

John Pierpont Morgan

1867-1943

In the death of J. P. Morgan on March 13, 1943, the Business Historical Society lost a life member and strong supporter. His passing ended the career of one of the leading business men of our time.

J. P. Morgan's private life was lived in the tradition of the great English and American private banker. The European bridgehead of his international banking was in London, and many of the personal connections of his family were in England. He had a New York house but his principal residence was on Long Island; he also had a house in London and a country place in Hertfordshire. He loved the sea, and his yachts—like his father's yachts named the *Corsair*—were among the best known of the world's private ships. He treasured the rare books, pictures, and art objects in his father's library and his own collection. He was something of an authority on Bibles and well read in the classics of English and Latin literature. It is said that he often came to the Bank in the morning with a quotation, applicable to the day's news, which he had derived from his reading.

Though reserved in public, with individuals Morgan was most affable and generous. He was always direct, simple, and forceful, yet thoughtful of everyone. He had a keen sense of the responsibilities that came to him. Even to the philanthropic and educational institutions which he served as trustee or member of an administrative board, he gave conscientiously of his time and energy. As a member of the Board of Overseers of Harvard University for many years he attended the meetings of the Board faithfully and participated actively in its work, and as a member of the Visiting Committee of the Harvard School of Business he gave moral and financial support to the School in its early years of struggle. The simple directness and honesty of his character invariably impressed those who met him and was the basis for continuing confidence. Among his partners he was one of the group, leading not by virtue of his position as head of the firm

but by the qualities of his personality and character and his ability as a banker.

J. P. Morgan was born on September 7, 1867, at Irvington, New York, the son of J. Pierpont Morgan of J. P. Morgan & Co., of New York, and the grandson of the American banker, J. S. Morgan, head of J. S. Morgan & Co., of London. He was educated at St. Paul's School in Concord, New Hampshire, and at Harvard College, where he received the A.B. degree in 1889. After a year with Brown Bros. in Boston, he entered banking in London in the house of J. S. Morgan & Co., and he thus received training in banking at its world's center. In January, 1892, he became a partner in the house of Drexel, Morgan & Co., of New York, already then the leading American concern in domestic investment banking, and he later became a partner in the Morgan banks of London and Paris. On the death of his father in 1913, he became the head of J. P. Morgan & Co.

It was at a critical time that the younger Morgan succeeded to the headship of the firm. The tremendous promotional drive that for over a generation characterized American business had by 1913 almost spent its force; American business was again experiencing depression; public opinion was becoming critical of banker leadership in business; and changes were taking place that tended to reduce the importance of the private banker in American business. The Pujo Committee Investigation, the Federal Reserve Act, and the death of the elder Morgan, all coming within about a year in 1912-13, marked the end of a phase of Morgan leadership.

Before the full effect of the change could work itself out, World War I transformed the business of the Morgans. When the Allies saw the necessity of purchasing war materials in the United States, they turned to J. P. Morgan & Co., which had an active house in both London and Paris. Early in 1915 J. P. Morgan & Co. became purchasing agents for the British and French governments in America. Up to the time when they turned this work over to the federal authorities on the entry of the United States into the war, they had placed orders for war supplies totaling over three billion dollars. At the same time they were also raising funds for the British and the French; they issued a \$500,000,000 Anglo-French loan in October, 1915, a foreign transaction of unprecedented size, and they subsequently sold other important though smaller issues for each of the two governments. Lord Moulton later declared that France and Britain owed their survival to three

American firms, J. P. Morgan & Co., the Bethlehem Steel Co., and E. I. du Pont de Nemours & Co. The charge was made many years later that the United States had gone to war in order to save the loans which J. P. Morgan & Co. had placed for the foreign governments. As a matter of fact nearly all the loans were well secured, and the charge against the bankers died in the Munitions Investigation of 1936.

During the decade of the 1920's came the restoration of the old-time leadership of the firm as private investment bankers. J. P. Morgan & Co. in this period became the leading bond-issuing house in the world, handling mostly the more conservative issues. They headed offerings that totaled over six billion dollars, of which roughly one-third was for foreign borrowers, chiefly Great Britain, France, Belgium, and the Argentine. Historically the Morgan firm has never had any banking relations with Germany, but in accordance with the wish of the Allied governments they headed the offering in the United States by the German Reich under the Weimar Republic of a large international loan resulting from the recommendation of the Dawes Committee as well as another under the Young Plan. At home the leadership of J. P. Morgan & Co. consisted in directing the flow of capital into ventures which they thought showed promise of being constructive.

