you,' he said, 'I was just out of tobacco.'

"Then he broke it into little bits and stuffed it into his pipe!"

The estate at Highland Falls shelters at all times a great variety of live stock; a few years ago the Morgan collies competed in every notable show and carried off the prizes, and there were from eighty to a hundred of these beautiful and terribly lively animals barking and running about in their inclosure quite near the house itself. Collies love to gallop together and bark—even more than other dogs; and eventually, partly to do away with the noise, the collie establishment was reduced and Mr. Morgan went in for blooded cattle. The animals of his herd are all catalogued by number and the owner occasionally strolls out to their quarters, catalogue in hand and calls for number so-and-so to be led out before him, looking the animal over, studying it as he does a picture or any other beautiful and perfect piece of work.

In his youth Mr. Morgan was fond of riding horseback; afterwards he took up yachting, and was for several years Commodore of the New York Yacht Club—his intimate friends address him as "Commodore" still. He built the *Columbia* to defend the America's cup, and was a member of the syndicates that built the other cup defenders. In the intermissions of his business life when in this country he goes aboard the *Corsair,* and stays there; and the yacht takes him to Cragston, to Newport, for a day's fishing, or to Bar Harbour, or simply cruises over the sea, with no destination. Of bodily exercise, Mr. Morgan never has been fond, with the one exception of horseback riding; at one time he forced himself to work with dumb-bells and apparatus, being under the impression that his health, which was feeling the strain of business, would be benefited. His physician, however, advised him to drop all that sort of gymnastics, on the ground that it was contrary to the habits of a lifetime; and since then Mr. Morgan has worked with his brain alone, eaten and smoked as he pleased—and his strong Yankee constitution has carried him through. There is a prevailing medical theory that, not mere vacations, but variety of occupation and interests, especially when coupled with travel, will enable one to work at high pressure longer than anything else; Mr. Morgan's life is an argument in support of this theory. His business, from the very beginning, has involved two or three trips abroad each year; and on his journeys over Europe the appeal of art and the excitement of a collector increased the interest and variety of his life until there was no time for stopping to become ill.

Rome, London, Paris, and New York see him for a portion of each year. From London the greatness of the Morgan banking business may be said to have taken its rise, for it was begun through Junius Spencer

Morgan's succession to the business of George Peabody; and when Pierpont Morgan began for himself in New York he had the great advantage not only of a training in his father's house, but also received its American business.

In England Mr. Morgan has, beside his London office, his mansion at Prince's Gate, in which he had placed art treasures from every corner in Europe, his place at Putney, and another house in Grosvenor Square. The Prince's Gate residence consists of a four-story mansion, which stands on a corner, with its front windows opening on Hyde Park, not far from the famous Albert Memorial. In recent years he has added an art gallery, consisting of an adjoining mansion of almost equal size. The entire inside of this building was reconstructed; one of the stories at the top was taken out and the first floor was raised, so that the space from floor to ceiling was doubled. After the whole building had been rebuilt to answer to the needs of a modern art gallery it was filled with every sort of beautiful and artistic work, from tiny miniatures set in little jewelled frames to great paintings by old masters, ancient church ornaments, tapestries, porcelain, books, and manuscripts.

There were discontented Americans who used to complain because Mr. Morgan left so many of his art possessions in England. The former Secretary of the Treasury, Leslie A. Shaw, once asked him point blank why he did not bring his pictures and miniatures and other beautiful things to America, where the American people might have a look at them.

Mr. Morgan said: "I can't afford to."

"I knew you were a poor man," said Shaw, "but I didn't realise you were as poor as that."

"Mr. Shaw," returned Morgan, "how much do you suppose the duties on my collections would amount to if I should bring them to New York?"

"Perhaps two or three hundred thousand."

"They would amount to at least six millions."

There are agents in Antwerp, Vienna, Paris, Brussels, Rome—in fact, in almost every Continental city, whose business it is to buy for Mr. Morgan whatever they judge is a masterpiece. From time to time they receive special and urgent instructions to be on the lookout for some special piece which is needed to complete a collection. Sometimes Mr. Morgan gets what he wants through pure luck, as in the following example:

He had long possessed an incomplete set of Sèvres for the mantel; there were five pieces in the original set, but Mr. Morgan had only succeeded in obtaining four, and not in all Europe had he been able to lay his hands on the missing fifth piece. One evening, just as he was sitting down to dinner in the house at Prince's Gate, a servant brought word that a man was standing at the door with a parcel, the contents of which he said Mr. Morgan would be greatly interested to see. The financier's first impulse was to send him away; then a curious feeling came over him and he called after the servant to show the man up. The stranger placed in his hands the missing fifth piece of Sèvres.

