Touring the House of Morgan

By William Weisberger

The Morgans: Private International Bankers, 1854-1913
By Vincent Carosso

V incent P. Carosso is one of the most prominent scholars of American financial history and is well known for his comprehensive study entitled Investment Banking in America. In his recent work about Junius and John Pierpont Morgan, Carosso again demonstrates his mastery of the exceedingly technical yet fascinating world of investment banking.

The book is gracefully written, contains 19 chronologically and topically arranged chapters, and has two major aims. Carosso’s first intention is to write a collective biography of Junius and Pierpont Morgan, and his second purpose is to examine the inner workings of the investment houses of the Morgans. Many readers in the Western Pennsylvania region will find the book especially interesting because of the role the House of Morgan played in financing area railroad operations and most of all, in the formation of United States Steel.

This detailed biographical and institutional study is based on primary materials from the Morgan family papers and on business records from three of the Morgan firms. The book contains two major theses. The first thesis suggests much about the personal qualities of the Morgans; both father and son were known for their conservative and prudent investment banking practices, for their leadership skills, and for their integrity. The second thesis is that through the massive selling of securities of railroads and manufacturing industries, the four Morgan firms attempted to foster efficient corporate activities and ultimately helped to promote the growth of industrialism and urbanization in America and in other nations.

In the first six chapters of the book, Carosso examines major historical features of investment banking, the careers and personality traits of the Morgans, and the institutional operations of their banking houses. The introductory chapter contains an incisive analysis of the evolution of European and British merchant banking: the use of double-entry bookkeeping and bills of exchange; the role of the Medicis and the Fuggers in providing loans for trade and wars; and the place of the Baring Brothers and N.M. Rothschild & Sons in raising funds for the promotion of British commercial activities.

The first four chapters describe the lives and early business activities of the Morgans. Junius Morgan was born in West Springfield, Connecticut, on April 14, 1813, and was the only son of Sarah and Joseph Morgan. Similar to his father, who operated the Hartford Exchange Coffee House and a successful stage line, Junius exhibited interest in banking; he apprenticed under Alfred Welles, a combination merchant and banker from Boston. After serving as a partner with Welles during the early 1830s, the young Morgan entered into the wholesale dry good business of Howe Mather & Co. and during the panic of 1837 displayed shrewdness in collecting bills for his Hartford firm. Junius continued to expand his horizons in business, serving as a director of the Hartford Insurance Co., becoming a partner in the large importing house of James M. Beebe and Co. in 1851, and entering into partnership three years later with the prominent Boston financier George Peabody.

Marriage, too, accompanied the rise of Morgan in the world of business and finance. Junius married Juliet Pierpont of Boston, and she gave birth to their first child, John Pierpont, on April 17, 1837. Carosso convincingly depicts the early life of Pierpont, describing his activities at the Cheshire School and at the Pavilion Family School and emphasizing his interests at Vevey and the University of Gottingen in German and French, the classics, and the fine arts. The book, as well, contains illuminating accounts of Pierpont’s interests in business, of his first position on Wall Street with the firm of Duncan and Sherman, and of the establishment of the J. Pierpont Morgan & Co. in 1861.

Carosso well assesses the contributions of Junius Morgan to George Peabody & Co. Serving as the head of the firm’s London office from 1854 to 1864, Junius proved to be a very adept manager and financier. In addition to financing importers and exporters, he sold to British and European buyers his securities of the Ohio and Mississippi Railroad, the Illi-
illinois Central, and the Baltimore & Ohio. Carosso correctly suggests that the ending of the American Civil War was important to the Morgans, for both financiers were to head and to direct four investment houses: J.S. Morgan & Co. in London; Drexel, Harjes and Co. in Paris; Drexel, Morgan & Co. in Philadelphia; and J. Pierpont Morgan & Co. in New York.

