The House of Morgan Study Guide

The House of Morgan by Ron Chernow

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Plot Summary

The House of Morgan by Ron Chernow is a well-written and very interesting history of the Morgan banking dynasty. It explains how George Peabody opens the company called George Peabody and Company and, since he has no heirs, brings in Junius Morgan as a partner in 1854. When Peabody retires, Morgan has the business but cannot use the Peabody name. Morgan is upset because Peabody is a well-respected name in the banking world. Junius renames the business J.S. Morgan and Company. This is the bank that becomes the House of Morgan, an international banking empire.

Chernow tells the history of the House of Morgan, basically the history of the financial world. The House of Morgan is the banker for royalty and nations, including the Vatican. For many years, they are more powerful than most governments who, up until the time of World War II have to rely on private bankers to finance their wars. Chernow relates how J.P. Morgan would intervene to keep the stock market open or to negotiate deals in different countries to supply gold to keep the world currency markets open and the pound and dollar stable. In the days before a central bank or the Federal Reserve System, the House of Morgan fulfilled many of the roles of a central bank arranging for money for governments' use. The House of Morgan is a major financier of World War I. In the post-war period, the German reparations to the Allies are used by the Allies to pay their war debts. This causes problems up until the outbreak of World War II. Morgan personnel function as financiers to Japan and to Mussolini.

The Morgan role in the Latin American debt crises is told in detail from the initial loans through the repudiation and write-off of the debt on the advice of President George W. Bush. The Morgans are always able to put together syndicates to raise loans for important parties. The outbreak of World War II brings about changes since the banks can no longer muster the resources needed to finance wars. The Morgans still function as intermediaries for governments.

Chernow follows the path of the major Morgan operations. There is J.P. Morgan and Company in New York which splits into the Morgan Bank and Morgan Stanley when the Glass-Steagall Act is enacted. Morgan Bank eventually merges with Guaranty Trust to become Morgan Guaranty. The London office is known as Morgan Grenfell. Their operations change as the world changes. The big trusts form and then dissolve during the days of trust-busting. What begins as a merchant bank eventually becomes active in mergers and acquisitions, including hostile takeovers and corporate raids with junk bonds. The different branches never reunite after the break-up caused by Glass-Steagall. They basically become competitors with one another as they expand into different operations in different countries as Chernow reveals one hundred fifty years of Morgan history.

Part 1 Chapter 1 Scrooge

Part 1 Chapter 1 Scrooge Summary and Analysis

The book opens in 1835 with the world in a debt crisis as many American states default on their bond interest payments. This is the time of the building of railroads, canals and turnpikes in the United States, financed with bonds sold mostly in London. The London of this time is the center of the financial world. Peabody is trying to work out a deal between the American debtors and the London creditors since the Americans can't meet the interest payments on their debt. He wants the London creditors to extend new loans so the American debtors can pay off the old loans and they agree to extend another eight million dollars in credit. Peabody waives his commission of $60,000 from Maryland.

Peabody, born to a poor family in Danvers, Massachusetts, moves to London in 1837 and opens a merchant bank in 1838. His bank specializes in American state bonds. George Peabody and Company is an American owned house in London. The British feel that an American house cannot last. Peabody wants to prove them wrong. American borrowers are not in good standing with the British after their default in the 1840s. Peabody feels the effects when Maryland and Pennsylvania default. Peabody begins a propaganda campaign to get Maryland to resume interest payments. When they resume interest payments, Peabody becomes wealthy. He amasses over $20 million in the 1850s and in 1854 begins to partner with Junius Morgan.

Peabody begins to look for someone to run his business when he is nearing sixty. As a bachelor, he has no heirs, which is why he brings Morgan in as a partner. Peabody and Morgan have a stormy relationship during the next few years. In 1857 the business faces a financial squeeze that almost forces the closing of the business, but they are saved by a line of credit from the Bank of England. At this time, Morgan's son, Pierpont is learning the business at Peabody's New York agent, Duncan, Sherman and Company.

Morgan gains control of George Peabody and Company in 1859 even though Peabody remains the nominal head until 1864. During the years of the Civil War, Peabody, who finally makes a return trip to America, becomes known as a philanthropist in both countries. He refuses royal honors from the queen who wants to reward him for his generosity. He retires in 1864 according to his agreement with Junius Morgan, but refuses to allow Morgan to use the Peabody name. Morgan renames the company J.S. Morgan and Company.

Part 1 Chapter 2 Polonius

Part 1 Chapter 2 Polonius Summary and Analysis

The Morgans are a wealthy family, unlike Peabody who had to earn his wealth. The first Morgans arrived in America sixteen years after the *Mayflower.* Their ancestral home is Hartford, Connecticut. They own the Aetna Fire Insurance Company, canal and steamboat companies, stagecoach lines, and financed railroads. The career of Junius begins when his father buys him a partnership in a dry-goods business in 1836. He marries Juliet Pierpont the same year and the following year John Pierpont Morgan is born to them. Junius sells his partnership in the dry-goods business in 1847 and becomes a partner in J.M. Beebe, Morgan and Company, the largest mercantile house in Boston. His son Pierpont attends English High School there and then boarding school in Switzerland. He also attends university in Gottingen, Germany in 1856. He founds the J.P. Morgan and Company in 1861 with his cousin. This isn't the company that became part of the banking firm.

Pierpont's purpose is basically to provide his father with information and intelligence about conditions and events in the United States while Junius is in London. This is the time of industrialization and railroads in the United States with many firms requiring money. Junius wants to be on a level with the Rothschilds and Barings in the world of finance. The opportunity comes when France need money to finance a war. Junius finances a syndicate issue of $50 million. This means banks pool their capital and share the risk. Even though the French lose the war, they repay their bond debt which earns Junius over $1.5 million.

This chapter provides background about the lives and character of Junius and Pierpont Morgan. It reveals their dealings during the Civil War and the deal that makes Junius a force in the banking world with his syndicated loan to France. This chapter reveals the background for how the Morgans become a name in investment banking since it is Junius's goal to rival the Rothschilds.

Part 1 Chapter 3 Prince

Part 1 Chapter 3 Prince Summary and Analysis

The Morgans are active in helping to finance this period of railroad development in America. Pierpont and Fanny make a transcontinental journey on the railroad in 1869 when it is completed. Pierpont proves himself in the battle with Jay Gould over a little 143 mile railroad between Albany and Susquehanna in upstate New York. He merges the railroad with the Delaware and Hudson line and becomes a director of the merged line. Pierpont and Fanny have four children, Louisa, born in 1866, John Pierpont Jr. or Jack, born in 1867, Juliet born in 1870 and Anne, born in 1873.

Pierpont Morgan is not a self-made business man. His business life is arranged by his father, Junius, a fact that he acknowledges. When Pierpont's partner, Dabney, retires in 1871, Junius arranges a partnership with Drexel, the Philadelphia and Paris banking company. Pierpont becomes the manager of Drexel, Morgan and Company. This is the forerunner of what will eventually be known as the J.P. Morgan and Company, the famous investment banking company. Tony Drexel builds an ornate building at Wall and Broad Streets, across from the New York Stock Exchange to house the new business. "Through their interlocking partnerships, the Morgans now had footholds in New York, Philadelphia, London and Paris. These would remain the brightest stars of the Morgan constellation for a century" (Chapter 3, pg. 35).

The failure of the Northern Pacific Railroad bonds and the house of Jay Cooke causes a Wall Street panic in 1873, along with the Credit Mobilier and Union Pacific Railroad scandal. Pierpont manages to show a profit during the year of the crash. The crash of 1873 further shapes the strategy of the company. They will avoid speculative ventures and deal only with strong companies. Pierpont becomes the most powerful man in America through the use of the voting trust. Pierpont's philosophy changes and the company will only deal with high quality firms after this. He develops the voting trust that eventually makes him the most powerful man in America giving him control of most of the railroads and other companies. Pierpont remains in his father's shadow until Junius' semi-retirement in 1877. The Morgans become known for their honesty in their business dealings. When Junius begins semi-retirement, Pierpont begins to emerge as his own person as he builds a financial empire based on honesty and fairness.

When Commodore Cornelius Vanderbilt dies, his son William Henry decides to sell his stock in the railroads and has Pierpont's company handle the sale. Pierpont successfully does so at a time when the financial world isn't touching anything to do with American railroads after being stung for $600 million dollars.

Part 1 Chapter 4 Corsair

Part 1 Chapter 4 Corsair Summary and Analysis

In 1882, Pierpont and Fanny move to Madison and East Thirty-Sixth Street into the first private residence with electricity. Drexel, Morgan is the financier for Thomas Edison's company, Edison Electric Illuminating Company. In spite of their wealth, Fanny and Pierpont shun the extravagant life styles of the Astors and Vanderbilts. Pierpont is an active philanthropist who shuns social welfare agencies. He prefers to establish institutions like Groton and the Metropolitan Museum of Art. In spite of their differences and Pierpont's infidelities, Fanny and Pierpont devote Sundays to religion and Saint George's Church.

Pierpont buys a yacht named the *Corsair* which becomes the setting for many business and other meetings. The railroads continue their battles with one another and Pierpont acts as arbiter between many of them through trips on his yacht. The nation suffers from overbuilding of railroads which leads to many rate wars between them. It also makes it difficult for them to pay their debts. Pierpont negotiates an agreement among the railroads to stop their rate wars for a period of sixty days. His plans fall apart, as the larger railroads are undercut by the smaller ones.

Junius dies in 1890 and is buried in Hartford, Connecticut. Pierpont inherits the banking business and the estate of $12.4 million. He orders a new yacht, the *Corsair II* and goes on an art buying spree. Pierpont also has only one male heir, Jack to groom to inherit the private banking business. Jack graduates from Harvard in 1889 and marries Jessie in 1890. He becomes a partner in the Morgan banking business in 1892. When Drexel Sr. dies in 1893 and Drexel Jr. retires, the firm is reorganized and renamed J.P. Morgan and Company in 1895. The Philadelphia office retains the Drexel name but without the Drexel family involved. "Among the four Morgan partnerships, the only common denominator would be Pierpont's position as all powerful senior partner; his associates, in contrast, might be partners in some, but not all the firms. Pierpont would take 35 percent of the profits of the combined houses. Power had now passed from London to New York, which would remain the command post of the Morgan empire. Despite it's

multinational veneer, the Morgan empire would be American-based, with partners at 23 Wall wielding disproportionate power" (Chapter 4, pg. 65).

Pierpont's handling of the railroads ties them up in binding covenants and trusts that they cannot escape from. They are consolidated into six big railroad systems controlled mostly by Morgan by the year 1900. Becoming a Morgan partner is now one of the most coveted positions on Wall Street and throughout the financial world. This chapter shows how the Morgan empire concentrates power in the form of voting trusts and how Pierpont becomes the most powerful man in America. From Pierpont's point of view, he is trying to straighten out the mess that the American railroads are in.

Part 1 Chapter 5 Corner

Part 1 Chapter 5 Corner Summary and Analysis

Argentinean securities are very popular in London in 1890 until the collapse of the wheat crop and the government. Baring Brothers and Junius Morgan are the principal holders of the Argentinean securities and the only thing that saves Baring is a rescue fund by the Bank of England. At the same time there is a gold drain in America worsened by a bank panic in 1893 as Europeans and others exchange their dollars for gold. There is a movement to quit the gold standard because of internal economic problems. Pierpont Morgan is against this because it will ruin the United States in the London credit markets. The U.S. credibility in London and in European markets depends on the dollar's convertibility into gold. If the dollar isn't convertible, the Europeans will not buy bonds from American entities and the credit markets will dry up for U.S. firms. The U.S. currency is not as stable or wanted as the pound sterling is. The pound sterling is still the world's key currency.

Grover Cleveland, President at this time, cannot get the Congress to replenish the U.S. gold supply. Pierpont puts together a deal with Rothschilds to sell 3.5 million ounces of gold for $65 million in thirty year gold bonds that won't flow out of the country again. If not accepted, the U.S. government won't have enough gold to make it through the day. The gold bonds sell in less than a half hour when they are offered for sale on the market. This is a temporary measure that lasts for several months.

Trusts are the tool that Morgan and others are using. Morgan puts together the U.S. Steel trust with a syndicate of more than three hundred underwriters. This is a deal that makes many people wealthy. After this comes the battle over the Northern Pacific Railroad. A Morgan protygy, James J. Hill buys the Chicago, Burlington and Quincy railroad. This leads to a group headed by Jacob Schiff and Edward H. Harriman secretly buying $78 million in Northern Pacific stock. This fuels a surge of speculative buying. but Morgan retains control. They eventually establish a holding company for the Northern Pacific, Great Northern and Chicago, Burlington and Quincy railroads. The Northern Securities Company ties Morgan with Schiff and Harriman and fuels speculation that they will try to form a huge railroad monopoly.