"You want to sell this?" asked Mr. Morgan, placing it on the table beside him.

"Yes, you can buy it."

"What's the price?"

The man named a large sum, which was paid him just as soon as the cash could be obtained. Taking a receipt Mr. Morgan asked him with a little curiosity:

"What made you bring this piece to me?"

"Well, I had heard of you as a buyer of good things," was the reply, "and this is a very fine piece of Sèvres."

"I know that," said Mr. Morgan.

It had been pure chance, after all.

The collections of miniatures in this gallery surpass any collection of portraits ever brought together before; it is an assemblage of the beauties and the princes of two centuries; out of scores of great names here are a few: Charles the Second, Charles the First as a youth, Louis the Fourteenth on horesback, Mme. de Montespan, Mme. de Pompadour, Marie Antoinette, the Princess de Lamballe, the Duchess of Devonshire, George the Fourth as Prince Regent. The oldest miniature is a portrait of Mary, Queen of Scots, by an unknown painter, which at one time belonged to Charles the

First, and bears his initials. Mr. Morgan caused to be made a wonderful book of these miniatures, on the vellum pages of which each portrait has been exactly reproduced by hand in the colours of the original. One copy he presented to Queen Alexandra, who afterwards came herself to Prince's Gate to see the originals and Mr. Morgan's other collected works of art.

In 1902, Mr. Morgan, by a single purchase of about seven hundred books and manuscripts, placed his collection in the front rank in this sort. The price paid was a quarter of a million pounds sterling, and among these acquisitions were one hundred and eleven illuminated manuscripts—French, English, German, Dutch, Italian, and Spanish—all remarkable examples of antique ornamentation and hand writing. Among them was the Huntingfield Psalter, a manuscript on vellum, containing ninety-two miniatures of scenes from the Bible and the lives of the saints, which was executed at Mendham Priory toward the end of the twelfth century. A wonderful French manuscript is a Roman de la Rose, dating from about 1380, filled with miniatures of rare execution. Another is the Bourbon Book of Hours, done in 1485 for Charles de Roussillon, grandson of Charles, of Bourbon, and cousin to the Prince de Condé, who afterward owned it and whose bookplate it bears. Another Book of Hours, of Flemish execution, was bound for Mary Stuart, Queen of Scots at the time of her marriage. In the collection are over two hundred examples of the earliest press work of Germany and the Low Countries. Mr. Morgan already had the celebrated Gutenberg Bible and the Psalter of 1459, which long held the distinction of being the most valuable books in the world. Year by year he has added to this collection, a library at a time, buying what he personally likes and understands.

Some extraordinary pieces of old English plate have passed into the Prince's Gate treasure house from the great auction sales held in London within recent years. From the time of Henry the Eighth to the reign of Charles the First, the Crown possessed the most valuable collection of royal plate in Europe, but the misfortunes of the latter monarch compelled him to dispose of practically all this priceless gold and silver plate for the purpose of raising money—it was all melted down by order of King Charles and turned into coin. The present collection at Windsor Castle contains only two specimens—a rose water dish and ewer—older than the time of Charles the First. But Mr. Morgan has a Tudor bowl made in London when Shakespeare was alive; a set of "Apostle" spoons, dating from the reign of Henry the Eighth; a cup and cover made shortly after the accession of James the First out of the silver of the great seal of Ireland. He has a great silver tankard plain and massive and capacious, which was presented by Queen Mary to Simon Janszen for safely conveying her husband William III., across to The Hague in 1691. On the cover is modelled a sitting lion, and on the front are engraved the royal arms; an inscription in Dutch commends Simon to the remembrance of His Majesty "when he this cup to his lips doth lift." A fine example of a massive silver vase is decorated with the portraits of Roman emperors, and contains three panels, depicting the finding of Romulus and Remus, Mettus

Curtius leaping into the pit, and Æneas carrying his father, Anchises, from the burning city of Troy.