In the report of the Senate Banking and Currency Investigation of 1933 is printed a memorandum submitted by J. P. Morgan showing that one-third of all the bond issues offered by his house in the postwar period had been paid off in full, and that almost all the others were maintaining interest and sinking-fund payments. A statement of the company shows that at the outbreak of World War II in 1939 "almost all the foreign bonds offered by Mr. Morgan's firm had already been paid in full, and only one, undertaken as a part of a program of European reconstruction initiated by all the powers, had defaulted completely,—a loan for Austria." By December, 1941, according to the same statement, "out of more than \$2,200,000,000 of foreign bonds brought out by the Morgan firm, it was estimated that less than \$200,000,000 were still in the hands of American investors."

It is notable that the firm's net worth and its assets, chiefly deposits of customers, were modest compared with those of large incorporated banks in New York or large English institutions. The strength of J. P. Morgan & Co. lay in the quality of its business. The younger Morgan and his partners, like the partners of

the preceding generation, had attracted as clients some of the leading governments of the world and many of the best-managed corporations in the United States as well as individuals strong in finance. That strength, however, rested on confidence in the head of the firm and the partners associated with him.

The panic of 1929 brought a turning point in the work of J. P. Morgan & Co. At the beginning of the panic the Morgans led a group of banks in maintaining an orderly stock market, but even the concerted efforts of a strong group could not in the autumn of 1929 change the course of the receding tide of business. Seeing the necessity of stemming deflation, J. P. Morgan and his firm in 1933 and 1934 supported the position that the President of the United States had taken in the suspension of gold payments and in his efforts to expand credit.

Depression again brought criticism of the bankers, and as in 1913 the Morgans were investigated by Congressional committees. In the hearings before the Senate Banking and Currency Committee in 1933 and the investigation of the munitions industry by a special committee of the Senate in 1936, J. P. Morgan testified concerning the work of his firm. His testimony was direct and forceful. In the course of the 1933 hearings he submitted to the Committee a statement which expressed his conception of the function and responsibilities of the investment banker. It is reproduced in part herewith as the code of the leading American investment banker, whose banking life spanned the period of financial capitalism in America.¹

The private banker is a member of a profession which has been practiced since the Middle Ages. In the process of time there has grown up a code of professional ethics and customs, on the observance of which depend his reputation, his fortune, and his usefulness to the community in which he works.

Some private bankers, as indeed is the case in some of the other professions, are not as observant of this code as they should be; but if, in the exercise of his profession, the private banker disregards this code, which could never be expressed in legislation, but has a force far greater than any law, he will sacrifice his credit. This credit is his most valuable possession; it is the result of years of fair and honorable dealing and, while it may be quickly lost, once lost cannot be restored for a long time, if ever.

The banker must at all times so conduct himself as to justify the confidence of his clients in him and thus preserve it for his successors.

¹U. S., 73d Congress, 1st Session, *Hearings before the Committee on Banking and Currency, Stock Exchange Practices*, Pt. 1 (May 23-25, 1933), pp. 3-4.

If I may be permitted to speak of the firm, of which I have the honor to be the senior partner, I should state that at all times the idea of doing only first-class business, and that in a first-class way, has been before our minds. We have never been satisfied with simply keeping within the law, but have constantly sought so to act that we might fully observe the professional code, and so maintain the credit and reputation which has been handed down to us from our predecessors in the firm. Since we have no more power of knowing the future than any other men, we have made many mistakes—who has not during the past 5 years—but our mistakes have been errors of judgment and not of principle.

The private banker has at least one other duty: he must be ready and willing at all times to give disinterested advice to his clients to the best of his ability. If he feels unable to give this advice without reference to his own interests he must frankly say so. The belief in the integrity of his advice is a great part of the credit of which I have spoken above, as being the best possession of any firm.

In accordance with New Deal legislation requiring segregation of deposit banking from investment banking, the firm of Morgan in 1934 withdrew from the investment banking business and continued as a private commercial bank. Late in 1935 some of the partners withdrew and formed Morgan, Stanley & Co., Incorporated, to do an investment banking business. J. P. Morgan's younger son, Henry Sturgis Morgan, became a member of the new firm, while the elder, Junius Spencer Morgan, remained with the old house. In 1940 J. P. Morgan & Co., Incorporated, was incorporated as a trust company under the laws of the State of New York, partly that it might exercise trust functions. J. P. Morgan up to his death remained active in the business as Chairman of the Board of J. P. Morgan & Co., Incorporated.

World War II placed heavy demands upon J. P. Morgan & Co., Incorporated, as it did upon all banks. It was in the midst of this work that J. P. Morgan passed away. His going underlines the question, how and by whom the flow of investment capital will be directed in the future. Does it mark the end of an era in business? Or will financial capitalism regain something of the hegemony that it lost in the 1930's to national capitalism? This much is clear: the strength and the weakness of any system lies in its men. American banking has lost a leader of a kind that is always needed. Its future, and that of the system which Morgan represented so long and so well, will in large measure be determined by the ability, the integrity, and the sense of responsibility of the men who shall stand at its head.