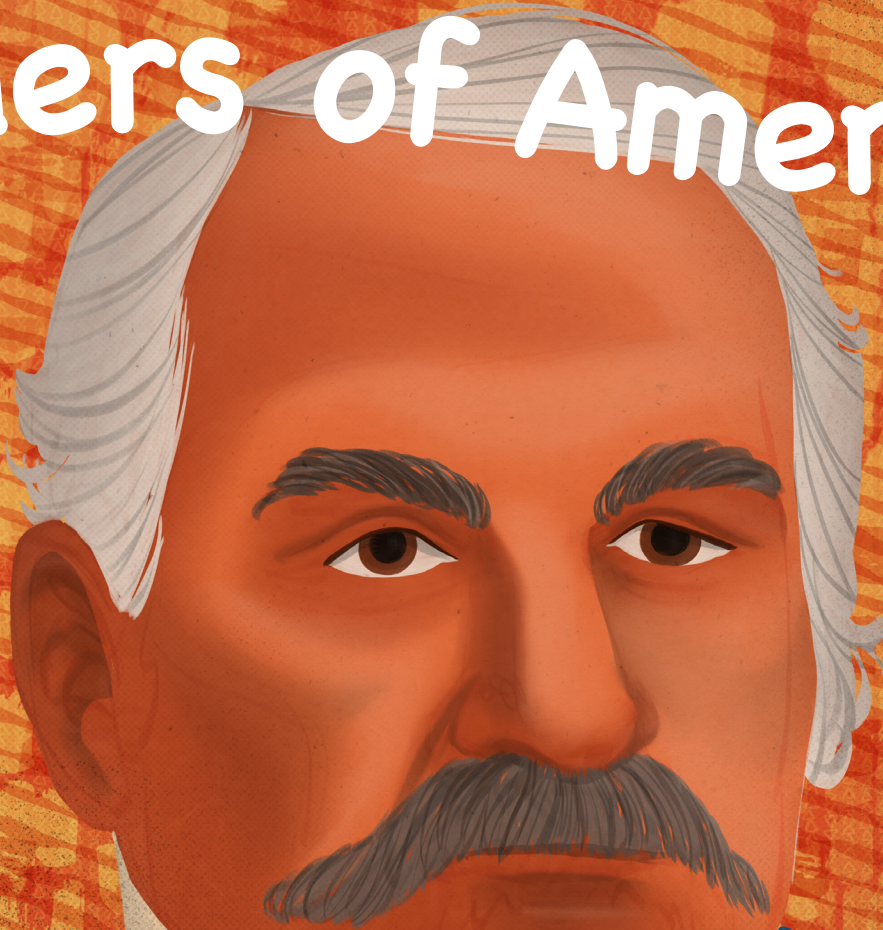


Builders of America



I became one of the most powerful bankers in the world by reorganizing and financing industrial consolidations.

J.P. Morgan

Meet John Pierpont Morgan

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

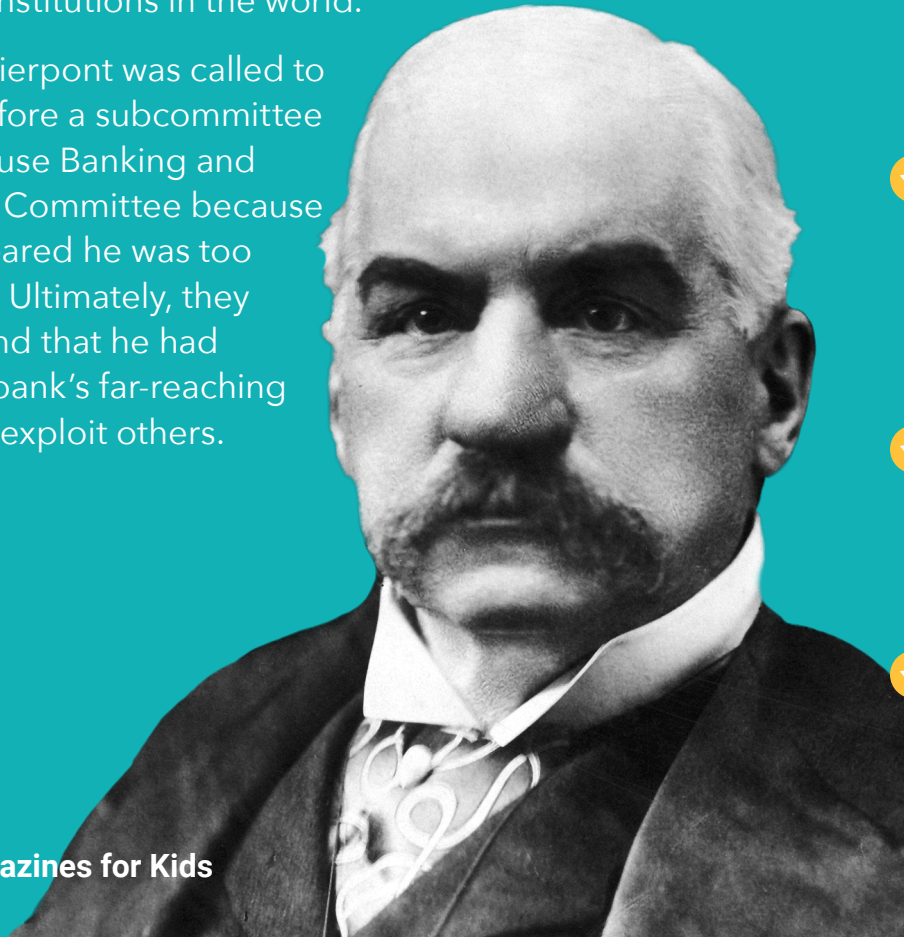
Pierpont, as he preferred to be known, was well-traveled, university educated, and well-connected to the international banking world through his father's associations.