To turn from his collections to his business is for Mr. Morgan merely a matter of jumping into a cab, of which there are always two or three waiting near his door, and driving at a fast pace to the Morgan bank on Old Broad Street, just back of the Bank of England. It is a very inconspicuous building, jammed in among a number of other banking concerns, chiefly noticeable among the buildings of dark grey stone on account of its lighter colouring of cream-coloured plaster. But 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. At other times Mr. Morgan is driven to the offices of his shipping combination in Lindenhall Street, where there exists an enormous board room, with a round table in its centre, about which the directors sit, King Arthur style, because no one is supposed to possess superior powers over the rest. At the same time very few important matters are decided upon when Mr. Morgan is not present.

His position in the London world of business is his father's plus the vast accretion of power and influence which his own energies and successes have brought to it; in London Mr. Morgan operates blind pools just as he does in New York. There are a number of firms in London upon whom he can call at a moment's notice for immense sums of money. When he sends out a brief request for a few millions of pounds he can depend upon receiving the money without delay. These English houses are as glad to come in on anything which Mr. Morgan organises as are the American members of his syndicates, and they never ask questions as to what he means to do with the enormous funds at his disposal.

Between J. P. Morgan and his father an interesting comparison might be made; it is perhaps sufficient, however, to remark that Mr. Morgan's fondness for art and his love of collecting were direct inheritances from Junius S. Morgan. In Mr. Morgan's library in New York there hangs a vigorous portrait of his father, which has the following curious history:

In the early eighties a poverty-stricken American walked into the rooms of Agnew & Co., the celebrated art dealers of London, and asked for Sir William Agnew. Sir William was not in, and the salesman asked the man what he wanted of him. The American gave the name of Bragard and asked for the loan of a shilling.

"Why should I give you a shilling?" the clerk asked.

"Because I am an artist," replied Bragard, "and your firm has made a great deal of money through us artists—enough, I am sure, to warrant my request."

The salesman hinted his doubts of the man being an artist, whereupon Bragard asked for a pencil. Then he began to copy a portrait which was hanging on the wall, and the salesman looked on in amazement while the man worked. Bragard showed he was indeed an artist, and that he was something more than an ordinary artist; it ended with the clerk's giving him five shillings and a promise to try to interest

Sir William Agnew in getting him a commission.

A few days afterward, Junius S. Morgan, who was an old-time patron of the Agnew firm, met Agnew and was induced to sit for his portrait to his hard-pressed fellow countryman. The young man said the portrait would require ten sittings, and as the work progressed it caused somewhat of a furore among London connoisseurs; in fact, before the ten sittings were completed Bragard received at least ten thousand pounds in commissions from distinguished Londoners for their portraits.

When Junius Morgan's portrait was finally finished he counted out five hundred pounds in bills and handed them to the artist. "You will require no more sittings from me, I suppose?" he asked.

Bragard replied that he was not perfectly satisfied with the hands and would like one more sitting in order to touch them up by daylight.

The next day Mr. Morgan appeared at the studio as usual, but Bragard failed to come. The studio remained empty, and to this day there has not been discovered the slightest trace of the artist. His name was probably assumed, for all efforts to trace him or to learn where he came from proved absolutely futile.

It was like J. P. Morgan's father to order his portrait painted by an artist who had more talent than recognition, and it was like his son as well; perhaps a dozen years later, in Paris, the American financier did something of the same sort. It had been constantly suggested to him by his family and friends in New York that he let this or that artist of prestige and reputation paint his portrait. Mr. Morgan never took any real interest in these suggestions; he could not be induced to set aside the time for the necessary appointments. To one portrait painter he gave a single sitting, of an hour—and that was all. But one morning in Paris a friend dropped in to see him and said that he had discovered an artistic genius in one of the garret studios of the Latin quarter. "Let's go and see his work," said Mr. Morgan, and they spent the rest of the morning looking at the canvases of the unknown, admiring them so greatly that Mr. Morgan commissioned the artist on the spot to come over to New York to paint his portrait. The artist came the following winter and Mr. Morgan gave him all the sittings needed to complete the picture, which now hangs in his library.

On another visit in Paris Mr. Morgan heard of three wonderful tapestries which were for sale by a famous dealer in antiques. The tapestries were of the time of Charles the Seventh, historical documents of rare value, because they illustrated with undoubted accuracy the costumes and customs of that distant period. Mr. Morgan made an offer for them on behalf of the Metropolitan Museum of New York, and at about the same time the directors of the Louvre asked for an option on the tapestries. A popular agitation was begun in the newspapers to prevent their exportation from France. Mr. Morgan went to the antiquarian and said:

"If France decides not to buy those tapestries, I will."