Part 1 Chapter 6 Trust

Part 1 Chapter 6 Trust Summary and Analysis

Jack Morgan is working in the London office in 1898, watching the events in America. By this time there is a branch of British Morgans due to marriage and they are active in the London office. Jack and Jessie carve out their own lives in England and are accepted members of society. Jack is active in the London office and outside most of Pierpont's dealings in putting together trusts. Jack and his family, wife Jessie and four children, Junius, Henry, Jane and Frances, have the use of Pierpont's properties and staff while in London. In 1901 he buys his own estate, Wall Hill. "Although the Morgans are the darlings of the British establishment, the relationship would always be fraught with tension - less a love affair than a tense jockeying for power. The British could never figure out whether Pierpont and Company were allies or the first wave of a barbarian horde. Wall Street was gaining on the City in the fight for financial supremacy, with the Morgans overtaking the Barings and Rothschilds " (Chapter 6, pg. 99).

When the Boer War depletes England of gold, the British government turns to the Rothschilds and Morgans for help in raising money through bond sales. Pierpont demands and receives a higher commission and the Rothschilds try to force Morgan out of the syndicate, and fail. From this point on, the House of Morgan surpasses the House of Rothschilds. The formation of the steel trust paves the way for a surge in U.S. exports to Europe. Pierpont begins to form a shipping trust that will give him control of the North Atlantic routes. He works out a deal with the German lines to segment the market. The British government makes a deal with Cunard Lines so they don't sell to the trust which begins a rate war.

The London office undergoes changes. Pierpont engages in merger talks with the House of Baring but the deal does not go through. Edward becomes a Morgan partner in 1904 and brings in his cousin, Vivian Hugh Smith, a friend of Jack's. Intermarriages strengthen the banking line of the House of Morgan and make it a British-American entity in 1910 when it becomes Morgan, Grenfell.

In 1902 the government files an antitrust suit against Northern Securities Company. Morgan loses on Supreme Court appeal and is ordered to dissolve the Northern Securities Company. Pierpont brings in George Perkins who puts together the International Harvester trust. Pierpont also arranges the financing for the purchase of the Panama Canal from France.

Jack returns to New York in 1905 and Pierpont buys him a house next to his own. He also builds memorials to his father, Junius. His art collection is valued at $50 million at the time of his death and represents half of his estate.

Part 1 Chapter 7 Panic

Part 1 Chapter 7 Panic Summary and Analysis

Despite the warning signs, there is a stock market panic in October 1907. Pierpont is attending a religious convention in Richmond, Virginia when the panic occurs. Pierpont, flooded by telegrams, finally returns to New York early to deal with the panic. The panic results in massive selling of trust stocks and runs on banks as people try to withdraw their deposits. Morgan puts together a deal that keeps most of the brokerage houses solvent and keeps the New York Stock Exchange from closing. The panic of 1907 results in many changes in attitude in government. Pierpont Morgan negotiates many deals to save the brokerage houses and many businesses. Government begins to call for regulation of the stock exchange. The Federal Reserve System is created to deal with and prevent these panic situations.

The election of William Howard Taft as President leads to more trust busting as action is taken against U.S. Steel, International Harvester, Standard Oil and the American Tobacco trusts. This is also the beginning of foreign loan syndicates as America becomes a major player in world trade and imperialism. The House of Morgan becomes involved in helping the government settle problems in Honduras and China, countries they normally would not do business in. The U.S. government demands equal footing with the Europeans in China, even though Wall Street does not want to do business there and does so only to appease the government. This policy of appeasing governments later creates problems for the House of Morgan. The House of Morgan's venture in China ends with the election of Woodrow Wilson as President and the dissolution of the American Bankers Group that has been put together to appease the government.

This era marks the involvement of the United States into world markets and imperialism. Bankers, along with the House of Morgan, find themselves acceding to government wishes and operating in China, until the election of Woodrow Wilson. The House of Morgan is not unhappy to be out of China.

Part 1 Chapter 8 Titanic

Part 1 Chapter 8 Titanic Summary and Analysis

This chapter takes place near the end of Pierpont's life. Pierpont is now being attacked publicly for his involvement with the trusts. Government investigations begin with the 1912 Pujo hearings, as the House Banking and Currency committee hearings become known as. There are fears that the House of Morgan is becoming too big and powerful. The Pujo hearings cannot prove what they want to, but just conclude that there are six big Wall Street entities that are the basis for most of the securities funding. The Pujo hearings take their toll on Pierpont who dies several months later. Jack is now the head of the House of Morgan.

Pierpont, when semi-retired, spends his time traveling around the world. He keeps in touch with his son, Jack, while he is traveling. Pierpont cannot control his daughter Anne who has an independent streak . She is active in founding women's clubs. As his estrangement from Anne deepens, he becomes closer to son Jack. Jack will take over for Pierpont when Pierpont dies but Jack is no Pierpont. The search is on for a strong manager to run the day-to-day business. Two contenders are Harry Davison and George Perkins. Davison is forced to resign. In 1910 Pierpont retires the name of J.S. Morgan and Company. J.P. Morgan and Company is a partner in Morgan, Grenfell. Pierpont tells Jack he will have enough to deal with when Pierpont dies and wants to attend to some of the details while he is alive.

Pierpont's shipping trust is still having problems with the Cunard Line, which builds the *Lusitania* and *Mauretania* with British subsidies. Not to be outdone, the trust builds the *Titanic* and the *Olympic.* Pierpont and Vivian Smith have booked reservations on the *Titanic's* maiden voyage and have to cancel. The *Titanic* strikes an iceberg and sinks.

Government is beginning to attack the trusts and Morgan. Minnesota congressman Charles A. Lindbergh Sr. coins the term Money Trust, referring to Morgan. Press investigative reporters begin publishing exposes about the banks and credit lines. Calls for a congressional investigation into Wall Street result in the 1912 hearings known as the Pujo hearings. The House of Morgan engages in a publicity campaign trying to improve their image. The Pujo hearings begin in December 1912. "But let us first note the awesome Morgan power that was revealed lest the Money Trust theorists seem malcontents. Some 78 major corporations, including many of the country's most powerful holding companies, banked at Morgans. Pierpont and his partners, in turn, held 72 directorships in 112 corporations, spanning the worlds of finance, railroads, transportation, and public utilities. In this era of relationship banking, board seats often meant a monopoly on a company's business. During the previous decade, the House of Morgan had floated almost $2 billion in securities - an astronomical figure for the time." (Chapter 8, pg. 154). The Pujo committee cannot prove a Money Trust, just that there are six big firms that make a lot of syndicated securities offerings.

After the hearings, Pierpont sails to Egypt with daughter Louisa. Pierpont's health worsens. He dies in Rome on March 31, 1913. Many Morgan associates attribute his illness and death to the Pujo hearings.

Part 2 Chapter 9 Metamorphosis

Part 2 Chapter 9 Metamorphosis Summary and Analysis

The Morgans purchase 23 Wall Street in early 1912. They tear down the building, buy a Tennessee marble quarry, and began building their new building. Jack sets the cornerstone in 1913. The building is completed in 1914. The building is smaller but has only the House of Morgan as its tenants and Jack as the head of the House of Morgan. Unlike his father, Jack delegates authority. Jack runs the office in the British manner with afternoon tea and daily partners meetings. Jack, unlike his father, recruites executives who are very strong capable businessmen. Like other Morgan sons, Jack carries on the Morgan tradition of father worship and tries to mimic his dead father. He also carries on the philanthropic tradition. His specialty becomes original manuscripts dated before the 1500s. Jack buys an island and builds Matinicock Point, a huge chateau. They move there in 1911. He and Jessie spend six months of the year in England.

Pierpont's massive art collection is moved from England to the U.S. in 1912 to avoid British inheritance taxes. Jack has to fulfill the bequests of Pierpont's will and is cash strapped, since most of the estate is in the form of art. Jack begins to sell off the collection and also donates a large portion to the Metropolitan Museum of Art. Another donation of art is made to the Wadsworth Atheneum, the memorial to Junius, in 1917. The art collection and the taxes are the first crisis Jack faces after his father's death. The second crisis involves the New York, New Haven and Hartford Railroad. The railroad trust is operated by Charles S. Mellen who had been hired by Pierpont. The railroad experiences quite a few wrecks in 1911 and comes under attack from lawyer Louis D. Brandeis, who begins to attack interlocking directorates between banks and industrial companies. He has presidential candidate Woodrow Wilson on his side. Mellen is indicted for antitrust violations by a federal grad jury. This is the situation Jack inherits upon Pierpont's death. Jack fires Mellen in 1913 and replaces him with Howard Elliott.

In 1914 the government enacts the Clayton Antitrust Act, which outlaws interlocking directorates. In addition the Federal Reserve Act is passed, which establishes a central bank under government control, not under private control.

Part 2 Chapter 10 War

Part 2 Chapter 10 War Summary and Analysis

In 1914 World War I begins, as Austria-Hungary declares war on Serbia. This results in a panic on Wall Street when all of the European markets close. On July 31, 1914 Wall Street responds in the usual way to the crisis and meets at the House of Morgan. The decision is made to keep the stock exchange closed. The exchange remains closed until December. Wilson announces American neutrality in the war. This doesn't sit well with the House of Morgan which is pro-Ally. They are not allowed to engage in financial dealings with the Allies for two months. The change in policy comes about as exports to Europe pull the U.S. out of a recession. Eventually the House of Morgan becomes a purchasing agent for the allies from which it earns $30 million in fees during the war.

Jack is shot in his home by a German fanatic who wants a halt to munitions shipments to the Allies. He isn't seriously injured and recovers. He always keeps a bodyguard around him after this incident. Jack becomes openly anti-German after the attack and wants America to enter the war on the side of the Allies. The House of Morgan and other Wall Street firms continue to make loans to the various warring entities. The House of Morgan is caught between differing British and American policies. At this time America is becoming the leading creditor nation in the world, a role it will not drop when the war ends. A loan of $500 million is made to the Anglo-French allies. The House of Morgan receives a lot of bad publicity for its role in the war. When the U.S. enters the war, the government promptly extends $1 billion in credit to the Allies. The British refuse to repay the Morgan loan. In spite of this, the House of Morgan emerges from the war stronger than it is at the beginning of the war.

Part 2 Chapter 11 Explosion

Part 2 Chapter 11 Explosion Summary and Analysis

The end of World War I leaves the United States as a world power with a strong, intact economy. America continues in the role as the world's leading creditor and the House of Morgan becomes the most influential banker in the world. Tom Lamont is appointed to the U.S. peace delegation and helps write the financial section of the peace treaty. The Russian and Mexican revolutions result in those countries repudiating their foreign debt. In 1920 a bomb explodes outside the Morgan Wall Street building. The crime, never solved, is attributed to anarchists. This is another incident, in a string of many attacks against the Morgan family and firm. The result is to increase Jack's feelings of anti-Semitism. He begins to use his influence with the British government against the German-Jewish bankers. Due to the pressures of government, Jack Morgan becomes the banker for Germany.

When Davison dies of a brain tumor in May 1922, Lamont steps into a leadership role at the House of Morgan. Lamont tries to gain entry into the auto industry. He is unsuccessful with Ford but in 1920, they handle the General Motors stock offering. During the 1920s recession, they have to affect a rescue operation to prevent a market collapse and form the General Motors company, with Durant, the founder, owning 40%, the du Ponts owning 40% and the House of Morgan owning 20%. At this time American investors are buying foreign bonds. Under the Federal Reserve law, banks could now open foreign branches. This is the era of the Roaring Twenties. The government bars any loans to governments that have not repaid their war debts. This means that the Allies have to collect reparations from Germany in order to pay their own debts to the Americans. Loans cannot be made now without the approval of the government.

Part 2 Chapter 12 Odyssey

Part 2 Chapter 12 Odyssey Summary and Analysis

China again becomes a market of interest in the 1920s. Lamont is sent to see if there is a way to stop the feuding north and south governments there and if the time is right for loans to China. Lamont returns with advice that no loans be made until the north and south stop fighting each other. Japan becomes the market for the House of Morgan. When an earthquake hits the city in 1923, the House of Morgan leads the relief effort through Lamont's Red Cross. Morgan forges ties with the House of Mitsui, the leading Japanese bank and leads the syndicate for a $150 million earthquake loan.

At the same time there is increased lending to Latin American countries. These are always risky loans because of the Latin American countries dependence on commodity crops. The International Committee of Bankers on Mexico (ICBM) handles bonds sales for Mexico. These are sold to small investors. A coup brings President Obregon to power in Mexico. Obregon is interested in better relations with the United States. Several debt agreements worked out with the Mexicans collapse in the 1920s.

The House of Morgan becomes involved in European reconstruction in 1921 helping out with a loan to Austria with Morgan and Kuhn, Loeb handling the $25 million New York portion. German hyperinflation undermines the reparations payments. The bankers view a strong Germany as the path to a strong Europe. A conference held to rescue Germany devises the Dawes Plan. The plan ties reparations payments to ability to pay and a loan from New York and Europe. This allows Germany to make its reparations payments to the Allies who use the money to pay their war debt to the U.S. Their actions result in a five year economic upturn for Germany, resulting in a good base for Hitler.