There are detailed and vivid accounts of the role of John Pierpont Morgan in financial and economic activities of America between 1869 and 1890. Carosso demonstrates that the success of the Morgan firms in American economic life can be ascribed to their services and leadership. Walter H. Burns, Egisto Fabbri, the Philadelphians Francis Drexel and Edward Stotesbury, and other partners were loyal to the Morgans, were capable and decisive, and, most importantly, were knowledgeable of financial markets. In addition to recruiting American and foreign corporations as their clients, the Morgans and their partners also provided assistance to the American government during panics and depressive business times. Carosso impressively shows that the Morgans cooperated with officials of the United States Treasury to avert financial disaster after the panic of 1873 and that the House of Morgan participated in a syndicate with the Seligman and Rothschild firms between 1876 and 1879 to sell treasury bonds to reduce debts from the Civil War.

However, the major thrust of the Morgans’ investment activities at this time centered on the railroads in America. In helping to finance these companies, the Morgan firms worked in syndicates with other New York investment houses, sold bonds and stocks both privately and publicly, and, in some cases, even assumed management responsibilities. Many railroads with which the Morgans became involved were important to the industrial and urban development of Pennsylvania and Ohio. The Morgan firms during the late 1860s rescued the Albany & Susquehanna Railroad and the Marietta and Cincinnati Line from financial disaster. On numerous occasions during the 1870s and 1880s, the House of Morgan sold securities for the New York Central Railroad, the Pennsylvania Railroad, the Pittsburgh & Connellsville Railroad, and the strategically located Erie Railway. The Morgan firms, too, became involved with railroad restructuring activities, helping the debt-laden Baltimore & Ohio and Chesapeake & Ohio lines to reorganize.

Despite these great financial successes, the House of Morgan experienced two setbacks. The death of Junius in June of 1893 produced a “watershed” for the powerful transatlantic investment house, forcing it, as well, to reorganize.

Chapters in the last half of the book illustrate the predominance of J.P. Morgan & Co. in the world of investment banking between 1890 and 1913. J.P. Morgan, who was known for his dark and piercing eyes and walrus-like mustache, was perceived as the Zeus of the financial gods; the forceful Morgan wasn’t reluctant to make changes in leadership to enhance the operation of his firms. Morgan, at this time, began to encourage specialization within his firms and to admit new partners: the experienced bankers Henry P. Davison and Thomas V. Lamont to the New York firm and the prominent Britons Clinton E. Dawkins and Edward C. Grenfell to the London house. Carosso, as well, shows that during times of economic uncertainty, Morgan continued to provide assistance to the American government. Morgan participated in syndicates between 1894 and 1896 to sell treasury bonds to bolster the gold standard and extended sizable loans to the Knickerbocker Trust Co. and to the New York Stock Exchange to avert disaster during the panic of 1907. Carosso maintains that despite these and other economic downturns, the House of Morgan continued to prosper during the first decade of the century. The book contains an extensive account of Morgan’s greatest business accomplishment — the acquisition of Andrew Carnegie’s steel interests in February of 1901 and formation of the $1.4 billion U.S. Steel Corporation. Carosso also explains that Morgan sold bonds to assist the West Virginia & Pittsburgh Railroad, reorganized the Erie Railway, offered notes for the newly created General Motors Co., and served in international banking syndicates to foster “Dollar Diplomacy.” The book ends with a detailed discussion of Morgan’s defense of his investment banking activities before the Pujo Committee and with a brief account of his death on March 31, 1913.

This work, which is vastly superior to the standard biographies of Satterlee and Allen, is an impressive and important study. Carosso’s theses concerning the personal qualities of the Morgans and of the institutional operations of their firms are effectively presented and developed. The book, moreover, will be regarded as a classic in business and investment banking history, for it contains persuasive interpretations and supporting evidence to demonstrate the intimate connections between the Morgan firms and their executive corporate clients. The book contains a fine bibliography and over 200 pages of detailed footnotes. The major criticism of this fine study, however, is that Carosso says nothing about the upper class
in America and the Morgans’ connections to it.

Through their major interests in rapidly developing industrial markets and firms, the Morgans were well acquainted with the business world of Pittsburgh, which after the turn of the century became a powerful regional center for investment banking. Although Carosso doesn’t mention the Pittsburgh Stock Exchange, this review essay is a good place to do so because just as in New York, the leadership of the local exchange provided a market for regional stocks that allowed local investment banking to flower and to prosper during the industrialization period.