The day before the expiration of the French option the seller was asked to extend it another week. A Louvre director explained that it was hoped that by that time the Minister of Fine Arts would give his consent to the purchase. The seller went to Mr. Morgan for his consent to this arrangement, and the financier promptly made his position clear, saying: "It is not the habit of the Metropolitan Museum, nor is it my habit, to prevent such an institution as the Louvre from obtaining what it wants of the works of art of its own country." He added that he would gladly consent to the extension of time.

But at the end of another week the Minister of Fine Arts still contended that the price was too high. Mr. Morgan bought the tapestries. Ten days afterward the directors of the Louvre made a proposal to Mr. Morgan to buy back one of the tapestries. Mr. Morgan replied that he was very sorry, but it was now too late.

Each time he goes to Rome he finds himself more at home, more and more an honourary citizen of that city in which centers the universal movement of art of all times. His return of the Ascoli cope, after he had learned that this expensive purchase had been stolen, was a definite act of a sort which could not but create a friendly feeling toward him in Italy; on the occasion of the artistic festival of 1911 he was invited to accept the honourary presidency of the foreign committee in a remarkable letter, in which, after referring to the important character of the exhibition, the committee said: "It is very natural, sir, that our first thought should turn to you, whose enlightened taste, profound knowledge and generosity without limit have made you the most enlightened Mæcenas of our times, and who has given Italy living proofs of sympathy, for which we preserve sincere gratitude."

To return to Mr. Morgan's life in New York, he completed in 1905 the beautiful art gallery, known as his "library," which stands in Thirty-sixth Street in the lot between his own residence and that of his son-in-law, Mr. Satterlee. The building is in the Italian Renaissance style, in white marble, approached from the street by a stone walk, which cuts through a vivid oblong of green lawn. Once inside the bronze doors of the building one finds oneself in a vaulted entrance hall paved with Roman stones, with a great circular piece of porphyry, on either side of which stands a pair of Cipolino columns of greenish marble from the Château de Bagatelle in the Bois de Boulogne. Through a central double skylight, of glass so transparent that the blue of the sky is seen as through the empty air, the light falls upon the walls and floor, and is reflected back to the creamy decorations of the panels. Around the octagon of the skylight are painted the Muses of Art, Science, Literature, and Philosophy; there are groups of figures, scriptural, and allegorical; the backgrounds are of Mosaic gold and the general background of the ceiling is gold, bearing a tracery of graceful arabesques. The books are in an East room, on shelving of Circassian walnut, above which are medallion portraits on a background of gold—the whole bathed in a warm, tempered light from the glass-panelled ceiling. In this beautiful and expressive building, the whole effect of which, in its architecture and decorations, is to proclaim the spiritual greatness of its contents, are stored books and manuscripts which it would require a volume to enumerate and several volumes adequately to describe.

To mention only a few, and of hundreds of manuscripts, there is the manuscript of "Paradise Lost," of Keats' "Endymion," Shelley's notebook, Pope's "Essay on Man," Lord Byron's "Don Juan," "The Corsair," "Marino Faliero," Burn's "Auld Lang Syne," "Mary Morrison," "Comin' Thro' the Rye," "Tam O'Shanter," "The Cotter's Saturday Night," the manuscript of a poem by Swift describing Stella at Wood Park, of Scott's "Waverley," "Ivanhoe," "Anne of Geierstein," "Old Mortality," "Guy Mannering," "The Lady of the Lake," and Scott's own journal. Most of the famous novelists and essayists of English literature in the nineteenth century are represented in the collection—George Eliot, Anthony Trollope, Charles Reade, the Brontës, Macaulay, Carlyle, Ruskin. Of American authors and statesmen, Poe, Whitman, Hawthorne, Thoreau, Washington, Adams, Franklin, Jefferson, are each represented by the manuscripts of their major works, or by letters.