Part 2 Chapter 13 Jazz

Part 2 Chapter 13 Jazz Summary and Analysis

The year is 1924 and it is an election year. The House of Morgan has ties with both candidates. Calvin Coolidge is backed by most of the partners. John W. Davis the Democratic candidate is a Morgan lawyer. The Republicans win the election.

The Morgan bank only deals with the wealthy who come with an introduction. The ordinary person cannot afford to bank there. A Morgan partnership is one of the most desired positions on Wall Street since partners are rumored to make $1 million a year. The Morgans underwrite more in securities, $6 billion, between 1919 and 1933 than any other firm. The partners of the House still sit on other companies' boards. Lamont is the wealthiest of the Morgan partners. He and is wife Florence are active socialites.

Jack, in the meantime, buys a tavern in England, near his Wall Hall estate. He still owns his Scottish hunting lodge and the New York City townhouse. In his mid-fifties with his father's estate problems settled, Jack begins to expand his manuscript collection. He establishes the Pierpont Morgan Library in his father's memory. In 1928 he adds the land from his townhouse and builds an annex to the library. Jack begins to groom his sons, Junius and Sturgis for roles in the House of Morgan.

Jack's mother dies in 1924 and his wife Jessie dies in August 1925. Jack becomes very withdrawn after Jessie's death. In 1927, he buys waterfront property in Glen Cove for the Morgan Memorial Park, his memorial to Jessie.

Part 2 Chapter 14 Golden

Part 2 Chapter 14 Golden Summary and Analysis

By the mid-1920s, America has surpassed England as the world's banker and creditor. The London office of Morgan Grenfell moves to a new headquarters in 1927. Both Grenfell and Smith and their wives are active in the London social scene. In 1919 England goes off the gold standard in an attempt to recapture their position as a leading world financial center. The House of Morgan wants Britain back on the gold standard. They, along with John Maynard Keynes, fear that the exchange rates will become political. The pound has reached higher values in the exchange markets. If the pound can't hold its position, speculators will sell pounds for dollars, forcing the value down. The Fed keeps American interest rates low to prevent a speculative attack and maintain currency values. In 1925, Chancellor of the Exchequer, Winston Churchill puts England back on the gold standard. Credits are extended to the Bank of England to support the pound, but they are not needed.

The return to the gold standard causes economic problems in England. The higher pound requires an adjustment of wages and prices in England. This results in strikes and other social problems. At this time the Italian lira begins to fall in value, under the regime of Benito Mussolini. Jack and others travel through Italy, viewing the regime of Mussolini. They are impressed with Mussolini's financial policies. Lamont and Mussolini have a fifteen year business relationship. Mussolini is criticized for his violent tactics yet Lamont views the stories of violence as exaggerated. The U.S. government will not allow loans to Italy unless Italy settles its war debts. Lamont seems to side with Mussolini and tries to shift the emphasis from politics to economics in any discussion. In 1926, after Italy works out its war debt problem, Morgan is able to make a $100 million loan to Italy. As Mussolini continues to restrict freedom in Italy and as violence increases, columnist Walter Lippmann continues to oppose Mussolini in the press, with Lamont trying to defend the Italian dictator.

At this time, Morgan has become a friend of Pope Pius XI and is restoring Vatican manuscripts. The Vatican receives compensation from Mussolini for seized lands and now has assets to manage. The bonds received from Mussolini are converted into a stock portfolio. The House of Morgan is one of the advisors to the Vatican. The House of Morgan is active in advising both Mussolini and the Vatican.

Part 2 Chapter 15 Saint

Part 2 Chapter 15 Saint Summary and Analysis

Morgan partner Dwight Morrow is a friend and former college classmate of Calvin Coolidge and is active in his Presidential campaign in 1920. Morrow is a lawyer who puts together some brilliant deals for the House of Morgan. He is appointed by Coolidge to a commission to study the use of airplanes for the military in1925. This is how Morrow meets aviator Charles Lindbergh and the Morgan partners come to finance his *Spirit of St. Louis* flight. The Morrows and Lindberghs are invited to the White House as guests of Coolidge. From discussions during this visit, Morrow is appointed Ambassador to Mexico.

At this time American relations are strained with Mexico. The country has defaulted on debt payments, nationalized American and church owned property, among other things. People are calling for a break in diplomatic relations with Mexico. Morrow's wife Betty does not want him to accept the appointment and neither does Lamont, but Morrow accepts the job. He becomes friends with President Calles and tries to promote U.S. - Mexican relations. Lindbergh flies to Mexico on a successful publicity tour and meets Morrow's daughter Anne, whom he marries in 1929.

Morrow has future plans to run for the Senate so he tries to distance himself from the House of Morgan and works to settle various disputes with Mexico. He works out concessions with the oil companies that allow Calles to save face. He convinces Calles to return Church land and allow the Church to reopen, thus ending the state of near-war in some areas of the country. The issue of foreign debt is a heated one. Mexico has been in default for over fourteen years. Morrow proposes a broad payment plan along the lines of a bankruptcy settlement. Lamont wants the Morgan bondholders paid first. This causes a feud between the two. Lamont tries to have now President Hoover remove Morrow from the Mexican ambassadorship and appoint him to a different position. Hoover eventually appoints Morrow to represent the U.S. at a Naval Conference. He wins the nomination for Senate. While this is happening, Mexico signs an agreement with the House of Morgan for debt repayment. Morrow wins the Senate seat. Morrow dies in 1931. Five months later Anne and Charles's son is kidnapped. The House of Morgan tries to help in the case and comes up with the ransom money. "The Lindbergh Kidnapping also spread fear through the House of Morgan. Afterward, an army of 250 bodyguards protected the families of Morgan partners, and many of their grandchildren would remember growing up surrounded by opulence and armed guards." (Chapter 15, pg. 301).

Part 2 Chapter 16 Crash

Part 2 Chapter 16 Crash Summary and Analysis

The 1920s are referred to as the Roaring Twenties in America characterized by a bull market and economic prosperity. The pent-up demand from World War I is released. America's economy is stronger than those of the Europeans, which are devastated by the war. But the boom isn't even across the American economy. Certain major sectors, like farming, oil and textiles, are not experiencing any kind of boom. There are many small town bank failures. The boom is basically in the stock market. The 1920s are characterized by many small investors buying stocks on margin. Corporations are raising money through stock issues. The use of stocks instead of bonds as a means of financing corporate expansion does not hurt Wall Street because most of the big name players have stock affiliates. Many peddle their Latin American debt as bonds sold through their securities affiliates. The House of Morgan does not have the retail affiliates that other entities have. They handle original issues that are sold to selling groups that retail the stocks. Less than three percent of Morgan business deals with common stock issues. This saves it from the financial fate of many other banks during the crash of 1929.

The Morgan partners do dabble in stocks. They sit on the boards of many corporations and have financial information about the company and its plans. A statement by a Morgan partner would cause gyrations in the price of stocks. The House of Morgan also participates in stock pools, which are legal at the time and is very active in the communications industry. They are instrumental in helping Sosthenes Behn build his worldwide communications empire, International Telephone and Telegraph.

In early 1929, investment trusts come into being. These are leveraged mutual funds. Also popular at this time are holding companies which acquire smaller companies and use the dividends to pay off the bondholders. The House of Morgan in involved in several of the holding companies. United Corporations owns utility companies and Standard Brands owns food companies. The Alleghany Corporation owns railroad and real estate. This is a pyramid scheme where each purchase is financed with the previous purchase as collateral.

During this time Jack Morgan and Tom Lamont are involved in the problem of German reparations. A conference is held in Paris to deal with the issue. Germany wants them lowered. France and the Allies oppose lowering the payments because they have war debt payments to make. At the conference the Germans demand the Polish Corridor and overseas lands in return for the reparation payments. Eventually, reparation payments are tied to the German economy's performance over a fifty-nine year period. This is called the Young Plan, after Owen Young who chairs the conference. The debt is converted to tradable bonds with the bondholders paid by the Germans instead of the Allies. This is be through a Bank for International Settlements which is established in Basel, Switzerland.

Most of the Morgan partners do not see the crash coming. Some want the Fed to raise interest rates to take the speculative pressure off of the stock market. By the time the Fed does this, it is too late. President Hoover is trying to have the stock exchange curb speculation earlier in the year. Hoover sends an emissary to Lamont to ask if the stock market is grounds for concern and should the government take action to limit speculation. Lamont responds by saying there is no problem. This is five days before Black Thursday and the beginning of the Crash.

When the Crash begins, the bankers meet at the House of Morgan, their usual response to a crisis. Lamont chairs the meeting taking on the role that Pierpont always filled. There is not much that the bankers can do. They try to put together a rescue plan to buy stocks in an attempt to stabilize the market. A week later buyers have disappeared from the market. The Fed makes bond money available for reserves.

Part 2 Chapter 17 Depression

Part 2 Chapter 17 Depression Summary and Analysis

The Crash leads to the Great Depression. Hoover announces tax cuts and public works programs. Ford lowers car prices and raises wages and the Fed lowers interest rates, all in an effort to boost a sagging economy. All of them ignore the advice of economist John Maynard Keynes about these actions only deepening the Depression. The Morgan partners still do not realize the severity of the effects of the Crash. By early 1930, the stock market has recovered and it appears that the worst effects of the Crash have passed. By April, the market is beginning a downward slide reaching one tenth of its pre-Crash level by summer. The situation is further exacerbated in June with the enactment of the Hawley-Smoot Tariff Act which raises tariffs to their highest levels in U.S. history. The effect of these tariffs is to raise the price of U.S. imports and cause unemployment in other countries, which then do not have the money to buy U.S. exports. Foreign nations respond by raising their own tariffs against U.S. goods, thus beginning the era of Beggar thy Neighbor policies. This is the first economic blunder. The second is the Fed tightening the money supply. These actions set the scene for the severity of the Depression.

In fall of 1930, the Allegheny stock keeps falling with the Van Sweringen brothers buying their stock at lower and lower prices against the advice of the House of Morgan. The involved bankers meet with them and arrange a rescue loan. By the following year, they foreclose on the Van Sweringen brothers. In 1930 they provide the funds for a buyout of Kidder Peabody to save the name. By the winter of 1930 there are more than 250 bank failures per month. The bankers refuse to rescue the Bank of the United States, which is Jewish owned. The bank failure has psychological effects across the nation. The Wall Street bankers seem to have acted out of anti-Semitism.

The Crash and the economic conditions in the United States cause the investment market to switch to London but economic conditions are also worsening in England and throughout the British empire.

In Europe, the German elections are won by the National Socialists who adopt an anti-reparations attitude. Bank failures begin occurring in Central Europe, particularly in Austria and Germany. Lamont asks Hoover for a suspension in the payments of reparations and war debt in June of 1931. Economic problems in Europe will only worsen the U.S. depression. As German banks continue to fail, the effects are felt in London. There is massive selling of the pound and Britain is in danger of exhausting its gold supply. The gold standard means that nations have to exchange gold for their currency on demand. England needs a loan to support the falling pound, but the bankers, worried about England's budget deficit, want austerity programs. The government raises taxes and Morgan and France provide loans. The plan is not effective and the worsening economic conditions lead to marches and riots. In

September 1931, England goes off the gold standard and many other nations follow. Jack Morgan lauds the move which begins a battle with Lamont.

Lamont is still serving as banker to Japan. Their stock market crashes in 1927 and the nation experiences depression before the rest of the Western world. Japan has control of the South Manchuria Railway which gives it a way into China after Chiang Kai-shek's ouster by Mao Tse-tung. Japan's aggression against China begins in mid-1931 with a move into Manchuria. Lamont stands behind the Japanese. In December 1931, a change in the Japanese cabinet results in a new finance minister. Japan goes off the gold standard and begins bombing China. In the next few weeks, Lamont's Japanese friends are assassinated. Lamont still supports Japan in spite of all of the evidence, known to him, of what is happening in the country. The Japanese continue their imperialistic expansion into China. In 1934, Lamont changes his stance, feeling that he was fooled by the Japanese.

Part 2 Chapter 18 Midget

Part 2 Chapter 18 Midget Summary and Analysis

The stock market hits bottom in July, 1932. Unemployment is at its highest point in the nation. Hoover will not break with orthodox economic policies to bring the nation out of the Depression, preferring instead to balance the budget by raising taxes. In 1932 the Reconstruction Finance Corporation comes into being to make loans to banks, railroads and other businesses. This aids the House of Morgans by allowing the Van Sweringen brothers to borrow $75 million. Lamont and his wife sail on an Aegean cruise. "If the Morgan world seemed to survive the Depression intact, the surface was deceptive. Between 1929 and 1932, the bank saw its net worth - its basic capital cushion - drop with frightening speed, from $118 million to half that before Hoover left office. Total assets plunged from $704 million to $425 million. Even for the House of Morgan, these were staggering blows" (Chapter 18, pg. 349). Other measures result in cuts in salaries and closing the employee dining room. Morgan employees do not suffer as much as other employees do in American and England. New banking legislation, the Glass-Steagall Act, is enacted in 1933 which results in a division in the House of Morgan.