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

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

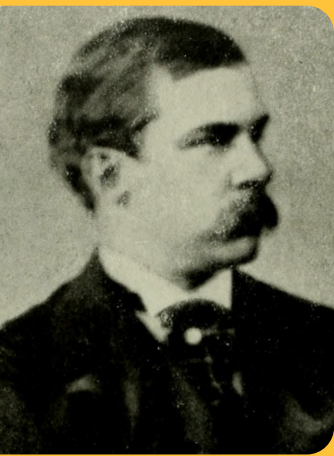
Pierpont helped secure U.S. government financing during major economic crises. In 1895, his firm reorganized as J.P. Morgan & Company, and became one of the most powerful banking institutions in the world.

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



At-a-Glance

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



Early Life

The eldest of Junius Spencer Morgan and Juliet Pierpont's five children, including a brother who died in childhood, John Pierpont Morgan grew up in Hartford, Connecticut

and Boston, Massachusetts. As a child, he was known affectionately as "Pip."

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

Pip was prone to illness throughout his life. At age fifteen, he became crippled with

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

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

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

A Bold Transaction

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

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

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

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



Finding His Way

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

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

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

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

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

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

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

– John Pierpont Morgan

Discreet Dealings

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

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

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



RAILROADS: OFF THE RAILS

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

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

The railroad industry attracted ambitious and inventive men, but also attracted ruthless **charlatans**.

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

Back on Track

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

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

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

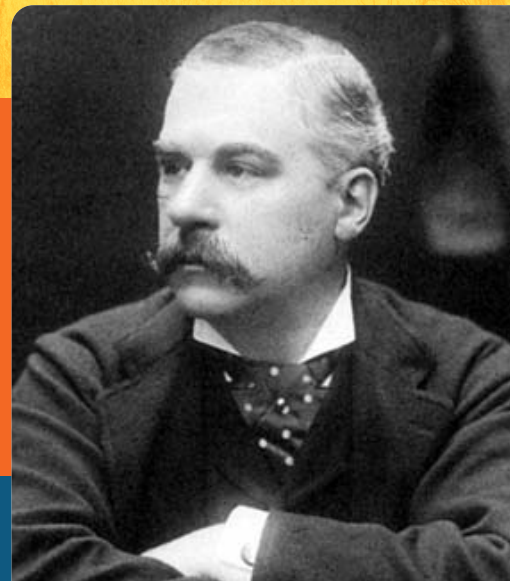
Pierpont recommended reorganizing the West Shore Road under the wing of the Central. In return, the Central would turn over the South Pennsylvania project to the Pennsylvania. To present his plan, Pierpont organized an afternoon meeting of the top executives from both railroads aboard his yacht, the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

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

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

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

– John Pierpont Morgan



Central Banker

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

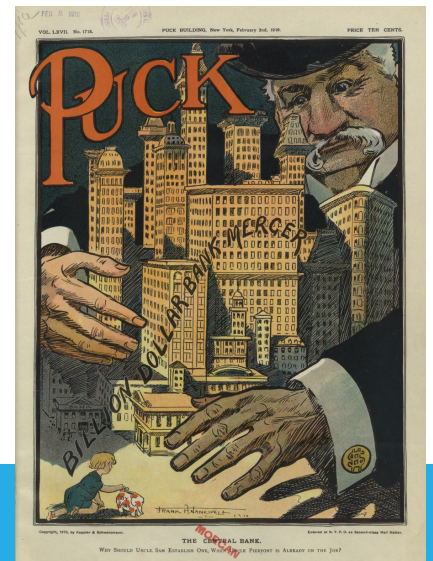
After the 1893 Wall Street crash, foreign investors began to doubt America's economic strength and hurriedly sold gold-based railroad bonds. As a result, U.S. **gold reserves** plummeted. With no central banker on the American side, the issue could not be resolved with mere credit arrangements.