The collection and preservation of such relics of past greatness as these manuscripts seems properly the work of national governments; Mr. Morgan has stepped in to do what the Government of this country has not been particularly efficient in doing, and, besides gathering these unreproducible documents, he has shown how they should be housed and cared for, in safety from fire and in a fit artistic setting. His gifts to the Metropolitan Museum of Art, not only of pictures, but of an entire section of the Hoentschal collection, and what appears to be a permanent loan of the famous Garland collection of Chinese porcelain, are well known. His native city of Hartford, Conn., has frequently received evidences of Mr. Morgan's interest in his birthplace. His father before him had made gifts to the public institutions in Hartford, and at one time both father and son made important gifts to the Wadsworth Athenæum, which, in the old days, was a reading-room and gathering place for lectures of a literary or artistic character. In 1890 a plan was set on foot to broaden the usefulness of the old Athenæum, and Mr. Morgan then announced that he would give six hundred and fifty thousand dollars to build an art gallery as an addition, to be known as the Junius S. Morgan Memorial. About the only stipulation he made was that the building should be of Knoxville marble, and that the plans should be submitted to him. When completed he presented the gallery to the city with many pictures and curios.

This memorial is almost the only one of all his gifts to which the name of Morgan is definitely given; the common custom of philanthropists of associating their own name and fame with benefactions has never appealed to him; all his life he has been a quick and ready giver of enormous sums or of objects which cost enormous sums, but has totally neglected to advertise himself at any stage of the proceedings; his reticence on this head, as upon so many other matters, is one of the strongly marked elements of his personality. An account of his gifts would produce an endless catalogue—he searches Europe for its art treasures, brings them to New York and gives them to the Art Museum, the Historical Society, and the Cooper Union; gives a collection of the manuscripts of Burns to the Liverpool Library and the Pan-American collection of gems to the Museum of Natural History in Paris; pays the yearly gas bill for St. Paul's Cathedral in London, gives a million-dollar plot for a lying-in hospital in New York, and then builds and finances the institution; gives half a million to the cathedral of St. John the Divine in New York, a million to the Harvard Medical School, five hundred thousand dollars to the Trades Training School, another half million to the Loomis Sanatarium, a hundred thousand to the Y. M. C. A., a hundred thousand to the public library at Holyoke, Mass., a new parish house and rectory for St. George's Church in New York, of which he is a vestryman, a hundred and twenty-five thousand for saving the Palisades along the Hudson, an isolation pavilion at Aix-les-Bâins—and so on without end. These charities are personal—that is, Mr. Morgan does these things himself, having no secretary or bureau of any kind to attend to these matters. He relies on his own judgment and has no set plan for giving, the only conditions which have to be met being, apparently, that the person who comes with a request shall impress him as a man able to carry out his plans, and that the undertaking itself shall be one of clear practical usefulness.

His manner of granting such requests is peculiar to him. In practical matters his manner is as decisive and blunt, and his speech as laconic as that of a military commander in the midst of an engagement; but the people whose vanity is hurt by his shortness of speech and inattentive air frequently find that the injury stops there, and that he is in reality giving them what they ask, and more. He was called upon one day by a physician who had become interested in the problem of how to care for poor women who were approaching confinement. To the explanation of the physician Mr. Morgan appeared to listen impatiently; he asked one or two brusque questions. Then he said: "Bring me your plans for a suitable building and endowment and I'll provide the money." It was over in five minutes, and just when the visitor thought he was about to be dismissed with a curt "No," his request involving the expenditure of a million and a half was granted.

Just after the close of the first term of William R. Grace as Mayor of New York, he became much interested in a contemplated philanthropy, and undertook himself to secure subscriptions sufficient to justify beginning the benefaction. With this purpose in mind he called upon Mr. Morgan. He did this all the more readily because he remembered that Mr. Morgan was one of the few men of large affairs in New York, who, while he was Mayor, had never asked for any patronage, and had never sought any favours for himself or his banking firm from the city. Mayor Grace stated the nature of his errand to Mr. Morgan, who answered so briefly and bluntly that Mayor Grace felt hurt. He turned to go away without another word.

"Where are you going?" said Mr. Morgan.

"I am going to leave your office. You must pardon me for annoying you with this matter."

"Wait a moment," said Mr. Morgan. He

took his pen and, after briefly writing something, gave the paper to Mr. Grace, saying: "There, take that. Come in again when you are going by and tell me how you are getting on."

The paper which he gave to Mr. Grace was a check for five thousand dollars.