The House of Morgan has many international clients which sometimes cause it to act counter to U.S. and British policy. Lamont tries to get Hoover to suspend war debt payments. Hoover will not do so, which leads to a French default. Hoover is also convinced that there is a Wall Street cabal against him engaging in short selling. Hoover has the Senate Banking and Currency Committee investigate short selling on the exchange. The Committee expands its investigation into stock pools and other manipulations that preceded the Crash.

1932 is marked by bank failures and closings. Prior to this, in 1930, legislation is introduced to separate commercial banking from investment banking. In 1931 all of the Latin American countries default on their debt. All of this precedes the Roosevelt presidency. The Senate's investigation of Wall Street continues under Ferdinand Pecora. The packaging of Latin American debt into bonds sold to investors becomes known. The machinations of various Wall Street figures and the millions of dollars they make in the days preceding the Crash becomes public knowledge and results in an angry public.

Roosevelt assumes office in March, 1933 with an attack on the bankers and orders a one week long bank holiday and begins to implement radical reforms. This begins to restore public faith in the economy. The gold standard is brought to an end. The House of Morgan is wary of a Roosevelt presidency, and with good reason. Its very existence is threatened especially when Roosevelt requests that Pecora broaden his investigation. The investigation continues until 1934.

Under New York law, private banks do not have to reveal their books to state inspections. When Lamont is requested to state Morgan's capital position, he refuses just as he refuses the request for five years of balance sheets. Pecora has the Senate pass a resolution enabling the Committee to inspect the books of private banks. As the Morgan partners appear before the Committee in May, the Glass-Steagall Act is already before Congress and many big bankers are supporting it.

The Committee's investigation of the House of Morgan is the first investigation of a private bank. Pecora questions Jack about Morgan's role as a bankers' bank. Jack explains the Gentlemen Bankers Code and that he sees nothing wrong in Morgan's actions over the years. Pecora reveals that Morgan and the partners did not pay income taxes. The holding companies like Allegheny, United Corporation and Standard Brands are discussed. Pecora reveals the Morgan preferred list of friends who benefit from stocks in the holding companies. Even though Morgan has avoided the abuses and practices of the other banks, they are placed in the same category as the others by the existence of the preferred list.

The Glass-Steagall Act, signed into law on June 16, 1933, results in the separation of commercial banking from investment banking. Banks have to choose which business they want to be in. The Act also makes provisions for disclosure of loans and business dealings. The Glass-Steagall Act ends the House of Morgan in the form that it has always existed in.

Part 2 Chapter 19 Crack-up

Part 2 Chapter 19 Crack-up Summary and Analysis

The House of Morgan people hope for repeal of the Glass-Steagall Act. In 1934, they fight against the proposed Securities and Exchange Act to no avail. Jack Morgan's hatred of Roosevelt intensifies. There is a radio priest of the time, a Father Charles E. Coughlin, who begins to attack the banking industry in his broadcasts, along with the Hearst press and others. They blame the banking establishment for the war and the Depression. Roosevelt makes an attempt at trying to settle the differences with the Wall Street bankers, but it is to no avail. In 1934, Utah banker Marriner Stoddard Eccles recommends that the Federal Reserve Board in Washington absorb the New York Fed's power, in an attempt to remove Wall Street influences from the system. This is accomplished by the Banking Act of 1935.

By the summer of 1935, Morgan has to decide between investment banking and commercial banking. They cannot postpone the decision any longer. Part of the ban on banks and securities affiliates is restored by an amendment by Glass attached into the proposed Banking Act of 1935. But Roosevelt will not allow it. Jack begins to sell pieces of his collection to put his estate in order, while the Morgan firms restructure. The plan is for the New York firm to become a commercial bank while the London firm does the investment banking. The New York firm will own one third of the London firm. At a meeting of Morgan partners, they decide to open an investment house called Morgan Stanley with the twenty people who aren't involved in the commercial banking business. Most of the J.P. Morgan staff of over four hundred people is involved in commercial banking. This way they avoid massive firings. They also hope to be able to combine the two back into one House of Morgan under friendlier administrations in the future. The official division comes on September 5, 1935. Jack's son Harry is one of the partners leaving to form Morgan Stanley.

The new Morgan Stanley office opens on September 16, 1935 at 2 Wall Street. The company does its first big electric utilities issue before the end of the first month. The new securities firm handles $1 billion in new issues during its first year. Morgan Stanley captures most of the business that the House of Morgan had.

Part 2 Chapter 20 Wizard

Part 2 Chapter 20 Wizard Summary and Analysis

In 1933 Adolph Hitler becomes chancellor in Germany. Dr. Hialmar Schacht, who represents Germany at the Paris conference where the Young Plan was adopted, resigns from the Reichsbank as a protest against the terms of the Young Plan. He becomes a Nazi supporter, giving legitimacy to the National Socialists. He is active in raising funds for Hitler. Hitler has Schacht reinstated at the Reichsbank and makes him the minister of economics. Schacht is the financial wizard of Nazi Germany.

The House of Morgan is not alarmed at Hitler's election or at Schacht's position in the new regime. In June, Schacht declares a moratorium on the war debt. Schacht tries to deal with countries which have trade surpluses so they will buy more German goods. His plan is to force down the price of the German bonds so he can buy them at a cheaper price. This issue causes a division between the New York and London Morgan firms. Lamont works out an agreement for American bondholders to be paid interest. Schacht loses in a power struggle with Goring but he keeps his Reichsbank position until 1939.

By the mid-1930s, there are signs that war will soon break out. Hitler introduces obligatory military service. The Morgan group is still not worried about conditions in Germany even as it is obvious that Germany is rearming itself. In 1936 there are Congressional hearings about the role of the bankers in World War I. This is caused by the effects of Fr. Coughlin charging that the bankers dragged the country into the war to protect their loans. The Morgan witnesses state openly that they were pro-Ally.

In October 1935, Mussolini invades Ethiopia hoping to build an East African empire. The Morgan establishment cools in its support of Italy and Mussolini. Hitler and Mussolini form the Rome-Berlin Axis. Lamont makes one more attempt to separate Italy from Hitler through trade talks. Mussolini tells Lamont that he wants peace. Britain also tries to draw Mussolini away from Hitler. But in 1939, Mussolini invades Albania.

Part 2 Chapter 21 Embezzler

Part 2 Chapter 21 Embezzler Summary and Analysis

Jack Morgan never gets over his wife Jessie's death. He keeps all of their estates open at a tremendous financial cost. He tends to his dead wife's gardens and takes pride in his sixteen grandchildren. He hosts a formal dinner for the entire family every week at Matinicock Point. Jack suffers a heart attack in 1936. He has a second while in England to attend the coronation and misses the event.

In 1935 there is a Senate hearing on banker involvement with railroads. These are the Wheeler subcommittee hearings. Harry S. Truman, then a senator, is involved in these hearings. In May 1935 after another default by the Van Sweringen brothers, the Morgan groups decides to cut their losses and the stock is sold at auction. The stock sells for $3 million resulting in a $9 million loss for Morgan and Guaranty Trust. The stock is purchased by a Van Sweringen holding company. The Van Sweringens die and the stock is bought by Robert Young and a Woolworth fortune heir, Allen Kirby. Young was refused a seat on the board after buying a major block of Allegheny stock and is an enemy of the Morgans.

Truman feels that the Morgan group is doing everything they can to hinder the investigation but he vows to fight on if it takes him the rest of his life. Young fights the Morgans and the railroads by forcing competitive bids for bond issues on them. Eventually the SEC and Interstate Commerce Commission require competitive bids for electric utilities and railroads.

In October 1939 there is another big dive in the stock and commodity markets. This leads to the merger of Edward B. Smith and Company and Charles D. Barney and Company to form Smith, Barney. The industrial sector has been in turmoil for several years due to strike and unionization and there is high unemployment in 1937 and 1938. The First New Deal lasts from 1933 to 1935. By the late 1930s a group of left wing New Dealers emerges and finds themselves in agreement with the House of Morgan on topics like industrial planning and other topics. The big trusts and holding companies that they have are planned industries. Lamont and a group meet with Roosevelt, but nothing comes of the meeting.

In 1938 Morgan partner S. Parker Gilbert died. After a year his wife Louise, marries Harold Stanley. A week after Gilbert's death, a scandal involving former stock exchange president Richard Whitney begins. Whitney begins by making loans without sufficient collateral and then takes borrowed securities from the Stock Exchange Gratuity Fund and uses them for collateral loans. He also takes $150,000 in securities from his yacht club. When he misses a meeting of the Gratuity Fund, a clerk reports the securities missing and Whitney has to replace them. He goes to his brother George, a Morgan partner, for money. George goes to Lamont who writes a check for $1 million. It is repaid in two weeks. George also withdraws money from his partnership capital. None of them report the problem to the Stock Exchange. When Whitney approaches another Morgan partner, Frank Bartow, for a loan to cover the securities missing from the yacht club he tells Jack Morgan and they consult a lawyer. They have to refuse to make the loan to Richard, but they call his brother George in Florida. On March 7, 1938, Richard Whitney and Company is suspended from the stock exchange. Whitney is indicted for grand larceny and securities theft. The SEC holds hearings on the scandal at which Jack has to testify as well as Lamont. Lamont testifies that he thought the stock exchange knew of the problem. He helped a friend like George Whitney helped out his brother. The scandal brings reforms to the Exchange. Richard Whitney is sentenced to five to ten years in Sing Sing for his crime. When Richard is paroled he never again enters public life.

Part 2 Chapter 22 Appeasement

Part 2 Chapter 22 Appeasement Summary and Analysis

The House of Morgan is always Anglo-American in nature and character. As World War II approaches, tensions grow between the offices. Jack favors his London estates and prefers to be there. He is a friend of the royal family. There are many marriages within the London office families and they hire from within their families and friends. J.P. Morgan and Company is a minority shareholding in Morgan, Grenfell after the Glass-Steagall Act. The bone of contention between the offices is the war debt from World War I.

When Hitler invades Austria in March 1938, the fear is that Austria will default on their reconstruction loan. Walter Funk, the new economics minister, is saying that the Austrian loans are a form of reparations. In June there is an announcement of the settlement on the debt between Germany and England, which includes the Austrian debt. Relations between the New York and London offices are strained due to the London office siding with Britain. The London office shows greater loyalty to Great Britain than to the Morgan firm.

Tom Lamont is friends with the Astors. Nancy Langhorne of Virginia marries Waldorf Astor and is elected to the House of Commons. The Astor estate in England, called Cliveden, is a gathering place for intellectuals and politicians who believe that England can coexist with Hitler. Lamont agrees with these views. In the meantime, Japan is expanding into China and Hitler has moved into Czechoslovakia. Neville Chamberlain, hopes the Munich Pact will bring an end to Hitler's aggression. The Munich Pact has the support of the House of Morgan, even though Jack feels that the only way to stop Hitler is through war. Hitler's expansion continues.

Joseph P. Kennedy is the ambassador to England which infuriates the House of Morgan, which views Kennedy as an upstart Irish papist. Kennedy suggests and arranges a goodwill trip to the United States for the royal family. The trip takes place in June 1939. When Hitler invades Poland in September, Chamberlain announces the outbreak of war. In Washington there is a movement to keep the Wall Street bankers out of the war. "The federal government was vastly more powerful now than it had been in Woodrow Wilson's day, and it didn't hesitate to intervene in the economy for political ends. In fact, government resources now eclipsed those of private banking houses. By World War II, banks were no longer large enough to bankroll wars..." (Chapter 22, pg. 442).

Congress repeals the Neutrality Act and allows arms purchases by nations at war on a cash and carry basis. To raise money for the arms purchases, the Morgans and Lazard Freres sell bonds. The Morgans are against U.S. entry into the war and don't feel that Europe can beat Germany. The U.S. military ask Charles Lindbergh, who lives in

England, to visit Germany and assess German airpower. Lindbergh does and is very impressed by German airpower. By May 1940 Hitler expands into Denmark, Holland and Belgium.

Wendell Wilkie is running for president in the U.S. campaign. He has the support of the House of Morgan. Roosevelt wins election to a third term. Roosevelt comes out in favor of Britain and needs the House of Morgan's support.

Part 2 Chapter 23 Hostages

Part 2 Chapter 23 Hostages Summary and Analysis

In June of 1940, France submits to the Nazis and signs an armistice rather than suffer more blitzkrieg attacks. This leaves the Paris office, called Morgan et Compagnie in a precarious position. What happened to the Paris company during the years of Nazi occupation is reconstructed after the war. The Bank of France moves some of its gold to New York and hides the remainder at fifty one sites around the country. French banks do pretty much the same thing. Morgan et Compagnie buys a hotel in Norot and ships their securities to the site. By the time the Nazis reach Paris, they have vacated occupied France leaving the Paris office with a skeletal staff. Morgan's Leonard Rist of the Paris office is arrested by the Nazis in June 1940 and sent to a prison camp. The House of Morgan has to use their Vatican connections to secure Leonard's release and it takes eighteen months.