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

Years later, Pierpont was again summoned to intervene in another gold crisis – in the

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

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



LATER LIFE

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

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

Pierpont traveled to Europe with his daughter Louisa and died just weeks before his seventy-sixth birthday. He left his vast estate to his widow and children. Everybody who worked for J.P. Morgan & Company received the equivalent of one year's salary. Pierpont bequeathed most of his art collection to the Metropolitan Museum of Art.

Fascinating Facts about Pierpont

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



The Morgan residence at 219 Madison Avenue



Fill-in-the-Blank

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

Word Scramble

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

Making Order – Word Ladder

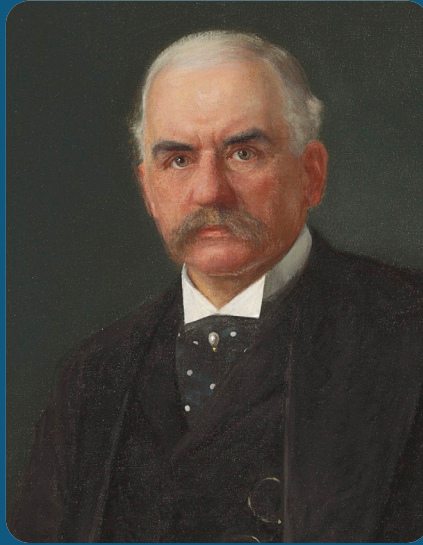
Pierpont sought to bring order to the chaotic railroad industry to end lawless practices and stabilize rates.

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

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

Glossary

- **Capital:** Wealth, whether in money or property, often used in the production or accumulation of more wealth.
- **Charlatan:** A person who falsely pretends to have more skills or knowledge than they really have.
- **Commutation:** The substitution of payment for a type of service, such as military service.
- **Consolidation:** The merger of two or more corporations into a single new corporation.
- **Contemporary:** Being of the same time or age.
- **Depreciate:** To decrease in value; often refers to currency, homes, or cars.



- **Financier:** One who engages in investing or raising large amounts of money.
- **Gold reserve:** The gold held by a government or central bank, often to settle its international debts.
- **Holdings:** Legally owned property, especially stocks, bonds, or real estate.
- **Insolvent:** Being unable to pay debts owed.
- **Securities:** A financial instrument that has value and can be traded, such as a bond or stock certificate, that represents a certain financial amount.
- **Tuberculosis:** An infectious disease that affects human body tissue, usually the lungs, and that is characterized by fever, cough, and difficulty in breathing.

Sources

The American Heritage Dictionary of the English Language (online edition). Boston: Houghton Mifflin Harcourt.

Allen, Frederick Lewis. *The Great Pierpont Morgan* (Perennial Library). Harper and Row, 1949.

Biography. "J.P. Morgan." *Biography*, 26 Mar. 2021, www.biography.com/business-figure/jp-morgan.

Britannica, The Editors of Encyclopedia. "J.P. Morgan." *Encyclopedia Britannica*, 13 Apr. 2021, <https://www.britannica.com/biography/J-P-Morgan>. Accessed March 2022.

Britannica, The Editors of Encyclopedia. "gold reserve." *Encyclopedia Britannica*, 20 Jul. 1998, <https://www.britannica.com/topic/gold-reserve>. Accessed March 2022.

History.com Editors. "J.P. Morgan." *HISTORY*, 7 June 2019, www.history.com/topics/19th-century/john-pierpont-morgan.

Morris, Charles. *The Tycoons: How Andrew Carnegie, John D. Rockefeller, Jay Gould, and J. P. Morgan Invented the American Supereconomy*. First, Holt Paperbacks, 2006.



FILL-IN-THE-BLANK KEY: 1-HARTFORD, CONNECTICUT, 2-AZORES ISLANDS, 3-SECURITIES, 4-RAILROAD, 5-GENERAL ELECTRIC, U.S. STEEL, 6-GOLD RESERVES, 7-COLLAPSE, 8-MONEY TRUST, 9-PIERPONT, 10-OVERSEAS.
WORD SCRAMBLE KEY: 1-PIERPONT, 2-CAPITALISM, 3-RAILROAD, 4-PROFIT, 5-TITANIC, 6-INDUSTRY, 7-BROKER, 8-CRASH, 9-TRANSACTION, 10-OVERSEAS.
MAKING ORDER KEY: 1-BANKER, 2-BACKER, 3-EMBARK, 4-MARKET, 5-TALKER, 6-TRAVEL.