After George W. Perkins came to New York to live as an officer of the New York Life Insurance Company he selected a home at Riverdale-on-the-Hudson, directly opposite the beginning of the Palisades. Mr. Perkins, with others, undertook to save the Palisades from the destructive work then under way by quarrymen. It was discovered that it would be necessary to buy the holdings of the men who were working the quarries, and Mr. Perkins, after consultation with them, found that it would be possible to make the purchase for one hundred and twenty-five thousand dollars.

In order to secure this money Mr. Perkins decided to make personal appeal to several men of wealth. His first call was upon Mr. Morgan. He was not at that time a member of Mr. Morgan's banking house. He set forth the plan by which it was hoped it would be possible to begin the work of securing the Palisades so that ultimately the whole stretch of them might become a public park.

"How much do you need?" said Mr. Morgan bluntly, and Mr. Perkins told him.

"Well, you go and see Rockefeller and Stillman and some others. See what they'll give. Then you can come back to me and I'll see what I'll do."

"But, Mr. Morgan," Mr. Perkins ventured to say, "I had hoped you would lead off the subscription list and then it would be easy for me to secure other subscriptions in sufficient amount to raise the sum needed."

"Oh, well," said Mr. Morgan, "put me down for the whole amount."

This was so bluntly said and with such apparent indifference, as though the whole matter was then and there dismissed, that for a moment Mr. Perkins did not know what to say. Mr. Morgan turned to his desk and took up other business as though the incident was closed; as in fact, it was.

When Dr. Rainsford, for years the rector of St. George's Church, of which Mr.

Morgan was and is a member, put before Mr. Morgan his plan for greatly enlarging the church work and building up a social influence as well as moral, intellectual, and technical trade auxiliaries of church work, Mr. Morgan listened, hardly interposing a remark. At last he said in his quick and what is often called his brusque manner, "Go ahead, meet your expenses as far as you can. Then bring me a statement every quarter or six months and I'll make good any deficit."

In this way began one of the strongest church organisations, doing a work of philanthropy, morality, and education to be found anywhere in the world.

These are things which Mr. Morgan, in his incorrigibly reticent and offish way, is constantly doing. His failure to dramatise himself in the rôle of giver is conspicuous; it is human to mingle one's sympathies a little with the grateful recipient of favours, it is human to unbend and emotionalise and soften at the thought of one's magnanimity and greatness—everyone who has given five cents to a beggar knows this pleasure. But Mr. Morgan has remained incorrigibly unhuman in some of these relations with his fellow men; it seems clear that he has a higher regard for his dignity than for others' liking, and that he is extreme in this, as in some other personal traits; that he believes when a thing is to be done it should be done without fuss or impressiveness, and that no occasion of the sort is really an "occasion" at all. This trait of plainness and sternness of manner and bearing, if he had not carried it so far, would have made him immensely popular. His aloofness renders that impossible. Nevertheless, if he had ever undertaken to hold a difficult public office, so great is the admiration of the American people for efficiency and personal force, they would have made him a hero in spite of himself.

In June, 1910, Mr. Morgan received the degree of LL.D. from Harvard University. President Lowell presented it to him with these words: "John Pierpont Morgan, public spirited citizen, patron of literature and art, prince among merchants; who by his skill, his wisdom, and his courage has twice in times of stress repelled a national danger and financial panic." As a description of Mr. Morgan's special place in his time the words seem inadequate, because they fail to take account of the Morgan super quality of constructive financial genius. To complete the characterisation there would need to be added something like this: "Who, in an age of enormous industrial progress, when the character of industrial units underwent a necessary change, did more than any other man to establish the new régime on a sound, permanent basis."

The Morgan influence is Mr. Morgan's greatest achievement, the authority of his methods and ideas, and, concretely, the authority of his banking house. When Mr. Morgan dies there will still be Morgan; the House of Morgan, built up upon his personality and credit, will not at once suffer abatement of prestige in any of its far-reaching ramifications. It may, indeed, begin to decline in time if his son and the partners of his selection prove unable to keep up to the standard. In this continuing and permanent Morgan quality is to be found new evidence of the singularity and essential strength of the man himself. When Harriman died, the Union Pacific, the railroad which he had chiefly made his own, retained very little Harriman influence; when the Vanderbilts loosened their hold on the New York Central or when Garrett died, leaving behind him the work of his life, the Baltimore & Ohio, or when Hill, of the Great Northern, dies, there was or will be nothing to speak of left of these men in their institutions; as financial factors their names become of no import. It is entirely otherwise with the name of Morgan.

THE END