The Nazis will not allow French banks to conduct any foreign exchange operations without permission. The Paris bank is assigned a Nazi overseer who tries to force them to accept Nazi deposits. Pesson-Didion, of the Morgan bank responds that he is not authorized to by Morgan and will have to dissolve the bank. He can't stop the Nazis from looting Jewish accounts and safety deposit boxes. When a Nazi official demands to see the holdings of the French bank he is amazed to see the bank owns so little. They thought that Morgan et Compagnie owned shares in most of the French banks and other institutions and this was the basis for their influence. Morgan et Compagnie remains open during the war and eventually the senior Paris partner, Dean Jay and others return to the bank to add to the appearance of normalcy.

Lamont contacts Mussolini as a intermediary for the U.S. government and informs him that the United States will not tolerate German and Italian aggression. After the death of Pope Pius XI the U.S. assigns a representative to the Vatican, which is nervous about its own fate in a German-Italian alliance. Lamont's last attempt at persuading Mussolini to separate from Hitler fails. Mussolini begins to view Giovanni Fummi, the Morgan agent as a spy. In September 1940, Mussolini has Fummi arrested. Lamont secures his release with a personal appeal to Mussolini. Fummi is released and goes to Switzerland. He helps supervise the shipment of the Vatican gold to New York.

In August 1940, England is attacked. The Morgan, Grenfell office is prepared for the war and survives without being hit. Children are evacuated from London and the Morgan offices' children are sent to New York where they spend the war years at Matinicock Point. Many Morgan, Grenfell staff go into public service work during the war. America and the House of Morgan are united in aiding England during the war. The Lend-Lease Act is proposed which will have the U.S. government guarantee payment for war-related purchases of England. As a precondition, a major British industry in the U.S. has to be sold. The sale of American Viscose is handled by Morgan Stanley and Dillon, Read. The Lend-Lease Act is passed in March 1941.

Teddy Grenfell, head of Morgan, Grenfell, dies ten days before the Japanese attack on Pearl Harbor. The U.S. enters the war in December 1941. As the U.S. enters the war, Roosevelt and the House of Morgan are friends and allies.

Part 2 Chapter 24 Passages

Part 2 Chapter 24 Passages Summary and Analysis

In February 1940, J.P. Morgan and Company becomes a corporation. As the senior partners age, their death will result in a capital shortage for the firm as a partnership. The new corporation has Jack Morgan as president, George Whitney as chief executive and Lamont as head of the executive committee. The switch to the corporate form of business allows the bank to enter the trust business. This is something they cannot do as a partnership. In 1942 the bank joins the Federal Reserve System. Eight percent of Morgan shares are sold by a syndicate headed by Smith, Barney. The Drexel connection is ended when the Philadelphia office is closed and the Drexel name sold. The operations are taken over by Morgan. Morgan Stanley becomes a partnership, severing all of its links with Morgan.

Jack Morgan dies in March 1943. Tom Lamont becomes chairman of the Morgan bank. Jack has staffed the organization with capable people so it can function without him personally. Jack leaves an after tax estate of $4.6 million. His boat, the *Corsair IV* is purchased by a cruise line company and turned into a cruise ship. Eventually his Long Island mansion is torn down and becomes a subdivision for private homes. His other properties are sold or rented.

Monty Norman, now in his seventies, becomes ill and retires his post as head of the Bank of England. He is succeeded by Tom Catto. The Bank of England, a private concern, is nationalized in 1945. Catto's son Stephen becomes the post-war head of Morgan, Grenfell. Schacht reappears after the war sending correspondence to Norman. He is arrested by the Gestapo for another plot against Hitler and goes through a concentration camp, thirty two prison camps and the Dachau death camp. He is rescued by the Allies just as he and others are to be executed by the Gestapo. Schacht is eventually arrested and tried for war crimes. He is released after serving one year of an eight year sentence.

Lamont is semi-retired in 1943 due to heart trouble. He is contacted by the Italians in 1944 to rejuvenate his Italy-America Society. He tells them that the time isn't right. Mussolini dies in 1945. Lamont dies in 1948 and Leffingwell becomes the head of Morgan.

Part 3 Chapter 25 Methuselah

Part 3 Chapter 25 Methuselah Summary and Analysis

Leffingwell serves as chairman of Morgan from 1948 to 1950. The Bretton Woods conference, in 1944, lays the plans for a new world monetary system and establishes the World Bank and the International Monetary Fund. Much of what the private banks did is now a public function. This is dubbed the Casino Age. "Never again would a private bank such as J.P. Morgan be the most powerful financial agency on earth" (Chapter 25, pg. 486). The world of finance changes with the newly created public institutions taking over from the private ones like Morgan when it comes to loans to foreign countries. The World Bank will not make loans to countries until they settle their debt with private investors. The Marshall Plan is proposed to reconstruct Europe in the post-war period with resources way beyond the scope of Wall Street. The Wall Street bankers now take on more of an advisory role.

The Morgan firm is short of capital in the post-war years. When it joins with Chase in making two loans of $225 million to France, its resources are almost exhausted. Leffingwell is an outspoken liberal but very against Soviet expansion and communism. The Morgan bank tells Truman he has their support at the opening of the Korean War in 1950. They agree with MacArthur's removal when he wants to invade China. Morgan management disagrees with the administration over interest rates.

George Whitney becomes Morgan chairman in 1950. The Morgan bank is not the largest, ranking between twentieth and thirtieth in size nation wide. Even though the bank retains many of its British customs, they begin to recruit customers. Wall Street banks use compensating balances at this time as a form of finance. A loan recipient leaves about twenty percent of the loan in an interest free account. This practice is questioned when the Kennecott Copper chairman dies in an air crash and his successor wants to know why the company has $60 million sitting in an account at Morgan. Why isn't the amount being invested? Morgan needs these big deposits. They cannot survive as a major financial institution. They are too small and need a merger. Henry P. Davison and Tommy S. Lamont, sons of the partners, are against any merger.

Whitney's son is on Dwight D. Eisenhower's staff during the war and works on his presidential campaign. Robert Whitney, the son, is killed in a car crash in 1952. Morgan functions as an informal advisor to Eisenhower.

Part 3 Chapter 26 Mavericks

Part 3 Chapter 26 Mavericks Summary and Analysis

Morgan Stanley exerts influence not in proportion to its size. It is a small firm with only $3 million in capital. They deal with Fortune 500 companies and many of the original list of Morgan customers. It handles more bonds than any other firm including six of the seven major oil companies. Morgan Stanley and J.P. Morgan cooperate on business dealings whenever it is possible. The Justice Department files an antitrust suit against Morgan Stanley and seventeen investment firms in October 1947. The case is tried by Judge Harold Medina. The case lasts for over six years. All of the practices they describe are not illegal. Since there is no document to the conspiracy, Medina cannot apply the Sherman Act to the situation.

Robert Young resurfaces to testify for Justice in the trial. He has been fighting the Morgans for years. He buys the bankrupt Allegheny stock and then begins buying up New York Central stock. Young and his group acquire twenty percent of the shares by 1953 but he cannot get control of the railroad or a place on the board. He begins a proxy fight, which is an attempt to elect a different slate of directors. Young attacks the Morgan firms. Young wins the proxy battle. Young eventually kills himself in 1958.

Percy Hall is the managing partner of Morgan Stanley from 1951 to 1961. Harry Morgan, the son of Jack, is still with the firm. His son Charlie is brought into the firm and made partner with Harry, eventually trading his rights to the Morgan name to get Charlie his partnership. Charlie serves as office manager. The firm refuses to allow Harry's other son, John A. Morgan, a partnership so he works at other firms and becomes head of the corporate finance departments.

Morgan Stanley is still the premiere investment banking firm. It handles all of the biggest issues in the 1950s. There are no financial manipulations. They merely function as the intermediary between suppliers and demanders of capital. The firm, along with First Boston, handled issues for the World Bank. The World Bank raises its funds in U.S. capital markets. Morgan Stanley puts together huge syndicates to handle their issues.

Morgan Grenfell emerges from the war in good shape. It has its own accounts and functions as both a commercial and an investment bank. It handles the entire electric industry and the denationalization of steel. They do not recruit new business. New York refers business in Western Europe to Morgan Grenfell. It is rocked by a hostile raid by a Hamburg banker, named Siegmund Warburg, who opens his own firm. He correctly sees that they do not have the capital that industry needs but they have needed advice. Warburg leads the Reynolds Metals of Virginia hostile takeover bid of British Aluminum. British Aluminum makes its own deal with Alcoa who buys one third of the shares. The established City firms pool their resources and make a bid for British Aluminum shares, topping the offer of Tube-Reynolds. Warburg ups his offer and by January 1959 acquires over fifty percent of British Aluminum. This is a rude awakening to the established City firms that times have changed. Tactics and behaviors are not the same. Morgan Grenfell refuses to deal with Warburg for the next fifteen years so stung are they at being out-maneuvered on the British Aluminum deal.

Part 3 Chapter 27 Jonah

Part 3 Chapter 27 Jonah Summary and Analysis

The banking world changes in the Eisenhower era. Banks like National City, Chase and Bankers Trust are active in the lucrative retail market. In 1955, Henry Clay Alexander becomes the chairman of Morgan and one of the most famous and popular bankers on Wall Street. He grows up in Tennessee and never lives abroad, unlike most of the Morgan people.

The Suez crisis causes a rift in relations between Britain, France, Israel and the United States. The U.S. is against the invasion of Egypt after Nasser nationalizes the Suez Canal. George Whitney tells Eisenhower to get tough with Nasser. Eventually, Anthony Eden has to resign over the failure of the Suez invasion. Morgan's influence at the White House is disproportionate to its size. Most of the banks have merged because they need to be large to deal with multinational clients. The Morgan banks did not move with the times in terms of mergers.

When Chase moves to a new location, they sell their Broad Street location to Alexander, since it adjoins the Morgan Bank building. Even though Alexander keeps saying that they aren't interested in a merger, he knows they have to find some way to increase capital. Alexander solves the problem with Guaranty Trust. Guaranty Trust's chairman is J. Luther Cleveland. The board begins merger talks with Morgan bank in order to get rid of Cleveland. They eventually merge to become Morgan Guaranty with Alexander as chairman, Tommy S. Lamont and Henry P. Davison, Jr. as vice chairmen, and Dale Sharp as president. Sharp is the only one from Guaranty to have a top position. Junius S. Morgan celebrates the merger with a luncheon for eight hundred people at his North Shore mansion in April 1960. Junius dies six months later. The merger makes Morgan Guaranty the largest wholesale bank and fourth in commercial banking.

In this era new instruments and methods come into being. Morgan Guaranty pioneers in the Fed Funds market. These are overnight loans between banks. First National City develops the certificate of deposit which allows banks to pay interest on deposits of less than thirty days. These are instruments that banks trade. Morgan trades Treasury and municipal securities and is the most active dealer in the 1960s. "It would take the general public many years to catch on to these changes. The rise of bought money, negotiable CDs, and daring trading would have an enduring effect on banking. Bankers formerly had been preoccupied with the 'asset' side of the business - that is, making loans. Now the liability side - the money on which loans were based - took on equal importance. Profits could be expanded in two ways - by securing higher interest rates on loans or by buying money more cheaply in the marketplace. In this new environment, that bastion of conservatism, the House of Morgan, elevated the trader to unaccustomed eminence" (Chapter 27, pg. 541). The banker is no longer the intermediary he once was and this fact is emphasized with the development of the Euromarkets in the 1960s. Alexander sees expansion into foreign markets as the next big stepping stone for banks. Morgan begins to establish offices abroad. By 1962 they have eleven foreign offices on various continents. He hires Thomas Sovereign Gates, Jr., Eisenhower's last secretary of defense. Gates knows the foreign ministers and has connections.

The administration is warned in the early 1960s of the problem the drain of dollars will cause. Direct controls will have to be imposed at some point. This means that U.S. multinationals will begin to secure their financing in foreign countries. Morgan decides to begin underwriting again in Paris. As the government begins to restrict dollar flows, banking moves overseas and Eurodollars become a popular form of financing. A Eurocurrency is any currency outside of its own country that is deposited in a bank account. The Euromarket is worth $2.5 trillion in the mid-eighties and is unregulated.

Morgan Guaranty, Morgan Grenfell and Morgan Stanley join the Vatican in forming an investment bank called Euramerica. The Vatican and Morgan companies each own a third. The other third is divided among various Italian companies. The Euromarket causes some problems as each country thinks its own banks should be involved. The Morgan banks run into intense nationalism in dealing with issues in the Euromarkets. Morgan Guaranty has to withdraw from the Paris underwriting operation when the SEC rules they can't be a trustee for a company in New York and underwrite for them in Paris. Morgan Stanley takes over Morgan Guaranty's role. Morgan Guaranty establishes Euro-clear in Brussels as a clearing system for Euro securities.