According to the stock exchange’s thirtieth anniversary history, issued in 1924 by Eddy Press, three other exchanges preceded it. The growth of the oil industry in Western Pennsylvania stimulated first the organization of the Pittsburgh Oil Exchange on July 25, 1878, and then the creation of its successor—the Pittsburgh Petroleum Exchange, which was established on July 7, 1883, and was headed by C.W. Batchelor. As a result of the rapid rise of the iron and steel industries, the Pittsburgh Petroleum, Stock & Metal Exchange was established on January 11, 1886, and was ultimately succeeded by the Pittsburgh Stock Exchange eight years later; this stock exchange was organized on March 26, 1894, and evidently suffered from the financial problems resulting from the gold crisis of the early 1890s. The exchange at first leased the second floor of the old Union Trust Building and in 1902 moved to 333 Fourth Avenue. Providing the exchange with capable and prudent leadership, Henry M. Long, William Mustin, A.E. Masten, John Barbour, and seven other prominent Pittsburgh investment bankers served as its president between 1894 and 1924. By the early 1920s, the exchange consisted of approximately 115 members and charged each member about $100 for a seat. Most members were from the Pittsburgh vicinity, but a few were from New York, Philadelphia, Cleveland, and Columbus. Members at first used a cumbersome and time consuming “call” system to announce their trades. As a consequence of increased business, the exchange after 1902 eliminated this system and introduced more efficient methods of conducting business.

During the early 1920s, there were 104 stocks and 51 corporate bonds listed on the Pittsburgh Stock Exchange. Union National Bank, the Fifth Avenue Bank, the Bank of Pittsburgh, Carnegie Lead & Zinc, United States Steel, Standard Plate Glass, Westinghouse Electric, and the Pittsburgh, Bessemer & Lake Erie Railroad were representative stocks offered. The exchange made a market for such bonds as: the Pittsburgh & Allegheny Telephone Co.; the Bloomfield Street Railway; Heidenkamp Plate Glass; the La Belle Iron Works; and the Columbia Steel Company. It was certainly unfortunate that having faithfully served the Pittsburgh business and corporate community for over 80 years, the exchange, which traded two stocks in 1974, closed its doors forever that year.

Majesty of the Law: The Court Houses of Allegheny County
By James D. Van Trump

The dean of Pittsburgh’s architectural historians on the dean of Pittsburgh’s buildings—that is the reasonable expectation for a reader to have when turning to James Van Trump’s Majesty of the Law. It is a high expectation, considering the quality of Van Trump’s half-century of writing on Pittsburgh, as well as the quality of H.H. Richardson’s courthouse of 1884-88.

Whether that high expectation is fulfilled or not depends on the reader’s attitude to the author’s scholarly approach and its results. Obviously, Van Trump’s school of writing—discursive, personal, even conversational—is the antithesis of what he calls in the preface kunsthistorisch. Kunsthistorisch, the German view of art history as a science, is what Van Trump spurns as an obsession with footnotes, bibliography, citations, and scholarly apparatus that sometimes become obstacles to the genuine enjoyment of art and architecture. This reviewer has no wish to contradict Van Trump there: the excesses of the positivist school of art history are legion, and they can indeed overpower our personal readings of certain monuments.

Van Trump assigns to his own work the more limited role as the “record” on which further scholarship on Richardson’s courthouse will be based. This is only fair; he got there first and no one has worked for so long, not only to record the built environment of Pittsburgh, but (as co-founder of the Pittsburgh History & Landmarks Foundation) to preserve it. On the other hand, it is fair to ask whether this is a substantial enough record on which later investigation of this building might proceed. And it seems fair also to ask whether this is, even for Van Trump, the appropriate approach to take to this internationally famous building.

The best of the book is Van Trump’s examination of the first courthouse, an anonymous work of about 1799. That modest building is so poorly recorded—no known architect, simple technology, no firm dates of construction, uncertainty about whether its capitals were Corinthian or Doric.