The market that proves most difficult is Japan. Guaranty Trust has a monopoly in American depositary receipts (ADRs) going back to the 1920s. These allow American investors to buy foreign stocks. The bank holds the stock and issued tradable receipts against it. Morgan begins to issue ADRs for various Japanese companies. Morgan Guaranty decides to open a Japanese office. One of the emissaries sent is John Meyer, who becomes Morgan chairman in 1969. Morgan eventually wins approval for their bank office. The branch office opens in March 1969. In 1970 Morgan Stanley opens a Tokyo office.

Part 3 Chapter 28 Tabloid

Part 3 Chapter 28 Tabloid Summary and Analysis

The Morgan bank is not active in the stock market directly but they do have trust funds. The merger results in the bank being the biggest trust operation. They sometimes are responsible for up to one fourth of all shares traded. Street Hinton is named to run the trust department after the incorporation. Hinton buys stocks and holds them. By the mid 1960s Morgan manages $15 billion in trust assets. A Congressional report indicates that the trust market totals $1 trillion and that sixty percent of it is with commercial banks, mostly with Morgan and four other banks.

In April 1965 the SEC charges thirteen people with inside trading, one of whom is Tommy S. Lamont for giving information to Longstreet Hinton who buys Texas Gulf. Tommy has been on the Texas Gulf board since 1927. In November 1963 the company makes a big find in Ontario. The company doesn't immediately announce its findings despite rumors. After a meeting in April 1964 in which reporters are told of the find, Lamont calls Street and tells him to check the ticker. Hinton promptly buys Texas Gulf and advises Peter Vermilye to buy for Morgan Guaranty profit plan. At this point the news hasn't appeared on the ticker. Lamont also buys shares of Texas Gulf. Lamont blames Hinton for buying the stock saying he never told him to buy. The SEC adds rules that insiders cannot trade until after the news is announced to the public. A judge rules that the information becomes public when it is revealed to reporters. Lamont suffers a heart condition and dies.

In London the City consists of two groups: the original style investment banking firms and the foreigners that trade Euros. They put together big syndicated loans for different countries. Relations between Morgan Guaranty and Morgan Grenfell are strained. Morgan Grenfell begins to expand and modernize, hiring John Stevens to open foreign offices. They decide to back a film consortium and finance a successful Bridgette Bardot and Sean Connery film. The second film is such a financial disaster for the firm that the Bank of England has to intervene. Bill Harcourt, a grandson of Junius, leads the firm into controversial takeovers in the 1960s. One involves Gallaher, the maker of Benson and Hedges cigarettes which Imperial Tobacco has to divest for antitrust reasons. Phillip Morris begins to buy its shares through Warburg. American Tobacco tells Morgan Stanley that they want Gallaher and they alert Morgan Grenfell. They buy the shares in London. The British authorities have threatened to impose regulations on takeovers, due to the tactics the firms are using. The Bank of England establishes a Takeover Panel to devise a new code. They basically have a rule that there has to be a tender offer to other stockholders and not just to one or a few. Sir Anthony Hornby of Cazenove and Company are the stock buyers at the exchange for the Tobacco deal and buy up about five millions share of stock, in violation of the rule of the Takeover Panel. Their actions cause a public uproar. Morgan Grenfell makes $1 million on the American Tobacco deal, though its reputation is tarnished.

Morgan Grenfell next helps Rupert Murdoch in his acquisition of a London tabloid, *News of the World*. The British tabloids are, until this time, family held businesses that don't allow outsiders. Murdoch and the tabloid owner work out a deal and Morgan Grenfell begins buying shares, fighting a rival named Maxwell. The Carrs, owners of the tabloid, buy some of their own shares through a banker, in violation of the Takeover Panel. Maxwell complains to the Takeover Panel and trading is suspended in the stock for two months. The battle now becomes a proxy fight. In the end, Murdoch wins the battle and begins a long relationship with Morgan Grenfell.

These two deals lead to changes in the Takeover Panel. It also pitches Morgan Grenfell into the merger business.

Part 3 Chapter 29 Samurai

Part 3 Chapter 29 Samurai Summary and Analysis

Morgan Stanley also changes its character in the 1960s. Lewis W. Bernard becomes the first Jew to be hired and becomes the second youngest partner in Morgan history. Robert Baldwin is the Morgan partner who changes the firm. Morgan Stanley is poorly managed in the 1960s. Everything is done by discussions without budgets or plans. In 1967 the firm moves to the old Guaranty Trust building on Broadway. Eventually, with the support of a younger generation of partners, he manages to bring about changes. The world of Wall Street is changing and trading is becoming more important. Morgan Stanley's customers have always been the big corporations. Large investors are becoming more knowledgeable and trading large block for other blocks instead of holding them till maturity. Morgan Stanley has no trading operations which make it impossible for them to service this market. Baldwin correctly sees that Morgan Stanley is missing out on a lot of business as other Wall Street firms make niches in the market for themselves. In 1971 Baldwin finally pushes through a sales and trading program. The firm ceases to be a partnership in 1970 and becomes partially incorporated in order to acquire more capital. The trading operation is developed from scratch. The firm has to recruit traders who are a different breed from the investment bankers. They establish a competitive compensation plan and establish a research department. In 1970 Morgan Stanley relocates to the Exxon Building in midtown.

Changes are also taking place at Morgan Grenfell during this time. John Stevens, hired by Morgan Grenfell in the 1960s, opens new offices in foreign countries for the firm. They service American companies in foreign countries who usually bank with Morgan Guaranty. They can't enter the U.S. market because of the Glass-Steagall Act. In 1973 the European Morgan entities begin merger discussions. However, Morgan Grenfell is securing loans for iron curtain countries, which the American based Morgan Stanley cannot be a part of under U.S. law. The three firms cannot agree on a merger and they all go their own ways after the meeting. Morgan Grenfell establishes a New York office in 1974. Morgan Stanley buys out Morgan et Compagnie and establishes Morgan Stanley International in 1976 and opens a London office. Morgan Guaranty establishes Morgan Guaranty Limited in London for Euromarket underwritings. Morgan Grenfell refuses to join any of these ventures. They are now all competitors and the House of Morgan as it used to exist is gone.

Morgan Stanley is undergoing more expansion and changes. They have entered the trading business but they need another market. They enter the world of mergers and acquisitions by establishing the first department on Wall Street. Mergers are nothing new to the firm. They have been involved in many big mergers in order to underwrite the issues. Mergers are a part of their advisory role to clients. They stay out of the conglomerate wave of the 1960s. The Mergers and Acquisitions department, headed by Bob Greenhill, has a fee schedule for their services, which included a percentage of the takeover price and a fee for scouting mergers. The firm would no longer perform these duties free of charge for clients.

Morgan Stanley's first hostile takeover occurs in 1974 under Bob Greenhill. The firm is approached by Inco to mastermind the takeover of ESB. The takeover is successful but ESB goes on to lose money. Other firms follow Morgan Stanley into the hostile takeover business. The business is extremely profitable. In May 1975 the SEC prohibits fixed commissions on stock trade. This does away with many of the profits as commissions are now competitive.

Part 3 Chapter 30 Sheiks

Part 3 Chapter 30 Sheiks Summary and Analysis

The 1970s bring further changes in the financial world. There is a recession in 1973-1974 caused by the Arab oil embargo. The system of fixed exchange rates collapses and there is intensive foreign exchange speculation that eventually causes the closing of Franklin National Bank and Bankhaus Herstatt. Morgan Guaranty and three other U.S. banks begin to accept petrodollars from Arab clients. Morgan has relationship with the Saudis dating back to the 1930s. Guaranty Trust has functioned as the Saudi banker since the 1930s and the formation of Aramco. The bank handles the Aramco account.

The Saudis form a central bank in 1952 called the Saudi Arabian Monetary Agency or SAMA. Many SAMA funds are deposited with Morgan Guaranty. SAMA is talked into opening the Saudi International Bank with part owner Morgan Guaranty and other banks in 1975 in Europe. This move catches Morgan Stanley and Morgan Grenfell by surprise. In 1975 Senator Frank Church begins to investigate the petrodollars and finds that seventy-eight percent of them are with six banks, one of which is Morgan. They are involved in the Arab boycott of Israel or the use of Jewish firms. They fight the anti-boycott legislation that eventually is enacted in 1977.

Morgan Stanley acquires Adnan Khashoggi as a client. He wants to build a huge agribusiness in Sudan and wants to buy the Arizona Colorado Land and Cattle company. Morgan Stanley negotiates a $9 million deal. Morgan Grenfell also is active in the petrodollar market. They arrange export credits for projects including arms exports to Jordan and Oman. They make a $200 million loan to Abu Dhabi at the outbreak of the Yom Kippur War. There is speculation that the money is to pay for Soviet arms and weapons. Morgan Grenfell becomes a major advisor to the Middle Eastern countries.

Part 3 Chapter 31 Tombstones

Part 3 Chapter 31 Tombstones Summary and Analysis

Morgan Stanley leads the industry in stock and bond offerings in the mid 1970s. It grows on a yearly basis adding new areas of operations. It grows from two hundred employees to seventeen hundred and $7.5 million to $118 million. The firm grows very quickly. Baldwin's philosophy introduces a competitive nature that creates a tense atmosphere. Partners begin to leave for other firms.

Morgan Stanley always insists on being the sole manager on new issues so their name appears alone in the top left hand corner of tombstones. Tombstones are the newspaper announcements of new issues. They turn down managing new issues if the client insists on a co-manager. This policy begins to hurt them in the 1970s. In 1979 it comes to a head when IBM asks for Salomon Brothers to be co-managers on a $1 billion issue. Morgan Stanley refuses and loses the deal to Salomon. This begins a trend by other investment banks.

Morgan Stanley is relying more on takeovers for its business. In less than five years, mergers are the firm's main source of business. Measures are taken to isolate the mergers department from the rest of the firm in order to avoid conflict of interest charges and insider trading problems. In 1977 Kennecott Copper is interested in buying Olinkraft. They share their financial data but Kennecott buys Carborundum instead. They return the financial data to Morgan Stanley. Morgan Stanley does not return the financial information to Olinkraft. When Olinkraft is the object of a buyout by Texas Eastern, Morgan Stanley tells their customer, Johns-Manville, about the projected earnings and Johns-Mansville wins a bidding war and acquires the company. The Wall Street Journal breaks the story about the financial projections in October which puts Morgan Stanley on the spot. They insist they did nothing wrong.

In 1981 Morgan Stanley hires Adrian Antoniu, a Romanian refugee. He eventually ends up working in the mergers department. Antoniu has friends from his Harvard business school class who work for different brokerage houses. He gives them the names of takeover targets and the friends buy stocks and share the profits. Antoniu moves to a different brokerage firm and is about to marry the daughter of a Twentieth Century Fox chairman as a federal probe begins to focus on him. He doesn't tell his future father-in-law but a colleague does. Within a month the marriage is annulled and Antoniu is out of a job. Criminal indictments are handed down in February 1981. The criminals receive light or suspended sentences.

Part 3 Chapter 32 Samba

Part 3 Chapter 32 Samba Summary and Analysis

In the mid 1970s half of the profits for J.P. Morgan and Company are coming from abroad. The Euromarket centers in London. Morgan Guaranty is the largest lender to Mexico, Brazil and Argentina. Since attaching austerity programs to loans causes riots, the banks prefer to leave this role to the International Monetary Fund whose purpose was to help with Balance of Payments imbalances. The austerity programs mean they cannot pay off their debts.

Even though Morgan is the one of the biggest lenders to Brazil, the Brazilian office will not let them open an office in the country. Morgan hires Antonio Gebauer, who is a Venezuelan married to a Brazilian. He develops relationships with most of the Latin American leaders and makes numerous loans to Brazil. But Morgan cannot do anything about Brazil's inflation. In April 1982 the Falkland's War occurs between England and Argentina. Gebauer serves as a peacemaker between them. In August, Mexico announces that it cannot service its debt. In October, Brazil announces it will not be able to service its debt without another loan. The Brazilians want Morgan to handle the loan. Fed Chairman Paul Volcker asks Morgan to be in charge of the loan. Morgan and Citibank put together a loan for Brazil. In December, the bankers are told that Brazil cannot make its payment in 1983. Morgan puts together a $4.4 billion loan package by February 1983. The banks involved cut off short term credit lines when they make the loans, which infuriates Gebauer. Morgan is relieved of its leadership burden, much to their relief. Volcker appoints William Rhodes of Citibank. In summer, as the Brazilian economy deteriorates, the bankers hold a private meeting in Brasilia and tell them that they cannot hold the syndicate together much longer. The Rhodes team obtains the cooperation of the Brazilian government and Gebauer is out of the picture. By 1987, Brazil declares a one and one half year moratorium on the debt, followed by Argentina several months later. They eventually have to write off the debt.

Tony Gebauer is senior vice president for Latin America from 1981 to 1984. He is found to have embezzled over $6 million from accounts over a nine year period. Some of the funds he embezzles are flight capital, money that the wealthy are taking out of the country to avoid taxes. The amount is large enough to service the debt that the countries cannot pay. Gebauer leaves Morgan in summer of 1985 to work with Michael Milken on repacking third world debt as junk bonds. When a Brazilian customer contacts Morgan about irregularities in his account, they send a team of auditors to Brazil and discover the extent of the crime. They report the problem to the Fed and the district attorney's office. Gebauer resigns his position with Milken when he is confronted with the crime. Gebauer serves half of a three and one half year prison term and repays eight million dollars to Morgan.

Part 3 Chapter 33 Traders

Part 3 Chapter 33 Traders Summary and Analysis

In the 1980s Morgan Guaranty enters investment banking in London bringing it into confrontation with Morgan Stanley and Morgan Grenfell. In 1981 Morgan Grenfell is told that Morgan Guaranty intends to sell its one third interest in the firm. They sell it little by little over a year quietly so it doesn't look like they are dumping Morgan Grenfell. Lloyd's of London broker Willis Faber is the buyer and chief shareholder. Morgan Grenfell promptly expands its New York operations and by 1985 joins the NYSE. At this time Morgan Bank is making more money from investment banking and trading. The London bank is very successful and is second in Eurobonds in 1984. It is also very active in foreign exchange, gold bullion and financial futures.

The Morgan bank also plays a role in the 1984 rescue of the Chicago bank, Continental Trust. Continental's problems begin when Penn Square Bank fails. Penn Square has sold Continental bad energy loans. Rumors of a possible sale of Continental brings on panic selling of Continental CDs in the Asian and European markets. The selling is all electronic. Morgan puts together a syndicate with a $4.5 billion credit line for Continental in a few days. This does not stop the selling in the world markets. The government steps in and has a private meeting with the big banks at Morgan. Continental is too big and too important to fail so the government basically takes an eighty percent ownership in the bank and guarantees all deposits. The commercial banking system at this time is in a very precarious position.

In March 1982, the SEC new Rule 415 changes the investment banking industry by allowing for shelf registration. This allows bigger companies to register large blocks of stock that they can sell in a piece meal fashion over a two year period instead of registering each issue. When AT&T wants to do such an issue, Morgan feels that it has to win since they have always been AT&T bankers. There is no syndicate in these sales since the firm or group of firm buys the issue and resells it. Morgan wins the bid and resells the stock for a small profit the next day. Morgan has to begin to work with co-managers now and loses their premiere position in underwriting.

When Baldwin steps down, S. Parker Gilbert becomes chairman. Gilbert is the son of a former J.P. Morgan partner in the 1930s. Gilbert turns out to be a strong leader. Dick Fisher is a Harvard Business School graduate who works in trading. He develops the bond trading department in the 1970s. Lewis Bernard is another important figure of the time. He introduces strategic planning with a ten year plan. He also computerizes the currency trading department, making Morgan Stanley a leader in the industry. He also develops their new fixed-income division. During the eighties the firm shifts more into mergers and bond trading and less into underwriting. The firm also begins dealing in junk bonds which provide a source of capital for corporate raiders. They help finance People Express, a new non-frills airlines in 1983. Eventually the airline runs into financial trouble, with Morgan Stanley holding $40 million in bonds. The airline eventually merges with Texas Air.

This era of banking with corporate raids and bond trading is known as transactional banking. In 1982 Morgan Stanley and Morgan Guaranty creates their first mutual fund, the Pierpont Fund. Morgan Stanley manages the fund and Morgan Guaranty sells it to customers.

Part 3 Chapter 34 Bang

Part 3 Chapter 34 Bang Summary and Analysis

Morgan Grenfell is also changing in character during this time. They are becoming an aggressive firm. Morgan Grenfell never had any sort of management planning. They manage the finances of Queen Elizabeth II and the sultan of Brunei and also manage various pension funds. The firm is instrumental in financing North Sea oil and projects for the Soviet Union. The British government opens the British banking market to competition. Fixed commissions are eliminated and there are many mergers among the banks. Morgan Grenfell is slow to react to the changes. The traditional directors do not want any mergers, the younger ones do. In June 1986, they take the firm public and sell shares to raise capital needed for trading. They are now active in hostile takeovers and corporate raids. Morgan Grenfell's two takeover stars are Roger Seelig and George Magan. Graham Walsh heads the Corporate Finance Department. Seelig and Magan are so good at their takeover work that Morgan Grenfell is far ahead of the rest of the firms, ranking number one from 1982 to 1987. Warburg's is a very distant second.

Morgan Grenfell becomes involved in the Guinness scandal. The Guinness chairman is Ernest Saunders. In 1985 Saunders begins to expand so his firm does not become a takeover target. Saunders begins a hostile takeover of Arthur Bell and Sons, a maker of Scotch whiskey and owner of hotels. Morgan Grenfell has represented Bell for over twenty years until Bell ends the relationship several months before. There is nothing illegal about the takeover. Saunders is involved in another hostile takeover attempt. A grocery chain begins to try to take over the Scottish brewer Distillers. Saunders enters the fray in dealing for Distillers. The Distillers chairman thinks he will remain in charge after the merger with Saunders. Guinness stock is increased in value by a buying campaign orchestrated by Guinness, who needs to use its own stock to purchase Distillers. In April 1986, Guinness acquires fifty percent of Distillers shares. After the victory Morgan Grenfell has to sell its shares of Distillers. Ivan Boesky, a Guinness investor, establishes a venture fund which Guinness puts ?69 million in.

1986 is also the year when a Morgan Grenfell trader Geoffrey Collier in involved in an insider trading scandal. Collier, while working for Morgan Grenfell, also has his own firm that is profiting from Collier's work at Morgan. He is forced to resign from Morgan Grenfell in November 1986. In the United States, Ivan Boesky is convicted of insider trading. The SEC has already alerted the British and they begin investigating the Guinness trading. Morgan Grenfell and Guinness headquarters have their records taken by the government. Roger Seelig is fired by Morgan Grenfell. This does not end the affair. The government forces a new Morgan Grenfell management team and establishes tougher regulations through the new Securities and Investment Board. Seelig and Saunders are later arrested for acts committed during the takeover of Distillers. Warburg's overtakes the lead position in takeovers.

Part 3 Chapter 35 Bull

Part 3 Chapter 35 Bull Summary and Analysis

During the 1980s a major change takes place in world financial markets. The United States, which becomes a creditor nation in the 1920s, is now a debtor nation. The financial industry attracts graduates from the top schools. Morgan Stanley names Eric Gleacher as head of its Mergers and Acquisitions department and becomes more active in corporate raids. The firm tops Wall Street in the handling of mergers. They are active in LBOs or leveraged buyouts. This is a method of financing by borrowing funds used to take a company private. They then secure loans using the company's assets as collateral. They repay the loans with future earnings. The LBOs more or less reverse the mergers as they are a way of taking a company private. When Morgan Stanley goes public in 1986, their partners become multi millionaires in one day.

The Morgan Stanley group is involved in the takeover of Burlington Industries. When corporate raider Asher B. Edelman begins acquiring Burlington stock, they are defeated by Morgan Stanley and a group. The company acquires a huge amount of debt as a result of the LBO. This is the fate of many LBO companies. They have to service the debt from the LBO. There are many ethical considerations involved in this era of banking.

In October 1987 the stock market crashes. This results in a global panic as the falling stock market prices trigger electronic trades. The crash shows the weaknesses in the banking system. Firms suspend the use of programmed traders. Morgan Stanley expands its practice of programmed trades on an international basis after nine months.

J.P. Morgan and Company finds its Triple A rating dropped by Moody's Investor Service, but not Standard and Poor's.

The London Morgan Guaranty Limited is renamed J.P. Morgan Securities. The holding company, J.P. Morgan and Company backs hostile takeovers and says they might even have its teams back both sides in a takeover. Morgan bank backs the most profitable side in takeovers, even when the target is a client of theirs. They back Hoffman-LaRoche against Sterling, a long-time client and Smithkline Beckman against Houghton, another long time client. Morgan is now doing what many Wall Street firms have been doing for many years.

Part 3 Chapter 36 Skyscraper

Part 3 Chapter 36 Skyscraper Summary and Analysis

By 1989 Morgan Stanly occupies seventeen floors of the Exxon Building. Its major business is now takeovers and merchant banking. They hold first place in junk bonds after Milken's indictment. LBOs are now being used for hostile raids, as with Nabisco in 1988. As a result Nabisco is burdened with more debt than most small countries, over $20 billion. Morgan Stanley makes $25 million on the deal.

Morgan Stanley is also involved in another inside trading scandal. It hires Stephen Sui-Kwan Wang, Jr. who is assigned to mergers in 1987. Wang gives information to Taiwanese investor Fred Lee, who pays him $250,000. Lee makes $16.5 million in ten months. Morgan Stanley is not involved but is criticized by U.S. District Attorney Rudolph Giuliani for not have better procedures and controls in place. Wang receives a three years sentence in October 1988.

In London, Morgan Grenfell enters into securities trading without have the leadership for it. It handles takeovers but its clients never use its securities side. In December 1988, Morgan Grenfell closes its securities department and lets go of one quarter of its staff. Its one strength is its merger and global-asset management department and its New York offices research and brokerage firm merge upon its acquisition of C.J. Lawrence. Morgan Grenfell becomes a takeover target and is bought by Deutsche Bank in 1989.

Morgan Bank still hopes for repeal of the Glass-Steagall Act, which never happens. Morgan Stanley does not care about Glass-Steagall because it has a large capital base. It does not need commercial banks to finance its takeover business. Morgan bank chairman lets it slip that they are considering giving up commercial banking and going into investment banking. In 1989 the Fed gives banks the ability to float commercial bonds. Morgan Bank moves to 60 Wall Street in 1989 into its own new building.

"Much of the bank's special flavor derived from its global outlook. As a conduit for capital transfers between America and Europe, the old House of Morgan had naturally looked abroad and was uniquely cosmopolitan at a time when America was still provincial and isolationist. Now the rest of the country had caught up. The Morgan bank's foreign connection, once incomparable, might today be matched by those of many foreign ministries, central banks, or even multinational corporations. Financial power has become widely dispersed among American, European and Japanese firms. No single firm will ever again be as lordly or preeminent as the House of Pierpont and Jack Morgan" (Chapter 36, pg.720).

Characters

George Peabody

Junius Spencer Morgan

J. Pierpont Morgan

Frances (Fanny) Morgan

John Pierpont Morgan, Jr.

Jane Norton Grew Morgan

Robert Bacon

Junius Spencer Morgan Jr.

Henry Sturgis Morgan

Jane Morgan

Frances Morgan

Edward C. Grenfell

George Perkins

Harry Pomeroy Davison

Tom Lamont

Dwight Morrow

Vivian Hugh Smith

Winston Churchill

Ferdinand Pecora

Harold Stanley

Dr. Hialmar Schacht

Montagu Norman

Russell Leffingwell

Maurice Pesson-Didion

Louis Tuteleers

Giovanni Fummi

George Whitney

Thomas Catto

Henry Clay Alexander

Thomas Sovereign Gates Jr.

John Meyer Jr.

Robert Baldwin

Objects/Places

London, England

London is where the book opens. It is where Peabody opens the George Peabody and Company banking house that preceded the J.S. Morgan and Company banking house. London is where Peabody lived until he died and it is where Junius Morgan relocated to.

The City

The City is London's financial district. It is where the J.S. Morgan Company is located.

Wall Street

Wall Street is the financial district of New York and the base for J. Pierpont Morgan. Wall and Broad Streets are the location of J.P. Morgan and Company.

Corsair

The *Corsair* is the yacht that Pierpont buys. It is the site of many business meetings and is where Pierpont acts as arbiter of many disputes involving feuding railroads.

Corsair II

The *Corsair II* is the yacht that Pierpont has built after his father dies. He also holds many business meetings aboard ship. In 1898 the ship is conscripted for use by the navy in the Spanish American War.

Corsair III

Corsair III is built by Pierpont after his yacht, *Corsair II*, is conscripted by the navy for use in the Spanish American War. He again spends many nights on board and uses it for business and entertainment purposes.

Mexico

Morgan partner Dwight Morrow resigns his partnership and becomes Ambassador to Mexico under President Calvin Coolidge. He helps settle some problems that are diplomatic issues between the United States and Mexico.

Washington, D.C.

Washington D.C. is the site of the Congressional hearings that investigate the banking industry. First there are the Pujo hearings and then the Pecora hearings. Washington D.C is also where Morgan partners travel to meet with government officials.

Italy

Italy is the home of Benito Mussolini and the site of several meetings between Lamont and Mussolini and a place where Jack Morgan and Lamont have traveled. Italy is one of the Morgan clients up until the beginning of World War II. Italy is also the home of Euramerica, formed by various Morgan entities with the Vatican.

France

The Morgans have operations in France from the 1920s on. During the Nazi occupation, they keep the bank open and functioning. Paris is where Morgan Guaranty begins underwriting only to have to withdraw due to an SEC ruling. Morgan Stanley takes over.

Japan

Morgan relations with Japan go back to the 1920s. Relations are strained after World War II when they try to re-enter the Japanese market.

Themes

Only One

The House of Morgan develops and functions at a time in history when many fortunes, including their own, are made. There is only one time in the development of the country when this takes place and it can never happen again. At one time J.P. Morgan was the most powerful man in the country, perhaps in the world. He could control more resources than governments. He had virtual monopolies on money and industries. Government came to him for money to finance their wars and to stabilize their currencies. Any crisis with the stock market resulted in and was usually solved by a meeting of bankers in Morgan's office. There will never again be a time in our history where one man, a private citizen, will be so powerful, able to halt financial crises and influence world events as the Morgans did.

Everything that happens during the course of the House of Morgan development and disintegration is unique to an era. This kind of history does not repeat itself. There is only one era in which trusts were formed and one era is which trust busting occurred. There is only one time period in which the Glass-Steagall Act is enacted and causes a separation between commercial banking and investment banking. There is only one time period in history in which the Euromarket comes into being or mergers or hostile takeovers and corporate raids. The various Morgan operations are there for all of it.

Power

The underlying theme of the book is power. The House of Morgan is, at one time, more powerful than most governments. J.P. Morgan is the most powerful man in the country. Presidents and heads of state come to him for assistance. The Morgans have enough power to get their own people released from Nazi camps. They have enough power to put together loans that save the pound and dollar from collapse under the gold standard. The House of Morgan is able to prevent many stock market crises. The Morgans hobnob with kings and sheiks and presidents. They serve as their financial advisors. Underwriting loans and issues gives them tremendous power, especially in the days of the trusts. The House of Morgan partners sit on the boards of most of the nation's big corporations which they formed into trusts. Their power is not only in the financial world but also throughout the economy. One of the things the books shows is how their power is slowly eroded by various laws.

Even though the Morgans acquire a tremendous amount of wealth, they are never as wealthy as the Vanderbilts or Astors. It is the power that the Morgans have that we watch slowly erode as time progresses and the world and the legal environment change.

Change

A theme that is not obvious is the role of change. The House of Morgan has to change as the world changes. No business can survive if it doesn't change with the times. The need for change is often a problem for the various Morgan operations. The House of Morgan is steeped in tradition which is why change is sometimes so difficult for them. For the most part, they cling to their tradition and resisted change as much as possible and to the last moment in some cases, as with the Glass-Steagall Act. They begin as a Victorian England firm and Morgan Grenfell, the London office, hangs on to that mentality as long as they can.

One of the most interesting parts of the book is watching how the various entities in the House of Morgan adapt to change. The House of Morgan that finances wars finds it is not needed in that way during World War II. The world has changed and there is no way for the banking system to provide the resources. This is now a function of government. Underwriting and new issues were the primary business of investment bankers. This changes, also, during the course of the book, due to a change in the prevailing legal environment. This results in the rising importance of mergers and acquisitions and eventually the movement into junk bonds and hostile takeovers and corporate raids which lead to leveraged buyouts, or LBOs. The Morgan entities change with the times, which bring their ethics into question several times. Loyalty to clients is replaced with serving the side that resulst in the most profits for the firm. The Morgan firms are just doing what the rest of Wall Street is doing, it just takes them a little longer to do it.

Style

Perspective

Ron Chernow is a business and political writer and has worked in the world of finance. He understands the business and the political world. He understands the world of finance and how the markets function. His understanding of the subject makes it easy for him to explain how the markets function for the reader. His purpose in writing the book is to tell the history of the House of Morgan. The House of Morgan basically shaped the world of finance. In spite of their wealth and power, the Morgans were rather secretive, preferring not to be in the spotlight. The author states that his purpose is to show that there will never be another House of Morgan. There will never be another private bank or entity that is as powerful as the House of Morgan in its day. There will never be another entity that is more powerful financially than even the governments of the United States and England. Chernow shows how the House of Morgan rose to power and how it used its power.

The audience for the book is anyone with an interest in history or finance. The book basically shows the development of the international financial system for one hundred fifty years. Chernow explains how each segment develops and what the Morgans role is. The reader should be impressed with the topic, the depth of Chernow's research and the readability of the book.

Tone

The book is written in an objective style. For the most part, Chernow relates the facts without interjecting his own opinions. The only time that his opinions come through is in Lamont's dealing with the Nazis and his blindness to what is happening. The only other place his opinions might be said to come through is in the discussion of leveraged buyouts and the effect they have on the firms. The cost of taking a company private is tremendous for the company because it leaves them with a huge amount of debt. He also explains how the ethics of the Morgan businesses change over time from the Gentleman Banker Code to representing the most profitable side. The wording and the context are the only clues to the author's opinions. They are stated ever so slightly. In spite of this, the reader has to be impressed with the depth of Chernow's research and his patience in telling the long story of the House of Morgan. The story of the House of Morgan is the story of the world's financial system and how it got to where it is today.

The objective nature of the book makes it very interesting for the reader. The House of Morgan is present for almost every major event in history and plays a role in the event, usually a "behind the scenes" role. Chernow presents the facts without boring the reader and actually makes the book very interesting reading.

Structure

The book is divided into three parts. The Baronial Age is from 1838 until 1913. This period covers the formation and growth of the House of Morgan and ends with the death of J.P. Morgan in 1913. This is the age in which bankers are basically the artists of the economy and in many ways are stronger than governments are financially. Part II is the Diplomatic Age from 1913-1948. This is the era of J.P. Morgan, Jr., Thomas Lamont, Dwight Morrow, and Russell Leffingwell and is the period in between the two world wars. In this era, the banks function as emissaries of and intermediaries for governments. They represent governments in various conferences and secret meetings. The third part of the book is the Casino Age or the post-World War II era. In this era, the bankers are competitors, as the three branches of the House of Morgan become. There are thirty six chapters in the three parts.

The book is for the most part in chronological order which makes it easy to follow. One of the hardest things for the reader is to keep track of all of the characters, because there are so many; but then there are a lot of people involved in the one hundred fifty year history of the House of Morgan. The author choses the most workable format for the book, given the nature of the book.

Quotes

"This book is about the rise, fall and resurrection of an American banking empire - the House of Morgan." Prologue, pg. xi.

"Such anarchy could easily fire a moralistic young banker like Pierpont Morgan. In his early years, he was exposed to many incorrigible Wall Street rascals, including Daniel Drew, the rustic sharpster who sold Eire stock short while sitting on the railroad's own board (he was called the speculative director), and Jay Gould, the small swarthy, full-bearded financier who prodigally bribed legislators as he vied for control of the Erie and other railroads. This was the infamous era of the Tweed Ring. Jay Gould's 1869 attempt to corner the gold market, and other acts of larceny on a scale never before imagined. While Junius inhabited the white-glove world of the City, Pierpont had to deal with Wall Street squalor and found it alternately seductive and repellent. Confronted by corruption, he saw himself as a proxy for honorable European and American investors, a tool of transcendent purpose representing the sound men on Wall Street and in the City. But what he saw as a moral crusade others might regard simply as competing self-interest. In his early years, at least, he wasn't always clearly distinguishable from the robber barons he was supposedly contesting." Chapter 3, pg. 30.

"This phase of Pierpont's life shows that his real vice was not money but power. This was not power of a pathological sort, not power to bully men and bask in glory - though there was some of that - but power to take what he saw as a topsy-turvy financial world and set it right. Among robber barons, he was unique in suffering an excess of morality. He believed that he could master the problems of his era at a time when others were confused by the sheer dynamism and speed of economic change" Chapter 4, pg. 58.

"So long as governments were financially weak, with primitive monetary methods and small budgets, they had to rely on private bankers." Chapter 5, pg. 77.

"The trusts had thrust Wall Street into the national spotlight and brought about growing federal scrutiny of high finance." Chapter 6, pg. 109.

"Yet there was more to the Taft-Morgan relationship than a progressive crusade against a Wall Street cabal. If trust-busing made good political theater, the deeper story was one of foreign collaboration. Even as Washington chastised the banks at home, it was forging them into foreign-loan syndicates in a new age of dollar diplomacy." Chapter 7, pg. 131.

"Not a conflict was buried here that would later tear apart the Anglo-American Morgan empire. However much it might camouflage it, the House of Morgan wasn't a multinational bank but an American bank with partnerships abroad. Many times, it would be impossible to appease both the United States and Britain." Chapter 7, pg. 133.

"The war was initially a bleak time for the House of Morgan. Like other banks, it made a great deal of money from broker call loans - loans made to buy stock on margin - and so started the war in low spirits. This despondent mood obscured a momentous shift in world finance: the United States was about to capture financial supremacy from England and emerge as the leading creditor nation. Although nobody quite realized it at first, the English era was over. After the war, world currency markets would shift from a sterling to a dollar standard." Chapter 10, pgs. 184-185.

"The vast majority of people walking by 23 Wall couldn't bank there. As a wholesale bank, J.P. Morgan and Company would take deposits only from important clients - large corporations, other banks, foreign governments. Like other private New York banks, it rejected deposits from the general public and accepted money only from wealthy people with proper introductions. It paid no interest on deposits of less than $7,500 and held no deposit of less than $1,000." Chapter 13, pg. 256.

"J.P. Morgan and Company engaged almost solely in a wholesale bond and banking business. With glaring exceptions, it refused to water down standards. It recommended conservative investments, such as railroad bonds, but shied away from the tipster's art of plugging stocks." Chapter 16, pg. 305.

"The bankers' rescue on Black Thursday proved longer on symbolism than on substance. The men knew they couldn't prop up a collapsing stock market, so they tried to introduce liquidity and engineer an orderly decline." Chapter 16, pg. 316.

"So the early New Deal threatened the House of Morgan in two ways: the Pecora hearings were exposing practices that could bring fresh regulation to Wall Street. And the White House attitude toward European finance augured an end to the House of Morgan's special diplomatic role of the 1920s. After an incestuous relationship with Washington in the twenties, the bank would suffer the curse of eternal banishment." Chapter 18, pg. 359.

"The feud between J.P. Morgan and Morgan Grenfell lingered; that the latter had placed British interests ahead of joint Morgan interests could not be lightly dismissed." Chapter 22, pg. 434.

"Perhaps the most extraordinary figure in Morgan history, Lamont was a dreamer whose reach exceeded his grasp. He fell short of the ideals that he himself articulated. After his death, Wall Street would seem grayer and more bureaucratic. As a confidant of presidents, prime ministers, and kinds, he was the last great banker of the Diplomatic Age." Chapter 25, pg. 481.

"The trial itself began on November 28, 1950. The government's case was fine sociology but inept prosecution. It mistook a club for a conspiracy and a highly ritualized form of competition for oligopoly." Chapter 26, pg. 503.

"At this point, investment banking still functioned according to a textbook model in which capital was tapped for investment, not financial manipulation. Investment bankers were still intermediaries between providers and users of capital, and they considered it unprofessional to function as the 'principal' in a transaction. The age of financial engineering hadn't yet dawned." Chapter 26, pg. 517.

"Although Alexander was the most domestically oriented chairman in Morgan history - he came in after the foreign loans of the twenties and never lived abroad - he fully internalized the Morgan identification with Britain." Chapter 27, pg. 529.

"The House of Morgan no longer presided over financial crises. As banks dwindled in power, they could cooperate with government-sponsored rescues instead of leading them. Even the largest could no more control the vast financial markets than they could bid the Red Sea part. The days when a Pierpont Morgan could sit down and extemporaneously write out a single sheet of paper to save the city were long gone." Chapter 30, pg. 621.

"By extreme estimates, commercial banks were booking more in deposits of flight capital than they extended in new Latin American loans, making them net borrowers from the region." Chapter 33, pg. 647.

"By 1984 bank failure were running at a post-Depression high. During the 1980s, the commercial banks faced chronic instability while securities houses raked in record profits." Chapter 33, pg. 660.

"LBOs became popular as the conglomerates of the 1960s were dismantled and managers took over pieces of the. They became rampant as a byproduct of takeovers, with managers resorting to them to fend off raiders or even flush them out. The LBO was thus a natural sequel to the merger wave." Chapter 33, pg. 694.

"There were similar problems with takeover clients. If Morgan Stanley's merger people spied an undervalued company, should they take it to a client of keep it for the firm? And if they recommended an LBO to a company, could they claim objectivity when the firm stood to make windfall profits in advisory fees and junk bond underwritings?" Chapter 35, pg. 698-699.

"Once again, the press noted the prestige of Morgan Stanley, but without the same sense of disbelief, the mournful sense of a smashed idol, that accompanied the earlier news. The firm had squandered its moral franchise. Morgan Stanley was now another big, wealthy Wall Street house out to make a buck and was distinguished only by the fact that it did so better than anybody else." Chapter 36, pg. 713.

Topics for Discussion

What does George Peabody have to do with the beginnings of the House of Morgan?

How do the Morgans come to control the House of Morgan?

How does Pierpont Morgan figure into the formation of trusts and interlocking directorates?

What is trust busting? How does it affect the Morgans?

How did the House of Morgan avoid the financial devastation of the Crash of 1929?

How did the Morgan entities become active in the Euromarkets?

What is the purpose of the Bermuda meeting? Why does it fail?

How did the various Morgan entities change to fit the times of the 1960s and 1970s?